


BAXTER INTERNATIONAL INC.

MEETING DATE	Tue, 05 May 2020 9:00 am	TYPE	AGM	ISSUE DATE	Fri, 01 May 2020
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/BAX2020				
CURRENT INDICES	S&P500				
SECTOR	Surgical and medical instruments and apparatus				

PROPOSALS		ADVICE
1a	Elect Director Jose "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	Elect Director Thomas F. Chen Independent Non-Executive Director.	For
1c	Elect Director John D. Forsyth Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board. Chair of the Remuneration Committee and less than 50% of the members of the committee are independent.	Oppose
1d	Elect Director James R. Gavin, III Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	For
1e	Elect Director Peter S. Hellman Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is a non-independent member of the Remuneration committee which Triodos does not support.	Oppose
1f	Elect Director Michael F. Mahoney Independent Non-Executive Director.	For
1g	Elect Director Patricia B. Morrison Independent Non-Executive Director.	For
1h	Elect Director Stephen N. Oesterle Independent Non-Executive Director.	For
1i	Elect Director Cathy R. Smith Independent Non-Executive Director.	For
1j	Elect Director Thomas T. Stalkamp Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is a non-independent member of the Audit and Remuneration committee which Triodos does not support.	Oppose
1k	Elect Director Albert P.L. Stroucken Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board. Chair of the Audit Committee and less than 50% of the members of the committee are independent.	Oppose

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| <p>11 Elect Director Amy A. Wendell
Independent Non-Executive Director.</p> | <p>For</p> |
| <p>2 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 Company uses adjusted performance metrics for most elements of compensation. 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. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 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.
The compensation rating is: ACD.
Triodos opposes this resolution.</p> | <p>Oppose</p> |
| <p>3 Appoint the Auditors
PwC proposed. Non-audit fees represented 4.42% of audit fees during the year under review and 5.60% 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.</p> | <p>Oppose</p> |
| <p>4 Shareholder Resolution: Introduce an Independent Chairman Rule
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.
Triodos supports this resolution.</p> | <p>For</p> |
| <p>5 Shareholder Resolution: Written Consent
It would be preferred that Extraordinary General Meetings be the means of discussing topics in-between AGMs. Acting by Written Consent does not encourage and facilitate broader and responsible participation of shareholders in decision-making. It is considered that this practice disadvantages minority shareholders. Furthermore, Acting by Written Consent may be used to force hostile take-overs, which is not considered appropriate.
Triodos opposes this resolution.</p> | <p>Oppose</p> |

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: A The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets: Adjusted EPS, net sales and free cash flow.

Balance: C 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. The Company does not consider non-financial metrics in its assessment of performance. 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. 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. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages. In addition, executive compensation is aligned with companies of a similar market cap.

Contracts: D Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 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 has been appropriately defined. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

Rating: ACD

Proposal 4 - Shareholder Resolution: Introduce an Independent Chairman Rule

Proponent's Argument

Shareholders request our Board of Directors adopt as policy, and amend our governing documents as necessary, to require that the Chairman of the Board be an independent member of the Board whenever possible. Although it would be better to have an immediate transition to an independent Board Chairman, the Board would have the discretion to phase in this policy for the next Chief Executive Officer transition. 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. This proposal topic won 50%-plus support at 5 major U.S. companies in one-year including 73%-support at Netflix. These 5 majority votes would have been still higher if all shareholders had access to independent proxy voting advice. It is more important to have an independent Chairman of the Board since our Lead Director, Thomas Stallkamp, has 19-years long-tenure. Long-tenure in a director is the opposite of independence and independence can be the most important attribute for a director-especially a Lead Director. Plus Mr. Stallkamp serves on no other Board of Directors to sharpen his skills. James Gavin was another long-tenure director on our Board who serves on no other Board of Directors. Mr. Gavin unfortunately chairs the Governance Committee which is responsible for considering this proposal. Mr. Gavin received the record high number of 2019 negative votes at Baxter-10-times more than certain other Baxter directors. The roles of Chairman and CEO are fundamentally different and should be held by 2 directors, a CEO and a Chairman who is completely independent of the CEO and our company.

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 independent director from among the independent directors. The Corporate Governance Committee is responsible for recommending a candidate for lead independent director. The company's existing governance structure allows the Board to make changes in the company's leadership structure if and when the Board believes that such actions are in the best interests of the company and its stockholders. The Board believes that the company and its stockholders are best served by a flexible policy that permits, but does not require, the same individual to serve as Chairman and Chief Executive Officer. A policy that would restrict the Board's discretion in selecting the Chairman would deprive the Board of the opportunity to select the most qualified and appropriate individual to lead the Board as Chairman. The Board expressed the same position in its response to a similar stockholder proposal considered by stockholders in 2018 and again in 2019. In both years, the proposal received less than 30% support, which indicates that the company's stockholders are broadly supportive of the Board's position on this issue and current leadership structure. At this time, having one individual serve as both Chief Executive Officer and Chairman, complemented by a strong lead independent director, allows consistent communication and coordination throughout the company and effective and efficient implementation of corporate strategy. This combined role has been integral in unifying company employees behind the company's current long-range strategy and culture. Additionally, as Chairman, Mr. Almeida discusses all material matters with the Board, and provides regular and robust disclosure of the company's business with the Board. While Mr. Stallkamp has served on the Board since 2000, he has only served as lead independent director since May 2014. He was appointed to that role in advance of the July 2015 Baxalta spin-off and in light of his significant knowledge of the company and his extensive prior experience as an executive and director

at other complex, global companies.

Proposal 5 - Shareholder Resolution: Written Consent

Proponent's Argument

Shareholders request that our board of directors take the necessary steps 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 give shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any appropriate topic for written consent. This proposal is important since our company requires 25% of shares to combine their holdings to call a special meeting—a higher level than the 10% of shares permitted by many states of incorporation. Dozens of Fortune 500 companies provide for both shareholder rights—to act by written consent and to call a special meeting. Plus the right to act by written consent is more valuable to shareholders than the right 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. Plus our higher 25% threshold has bureaucratic pitfalls ("To be in proper written form ...") that can trigger minor shareholder errors that could mean that 50% of shares would need to ask for a special meeting in order to be sure of obtaining the threshold of 25% of requests without errors. One can be sure that management will have an eagle eye to spot any errors. This is also a proposal topic that can gain increased shareholder support even if management opposes it. For instance Flowserve Corporation opposed this proposal topic and support increased from 43% to 51% in one-year. This proposal topic received 45%-support at The Bank of New York Mellon Corporation (BK) in 2018 and BK said it adopted written consent in 2019.

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. Under the proposal, stockholders holding a mere majority of the company's outstanding voting shares could take significant corporate actions without any prior notice, and without giving all stockholders an opportunity to consider, deliberate, voice any opposition to and vote on actions that may have important implications for Baxter and all of its stockholders. In contrast, 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 to all stockholders and all stockholders have an opportunity to consider the proposed actions, express their views and participate in the deliberations prior to decision-making. The Board believes that action by written consent can be misused to circumvent the important deliberative process of a stockholder meeting. Written consent rights as proposed could deprive many stockholders of the opportunity to deliberate in an open and transparent process, or even receive accurate and complete information on important pending actions. Under this proposal, important actions affecting the rights of all stockholders could be taken by a bare majority, acting in a covert fashion, without the knowledge or participation of many stockholders, thereby disenfranchising those stockholders left out of the process. The written consent process could also be undertaken by different groups at substantially the same time and result in the adoption of written consents that are duplicative or even contradictory. Moreover, the company's stockholders have rejected similar proposals in both 2018 and 2019, with the decreased level of support received by the 2019 proposal (approximately 37% in 2019, down from 42% in 2018) indicating that the company's stockholders are supportive of the Board's position on this proposal and current governance structure.

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