

2022 Task Force on Climate-related Financial Disclosures Index

This is Baxter’s first report aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which were recently incorporated into the International Sustainability Standards Board Standards. The TCFD recommendations were designed to help companies improve climate-related disclosure in the areas of governance, strategy, risk management, and metrics and targets. This report builds on [Baxter’s 30-year history of publishing environmental performance](#), including extensive reporting of the company’s policies, programs and progress addressing climate change. Baxter is committed to transparency and strong disclosure in this area, as we drive progress toward our goal to achieve carbon neutrality for our direct operations by 2040 and reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions 25% by 2030, aligned with a well-below 2° Celsius science-based target (baseline is 2020).

This report complements Baxter’s annual [Corporate Responsibility Report](#), [Sustainability Accounting Standards Board \(SASB\) Index](#), [Political Contributions Report](#) and submissions to [CDP Climate](#) and [CDP Water](#), as well as other environmental, social and governance (ESG)-related disclosures. We also publish additional ESG-related information on our [Corporate Responsibility website](#).

This report covers Baxter’s global operations, including subsidiaries. The content in this report is accurate as of publication in December 2023. The data in this report are from calendar year 2022, unless stated otherwise.

Readers can contact us [here](#) with any questions or comments.

1. Governance

| RECOMMENDED DISCLOSURE | BAXTER DISCLOSURE |
|---|---|
| <p>a) Describe the Board’s oversight of climate-related risks and opportunities</p> | <p>Baxter’s Board of Directors as well as the Board’s Quality, Compliance and Technology (QCT) Committee and Nominating, Corporate Governance & Public Policy (NCGPP) Committee oversee, review and guide strategy related to climate risks, opportunities and Baxter’s 2030 Corporate Responsibility Goals.</p> <p>The QCT Committee has oversight with respect to management of strategic issues and corporate actions relating to environmental, health and safety and sustainability matters that may affect the business operations, performance or public image of the company. The NCGPP Committee has oversight with respect to social and governance topics. Both committees share oversight of stockholder proposals related to environmental or sustainability matters.</p> <p>The Board maintains ultimate responsibility for risk oversight at the company. Its process for overseeing climate-related risks and opportunities includes presentations and discussions covering enterprise risk management (ERM) and progress toward Baxter’s corporate responsibility goals. The Board receives updates at least annually on corporate responsibility matters, including issues related to climate change, as part of the Annual Corporate Responsibility Update. This includes information on climate-related risks and opportunities from the Vice President, Environment, Health, Safety and Sustainability.</p> |
| <p>b) Describe management’s role in assessing and managing climate-related risks and opportunities</p> | <p>Baxter’s Executive Vice President, Chief Supply Chain Officer has primary accountability and oversight for climate-related risks and opportunities at the company, including assessment and management. The Executive Vice President, Chief Supply Chain Officer, a C-suite officer, reports directly to Baxter’s Chairman, President and CEO and is on the company’s Operating Committee (which includes the Chairman, President and CEO’s direct reports as well as other key business and functional leaders).</p> <p>The Executive Vice President, Chief Supply Chain Officer is a member of the cross-functional executive-level Corporate Responsibility Steering Committee. This committee also includes Baxter’s Chairman, President and CEO; Executive Vice President, Chief Financial Officer; and Senior Vice President, Chief Accounting Officer and Controller, among others. It provides direction and oversight for Baxter’s ESG initiatives and sets and advances our corporate responsibility strategy and culture, including related to climate change. This committee meets or receives updates quarterly to monitor policies, action plans and strategies, as well as other matters of significance to the company’s reputation as a socially responsible organization.</p> <p>In addition, the Executive Vice President, Chief Supply Chain Officer and this committee provide guidance to Baxter’s Corporate Responsibility Council (CRC). The CRC is composed of cross-functional leaders and representatives including Baxter’s Vice President, Environment, Health, Safety and Sustainability, who has responsibility for Baxter’s climate-related goals and co-chairs the CRC alongside Baxter’s Vice President, Corporate Responsibility and Global Philanthropy.</p> <p>The Vice President, Environment, Health, Safety and Sustainability; Vice President, Global Engineering and Manufacturing Strategy; and Chief Procurement Officer regularly update the Executive Vice President, Chief Supply Chain Officer and the senior leadership team on sustainability and climate-related risks and opportunities.</p> |

2022 Task Force on Climate-related Financial Disclosures Index

2. Strategy

RECOMMENDED DISCLOSURE

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

BAXTER DISCLOSURE

Baxter has identified the climate-related risks summarized below. If unmitigated, these have the potential to cause substantive financial or strategic impact to our business and significantly affect Baxter's ability to produce or distribute products throughout the supply chain. These risks do not reflect the impact of Baxter's ongoing strategic actions, including the simplification of its operating model and manufacturing footprint and the proposed separation of its Kidney Care business.

The company defines short-term as 1–3 years, medium-term as 3–5 years and long-term as 5–15 years.

CLIMATE-RELATED RISKS AT BAXTER

Physical – Acute

Risk: Increased severity of hurricanes/cyclones/typhoons

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Direct operations
- **Impact on business:** Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets
- **Management's response:** Baxter maintains business continuity plans at all facilities to prepare for, respond to and recover from extreme weather events and geopolitical crises, among other incidents. See [section 2.c](#) for detail. Mitigation activities to address increased severity of hurricanes/cyclones/typhoons include improving building structural integrity and enhancing overall site resiliency and emergency response capabilities to address the impacts of severe storms. We have been optimizing our global manufacturing platform to increase flexibility regarding where critical products are produced for specific markets. We also pre-position critical raw materials outside of forecasted storm zones. With subject matter expert support from the Advanced Engineering and Transformation Team, Baxter facilities plan and implement energy projects that reduce GHG emissions and decrease reliance on local power utilities. Project status is reviewed monthly and performance is measured quarterly. At high-risk facilities, the company also maintains a robust water supply system, including storage tanks, to reduce the risk of impacts on facility operations related to disruptions in local utilities and infrastructure.

Risk: Increased water scarcity related to climate change

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Direct operations
- **Impact on business:** Increased difficulty obtaining needed water at certain manufacturing locations
- **Management's response:** We are performing a comprehensive review of our manufacturing sites to understand the local water conditions and considerations of each. These assessments enhance our understanding of current and future water availability and threats to water quality near our sites, and how various climate scenarios might impact Baxter, so we can take action as appropriate. We focus on opportunities to improve water efficiency in our operations, protect watersheds and provide access to clean water within local communities. See [section 3.a](#) for additional detail.

Transition – Policy and legal

Risk: Emerging regulation related to GHG emissions and climate change

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Direct operations
- **Impact on business:** Increased operating costs
- **Management's response:** The Global Energy Program tracks energy use, costs and GHG emissions for all Baxter manufacturing sites on a monthly basis. The program also sets annual energy efficiency improvement goals at a facility and company level and GHG emissions reduction goals at a facility level, and reports progress to management quarterly. Additionally, the program identifies projects (including associated capital requirements, annual projected cost savings and GHG emissions reductions) to prioritize for each facility. Site-specific energy assessments help us identify opportunities to conserve energy, such as implementing new technologies or adopting best practices. Our Global Energy Program, which is certified to ISO 50001, applies the ISO 50001 standard to the company's facility-level energy management systems (some of which are [certified individually](#)). Baxter's energy procurement team also works with our suppliers to source renewable and economical energy for our manufacturing facilities. Reductions in GHG emissions help to mitigate risk in this area. This area is rapidly evolving, so to inform our efforts we continually monitor emerging and existing regulations, bills, amendments and updates.

2022 Task Force on Climate-related Financial Disclosures Index

2. Strategy [continued]

RECOMMENDED DISCLOSURE

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term [continued]

BAXTER DISCLOSURE

CLIMATE-RELATED RISKS AT BAXTER (CONTINUED)

Transition – Reputation

Risk: Increased stakeholder concern regarding Baxter’s GHG emissions

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Downstream
- **Impact on business:** Decreased revenues due to reduced demand for products and services
- **Management’s response:** Baxter engages with a wide variety of stakeholders to share information about the company’s climate-related programs, policies, goals and performance. This engagement includes communications such as our annual Corporate Responsibility Report; SASB Index; CDP Climate and CDP Water submissions; Environmental, Health, Safety and Sustainability (EHS&S) Policy; and this TCFD Index, among others. This includes detailed information about action plans and initiatives, such as energy conservation projects and renewable energy procurement, that support Baxter’s GHG emissions reduction goals. Reductions in GHG emissions help to mitigate risks in this area.

Baxter has identified the climate-related opportunities summarized below.

CLIMATE-RELATED OPPORTUNITIES AT BAXTER

Opportunity: Improved resource efficiency

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Direct operations
- **Impact on business:** Reduced operating costs
- **Management’s response:** See the description of Baxter’s Global Energy Program in the “Emerging regulation related to GHG emissions and climate change” risk described above, as well as in the [Baxter 2022 Corporate Responsibility Report](#).

Opportunity: Transitioning to lower-GHG emission energy sources

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Direct operations
- **Impact on business:** Reduced operating costs
- **Management’s response:** Our initiatives to reduce GHG emissions and achieve our carbon neutrality goal include fuel switching (including biomass), cogeneration, alternative energy systems, on-site renewable energy systems and renewable electricity procurement. Baxter’s energy procurement team sources renewable and economical energy for our manufacturing facilities. Using lower-GHG emission energy sources helps Baxter reduce exposure to possible fossil fuel price increases and costs related to current and potential future carbon regulations. These efforts help to reduce GHG emissions and help meet the rising expectations of customers and other stakeholders, while enhancing Baxter’s reputation and potential to be a preferred low-carbon supplier.

Opportunity: Developing innovative new products and services

- **Time horizon:** Short-term, medium-term, long-term
- **Part of the value chain:** Downstream
- **Impact on business:** Increased revenues resulting from higher demand for products and services
- **Management’s response:** Baxter manages these opportunities through its four business segments that address long-term business strategies, research and development (R&D), customer corporate responsibility expectations and sustainability strategies and priorities. We consistently review our product portfolio and shift our investments and other capital allocation decisions to help drive innovation where we have compelling opportunities to serve patients and healthcare professionals, aligned with the company’s business objectives. Baxter’s sustainable design efforts are supported by our product sustainability program, which identifies opportunities through an EHS&S assessment and the use of life cycle assessment. The cost to realize this opportunity is a proportion of R&D expenditures focused on lower-carbon, more efficient therapies.

2022 Task Force on Climate-related Financial Disclosures Index

2. Strategy [continued]

| RECOMMENDED DISCLOSURE | BAXTER DISCLOSURE |
|--|--|
| <p>b) Describe the impact of the climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning</p> | <p>Baxter’s capital project management process and corporate planning activities take into account climate-related risks and opportunities (as well as ESG more generally). This supports a broad and integrated approach in these areas.</p> <p>Capital governance and stage gate process: To drive standardization, agility and stakeholder collaboration in the capital project management process, Baxter follows a rigorous stage gate process for all capital projects valued above pre-set thresholds. This involves consistent steps both prior to and following project approval.</p> <p>The front-end loading (FEL) document is used for all projects entering this process. The FEL document provides business, quality and design basis information, as well as product safety requirements, related to the capital appropriation. It also delivers a consensus technical recommendation to the project team and includes project performance criteria and identified associated risks. In addition, the report includes information such as project overview, schedule, capital category and cost summary, among other factors.</p> <p>Climate-related risks and opportunities are integrated into the capital projects evaluation process in multiple ways. For relevant projects, the FEL document captures information related to the effects on GHG emissions and how to address related risks and offset possible GHG emissions increases. All capital projects valued above pre-set thresholds go through a peer review process, which includes project team members as well as subject matter experts and key stakeholders from across the organization, including EHS&S. Those projects require EHS&S sign-off, and the organization conducts a review that includes the potential impact of those projects on Baxter’s 2030 Corporate Responsibility Goals.</p> <p>Corporate planning: Baxter’s ERM process (see section 3.c) is an important input into the company’s annual operating plan (AOP) and long-range plan (LRP). Some of the information that is required for the AOP and LRP processes—such as investment requests, mitigation funding, growth hurdles and related solutions—includes references to the top risks noted in the ERM. Therefore, if a Baxter segment or global function is the owner of a top risk (including climate-related and other ESG risks), it must provide mitigation plans along with its AOP and LRP submissions. ESG projects have a distinct category within our AOP and LRP processes, providing visibility within each business segment and across the company. Funding those projects, which supports progress toward our 2030 Corporate Responsibility Goals, is a priority for Baxter.</p> |
| <p>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p> | <p>The following activities support the resilience of Baxter’s strategy related to climate change.</p> <p>Scenario planning and response: Baxter regularly runs exercises across different facilities to assess how they respond to risk scenarios that are outside of their control and identify opportunities for learning and improvement. These scenarios cover a broad range of issues—including geopolitical, financial, supply chain, employment and environmental, among others—that have the potential to impact our facilities in significant ways. Environmental scenarios may include several risks that are related to climate change, such as hurricanes, flooding, fire, tornadoes and drought.</p> <p>Through this process, participants determine how they would respond to and address the scenario presented to them. This helps us understand the resilience of our strategies and processes related to those issues and identify opportunities for improvement that can be applied to all locations as appropriate. Follow-up actions are then determined as appropriate for each site, which inform mitigation efforts and business continuity planning.</p> <p>Baxter also developed its science-based 2030 GHG emissions reduction goal for direct operations using a well-below 2° Celsius scenario (see section 4.c).</p> |

2022 Task Force on Climate-related Financial Disclosures Index

2. Strategy [continued]

RECOMMENDED DISCLOSURE

c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario [continued]

BAXTER DISCLOSURE

Crisis response: Baxter’s incident response and management tools help the company prepare for, respond to and recover from extreme weather events and geopolitical crises as quickly as possible. This supports employees and key business outcomes, while minimizing downtime.

We have various systems in place to support resilience in advance of and during incidents. To keep informed about the broad range of possible incidents across Baxter geographies globally, we subscribe to a third-party, real-time risk monitoring and feedback tool.

Some of our approaches are tailored to specific geographies and risks. For example, every year Baxter facilities in the Caribbean region complete hurricane risk preparedness checklists. If we determine that a hurricane currently underway could impact a specific facility, that location takes action according to a pre-defined checklist for that imminent event.

When a crisis occurs, our incident command system provides a standardized way to communicate and fill specific roles at impacted sites. Appropriate regional and global leaders receive updates from Global Security as needed based on the severity of the incident and the level of impact on Baxter. To support the response and ongoing information exchange, Baxter maintains business continuity plans that provide leaders with the alert management tools and guidance needed to respond to and recover from crises. These incident response resources support communication capabilities, incident analysis and key operational actions. The company also provides regular updates to employees, as appropriate, regarding climate-related risks to our employees and operations, such as hurricanes, flooding and heat waves.

Following crisis events, Baxter coordinates and prioritizes resources to help ensure that the facility and operations return to functioning order. We conduct post-incident analysis as an integral part of incident management for continuous improvement.

3. Risk Management

a) Describe the organization’s processes for identifying and assessing climate-related risks

Baxter relies on a range of processes and inputs from across the company to identify and assess climate-related risks.

Facility risk analysis: Baxter’s business segments lead a key part of the company’s risk identification and assessment processes at each facility. Risks are prioritized by classifying facilities as high, medium or low risk to business continuity based on factors that would significantly impact the company’s ability to manufacture and distribute products through the supply chain and ultimately deliver products to patients. Site vulnerability to external forces is assessed, including climate-related physical risks (acute and chronic risk) and climate-related transition risks (policy and legal, technology, market and reputation risk).

EHS&S risk model: Baxter uses an EHS&S risk model to identify and assess the relative EHS&S risk presented by each Baxter facility, including related to climate change. To model the relative risk of each facility the model evaluates the inherent hazards of the operation. These are generally hazards that are basic to the type and nature of the facility, including size, complexity, location, type of processes, air emission sources, water discharges, waste generation, safety hazards, industrial hygiene risks and similar factors.

The risk model assesses a multitude of factors in three main categories: facility profile (type of operation, location, etc.), environmental factors and health and safety factors. Each facility is rated as high, medium or low risk for each factor, and factors are weighted in the model to determine an overall score for each facility. Several factors considered in the model relate to climate change, including natural disasters (such as hurricanes, flooding and wildfires), severe weather, water stress, source of water and total water used for manufacturing. Baxter uses the model to summarize relative risk by facility and to assess risk categories or specific risk factors across the portfolio.

Outputs from the risk model, in conjunction with other performance indicators, inform Baxter’s decisions about how to most efficiently and effectively allocate resources to manage identified risks, including the number and allocation of EHS&S personnel assigned to different regions or facilities, audit schedules, training and other forms of compliance assistance.

2022 Task Force on Climate-related Financial Disclosures Index

3. Risk Management (continued)

RECOMMENDED DISCLOSURE

a) Describe the organization's processes for identifying and assessing climate-related risks (continued)

BAXTER DISCLOSURE

Environmental management review: As part of Baxter's ISO 14001 environmental management certification, the company conducts a management review annually that covers progress against environmental objectives and goals; how Baxter is addressing challenges; analysis of the company's EHS&S strengths, weaknesses, opportunities and threats (SWOT); and other related areas. The management review standard requires us (at the corporate and facility level) to consider changes in external and internal issues that are relevant to the environmental management system; the needs and expectations of interested parties, including compliance obligations; significant environmental aspects; and risks and opportunities, among other factors.

Baxter's EHS&S risk model, annual property loss/risk management reports and other factors inform site selection and scope for environmental management reviews each year. Energy use, GHG emissions and climate change are an important focus of these reviews, alongside other environmental dimensions as well as topics such as safety, data integrity, and legal and regulatory compliance. The environmental management review process informs the development of objectives, goals and plans for the following year.

Water risk assessments: As part of Baxter's 2030 water management goal, we are performing a comprehensive review of our strategic manufacturing sites to understand the local conditions and considerations of each. We consider the physical, regulatory and reputational risks associated with water management at our sites, including external boundaries, water accounting, wastewater discharge, compliance obligations and impacts to our current water supply, among other concerns, as we focus on opportunities to improve water efficiency in our operations, protect watersheds and provide access to clean water within local communities.

These assessments enhance our understanding of current and future water availability and threats to water quality near our sites, and how various climate scenarios might impact Baxter, so we can take action as appropriate. They also provide information about threats related to dependency (such as well or utility failure), proximity (such as releases from nearby industry), malevolent acts (such as vandalism) and natural hazards (such as earthquakes or storms).

See [section 4.c](#) for additional detail.

Corporate Responsibility Steering Committee and Corporate Responsibility Council: Baxter's executive cross-functional Corporate Responsibility Steering Committee and Corporate Responsibility Council play key roles in identifying, assessing and communicating climate-related risks across the company (see [section 1.b](#) for more detail).

Enterprise risk management: Top risks identified through the site-level processes described above are escalated to the formal ERM process (see [section 3.c](#)) that is presented to the Chairman, President and CEO and the Operating Committee for review, as needed, and to the Board at least once per year.

2022 Task Force on Climate-related Financial Disclosures Index

3. Risk Management (continued)

| RECOMMENDED DISCLOSURE | BAXTER DISCLOSURE |
|--|---|
| <p>b) Describe the organization’s processes for managing climate-related risks</p> | <p>In general, similar to other categories of risk that impact the company, Baxter manages identified climate-related risks in the following ways:</p> <ul style="list-style-type: none"> • Risk mitigation (e.g., controls such as policies, procedures and targeted projects/initiatives) • Risk transfer (e.g., insurance purchases) • Risk acceptance (e.g., risks with low expected impact where no immediate action is required) <p>More specifically, Baxter’s approach to addressing climate-related risks includes the following.</p> <p>Global facilities: Baxter’s business segments lead systematic risk-based mitigation planning for the company’s global operations at each facility, including for risks related to climate change. Business continuity plans, developed for all facilities based on an assessment of local and other risks, include steps to be taken during an event and those needed for recovery, such as employee protection planning and communications planning. These plans are developed by a core team of multiple functions/areas including IT, supply chain, security, EHS&S, procurement and manufacturing. Business continuity plans also include plans to make the company more resilient when risk cannot be mitigated or eliminated.</p> <p>Supply chain: For supply chain climate risk management, we analyze our global production capabilities and, when appropriate and feasible, create redundancies to minimize the number of sole sources for critical products. Baxter also identifies opportunities for energy projects such as cogeneration and on-site renewable energy that reduce the company’s reliance on both the local utility grid and fossil fuels and reduce GHG emissions.</p> <p>See the “Management’s response” information in section 2.a for details about how Baxter manages each of those specific risks.</p> <p>See the Baxter Climate Action Roadmap, which we published in 2022, for a summary of planned actions to drive progress toward our 2030 and 2040 GHG emissions reduction goals.</p> |
| <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management</p> | <p>Baxter integrates identification, assessment and management of climate-related risks into our ERM processes.</p> <p>The company’s ERM program is designed to identify, assess and prioritize strategic, financial, operational, technological and reputational risks with the potential to have sustained impact on the company. In connection with the annual refreshment of the company’s long-range plan and finalizing the company’s annual operating plan for the coming year, company management (including its internal auditors) revisits these risks and identifies top risks for regular monitoring and for the development of related mitigation plans. Additionally, an executive-level ERM committee composed of cross-functional leadership meets regularly to evaluate and prioritize risks with further escalation and updates to the Chairman, President and CEO and the Board as appropriate.</p> <p>Climate risks may be identified through the assessment portion of our ERM activities, which includes rolling interviews with key leaders as well as voting workshops annually with each segment’s Senior Leadership Team and the Operating Committee. Risks are scored and ranked based on impact, likelihood and management preparedness. Mitigation plans are developed for identified risks and summarized in a risk action matrix, which applies both at the site and corporate level.</p> <p>See sections 3.a and 3.b for more detail about how climate risk identification, assessment and management are integrated into processes throughout Baxter.</p> |

2022 Task Force on Climate-related Financial Disclosures Index

4. Metrics & Targets

RECOMMENDED DISCLOSURE

a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

BAXTER DISCLOSURE

Baxter uses numerous metrics to measure performance and drive ongoing improvement in regard to climate-related risks and opportunities.

GHG emissions, energy and water metrics:

- Scope 1, 2 and 3 GHG emissions (see data in [section 4.b](#))
- GHG emissions from Baxter operations (in absolute terms, per million dollars of sales)
- Baxter global GHG emissions footprint (including multiple Scope 3 categories)
- Energy usage from Baxter operations (in absolute terms, per million dollars of sales)
- Energy costs
- Renewable energy usage
- Electricity purchased from 100% renewable power
- Lean Energy Program performance
- Energy assessments completed
- Energy conservation projects completed, estimated reductions in energy and cost, and estimated GHG emissions avoided
- Worldwide GHG emissions from product transport (by mode and by region)
- Value chain energy usage and GHG emissions (includes numerous metrics)
- Facilities with ISO 14001, ISO 45001, ISO 50001 and green building certifications
- Renewable and alternative energy (detailed breakdown by site)
- Water usage by region
- Water usage by availability (level of water stress)
- Wastewater flow

See detailed performance data for these metrics in the [Baxter 2022 Corporate Responsibility Report](#).

EHS&S risk model metrics:

- Facility profile score and percentile
- Facility environmental score and percentile
- Facility health and safety score and percentile
- Facility total risk score and percentile
- Global risk determination per facility (high, medium, low)
- High, medium, low risk scores for individual factors (across facilities)
- Heat map placement of facilities in different quadrants (based on probability of occurrence and level of risk)

Performance assessment and compensation metrics:

- The individual performance assessment under the 2023 Annual Incentive Plan for Baxter's Operating Committee is determined in connection with an assessment of Baxter's performance against pre-established measures for strategic priorities, including those related to ESG.
- Baxter's Chairman, President and CEO and corporate executive team receive bonuses that are a percentage of their salary, measured according to the company's performance against pre-established measures and targets for strategic priorities, including those related to ESG (including climate change) and, in some cases, climate-related risk management.

2022 Task Force on Climate-related Financial Disclosures Index

4. Metrics & Targets (continued)

RECOMMENDED DISCLOSURE

BAXTER DISCLOSURE

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks

BAXTER GLOBAL GHG EMISSIONS (METRIC TONS CO₂e)

| | 2020 | 2021 | 2022 |
|---|-----------|-----------|-----------|
| Scope 1 emissions | 319,000 | 346,000 | 373,000 |
| Scope 2 emissions (market-based) | 304,000 | 280,000 | 242,000 |
| Scope 3 emissions* | 5,484,000 | 5,280,000 | 6,178,000 |

* Includes Scope 3 categories 1–7 and 9–12.

Baxter uses **The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard** (revised edition) and **The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Standard** to calculate emissions. See detailed information about our calculation methodologies for GHG emissions in the [Baxter 2022 Corporate Responsibility Report](#).

Apex Companies, LLC verified to a reasonable level Baxter’s Scope 1 and Scope 2 GHG emissions for 2020–2022. Apex Companies, LLC also verified to a limited level Baxter’s methodology for determining Scope 3 GHG emissions for 2020–2022. See the [verification statement](#).

See the “Transition – Policy and legal” and “Transition – Reputation” risks in [section 2.a](#) for detail about risks related to Baxter’s GHG emissions.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

Baxter’s GHG emissions goal is to achieve carbon neutrality for our direct operations by 2040 and reduce absolute Scope 1 and 2 GHG emissions 25% by 2030, aligned with a well-below 2° Celsius science-based target (baseline is 2020). In 2022, we reduced absolute Scope 1 and 2 GHG emissions by 1.7% compared with 2021 and 1.3% compared with our baseline year of 2020. During the year, in addition to energy efficiency initiatives, we worked to decrease our GHG emissions through fuel switching, cogeneration, alternative energy systems, on-site renewable energy systems, renewable electricity procurement and green buildings.

Our water management goal is to implement strategic water management plans at prioritized manufacturing locations by 2030.¹ In 2022, we completed four risk and resilience assessments (representing 22% of Baxter’s total water use) and performed eight wastewater compliance evaluations. We also continued infrastructure assessments for selected manufacturing sites and surveyed our manufacturing sites to collect critical data.²

Baxter is working to drive a more sustainable supply chain, including related to climate change. Our sustainable procurement goal is to integrate Baxter’s sustainable procurement strategy across 90% of our supplier spend.³ See detail in the [Baxter 2022 Corporate Responsibility Report](#).

¹ Identify prioritized locations using a risk-based approach by the end of 2023.

² The survey did not include former Hillrom manufacturing sites.

³ As measured by supplier commitment to Baxter’s Ethics & Compliance Standards and Baxter’s completion of corporate responsibility audits within our supply base.