*** **JOHN CHEVEDDEN** ***

January 3, 2021

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

 # 4 Rule 14a-8 Proposal
Baxter International Inc. (BAX)
Independent Board Chairman Proposal vs. "Gut Feeling Policy" of the Board
Kenneth Steiner

Ladies and Gentlemen:

This is in regard to the December 9, 2020 no-action request on a perhaps sometimes independent board chairman.

Management does not have a backup argument that would claim that an Independent Board Chairman proposal is implemented by a Lead Director policy.

Sincerely,

John Chevedden

cc: Kenneth Steiner

Ellen Kathleen Bradford <ellen_bradford@baxter.com>

***FISMA & OMB Memorandum M-07-16

***

JOHN CHEVEDDEN

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December 20, 2020

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

 # 3 Rule 14a-8 Proposal
Baxter International Inc. (BAX)
Independent Board Chairman and "Gut Feeling Policy"
Kenneth Steiner

Ladies and Gentlemen:

This is in regard to the December 9, 2020 no-action request on a perhaps sometimes independent board chairman.

The new so-called policy seems to be a Lead Director policy. In the new policy management uses the word "generally" in regard to an independent chairman and omits "generally" in regard to having a Lead Director in its new policy.

"Generally" means in general terms; without regard to particulars or exceptions. The new policy allows management to be guided by "exceptions" at all times in regard to an independent board chairman.

Having a Lead Director policy is consistent with the management opposition to the 2020 independent Board Chairman proposal. Management responded to this proposal by stating: "Baxter's leadership structure, including its robust lead independent director role, provides strong and effective independent oversight"

Both the new so-called policy and the no action request give no reason why the Board supposedly changed it mind on its 2020 Lead Director policy so we must conclude that the Board has not changed its mind. The so-called new Board policy is a Lead Director policy masquerading as something else.

Sincerely,

John Chevedden

John Chevedden

cc: Kenneth Steiner

Ellen Kathleen Bradford <ellen_bradford@baxter.com>

JOHN CHEVEDDEN

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December 13, 2020

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

 # 2 Rule 14a-8 Proposal
Baxter International Inc. (BAX)
Independent Board Chairman and "Gut Feeling Policy"
Kenneth Steiner

Ladies and Gentlemen:

This is in regard to the December 9, 2020 no-action request on a perhaps sometimes independent board chairman.

The new so-called policy does not even give a methodology on how the Board would determine that evading the installation of an independent board chairman on multiple future occasions "would be in the best interest of the Company and its shareholders."

Management does not even hint at what might be grounds to repeatedly evade having an independent board chairman.

There is nothing to stop the gut feeling of the Board from evading the installation of an independent board chairman. It should be called the "Gut Feeling Policy."

Sincerely,

John Chevedden

cc: Kenneth Steiner

Ellen Kathleen Bradford <ellen_bradford@baxter.com>

*** JOHN CHEVEDDEN
***

December 9, 2020

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

 # 1 Rule 14a-8 Proposal
Baxter International Inc. (BAX)
Independent Board Chairman
Kenneth Steiner

Ladies and Gentlemen:

This is in regard to the December 9, 2020 no-action request on a perhaps sometimes independent board chairman.

This no action request is perhaps misfiled and should be filed as a rule-making request to do away with rule 14a-8 proposals. If granted this request would make rule 14a-8 proposals moot.

When faced with a rule 14a-8 proposal in the future any management could simply adopt a proposal topic based on totally subjective factors that would allow management to never meet the objective of the rule 14a-8 proposal.

As per the management policy management would not need to meet the objective of the proposal because the subjective opinion of the Board could always override the objective of the proposal.

Management does not even commit to having an independent board Chairman for even the first 24-hours of a new CEO's tenure according to its so-called policy.

Sincerely,

John Chevedden

cc: Kenneth Steiner

Ellen Kathleen Bradford <ellen_bradford@baxter.com>

[BAX – Rule 14a-8 Proposal, November 10, 2020 | Revised November 22, 2020]
[This line and any line above it – *Not* for publication.]

Proposal 4 – Independent Board Chairman

The shareholders request the Board of Directors to adopt as policy, and amend the bylaws as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. This policy could be phased in for the next CEO transition.

If the Board determines that a Chair is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is temporarily waived if, in the unlikely event, no independent director is available and willing to serve as Chair.

This proposal topic won 52% support at Boeing and 54% support at Baxter International in 2020. Boeing adopted this proposal topic in June 2020.

The 2020 Lowe's (LOW) annual meeting proxy said that Lowe's independent directors determined that having a separate Chairman and Chief Executive Officer affords the CEO the opportunity to focus his time and energy on managing the business and allows the Chairman to devote his time and attention to Board oversight and governance.

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, at age 74 has 21-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, at age 75 with 18-years long-tenure, 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.

• The role of the CEO and management is to run the company.
• The role of the Board of Directors is to provide independent oversight of management and the CEO.
• There is a potential conflict of interest for a CEO to have the oversight role of Chairman.

Shareholders are best served by an independent Board Chair who can provide a balance of power between the CEO and the Board. The primary duty of a Board of Directors is to oversee the management of a company on behalf of shareholders. A CEO serving as Chair can result in excessive management influence on the Board and weaker oversight of management.

Please vote yes:

Independent Board Chairman – Proposal 4

[The line above – *Is* for publication. Please assign the correct proposal number in the 2 places.]

December 9, 2020

Via E-mail: shareholderproposals@sec.gov

Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.,
Washington, D.C. 20549

Re: Baxter International Inc.
Request to Omit Shareholder Proposal of Kenneth Steiner

Ladies and Gentlemen:

Pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Baxter International Inc., a Delaware corporation (the "Company"), hereby gives notice of its intention to omit from the proxy statement and form of proxy for the Company's 2021 Annual Meeting of Shareholders (together, the "2021 Proxy Materials") a shareholder proposal (including its supporting statement, the "Proposal") received from Kenneth Steiner (the "Proponent") with John Chevedden designated as proxy for Mr. Steiner ("Mr. Chevedden"). The full text of the Proposal and other relevant correspondence with the Proponent and Mr. Chevedden are attached as Exhibit A and Exhibit B, respectively.

The Company believes it may properly omit the Proposal from the 2021 Proxy Materials for the reasons discussed below. The Company respectfully requests confirmation that the Staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") will not recommend enforcement action to the Commission if the Company excludes the Proposal from the 2021 Proxy Materials.

This letter, including the exhibits hereto, is being submitted electronically to the Staff at shareholderproposals@sec.gov. Pursuant to Rule 14a-8(j), the Company has filed this letter with the Commission no later than 80 calendar days before the Company intends to file its definitive 2021 Proxy Materials with the Commission. A copy of this letter is being sent simultaneously to the Proponent as notification of the Company's intention to omit the Proposal from the 2021 Proxy Materials.

I. THE PROPOSAL

The resolution included in the Proposal reads as follows:

The shareholders request the Board of Directors to adopt as policy, and amend the bylaws as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. This policy could be phased in for the next CEO transition.

If the Board determines that a Chair is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is temporarily waived if, in the unlikely event, no independent director is available and willing to serve as Chair.

II. FACTUAL BACKGROUND

Last year, in connection with the Company's 2020 annual meeting of shareholders (the "2020 Annual Meeting"), the Proponent, with Mr. Chevedden once-again designated as proxy, submitted a nearly identical proposal to the current Proposal, requesting that the Board of Directors of the Company (the "Board") adopt a policy to require the Chair of the Board to be independent, whenever possible, effective upon the next Chief Executive Officer ("CEO") transition (the "2020 Proposal"). The full text of the 2020 Proposal is attached as Exhibit C. The only difference between the 2020 Proposal and the current Proposal is that the 2020 Proposal asked the Board to "amend [the Company's] governing documents as necessary" to implement the policy while the current Proposal asks the Board to "amend [the Company's] bylaws as necessary" to implement the policy. The Company included the 2020 Proposal in its proxy materials for the 2020 Annual Meeting.

As announced on a Form 8-K filed with the SEC on May 8, 2020, the 2020 Proposal received the support of a majority of the Company's shareholders at the 2020 Annual Meeting. Following this vote and after extensive engagement with the Company's top shareholders throughout the summer and fall of 2020, the Nominating, Corporate Governance & Public Policy Committee of the Board (the "Nom/Gov Committee") recommended to the Board that it adopt, and the Board agreed to adopt, the independent chair policy requested by the 2020 Proposal. As a result, on November 16, 2020, the Board revised the Company's Corporate Governance Guidelines to adopt a policy (the "Independent Chair Policy") that requires the Chair of the Board, whenever possible, to be an independent member of the Board, effective upon the next CEO transition. Specifically, the Board amended Section 3 of the Corporate Governance Guidelines to add, among other things, the following language:

> As of the effective date of these revised guidelines, the positions of Chair and Chief Executive Officer are held by the same individual. However, effective upon the next Chief Executive Officer transition, the general policy of the Board of Directors shall be that the Chair will be an independent director unless the Board of Directors determines that it would be in the best interests of the Company and its shareholders to have a non-independent director serve as Chair. If any independent Chair ceases to be independent, the Nominating, Corporate Governance & Public Policy Committee shall review the appropriateness of his/her continued service as Chair and make a recommendation in accordance with this policy for the full Board's consideration. In the event the Chair is not independent, the independent directors will elect a Lead Independent Director to serve a one-year term from among the independent directors.

The full text of the Company's Corporate Governance Guidelines, as amended, is attached as Exhibit D. This Independent Chair Policy becomes effective upon the next CEO transition, consistent with both the terms of the policy requested in the 2020 Proposal and the current Proposal as well as the employment agreement of Mr. Joe Almeida, the Company's current CEO and Chair.

Despite the stockholder's approval of the 2020 Proposal and the Company's subsequent implementation of the 2020 Proposal through its adoption of the Independent Chair Policy, which the Company sent to the Proponent and Mr. Chevedden as part of the Company's offer to discuss potential withdrawal of the current Proposal, the Proponent and Mr. Chevedden have declined to withdraw this Proposal.

III. BASIS FOR EXCLUSION

The Company believes that the Proposal may be properly excluded from the 2021 Proxy Materials pursuant to Rule 14a-8(i)(10) because the Company has already substantially implemented the Proposal.

IV. ANALYSIS

Under Rule 14a-8(i)(10), a company may exclude a shareholder proposal if "the company has already substantially implemented the proposal." This exclusion is "designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." *See* Exchange Act Release No. 34-12598 (July 7, 1976). "Substantial implementation" under Rule 14a-8(i)(10) does not require the actions requested by the proposal to be implemented in full or precisely as presented. *See* Exchange Act Release No.34-20091 (Aug. 16, 1983). Rather, the Staff has consistently concurred that a proposal may be excluded for substantial implementation where a company can demonstrate that it has already taken actions to address both the proposal's essential objective and its underlying concerns, even if the company has not implemented every detail of the proposal. *See, e.g.*, *Oshkosh Corp.*

(Nov. 4, 2016) (permitting exclusion under Rule 14a-8(i)(10) of a proposal requesting six changes to the company's proxy access bylaw when the company amended the bylaw to implement three of the six requested changes); *Walgreen Co*. (Sept. 26, 2013) (permitting exclusion of a proposal requesting elimination of supermajority voting requirements in the company's governing documents when the company had eliminated all but one of the supermajority voting requirements); *Wal-Mart Stores, Inc*. (Mar. 30, 2010) (permitting exclusion under Rule 14a-8(i)(10) of a proposal requesting that the company adopt six principles for action to stop global warming when the company's sustainability report set forth four principles that covered most, but not all, of the issues raised in the proposal); *Masco Corp*. (Mar. 29, 1999) (permitting exclusion of a proposal seeking adoption of an independence standard for the company's outside directors where the company adopted a modified version of the standard specified in the proposal). Thus, a proposal may be excluded under Rule 14a-8(i)(10) when there are differences between a company's actions and the actions requested by the proposal so long as the company has satisfactorily addressed the essential objective and underlying concerns of the proposal. The Company's recent adoption of the Independent Chair Policy addresses both the Proposal's essential objective and underlying concerns and therefore, the Proposal may be excluded under Rule 14a-8(i)(10).

1. *The Independent Chair Policy addresses the Proposal's essential objective*.

The Company's adoption of the Independent Chair Policy addresses the essential objective of the Proposal – namely, that the Board adopt a policy that requires the next Board Chair to be independent, whenever possible, effective upon the next CEO transition. The only substantive difference between the Company's Independent Chair Policy and the Proposal is that the Proposal would permit the Board to appoint a non-independent Chair in the event no independent director "is available and willing to serve as Chair," whereas the Independent Chair Policy only permits the Board to appoint a non-independent Chair (or retain a Chair who ceases to be independent) in the event that it determines that doing so would be in the best interests of the Company and its shareholders (and, in that event, the Company must appoint a Lead Independent Director to oversee the non-independent Chair, consistent with corporate governance best practices and the current Board structure). The added specificity of this "fiduciary out" exception is consistent with the Proposal's language that the Board Chair be independent "whenever possible" but is also necessary in order to ensure compliance with the directors' fiduciary duties under Delaware law. Specifically, under Delaware law, a corporation may not adopt an internal governance provision that would prevent its directors from fulfilling their fiduciary duties. For example, in *CA, Inc.* v. *AFSCME*, 953 A.2d 227, 238 (Del. 2008), the Delaware Supreme Court held that a stockholder's proposed bylaw that would have mandated that the board reimburse expenses for successful short-slate proxy contests was invalid under Delaware law because the bylaw did not contain a provision that would permit the board to deny the reimbursement of such expenses if it determined that such reimbursement was inconsistent with the directors' fiduciary duties. As a result, the Court held that the bylaw "violate[d] the prohibition, which our decisions have derived from Section 141(a) [of the Delaware General Corporate Law], against contractual arrangements that commit the board of directors to a course of action that would preclude them from fully discharging their fiduciary duties to the corporation and its shareholders." *Id.* Similarly, here, if the Company's Independent Chair Policy did not include this "fiduciary out" exception, it would require the Board to appoint an independent Chair even if the Board determines that doing so would be inconsistent with the directors' fiduciary duties and therefore, the policy would violate the same prohibition described in *CA*. As a result, because the Company has adopted an Independent Chair Policy that mirrors the policy requested by the Proposal to the maximum extent permitted by applicable law, the Company has addressed the essential objective of the Proposal.

2. *The Independent Chair Policy, in connection with the overall composition of the Company's Board, addresses the underlying concerns of the Proposal.*

As outlined above, the Company has addressed the essential objective of the Proposal through its adoption of the Independent Chair Policy. This Independent Chair Policy also addresses the Proposal's underlying concern that having the same person serve as CEO and Board Chair "can result in excessive management influence on the Board and weaker oversight of management."

The Company is committed to ensuring that the Board provides strong and effective independent oversight of management. To this end and as discussed above, the Independent Chair Policy will require the Board to appoint an independent Chair unless doing so would be inconsistent with the directors' fiduciary duties. Additionally, in the event the Board does determine it is in the best interests of the Company and its shareholders to appoint a non-independent Chair, the Board will then be required to appoint a Lead Independent Director (which the Board already does) who will perform largely the same responsibilities as the Chair while also overseeing the performance of the Chair and the CEO in order to help limit potential conflicts of interest as well as other governance concerns that could arise from having a non-independent Chair. Moreover, in addition to the Lead Independent Director policy and the Independent Chair Policy, the Company's commitment to independent and effective board oversight is demonstrated by the current composition of the Board, with 11 out of 12 directors qualifying as independent and 4 out of 12 directors having a tenure of less than three years. This goes far beyond the requirement in the Company's Corporate Governance Guidelines that at least a majority of the Board be comprised of directors who qualify as independent under the rules of the New York Stock Exchange (the "NYSE").

As a result, the Proposal's underlying concern about the Board's ability to provide effective, independent oversight of management is addressed by the Independent Chair Policy, which requires the Board to appoint an independent Chair unless doing so would be inconsistent with the directors' fiduciary duties and the Board appoints a Lead

Independent Director, and the fact that an overwhelming majority (over 91%) of the Board consists of independent directors.

3. *A bylaw amendment is not required to substantially implement the Proposal.*

Although the Proposal includes language asking the Company to amend its bylaws as necessary to adopt an independent chair policy, no amendment to the Company's Amended and Restated Bylaws (the "Bylaws") is necessary in order to effectuate the Independent Chair Policy, as adopted.

In addition, even if the Proposal is read to request that the Company implement the Independent Chair Policy directly in its Bylaws, the Company believes that the fact that the Independent Chair Policy is contained in its Corporate Governance Guidelines rather than its Bylaws does not alter the conclusion that the Company has substantially implemented the Proposal. For example, the Staff has consistently held that Rule 14a-8(i)(10) permits the omission of a shareholder proposal if a company has substantially implemented the essential objectives and underlying concerns of the proposal, even if by means other than those suggested in the proposal. *See, e.g.*, *Sun Microsystems, Inc*. (September 12, 2006) (permitting the exclusion under Rule 14a-8(i)(10) of a proposal calling for a bylaw or charter amendment when the company adopted a responsive policy in its corporate governance guidelines that substantially implemented the proposal); *Tiffany and Co*. (March 14, 2006) (permitting the exclusion under Rule 14a-8(i)(10) of a proposal calling for a bylaw or charter amendment when the board adopted a policy statement that substantially implemented the proposal); *Bristol-Myers Squibb Co*. (March 9, 2006) (permitting the exclusion pursuant to Rule 14a-8(i)(10) of a proposal requesting an amendment to the company's bylaws or charter because the company adopted a corporate governance policy that substantially implemented the provision); *Exxon Mobil Corporation* (March 17, 2011) (permitting the exclusion pursuant to Rule 14a-8(i)(10) of a proposal that the board prepare a specific report, on the basis that the company's existing public disclosures compared favorably with the guidelines of the proposal). While the Staff has previously denied the exclusion of certain proposals where the language of the proposal clearly indicated that its objective was a bylaw amendment, similar to the examples described above, the essential objective of this Proposal is not to amend the Company's Bylaws, but to have the Board adopt a policy relating to the appointment of an independent Board Chair. The Proposal itself recognizes that implementation through the Company's Bylaws is not a critical element of the Proposal, but need only be effected "as necessary." This language clearly permits the Board to determine the best means to implement the Proposal.

Moreover, the Independent Chair Policy fully effectuates the Proposal because, regardless of whether it is embodied in the Company's Corporate Governance Guidelines or in its Bylaws, the Independent Chair Policy would operate in the same manner. Under the rules of the NYSE, the Company is required to maintain and publish its Corporate Governance Guidelines on its website. These Corporate Governance

Guidelines are a critical element of the Company's corporate governance framework. The Corporate Governance Guidelines govern material matters such as director qualifications and responsibilities, board leadership, director access to management and independent advisors, director compensation, the evaluation of management and succession planning, annual evaluations of the Board and its committees, stock ownership guidelines for directors and other matters involving directors' conduct. Many other companies, like the Company, also include provisions regarding the leadership structure of their boards in their Corporate Governance Guidelines. Additionally, like the Company's Bylaws, the Corporate Governance Guidelines are publicly available and cannot be amended by management – rather, any proposed changes must be reviewed and adopted by a majority vote of the Board (which in practice requires that a majority of the Company's independent directors approve any such changes).

In sum, in light of the Company's Independent Chair Policy and its commitment to ensuring the Board effectively oversees management, as exemplified by its current practices, the Company believes it has already addressed the essential objective and underlying concerns of the Proposal and therefore may exclude it under Rule 14a-8(i)(10).

V. CONCLUSION

The Company respectfully requests that the Staff concur that the Proposal may be excluded from the 2021 Proxy Materials as for the reasons described above.

* * * * *

Should you have any questions or if you would like any additional information regarding the foregoing, please do not hesitate to contact Ellen Bradford, Senior Vice President, Associate General Counsel and Corporate Secretary of Baxter International Inc. at (224) 948-3086. Thank you for your attention to this matter.

Very truly yours,

Ellen K. Bradford, Senior Vice President,
Associate General Counsel and Corporate
Secretary

Attachments

cc: Kenneth Steiner
John Chevedden

EXHIBIT A

THE PROPOSAL

Kenneth Steiner
***

Ms. Ellen K. McIntosh
Corporate Secretary
Baxter International Inc. (BAX)
One Baxter Pkwy
Deerfield, IL 60015
PH: 847-948-2000
PH: 224-948-3216
FX: 847 948-3642
FX: 847-948-2450

REVISED 22 NOV 2020

Dear Ms. McIntosh,

I purchased stock in our company because I believed our company had potential for improved performance. My attached Rule 14a-8 proposal is submitted in support of the long-term performance of our company. This Rule 14a-8 proposal is submitted as a low-cost method to improve company performance.

My proposal is for the next annual shareholder meeting. I will meet Rule 14a-8 requirements including the continuous ownership of the required stock value until after the date of the respective shareholder meeting. My submitted format, with the shareholder-supplied emphasis, is intended to be used for definitive proxy publication. This is my proxy for John Chevedden and/or his designee to forward this Rule 14a-8 proposal to the company and to act on my behalf regarding this Rule 14a-8 proposal, and/or modification of it, for the forthcoming shareholder meeting before, during and after the forthcoming shareholder meeting. Please direct all future communications regarding my rule 14a-8 proposal to John Chevedden
***

to facilitate prompt and verifiable communications. Please identify this proposal as my proposal exclusively.

This letter does not cover proposals that are not rule 14a-8 proposals. This letter does not grant the power to vote. Your consideration and the consideration of the Board of Directors is appreciated in support of the long-term performance of our company. Please acknowledge receipt of my proposal promptly by email to ***

Sincerely,

Kenneth Steiner

10-14-20
Date

cc: Sean Martin <sean_martin@baxter.com>
Matthew Rice <matt_rice@baxter.com>
Michele Janet Garbie <michele_garbie@baxter.com>

[BAX – Rule 14a-8 Proposal, November 10, 2020 | Revised November 22, 2020]
[This line and any line above it – *Not* for publication.]

Proposal 4 – Independent Board Chairman

The shareholders request the Board of Directors to adopt as policy, and amend the bylaws as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. This policy could be phased in for the next CEO transition.

If the Board determines that a Chair is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is temporarily waived if, in the unlikely event, no independent director is available and willing to serve as Chair.

This proposal topic won 52% support at Boeing and 54% support at Baxter International in 2020. Boeing adopted this proposal topic in June 2020.

The 2020 Lowe's (LOW) annual meeting proxy said that Lowe's independent directors determined that having a separate Chairman and Chief Executive Officer affords the CEO the opportunity to focus his time and energy on managing the business and allows the Chairman to devote his time and attention to Board oversight and governance.

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, at age 74 has 21-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, at age 75 with 18-years long-tenure, 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.

• The role of the CEO and management is to run the company.
• The role of the Board of Directors is to provide independent oversight of management and the CEO.
• There is a potential conflict of interest for a CEO to have the oversight role of Chairman.

Shareholders are best served by an independent Board Chair who can provide a balance of power between the CEO and the Board. The primary duty of a Board of Directors is to oversee the management of a company on behalf of shareholders. A CEO serving as Chair can result in excessive management influence on the Board and weaker oversight of management.

Please vote yes:

Independent Board Chairman – Proposal 4

[The line above – *Is* for publication. Please assign the correct proposal number in the 2 places.]

Notes:
This proposal is believed to conform with Staff Legal Bulletin No. 14B (CF), September 15, 2004 including (emphasis added):

Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(l)(3) in the following circumstances:

- the company objects to factual assertions because they are not supported;
- the company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;
- the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers; and/or
- the company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such.

We believe that it is appropriate under rule 14a-8 for companies to address these objections in their statements of opposition.

See also: Sun Microsystems, Inc. (July 21, 2005).

The stock supporting this proposal will be held until after the annual meeting and the proposal will be presented at the annual meeting. Please acknowledge this proposal promptly by email
***

The graphic below is intended to be published with the rule 14a-8 proposal.
The graphic would be the same size as the largest management graphic (and accompanying bold or highlighted management text with a graphic) or any highlighted management executive summary used in conjunction with a management proposal or a rule 14a-8 shareholder proposal in the 2021 proxy.

The proponent is willing to discuss the in unison elimination of both shareholder graphic and management graphic in the proxy in regard to specific proposals.

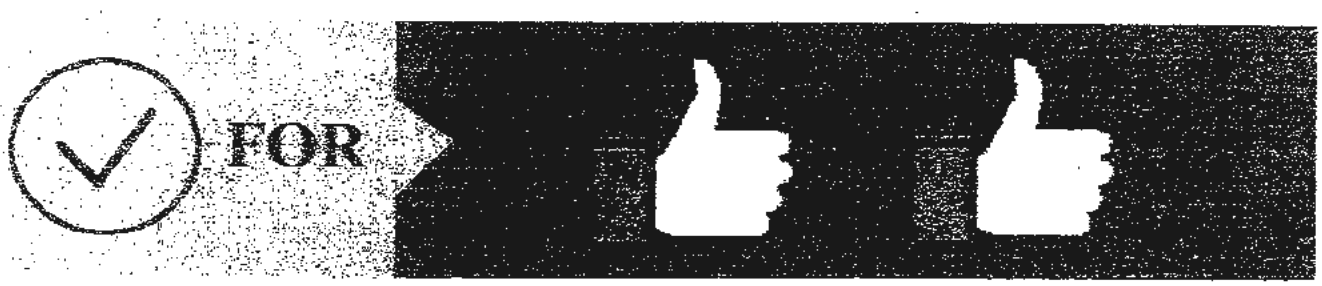

EXHIBIT B

RELEVANT CORRESPONDENCE WITH THE PROPONENT AND MR. CHEVEDDEN

From: John Chevedden < *** >
Date: December 9, 2020 at 8:04:17 AM CST
To: "Bradford, Ellen Kathleen" <ellen_bradford@baxter.com>
Subject: [EXTERNAL] (BAX)

[EXTERNAL

Thank you for the highlighting.

From: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Sent: Tuesday, December 8, 2020 11:57
To: John Chevedden *** >
Cc: Martin, Sean; Rice, Matthew Michael
Subject: [EXTERNAL] (BAX) - EKB

Mr. Chevedden,

As I flagged in my email from November 23rd, I'd point you to Section I.A.3 of our revised Corporate Governance Guidelines. In that section, we have already decided to separate the role of CEO and Chair - consistent with the stockholder proposal that was approved at our 2020 annual meeting and with our current CEO's employment agreement.

Please see below for that language:

.... As of the effective date of these revised guidelines, the positions of Chair and Chief Executive Officer are held by the same individual. <u>However, effective upon the next Chief Executive Officer transition, the general policy of the Board of Directors shall be that the Chair will be an independent director unless the Board of Directors determines that it would be in the best interests of the Company and its shareholders to have a non-independent director serve as Chair</u>. If any independent Chair ceases to be independent, the Nominating, Corporate Governance & Public Policy Committee shall review the appropriateness of his/her continued service as Chair and make a recommendation in accordance with this policy for the full Board's consideration...

Please let me know if you have any questions.

Best regards,
Ellen

From: John Chevedden < *** >
Sent: Tuesday, December 8, 2020 10:44 PM
To: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Subject: [EXTERNAL] (BAX)

[EXTERNAL]

Dear Ms. Bradford,
Is there anything to highlight here.
John Chevedden

https://www.baxter.com/sites/g/files/ebysai746/files/2020-11/Baxter%20Corporate%20Governance%20Guidelines.pdf [baxter.com]

From: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Sent: Tuesday, December 8, 2020 1:46 PM
To: John Chevedden < *** >
Cc: Martin, Sean; Rice, Matthew Michael
Subject: Guidelines (BAX) - EKB

Mr. Chevedden,

Thank you for your email.

I can confirm receipt of both broker letters (for both you and Mr. Steiner). Additionally, we have already decided to separate the role of CEO and Chair. Consistent with the stockholder proposal that was approved at our 2020 annual meeting and with our current CEO's employment agreement, we will phase in that policy with the next CEO transition.

The Board made that change on November 16 and you'll see it is already reflected in our updated Corporate Governance Guidelines, which are publicly available here:
https://urldefense.com/v3/__https://www.baxter.com/sites/g/files/ebysai746/files/2020-11/Baxter*20Corporate*20Governance*20Guidelines.pdf__;JSUl!!ARePqKBowW4!hwMxOe6woSS2Tzkvn_kzqUn7vccl2vcOWyV0YGWeS7EHXGLtY9O9LbPYF6YQ1_NK$

Let me know if you have any questions or need more information.

Best regards,
Ellen Bradford

From: John Chevedden *** >
Sent: Wednesday, November 25, 2020 8:10 PM
To: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Subject: [EXTERNAL] Guidelines (BAX)

[EXTERNAL]

Dear Ms. Bradford,
Please defend the limited response of management in an email first.
John Chevedden

From: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Sent: Wednesday, November 25, 2020 10:01 AM
To: John Chevedden ***
Cc: Martin, Sean; Rice, Matthew Michael
Subject: Guidelines (BAX)

Hi John,

I'm happy to schedule a call with you to discuss further.

Kindly let me know your availability. Perhaps later today or Friday?

Best regards,
Ellen Bradford

From: John Chevedden *** >
Sent: Tuesday, November 24, 2020 9:24 PM
To: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Subject: [EXTERNAL] Guidelines (BAX)

[EXTERNAL]

Why not these words

Each year following the annual meeting, the directors shall elect a Chairman from among the independent directors. In the event that a Chairman leaves the Board or ceases to be independent, the Board shall within a reasonable amount of time appoint a new Chairman from among the remaining independent directors.

From: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Sent: Monday, November 23, 2020 9:36 AM
To: John Chevedden < *** >
Cc: Rice, Matthew Michael; Martin, Sean; Garbie, Michele Janet
Subject: Rule 14a-8 Proposals - EKB

Thanks Mr. Chevedden.

I acknowledge receipt of the revised written consent and independent chair proposals. Please send across the broker letters for you and Mr. Steiner.

In the meantime, I was hoping to schedule time with you this week to discuss the independent chair proposal. I'm not sure if you are aware but our Board recently amended our Corporate Governance Guidelines to contemplate the split of the roles in connection with the appointment of Mr. Almeida's successor. See Section I.A.3 of the revised guidelines: https://www.baxter.com/sites/g/files/ebysai746/files/2020-11/Baxter%20Corporate%20Governance%20Guidelines.pdf [baxter.com]

Can you let me know what dates/times work for you?

Best,
Ellen

From: John Chevedden < *** >
Sent: Monday, November 23, 2020 12:52 AM
To: Bradford, Ellen Kathleen <ellen_bradford@baxter.com>
Cc: Rice, Matthew Michael; Martin, Sean; Garbie, Michele Janet
Subject: [EXTERNAL] Rule 14a-8 Proposal (BAX)`` revised

[EXTERNAL]

Dear Ms. McIntosh,
Please see the attached rule 14a-8 proposal to improve corporate governance and enhance long-term shareholder value at de minimis up-front cost – especially considering the substantial market capitalization of the company.

I expect to forward a broker letter soon so if you acknowledge this proposal in an email message it may very well save you from requesting a broker letter from me.

Sincerely,
John Chevedden

EXHIBIT C

THE 2020 PROPOSAL

Kenneth Steiner
***

Ms. Ellen K. McIntosh
Corporate Secretary
Baxter International Inc. (BAX)
One Baxter Pkwy
Deerfield, IL 60015
PH: 224-948-3216
PH: 847-948-2000
FX: 847 948-3642
FX: 847-948-2450

Dear Ms. McIntosh,

I purchased stock in our company because I believed our company had potential for improved performance. My attached Rule 14a-8 proposal is submitted in support of the long-term performance of our company. This Rule 14a-8 proposal is submitted as a low-cost method to improve company performance.

My proposal is for the next annual shareholder meeting. I will meet Rule 14a-8 requirements including the continuous ownership of the required stock value until after the date of the respective shareholder meeting. My submitted format, with the shareholder-supplied emphasis, is intended to be used for definitive proxy publication. This is my proxy for John Chevedden and/or his designee to forward this Rule 14a-8 proposal to the company and to act on my behalf regarding this Rule 14a-8 proposal, and/or modification of it, for the forthcoming shareholder meeting before, during and after the forthcoming shareholder meeting. Please direct all future communications regarding my rule 14a-8 proposal to John Chevedden
***

to facilitate prompt and verifiable communications. Please identify this proposal as my proposal exclusively.

This letter does not cover proposals that are not rule 14a-8 proposals. This letter does not grant the power to vote. Your consideration and the consideration of the Board of Directors is appreciated in support of the long-term performance of our company. Please acknowledge receipt of my proposal promptly by email to ***

Sincerely,

Kenneth Steiner

10-9-19
Date

cc: Sean Martin <sean_martin@baxter.com>
Matt Rice <matt_rice@baxter.com>
Michele Janet Garbie <michele_garbie@baxter.com>

BAX – Rule 14a-8 Proposal, October 21, 2019]
[This line and any line above it – *Not* for publication.]

Proposal [4] – Independent Board Chairman

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.

In another matter regarding our directors the Delaware Court of Chancery issued a decision, *In Re VAALCO Energy, Inc.*, in December 2015 in which the Court interpreted Section 141(k) of General Corporation Law of the State of Delaware and held that many companies may *improperly* state in their certificate of incorporation or bylaws that directors may be removed only for cause. It is not clear whether Baxter directors can be removed without cause.

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.

Please vote yes:

Independent Board Chairman – Proposal [4]

[The line above – *Is* for publication.]

Kenneth Steiner, *** sponsors this proposal.

Notes:
This proposal is believed to conform with Staff Legal Bulletin No. 14B (CF), September 15, 2004 including (emphasis added):

Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(l)(3) in the following circumstances:

• the company objects to factual assertions because they are not supported;
• the company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;
• the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers; and/or
• the company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such.

We believe that it is appropriate under rule 14a-8 for companies to address these objections in their statements of opposition.

See also: Sun Microsystems, Inc. (July 21, 2005).

The stock supporting this proposal will be held until after the annual meeting and the proposal will be presented at the annual meeting. Please acknowledge this proposal promptly by email ***

EXHIBIT D

THE COMPANY'S CORPORATE GOVERNANCE GUIDELINES

<u>Revised November 16, 2020</u>

BAXTER INTERNATIONAL INC.
Corporate Governance Guidelines

The Board of Directors of Baxter International Inc. ("<u>Baxter</u>" or the "<u>Company</u>" including its subsidiaries) recognizes the importance of excellent corporate governance as a means of addressing the needs of the Company's shareholders, employees, customers and other stakeholders. These guidelines, along with the charters and key practices of the Board committees, provide the overall framework for the governance of Baxter. The Board of Directors recognizes that corporate governance is a dynamic and ever-evolving area warranting periodic review. Accordingly, the following guidelines are subject to review and change from time to time by the Nominating, Corporate Governance & Public Policy Committee and the Board.

I. <u>Board of Directors</u>

A. <u>Size and Composition</u>

1. <u>Size</u>. The Company's Amended and Restated Certificate of Incorporation provides that the number of directors shall be fixed from time to time by the Board of Directors, but in no event shall be less than nine or more than seventeen.

2. <u>Independence of Directors</u>. The Board of Directors will be composed of a majority of directors who meet the criteria for "independence" established by the New York Stock Exchange ("<u>NYSE</u>"). In order to be considered independent, the Board shall affirmatively determine that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

3. <u>Board Leadership</u>. The Company's Bylaws require that the Board of Directors annually elect a Chair of the Board and a Chief Executive Officer. As of the effective date of these revised guidelines, the positions of Chair and Chief Executive Officer are held by the same individual. However, effective upon the next Chief Executive Officer transition, the general policy of the Board of Directors shall be that the Chair will be an independent director unless the Board of Directors determines that it would be in the best interests of the Company and its shareholders to have a non-independent director serve as Chair. If any independent Chair ceases to be independent, the Nominating, Corporate Governance & Public Policy Committee shall review the appropriateness of his/her continued service as Chair and make a recommendation in accordance with this policy for the full Board's consideration.

   In the event the Chair is not independent, the independent directors will elect a Lead Independent Director to serve a one-year term from among the independent directors.

   At all times that the Chair is not independent, the Lead Independent Director shall:

   - preside at all Board executive sessions and all meetings of the Board when the Chair is not present;

   - act as principal liaison between the independent directors and the Chair and Chief Executive Officer;

- review and approve meeting agendas for the Board and work with the Chair to facilitate timely and appropriate information flow to the Board;
- review and approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- have the authority to call meetings of the independent directors;
- in consultation with the chair of the Nominating, Corporate Governance & Public Policy Committee, lead the annual performance evaluation of the Chair and Chief Executive Officer (as applicable);
- in consultation with the chair of the Nominating, Corporate Governance & Public Policy Committee, lead the Chief Executive Officer succession process;
- engage with Baxter's shareholders on selected topics including corporate governance, executive compensation and other environmental, social and sustainability matters; and
- serve as the contact person for interested parties to communicate directly with the independent directors.

B. **Selection and Qualifications**

1. Director Qualifications. The Board of Directors has delegated to the Nominating, Corporate Governance & Public Policy Committee the responsibility for recommending to the Board the nominees for election as directors at the annual meetings of shareholders, and recommending persons to fill any vacancy on the Board. Invitations to join the Board are extended by the Chair of the Board or a designated representative. The Nominating, Corporate Governance & Public Policy Committee selects individuals for nomination to the Board of Directors based on the following criteria. Nominees for director must:

   - Possess fundamental qualities of intelligence, honesty, perceptiveness, good judgment, maturity, high ethics and standards, integrity, fairness and responsibility.
   - Have a genuine interest in the Company and recognition that as a member of the Board, each director is accountable to all shareholders of the Company, not to any particular interest group.
   - Have a background that demonstrates an understanding of business and financial affairs and the complexities of a large, multifaceted, global business, governmental or educational organization.
   - Be or have been in a senior position in a complex organization such as a corporation, university or major unit of government or a large not-for-profit institution.
   - Have no conflict of interest or legal impediment that would interfere with the duty of loyalty owed to the Company and its shareholders.

- Have the ability and be willing to spend the time required to function effectively as a Director.

- Be compatible and able to work well with other Directors and executives in a team effort with a view to a long-term relationship with the Company as a Director.

- Have independent opinions and be willing to state them in a constructive manner.

Directors are selected on the basis of talent and experience. Diversity of background, including diversity of gender, race, ethnic or geographic origin, age, and experience in business, government and education and in healthcare, science, technology and other areas relevant to the Company's activities are factors in the selection process. As a majority of the Board must consist of individuals who are independent, a nominee's ability to meet the independence criteria established by the NYSE is also a factor in the nominee selection process.

2. Board Succession Planning and Refreshment. The Nominating, Corporate Governance & Public Policy Committee, in consultation with the Chair of the Board and the Lead Independent Director (if any), engages in regular succession planning for the Board and key leadership roles on the Board and the committees of the Board. As part of this succession planning process, the Nominating, Corporate Governance & Public Policy Committee considers any upcoming retirements under the Board's retirement policy for directors, the tenure of the current directors, the mix of skills, expertise and experiences on the Board and the diversity of the directors.

3. Director Orientation and Continuing Education. The Nominating, Corporate Governance & Public Policy Committee is responsible for ensuring that new directors receive an effective orientation to the Company and has adopted a Director Orientation and Continuing Education Program. In addition, the Nominating, Corporate Governance & Public Policy Committee periodically reviews the director education sessions attended by the directors in order to assess the effectiveness of continuing director education.

4. Review of Director Affiliations. The Nominating, Corporate Governance & Public Policy Committee annually reviews the outside affiliations of each director to determine whether those affiliations present any conflicts of interest or are otherwise inconsistent with the best interests of Baxter.

5. Limit on the Number of Other Company Directorships. No director who is employed full time may serve on the board of directors of more than two other public companies, and no other director may serve on the board of directors of more than four other public companies, unless Baxter's Board determines that simultaneous service on additional boards would not impair the director's ability to serve effectively on Baxter's Board. Directors are required to notify the Chair of the Board, the Lead Independent Director (if any) and the Chair of the Nominating, Corporate Governance & Public Policy Committee prior to accepting any invitation to serve on the board, audit committee or compensation committee of any other company or to serve in a leadership role on the board or a board committee of any other company (including chair or lead independent director of the board or chair of a board committee), to ensure there are no conflicts of interest or other issues. For the avoidance of doubt, the prior notification requirement applies to both private and public company directorships.

6. Board Compensation. The Compensation Committee is responsible for recommending to the Board of Directors changes in the compensation and benefits paid to directors for their Board service. Compensation for non-employee directors should be competitive and fairly pay directors for work required of directors of a company of Baxter's size and complexity. In addition, director compensation should include equity-based compensation in order to align directors' interests with the long-term interests of shareholders. The Compensation Committee annually reviews the level and form of the Company's director compensation, including how such compensation relates to the Company's peers. Changes to director compensation are proposed to the full Board for approval. A director who is also an employee of the Company shall not receive additional compensation for such service as a director.

7. Stock Ownership Guidelines. Each director is encouraged to maintain ownership of Baxter common stock. The stock ownership guideline recommended for each director, after five years of Board service, is to hold five times the annual cash retainer provided to directors.

8. Change in Director's Circumstances. If a director discontinues or changes the employment affiliation held at the time of election as a director, becomes involved in a current or potential conflict of interest or a commercial or other relationship (including relationships of immediate family members) that may impair the director's independence, becomes unable to spend the required time or becomes disabled, that director shall notify the Nominating, Corporate Governance & Public Policy Committee with an explanation of the changed circumstances including, if applicable, the director's future business or professional plans. The Nominating, Corporate Governance & Public Policy Committee shall review the information presented and determine the appropriateness of continued membership. No member of the Board whose Board membership is being reviewed shall participate in the review process or vote on the matter.

9. Director Retirement. It is the policy of the Board that a director who has reached the age of 75 shall not be nominated for reelection to the Board and such director shall retire from the Board by the time immediately prior to the commencement of the annual meeting of shareholders following his/her 75th birthday (so that the Board may, at its option, nominate another person to stand for election in lieu of the retiring director); provided, however, that the Nominating, Corporate Governance & Public Policy Committee may recommend, and the Board may approve, the nomination for reelection of a director at or after the age of 75 and such director shall not be required to retire if such retirement would (i) occur immediately before, during or promptly after a material transaction being reviewed or approved by the Board (including a merger, acquisition, divestiture or other transaction), (ii) occur immediately before, during or promptly after succession of the Chair, the Chief Executive Officer and/or the Lead Independent Director, (iii) occur immediately before, during or promptly after an unusual degree of recent director retirements, removals, resignations or other turnover or (iv) likely cause non-compliance (including with respect to laws and external and internal rules, regulations, policies, codes, or other standards), in each case as determined in the sole and absolute discretion of the majority of directors then in office (excluding the subject director). For the avoidance of doubt, term limits for directors are not being established hereby.

C. Operation and Performance Evaluations

1. Executive Sessions. The Board of Directors shall meet in executive session at every regularly scheduled meeting. Executive session shall mean meetings without Company management or employee directors.

2. Agenda. The Chair of the Board, in consultation with the Lead Independent Director (if any), will establish the agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda.

3. Distribution of Board Materials. As a general rule, presentations on specific subjects should be sent to the Board members sufficiently in advance to allow time for review, so that Board meeting time may be conserved and discussion time focused on questions that the Board may have about the materials. To that end, Board members are expected to read all of such materials prior to the meetings.

4. Evaluation of Chair Performance. The Nominating, Corporate Governance & Public Policy Committee, in consultation with the Lead Independent Director (if any), annually reviews and evaluates the performance of the Chair. The Nominating, Corporate Governance & Public Policy Committee Chairperson reports to the Board on the evaluation without the Chair present.

5. Evaluation of the Lead Independent Director. When the Board has a Lead Independent Director, the Nominating, Corporate Governance & Public Policy Committee annually reviews and evaluates the performance of the Lead Independent Director. In the event the Lead Independent Director serves on the Nominating, Corporate Governance & Public Policy Committee, he/she will not participate in the evaluation process. The Nominating, Corporate Governance & Public Policy Committee Chairperson reports to the Board on the evaluation without the Lead Independent Director present.

6. Board and Committee Evaluations. The Board annually reviews its own structure, governance principles, composition, agenda, processes and schedule to consider whether it is functioning well in view of its responsibilities and the evolving situation of the Company. In furtherance of this objective, the Nominating, Corporate Governance & Public Policy Committee annually reviews the process by which the Board and its committees conduct annual self-evaluations. The Nominating, Corporate Governance & Public Policy may elect to have one or more external advisors assist in the oversight of this annual process from time to time.

7. Attendance. Each director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings materials distributed in advance of such meetings. In addition, each director is expected to attend the annual meeting of shareholders so that shareholders have an opportunity to communicate directly with members of the Board.

8. Confidentiality. Each Board member is expected to protect and hold confidential all non-public information obtained as a result of membership on the Board. Each Member understands that he or she may not disclose, without express Board authorization or as required by law, non-public information to anyone outside the Company including, without limitation, principals or employees of any business entity which employs them or which has sponsored their election to the Board. Non-public information includes information related to Board deliberations and discussions with respect to business issues and decisions, relationship dynamics among the Board members and officers and other employees of the Company and all other confidential information acquired by reason of his or her position as a member of the Company's Board of Directors.

9. Committees. The Board of Directors has four standing committees consisting of an Audit Committee, Compensation Committee, Nominating, Corporate Governance & Public Policy Committee and Quality, Compliance and Technology Committee. All of the members of the Audit, Compensation and Nominating, Corporate Governance & Public

Policy committees shall meet the independence criteria established by the NYSE. From time to time, the Board may determine that it is appropriate to form a new committee or a special committee or to restructure or combine its standing committees. Each required committee of the Board shall be governed by a charter, which the committee shall review annually. The Nominating, Corporate Governance & Public Policy Committee shall annually review committee membership and recommend to the Board any changes in the structure of the committees.

10. Access to Independent Advisers. The Board of Directors and each of its committees have the ability to hire outside consultants and experts, as the Board of Directors or any committee deems necessary and appropriate. Each committee shall communicate to the full Board its intent to hire an outside consultant or expert.

II. **Oversight Responsibilities**

A. Philosophy**.** The Board of Directors fosters and encourages a corporate environment of strong disclosure controls and procedures, including internal controls, fiscal accountability, high ethical standards and compliance with applicable policies, laws and regulations.

B. Corporate Compliance

1. The Board is committed to fostering a strong culture of compliance and business ethics within the Company. The Board supports management's promotion of a corporate culture of integrity, ethical behavior and compliance with laws and regulations and ensures that the Company's culture and its strategy are aligned. The Board requires all directors, officers, employees and representatives to act with integrity and to maintain high ethical standards at all times.

2. The Company has adopted, and the Quality, Compliance and Technology Committee reviews and oversees compliance with, a Code of Conduct and various policies that apply to all directors, officers, employees, consultants and others who represent the Company and address, among other things, conflicts of interest, corporate opportunities, confidentiality, data privacy, proper use of Company assets, maintaining accurate business records, compliance with laws, rules and regulations, and reporting of any illegal or unethical behavior. Directors, as well as officers and employees, are required to comply with the Code of Conduct and all other applicable Company policies.

3. The Board receives regular reports from Baxter's Chief Compliance Officer. While Baxter's Chief Compliance Officer reports directly to the Chief Executive Officer and the General Counsel, he or she is also required to make himself or herself available to all members of the Board (including the Lead Independent Director) generally and in connection with each regular meeting and executive session of the Board or committees thereof (including the Nominating, Corporate Governance & Public Policy Committee and the Quality, Compliance & Technology Committee) to discuss ethics & compliance matters.

4. Baxter's Chief Compliance Officer has the authority to call executive sessions of the Board or any committee thereof (including the Nominating, Corporate Governance & Public Policy Committee and the Quality, Compliance & Technology Committee) without the presence of Baxter's management, including the Chief Executive Officer or the General Counsel.

5. Baxter's Chief Compliance Officer is required to meet no less frequently than quarterly with the Chief Executive Officer to discuss the status of various ethics & compliance

matters. These meetings may be held with or without the General Counsel in the discretion of either the Chief Executive Officer or the Chief Compliance Officer.

C. Access to Management. The Board of Directors has complete access to Baxter's management, including to Baxter's Chief Compliance Officer. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operations of the Company and that the Chief Executive Officer be appropriately informed of such contact.

D. Related Person Transactions. The Board of Directors recognizes that related person transactions present a heightened risk of conflicts of interest. Accordingly, the Nominating, Corporate Governance & Public Policy Committee has been charged with reviewing related person transactions regardless of whether the transactions are reportable pursuant to Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended. For purposes of these guidelines, a "related person transaction" is any transaction in which the Company was or is to be a participant and in which any related person has a direct or indirect material interest other than transactions that involve less than $50,000 when aggregated with all similar transactions. For any related person transaction to be consummated or to continue, the Nominating, Corporate Governance & Public Policy Committee must approve or ratify the transaction. The Nominating, Corporate Governance & Public Policy Committee reviews related person transactions as they arise and are reported to such committee. The Nominating, Corporate Governance & Public Policy Committee also reviews materials prepared by the Corporate Secretary to determine whether any related person transactions have occurred that have not been reported. These materials are prepared based in part upon information provided by executive officers and directors in their D&O questionnaires as well as a review of certain accounting records of the Company. It is the Company's policy to disclose all related person transactions in the Company's applicable filings to the extent required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

For purposes of these guidelines, a "related person" is any person who is, or at any time since the beginning of the Company's last fiscal year was

- an executive officer or director (including in each case nominees for director),
- any shareholder owning in excess of five percent of the Company's common stock, and
- an immediate family member of an executive officer, director, or five percent shareholder.

For purposes of these guidelines, an "immediate family member" includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person's home.

III. Strategic Review and Management Succession Planning

A. Review of Strategic Plans. At least annually, the Board of Directors reviews the strategic plan for Baxter and each of Baxter's major businesses.

B. Evaluation of the CEO. The Nominating, Corporate Governance & Public Policy Committee, in consultation with the Chair (if the Chair is not the same individual as the Chief Executive Officer) and the Lead Independent Director (if any), annually reviews and evaluates the performance of the Chief Executive Officer, and reports to the Board on the evaluation in executive session. The evaluation is assessed by the Compensation Committee and the Board in setting the Chief Executive Officer's compensation.

C. Management Succession Planning. At least annually, the Chief Executive Officer reviews management succession planning with the Board of Directors. The Board of Directors shall oversee the succession planning process in order to ensure that the process is rigorous and effective. In furtherance of this objective, the Nominating, Corporate Governance & Public Policy Committee, in consultation with the Chair (if the Chair is not the same individual as the Chief Executive Officer) and the Lead Independent Director (if any), will focus upon succession planning for the Chief Executive Officer and other senior officer positions as deemed necessary or advisable. This review will be shared with the full Board in connection with its broader oversight responsibilities.