

Baxter Healthcare Ltd, Modern Slavery Statement 2016/17

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").

Baxter manufactures and supplies pharmaceutical products and medical devices. We foster a culture of compliance with applicable laws, rules and regulations, and the highest standards of ethics and business conduct with respect to all human rights issues, and our Modern Slavery Prevention approach forms part of this.

Our commitment to fostering a culture of compliance extends to our relationships with suppliers. Based on a 2015 global data baseline, Baxter's spends US\$5 billion annually with a supplier base consisting of more than 40,000 suppliers across all geographic regions providing raw materials, third party finished goods and indirect commodities. Baxter recognizes the responsibility to positively influence our suppliers. Baxter does not in any way endorse any form of modern slavery in our operations or in our supplier network. We take steps with respect to verification of our supply chain to ensure suppliers are operating in an ethical manner, which includes the following:

Our Policy Framework:

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.

Baxter Healthcare Ltd employs a robust local policy framework to ensure Prevention of Illegal Working, including right to work checks for all employees and regular audits. As an 'A' rated sponsor we abide by the obligations required under UK Visa & Immigration, in relation to all sponsored and non-sponsored employees of Baxter Healthcare Ltd. For agency workers, a preferred supplier list of recruitment agencies is available and where agreements are in place with these agencies, the agreements state that the temporary employee must have the right to work in the UK. Baxter Healthcare Ltd. pays at, or above, the National Living Wage, and the National Minimum Wage (for those under the age of 25). Rates of pay are audited in line with any national increases.

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 violation of 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 facilities at which any products and services provided to Baxter are manufactured and delivered to assess suppliers' compliance with this standard.

Baxter has a policy on Whistleblowing which provides a mechanism for our employees to report human rights concerns. In addition, Baxter's Ethics and Compliance Helpline, a telephone and web resource, is available to employees, suppliers and other stakeholders as another channel to report or seek guidance on any issues of concern.

In 2017, Baxter Healthcare UK issued its first [Labour Standards Assurance System \(LSAS\) policy](#) 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.

Due Diligence & Understanding Risk in our Supply Chains:

On an annual basis, Baxter conducts a Sustainability 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 programs 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.

We recognise that our supply chain due diligence should be focused on the areas of highest risk. We are therefore committed to continuously strengthen our risk assessment process, focusing on countries or materials/products of concern. In 2017 we mapped our supply chain associated with products covered by our LSAS management system, and worked with external experts to undertake detailed risk analysis of our sourcing countries so we can better understand where our risks lie and opportunities to improve exist. We recognise that this is an iterative process, and as part of our management system approach to labour standards and sourcing risks, 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.

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 existing audit programmes for suppliers to incorporate modern slavery requirements within its own existing programmes, via the PSCI framework.

Training and Capacity Building:

The company provides ongoing training and a Code of Conduct intranet site to keep employees informed about Baxter's ethics and compliance policies.

We also rolled out specific training in 2017 on Modern Slavery to specified UK employees as part of our Labour Standards Assurance System (LSAS) training programme.

Further Steps in 2017 –Management Systems Approach & Successful External Audit:

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 Management System (LSAS) in the UK. Baxter Healthcare were independently audited in August 2017, and meet the requirements of LSAS (Level 2).

Responsibility for ensuring we continue to meet our obligations requires cross-functional collaboration between Procurement, Human Resources and EHS & Sustainability, and has the sponsorship of the UK Senior Management Team.



Andrew Goldney, General Manager – UK, Ireland and Nordic

November 2017