



2005 Annual Environmental Performance Report Form

BAXTER HEALTHCARE CORPORATION

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

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Annual Report # (1st, 2nd, 3rd, 4th, 5th):

Membership Term: 1

Reporting Year: 2005

Due Date: July 9, 2006

Section A

Your environmental performance commitments.

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

Part 1

First commitment

- 1 Category: **Nonhazardous waste generation**
Indicator: **Nonhazardous waste landfilled**
Baseline quantity (year): **2004**
2005 quantity (actual & normalized): **Baxter's operations generated 61,000 tons of non-hazardous waste in 2005, down from 66,000 tons in 2004. This represents a 7 percent decrease in absolute terms and a 13 percent decrease per unit of production value.**

Goal quantity: **30% reduction in generation per unit of product value from the 2004 levels**
- 2 Summarize how you achieved improvements for this indicator through 2005 or, if relevant, any circumstances that delayed progress.

The company attributes much of this progress to the efforts of individual facilities, including "Lean manufacturing" initiatives. Lean manufacturing is the process of dissecting current practices, identifying waste and redesigning processes to eliminate that waste, or any steps that do not add value. Lean initiatives implemented at Baxter's Mountain Home, Arkansas, and Cleveland, Mississippi, plants helped to reduce plastic waste, one of Baxter's largest non-hazardous waste streams. In Cleveland, new molding equipment that makes plastic bottles for medical wound irrigation became fully operational in 2005, replacing older units, which reduce plastic scrap.

Second commitment

- 1 Category: **Air Emissions**
Indicator: **Reduction of Greenhouse Gas (GHG) Emissions**
Baseline quantity (year): **2004**
2005 quantity (actual & normalized): **GHG emissions decreased 1,100 tons from 880,000 tons in 2004 to 2005 (does not include carbon emission credits purchased as offsets through the Chicago Climate Exchange).**

Goal quantity: **20% reduction per unit of product value**

From 1996 to 2005, Baxter reduced energy usage and associated GHG emissions 27 percent per unit of production value, falling short of the company's 30-percent reduction goal. This was due to:

- Increases in process automation in the company's manufacturing operations over the last five years, and
- Extensive quality-assurance validation testing for certain new processes and facilities.

The majority of Baxter's global GHG emissions in 2005 were composed of carbon dioxide emissions related to energy usage. Direct emissions (348,000 tons CO₂ equivalent) are from fossil fuel combustion at Baxter's facilities, such as natural gas, propane and fuel oil. Indirect emissions (532,000 tons CO₂ equivalent) are from utility power plants that provide electricity to the company's facilities.

- 2 Summarize how you achieved improvements for this indicator through 2005 or, if relevant, any circumstances that delayed progress.

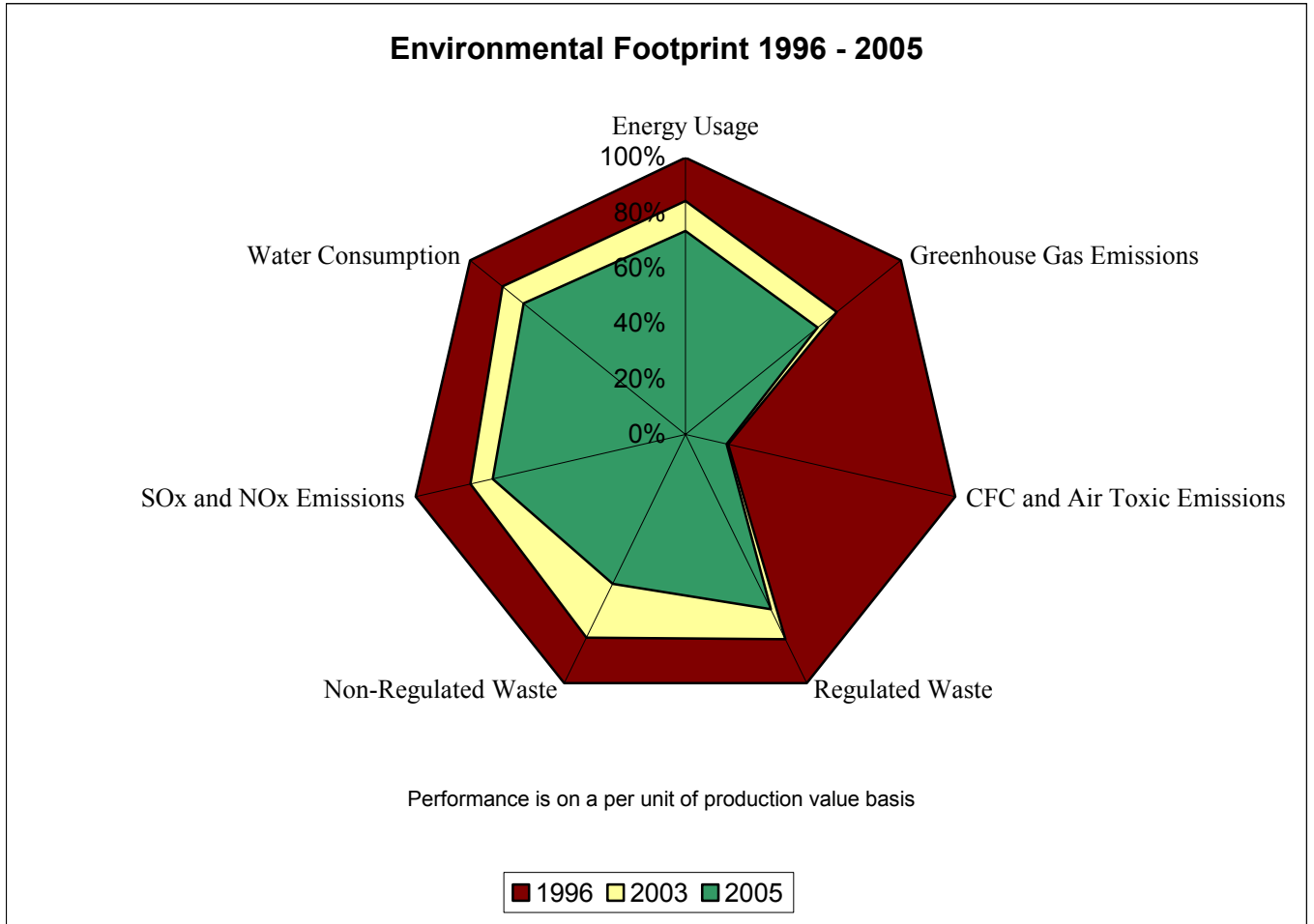
Baxter energy managers work with plant operations on various energy reduction projects, perform facility energy reviews, provide resources on best-demonstrated energy practices and technologies, and coordinate a network of facility energy managers. Baxter's global energy usage and cost by the company's principal locations are reported and reviewed quarterly via an internal web-based information reporting system. In addition, Baxter holds a worldwide Energy Conference every two years to present and share energy conserving technologies, equipment and projects. At each energy conference, participants discuss progress in reducing energy usage. These conferences are also used to recognize individuals and facilities for outstanding achievements in energy conservation. Some examples of Facility-based energy-efficiency initiatives include:

- **Replacing metal halide lamps and high-pressure sodium lamps with energy-efficient lighting systems, installing improved control technologies, conducting lighting surveys and installing improved lighting reflectors. This produced estimated annual savings of \$40,000 to \$250,000 per facility.**
- **Improving motor efficiency by using intelligent controls for motors with varying loads. Efficiency gains vary but range from 5 to 60 percent.**
- **Improved generation and distribution of compressed air by optimizing the systems.**

Part 2

List your facilities that newly joined Performance Track or similar state performance-based programs in 2005. **McGaw Park, Illinois and Round Lake, Illinois**

Below is our new interpretive view of Baxter's environmental footprint that visually demonstrates our continuing efforts to reduce our impact on the environment:



Section B

Your value chain environmental performance commitments.

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

First commitment

- 1 Category: **Suppliers' environmental performance**
Indicator: **Suppliers recruited for EPA's Green Suppliers Network**
Baseline quantity (year): **2004**
2005 quantity: **5 suppliers and 3 in process**
Goal quantity: **60% of US supplier base (roughly 40 suppliers)**
- 2 Summarize how you achieved improvements for this indicator through 2005 or, if relevant, any circumstances that delayed progress.

Five Baxter suppliers completed a GSN review and, although 3 are currently in process, this falls short of our target of 8 completed. Baxter overestimated its ability to recruit suppliers – we held several meetings (both in Puerto Rico and Illinois) with suppliers to introduce them to the program (sometimes jointly with other healthcare OEMs), but had no suppliers sign on as a result of these face-to-face meetings. We also underestimated the time it would take for MEP centers to complete reviews, particularly in Puerto Rico.

Results from the first 5 suppliers have now been compiled and are attached. GSN reviews with these five suppliers identified opportunities to save over 1.5 million gallons of water, 200,000 lbs of solid waste, and 180 million Btu of energy per year. Although these are aggregate results for the healthcare sector, all are suppliers to Baxter.

Given the initial impressive results from reviews that were completed, Baxter is now in a position to step up recruiting once again. We intend to hold teleconferences and web casts rather than face-to-face meetings because we have had greater success using this method. And although we now understand that our goal was more of a stretch than we initially imagined, we will still attempt to reach our 5-year goal.

Second commitment

- 1 Category: **Product Design/redesign (Inputs and non-product Outputs)**
Indicator: **Life Cycle Assessments (LCA) or Product Sustainability Reviews**
Baseline quantity (year): **N/A**
2005 quantity: **One existing product and seven new products in process**
Goal quantity: **Five existing products by 2009 and all new products**
- 2 Summarize how you achieved improvements for this indicator through 2005 or, if relevant, any circumstances that delayed progress.

Baxter has established a process that reviews new medical device products that are being developed from an EHS point of view. Depending on the scope of a product re-design a Life Cycle Assessment (LCA) review may occur. All new medical devices going through Baxter's new Product Development Process (PDP) are assessed. Four hardware products and three other medical devices are currently under review and have had a "Product Sustainability Screen" completed, which will be followed by the more comprehensive life-cycle based "Product Sustainability Review" (PSR). Prior to the new PDP being implemented, three new products developed had PSRs completed. One review for an existing product (pour bottles) has also been completed. Pour bottles are a facility priority.

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
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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.

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

Dan Fiorino
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