

Baxter Healthcare Ltd

Modern Slavery Statement 2020

Introduction

Baxter manufactures and supplies pharmaceutical products and medical devices. We foster a culture of compliance with all applicable laws, rules and regulations and the highest standards of ethics and business conduct with respect to all human rights issues. Our approach to identifying and dealing with modern slavery is part of this, and we do not endorse any form of modern slavery in our operations or in our supplier network.

This is our fifth Modern Slavery Act Statement. It builds on our prior statements to demonstrate our continued commitment to address modern slavery and other human rights risks throughout our global operations and value chain. We are proud of our efforts on this issue but are mindful that our program must continually improve and have plans to broaden the scope of our programme into 2021. We view stakeholder collaboration as critical to our efforts and in 2020 we continued to engage in joint efforts to drive change, and improve supplier knowledge and education in higher risk regions.

Our commitment to fostering a culture of compliance extends to our relationships with suppliers. Based on a 2020 global data baseline, Baxter's spends US\$6.25 billion annually with a supplier base of more than 37,000 suppliers across all geographic regions providing raw materials, third party finished goods and indirect commodities. The largest categories of direct material purchases are Active Pharmaceutical Ingredients (API's), Speciality Chemicals and Finished Goods. Baxter also buys products and services to support our business operations, which are used to develop or create, but are not incorporated into our products or services. These indirect purchases amount to more than US\$3.6 billion annually.

Baxter take steps to positively influence and ensure suppliers are operating in an ethical manner, which includes the following:

Updated March 2021

In 2020, Baxter conducted more than 100 supplier assessments spanning 3 Regions. We are expanding our goal to achieve 90% of our suppliers by spend by 2025.

Baxter is committed to taking steps to prevent acts of modern slavery and human trafficking in its business operations and supply chains.

For more information on our corporate responsibility programme visit us at:

[Corporate Responsibility | Baxter
\(baxterhealthcare.co.uk\)](https://www.baxterhealthcare.co.uk/corporate-responsibility)



This statement is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 and sets out the steps Baxter Healthcare Ltd is taking to ensure that slavery and human trafficking is not taking place in our supply chains or any parts of our business. Baxter Healthcare Ltd is a wholly owned subsidiary of Baxter International Inc. (Baxter International Inc. together with its subsidiaries are collectively referred to as "Baxter").

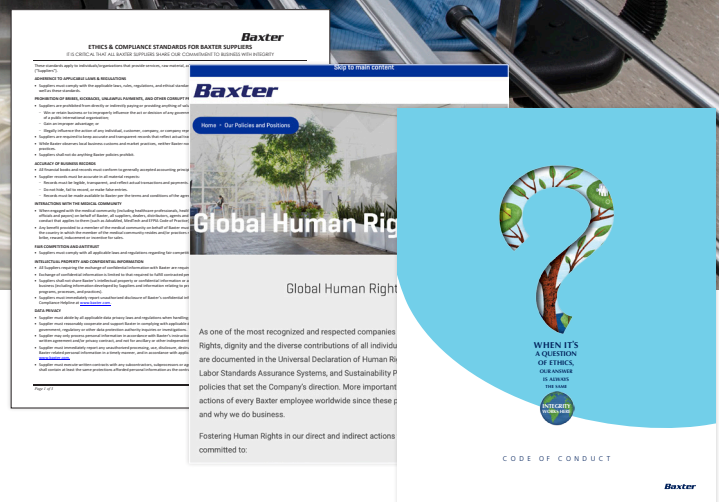


Our Policy Framework

Baxter's [Human Rights policy](#) covers our overarching aims around protecting human rights of those impacted by our business. Baxter's [Code of Conduct](#) defines the core principles that govern employee behaviour and business conduct, and provides tools and resources to help employees comply. We have incorporated rules against all forms of modern slavery into our [Ethics and Compliance Standards for Suppliers](#). Specifically, the Standards prohibit our suppliers of products and services, from violating laws governing workers' human rights, including human trafficking and slavery. The company requires our suppliers to comply with our standards and expectations as well as all laws governing purchasing, and may terminate agreements with suppliers that do not. Supplier contracts include language that permits Baxter to audit manufacturing or supplying facilities, for compliance with this standard.

These three documents are the cornerstone to our global governance of modern slavery issues.

Baxter Healthcare Limited has safeguards built into our Recruitment and HR policies, and our contracts with third party contingent labour partners and suppliers, to ensure all our employees and workers are treated in an ethical way, with respect and dignity. Baxter Healthcare Ltd is an 'A' rated employer sponsor; we ensure potential employees are legally entitled to work in the UK. We pay at, or above, the National Living Wage, and the National Minimum Wage (where applicable). Rates of pay are audited in line with any national increases.



With our partner Kelly OGC, and our preferred supplier list of recruitment agencies for contingent labour, our agreements state that temporary employees must have the right to work in the UK. Agreements also contain expectations on the minimum standards we expect in relation to local labour law and legislation, and Ethics and Compliance. Kelly OGC also publish a statement on slavery and human trafficking which includes mechanisms for guarding against modern slavery in its own supply chains.

In 2020, Baxter Healthcare UK also reviewed its [Labour Standards Assurance Policy \(LSAS\)](#) which describes our UK approach to handling a range of labour standards issues, in response to the ethical procurement needs of the NHS Supply Chain, one of Baxter Healthcare's valued customers.

Baxter has a local policy on Whistleblowing which provides a mechanism for our employees to report human rights or labour standards concerns. In addition, Baxter's Ethics and Compliance Helpline, is the primary vehicle for us to hear from employees regarding any contraventions of our integrity standards. The helpline enables any employee to raise concerns, including those relating to respect for human rights, confidentially and without fear of retaliation. External stakeholders, including our suppliers can also use this as way of reporting human rights concerns.

Understanding Risk in our Supply Chains & Due Diligence

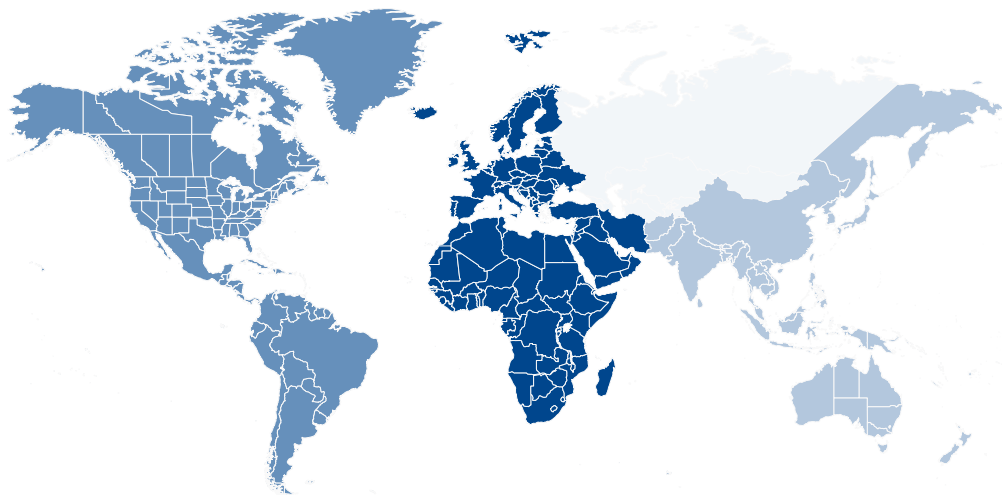
One significant way Baxter advances respect for human rights, with respect to all forms of modern slavery, is through its well-established supplier sustainability programme. On an annual basis, and since 2010, Baxter conducts a survey of its most critical suppliers to evaluate several non-financial performance factors and conduct supplier corporate social responsibility risk assessment. Particularly, the survey assesses whether these suppliers have programmes to address potential human rights risks, including human trafficking and slavery (child, forced or bonded labour), and whether the supplier has had any human rights legislation violations: including prosecution, financial or non-financial sanctions during the reporting year.

In 2020, we engaged EcoVadis to use its sustainability ratings platform to survey our supplier base and validate responses. A total of 101 suppliers participated in the survey. Suppliers receive detailed scorecards on their corporate responsibility management practices, including information about

strengths and benchmark comparisons, as well as actionable improvement areas. We plan to use these scorecards to drive ongoing improvement and anticipate an increase in participation as we expand our efforts to engage suppliers in the coming years.

We recognise that our supply chain due diligence should be focused on the areas of highest risk and we are working to improve our risk assessment process, conducting supply chain mapping associated with products covered by the scope our LSAS management system and working with external experts to undertake risk analysis of our sourcing countries so we can better understand where our risks lie and opportunities to improve exist. We aim to continuously improve the quality of information we hold on supply chain risk, combining it with information from other due diligence activities, and taking appropriate action if concerns are found.

Baxter's Supplier Sustainability Survey 2020:



Of the 101 suppliers who responded in 2020:

- 48% were from Europe, Middle East and Africa (EMEA)
- 39% from the Americas
- 14% from Asia Pacific (APAC)



Supplier Audits

In past years, the Baxter Supplier Sustainability team has worked with our Environmental, Health, Safety and Sustainability team to conduct supplier audits, aligned with the Pharmaceutical Supply Chain Initiative (PSCI) protocol, which covers ethics; labour; environment, health and safety; and related management systems. During 2020 we did not conduct any of these audits as we worked to expand our capabilities in this area. We plan to reinstate these audits in future years.

Additionally, Baxter works collaboratively on improving supplier corporate responsibility, with other companies in our sector, through membership of the Pharmaceutical Supply Chain Initiative (PSCI), which focuses on responsible procurement, risk mitigation and supplier capacity building. PSCI has developed principles which cover human rights expectations of suppliers, and a related audit programme. PSCI's independent audit committee review results and monitor subsequent supplier corrective and preventive actions implemented. Baxter is enhancing its own audit programmes for suppliers to incorporate modern slavery requirements within its existing programmes, via the PSCI framework.

Training and Capacity Building

Baxter's human rights programme depends on the practical understanding of our people and business partners. The company provides ongoing training and a Code of Conduct intranet site to keep employees informed about Baxter's ethics and compliance policies. In 2020 we conducted online training on our LSAS system, for procurement, manufacturing, human resources and other business partners.

The Procurement organisation at Baxter, from individually to collectively, has a unique opportunity to promote the awareness of and respect of Human Rights within our Integrated Supply Chain. To fulfil this strategy, we are developing an internal training programme to train 100% of procurement staff globally by 2023. The foundation of our supplier sustainability programme is based on the development of knowledge, infrastructure, employee capability in the area of corporate social responsibility auditing, and an alignment with our internal and external customers.

Management Systems Approach for Supplier Sustainability

Baxter is committed to continuous improvement in our approach to managing supply chain risk. We have adopted a robust 'management system' approach to supply chain transparency, whilst incorporating requirements such as the NHS Supply Chain's Labour Standards Assurance System (LSAS) in the UK. Baxter were independently audited in October 2020 and met the requirements of LSAS Level 3, with Baxter exceeding the required level in some areas, and substantially improving our performance since the last audit.

Conclusion

The UK Modern Slavery Act continues to serve a significant role in driving transparency in global efforts to address the problem of modern slavery. As discussed above, Baxter continue to build on the company's approach to ethical conduct, to better identify and prevent all aspects of modern slavery in our own operations and those of our suppliers and business partners.

Responsibility for ensuring we continue to meet our obligations requires cross-functional collaboration which is driven by Global Procurement, and supported by Ethics and Compliance, EHS & Sustainability and Human Resources.

This statement was approved voluntarily by the Board, pursuant to Section 54(1) of the UK Modern Slavery Act by Baxter Healthcare Ltd's Board of Directors.



Rachel Trace *A Goldney*

Rachel Trace, Country Lead, UK and Ireland Baxter Healthcare UK • **Andrew Goldney**, on behalf of UK Board of Directors
March 2021

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