



2007 Annual Environmental Performance Report Form

Baxter Healthcare Corporation

One Baxter Parkway

Deerfield, IL 60015

Please give us information about your contact person for the
Performance Track Corporate Leader designation.

Name: Patricia Bartholomew

Title Director EHS Management Systems

Phone 1.847.948.4878

Fax 1.847.948.4114

E-mail Pat_Bartholomew@Baxter.com

Company Website www.Baxter.com

Annual Sustainability Report found at: <http://sustainability.baxter.com/>

Annual Report #: 3rd

Membership Term: 1

Reporting Year: 2007

Section A

Your environmental performance goals.

Please summarize your company's progress toward its environmental performance goals, relative to the baseline year.

Part 1

First goal

1	Category:	Waste landfilled
	Indicator:	Nonhazardous waste landfilled
	Baseline quantity (2004):	66,600 tons; 7.00 tons per Million Dollars sales
	2005 quantity:	62,500 tons; 6.35 tons per Million Dollars sales
	2006 quantity:	66,700 tons; 6.43 tons per Million Dollars sales
	2007 quantity:	71,100 tons; 6.31 tons per Million Dollars sales
	Goal (2009) quantity:	30% reduction in generation per unit of product value from the 2004 levels

- 2 Summarize how you achieved improvements for this indicator through 2006 or, if relevant, any circumstances that delayed progress.

This represents a 10% reduction per million dollars in sales from our 2004 baseline. We expected to achieve greater reductions by this time period for this long-term goal. However, over several years, one facility accrued a large amount of waste as a process intermediate and was researching methods to reprocess the waste stream but unfortunately was not successful. This waste was disposed in 2007 and greatly affected Baxter's overall performance. Without this one-time disposal of a large amount of waste, our performance would have been much more on track with our goal. However, several Baxter facilities reported significant reductions in non-hazardous waste through fewer discards, rejects and returned products, due to facility-wide Lean and Six Sigma efforts. One facility in Puerto Rico reduced corrugated waste by switching to reusable plastic containers to transport raw materials within the plant and to the company's other near-by site. Baxter's North Carolina facility reported a 16 percent decrease in corrugated waste due to improved corrugated container quality.

Second goal

1	Category:	Air emissions
	Indicator:	Total greenhouse gas (GHG) emissions (MTCO ₂ E)
	Baseline quantity (2004):	757,000 metric tons; 80 metric tons per Million \$ sales

2005 quantity: sales	759,000 metric tons; 77 metric tons per Million \$
2006 quantity: sales	753,000 metric tons; 73 metric tons per Million \$
2007 quantity:	746,000 metric tons; 66 metric tons per Million \$ sales
Goal (2009) quantity:	20% reduction per unit of product value from the 2004 levels

Notes:

1/ Total Baxter GHG emissions includes global emissions from Baxter Operations (Facilities, Baxter operated business jets, sales fleet, Baxter operated trucks and process emissions).

2/ Total GHG emissions and emissions per sales includes purchased carbon credits through the Chicago Climate Exchange and carbon offsets by purchasing Renewable Energy Certificates – 2007, 29,000 metric tons of carbon offsets; 2006, 9,500 metric tons of carbon offsets; and 2005, 6,000 metric tons of carbon offsets.

- 2 Summarize how you achieved improvements for this indicator through 2006 or, if relevant, any circumstances that delayed progress.

From 2004 to 2007, Baxter reduced GHG emissions from Baxter Operations by 17% per million dollars in sales. During this same period, Baxter reduced absolute GHG emissions from operations by 1.4%.

Baxter's principal climate response and GHG reduction activities are presented in Baxter's 2007 Sustainability website "Greenhouse Gas Emissions and Climate Change" (http://sustainability.baxter.com/EHS/2007_environmental_performance/emissions.html). In addition, Baxter's detailed climate response and GHG reduction strategies and activities are presented in the international Carbon Disclosure Project request. Baxter has responded to all six (6) CDP requests and the company's responses are viewable in the CDP website (http://www.cdproject.net/online_response.asp?cid=924&year=2).

In 2007, Baxter launched a "lean energy" program for its principal manufacturing locations. The program established four energy standards—Pre-requisite, Bronze, Silver and Gold—to phase in between 2007 and 2010. Each level defines 25 to 30 requirements a facility's energy program must meet. More information is on Baxter's website.

Baxter uses a market-based approach (carbon cap-and-trade) to offset its GHG emissions and to demonstrate the connectivity of carbon-trading platforms. Baxter is a founding member of the Chicago Climate Exchange (CCX), the world's first and North America's only voluntary, legally binding, rules-based GHG emissions-reduction and emissions-trading system. In 2007, Baxter agreed to participate in the CCX Phase 2 (2007 to 2010) carbon registry, trading and emissions-verification program.

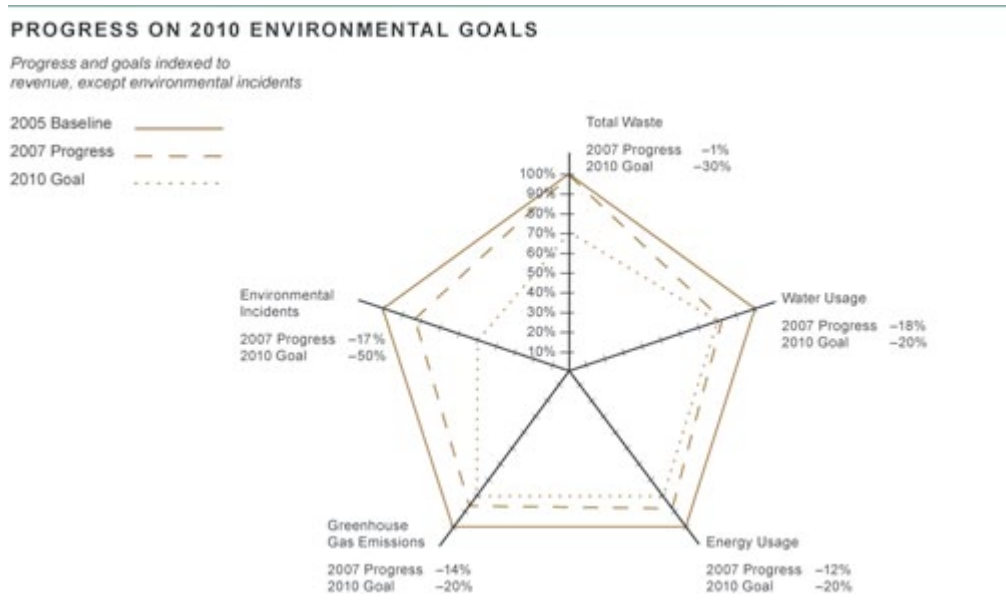
In 2007, Baxter purchased a total of 20,500 megawatts of renewable (100 percent wind) electricity. This placed the company number 26 on the U.S. EPA Fortune 500 Challenge List, which tracks green power purchases of eligible Fortune 500 companies. As of year-end 2007, Baxter had three facilities that had become "carbon neutral." These were Baxter's 1500 employee corporate complex in Northern Illinois and two manufacturing facilities – one in Canada and one in Costa Rica.

Energy reductions were achieved by, for example, one facility in Puerto Rico optimized clean-room air pressurization and the number of air changes per hour to reduce cooling requirements. Another site implemented a process to capture hot discharge water from the product steam sterilizers to use as feed water for the boilers. A third site installed ultra-violet light technology to clean heat-transfer coils in facility HVAC units to improve and maintain energy efficiency.

Part 2

List your facilities that newly joined Performance Track or similar state performance-based programs in 2007.

Thousand Oaks, California; Tampa, Florida; and Hayward, California joined Performance Track in 2007. Additionally our Bloomington, Indiana facility joined the similar state program for Indiana. Our goal is two sites per year joining Performance Track or similar state programs, thus achieving our goals for 2006 & 2007.



For more detailed information on Baxter's environmental footprint go to:

<http://sustainability.baxter.com/>

Section B

Your value chain environmental performance goals.

Please summarize your company's progress toward its value chain environmental performance goals, relative to the baseline year.

First goal

- | | | |
|---|---------------------------|--|
| 1 | Category: | Suppliers' environmental performance |
| | Indicator: | Suppliers recruited for EPA's Green Suppliers Network |
| | Baseline quantity (2004): | 0 |
| | 2005 quantity: | 5 suppliers and 3 suppliers in process |
| | 2006 quantity: | 3 suppliers still in process |
| | 2007 quantity: | 2 suppliers recruited – and began extended mapping project |
| | Goal (2009) quantity: | 60% of U.S. supplier base (approx. 40 suppliers) |

- 2 Summarize how you achieved improvements for this indicator through 2007 or, if relevant, any circumstances that delayed progress.

During 2007 Baxter renewed efforts to recruit suppliers to participate in GSN. We were successful in engaging only two. However, working with a key supplier, we have begun an exciting extended value-stream mapping project. The project involves tracing the manufacture of a Baxter part back through several tiers of supply chain (i.e. suppliers to suppliers). Each supplier will undergo a lean/clean review, and the entire chain will be mapped to determine opportunities for reducing waste, energy, and other environmental impacts. Due to competing priorities for both Baxter and the key supplier, this effort will take time. It is anticipated that at least 5 additional suppliers will be recruited to GSN if we are successful. We do not, at this point, expect to reach our goal of 60% of suppliers recruited by the end of 2009. We have already contacted more than 50% to try to recruit them. But because Baxter keeps supplier participation in GSN voluntary, we are subject to their decision and cannot force them to participate.

Second goal

- | | | |
|---|---------------------------|--|
| 1 | Category: | Product design/redesign (inputs and non-product outputs) |
| | Indicator: | Life cycle assessments or Product sustainability reviews |
| | Baseline quantity (2004): | N/A |
| | 2005 quantity: | 1 existing product and 7 new products in process |
| | 2006 quantity: | 1 additional existing product was finalized, another two are in process and 8 new products are in process. |

2007 quantity:	One additional existing product was finalized; one existing product is in process; Two new products were finalized; two new products were dropped (projects canceled); six new products are in process.
Goal (2009) quantity:	5 existing products and all new products

- 2 Summarize how you achieved improvements for this indicator through 2006 or, if relevant, any circumstances that delayed progress.

A new version of the Baxter Product Development Process was drafted and includes even more robust environmental (including sustainability) references, gates and deliverables. For instance, the section on Sales & Marketing now includes environmental considerations. Recent results have highlighted materials selection and avoiding toxic substances such as heavy metals. For instance, products are designed to be compliant with the European Restriction of Hazardous Substances (RoHS) Directive even though they will be exempt for several more years and/or will not be sold in Europe in the immediate future.

Section C

On behalf of Baxter Healthcare Corporation

I certify that:

I have read and agree to the terms and conditions for Membership as a Performance Track Corporate Leader, as specified in the *Performance Track Corporate Leader Guide* and in the *Application Instructions*. The company, to the best of my knowledge, continues to meet the program criteria.

I have personally examined and am familiar with the information contained in this Annual Report. The information contained in this Report is, to the best of my knowledge and based on reasonable inquiry, true, accurate, and complete.

I agree that EPA's decision whether to accept companies into or remove them from the Performance Track Corporate Leader designation is wholly discretionary, and I waive any right to challenge EPA's acceptance or removal decision. I also understand that my company's membership in the program will not be considered to be legally relevant in any enforcement proceedings for violations of environmental requirements.

I am a senior executive of the company to whom the environmental function reports and am fully authorized to execute this statement on behalf of the company applying for the Performance Track Corporate Leader designation.

Signature / Date	_____
Printed Name / Title	James M. Gatling / Corporate VP Global Manufacturing
Phone Number / E-mail	_____
Company Name	Baxter Healthcare Corporation
Company Street Address	Route 120 & Wilson Road
City / State / Zip Code	Round Lake, IL 60073

The National Environmental Performance Track is a U.S. Environmental Protection Agency program. Please direct inquiries to Dan Fiorino, 202-566-2869, or e-mail fiorino.dan@epa.gov.

To submit your membership application:

- 1) E-mail the completed form to fiorino.dan@epa.gov,
- and
- 2) Fax the completed and signed participation statement (not the entire form) to 202-566-2985 or **0292**

If you cannot e-mail the membership application, mail a hard copy of the entire completed form to:

Dan Fiorino
Director, Performance Track Program
U.S. Environmental Protection Agency
Office of Policy, Economics, and Innovation (1807T)
1200 Pennsylvania Avenue, NW
Washington, DC 20460