



FROST & SULLIVAN
INSTITUTE

2021 Frost & Sullivan Institute **Enlightened Growth Leadership Award**

Excellence in Best Practices





Congratulations!

Frost & Sullivan Institute, in partnership with Frost & Sullivan, is proud to present Baxter International Inc. with the Enlightened Growth Leadership Award.

Frost & Sullivan's global team of growth pipeline experts continuously identifies and evaluates growth opportunities across multiple industries, technologies, and regions of the world. As the world emerges into the new norm disrupted and accelerated by the COVID-19 pandemic, it is becoming increasingly important for companies to leverage opportunities to shed old ways of thinking, build value chains that leave no stakeholders behind, and create foundations for stable growth to thrive in these new environments. We identify companies that demonstrate the commitment to embrace emerging technologies and protocols and generate opportunities for all while sustaining continued growth and highlighting best practices for sustainable development. This approach involves deep strategic deliberation around best practices and the development of core analytics across the entire value chain of specific products and services. Against the backdrop of these analytics, Frost & Sullivan Institute, in partnership with Frost & Sullivan, recognizes Baxter International Inc. for its valuable achievement.

Frost & Sullivan strictly reserves this recognition to companies at the innovation to zero and growth forefront in their respective industries. These companies demonstrate proactivity in utilizing business practices to 'innovate to zero' and address global priorities while securing sustainable growth over a span of their enduring association with Frost & Sullivan. These companies also uniquely leverage technology and boost their industry partner ecosystem to serve ever-evolving customer needs in a way that facilitates environmental initiatives and supports the planet's well-being. Moreover, by combining business sense with a moral imperative, these companies demonstrate aspirational ideals beyond the simple goal of generating profits. This recognition is also a token of our gratitude towards our clients whom we have accompanied on their journeys towards transformational growth. In this context, Baxter International Inc.'s recognition holds an even greater significance in reaffirming its longstanding relationship with Frost & Sullivan.

Moreover, this recognition is the result of many individuals (employees, customers, partners, and investors), making critical decisions every single day to support the organization and meaningfully contribute to its own future in a sustainable and socially responsible way. Frost & Sullivan in partnership with Frost & Sullivan Institute enthusiastically acknowledges and celebrates their contributions.

Once again, congratulations on your accomplishments, and we wish you great success in the future.

Sincerely,

David Frigstad

Chairman

Frost & Sullivan and Frost & Sullivan Institute



Best Practices Criteria for World-Class Performance

Frost & Sullivan Institute leverages Frost & Sullivan's rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria for each nominated company. Baxter International Inc. excels in multiple criteria.



Introduction

With 90 years of experience and expertise, Baxter International Inc. (Baxter) is a leading global healthcare company. The company specializes in critical care, nutrition, renal, hospital and surgical products. Headquartered in Deerfield, Illinois, Baxter has a presence in 100 countries across the Americas, Europe, Middle East and Africa (EMEA); and Asia Pacific (APAC). With approximately 50 manufacturing facilities across more than 20 countries, the company has Research & Development centers located in Belgium, China, Germany, India, Israel, Italy, Japan, Malta, Sweden, the UK and the United States.

According to the World Health Organisation (WHO), in 2018, global spending on health reached US\$ 8.3 trillion, which amounts to almost 10% of the global GDP.¹ In the ever-growing and critical healthcare industry, for a company to succeed, it is important to investigate and address challenges within and outside the healthcare industry.

'Innovating to Zero' on Global Priorities

¹ Global spending on health: Weathering the storm Report 2020, WHO



'Innovating to zero' is a mega vision which brings social innovation of products and technologies to the forefront. The "zero concept" world envisions zero inequalities, zero pollution, and equal access.

"Frost & Sullivan commends Baxter for its outstanding determination to 'innovate to zero' by being environmentally and socially responsible through its efficient usage of energy within its manufacturing operations, and commendable effort to ensure equitable access to healthcare"

- Analyst, Frost & Sullivan

With the mission to Save and Sustain Lives, Baxter drives sustainability throughout its global manufacturing operations. The company is committed to the efficient usage of energy, water and raw materials, while reducing waste and greenhouse gas (GHG) emissions. For example, since 2015, Baxter has managed to reduced energy and water consumption

by 8.2% and 10.4% respectively while absolute GHG emissions have reduced by 13.6% through increased efficiency and resource optimization.

During 2019 and 2020, 340 energy conservation projects were implemented at the company's manufacturing sites globally with an estimated saving of 155 trillion joules of energy and \$4.1 million. Additionally, the company has also implemented numerous projects to reduce water consumption.

For the sixth year running, Baxter has scored 100% on the 2021 Human Rights Campaign Corporate Equality Index, demonstrating the Company's commitment to sustainability and equality. In 2020, the company had launched ACT (Activating Change Today), a multidimensional initiative to promote racial justice which is a collaborative effort amongst the company's senior leadership, the Baxter Black Alliance business resource group and colleagues from across the company. The initiative focused on driving results across four key areas including Workforce, Workplace, Community and Marketplace.

Furthermore, gender equality is also of high importance to Baxter. In recent years, the company partnered with the Healthcare Businesswomen's Association (HBA) to establish the HBA Ambassador program. Career development support was offered to young women in senior technical and leadership roles. Approximately 45 women from Asia, Europe, and the United States have been chosen to participate in this program.

Additionally, in 2020, Baxter released its first Sustainability Accounting Standards Board (SASB) index, a voluntary public disclosure that provides investors and other important stakeholders with clear and relevant corporate responsibility information. The company's first index aligns with SASB's Medical Equipment and Supplies Sustainability Accounting Standard and covers five important issues including affordability and pricing, product safety, ethical marketing, product design and lifecycle management, and supply chain management.

Frost & Sullivan commends Baxter for its outstanding determination to 'enlightened growth by being environmentally and socially responsible through its efficient usage of energy within its manufacturing operation, and commendable effort in ensuring equal opportunity and a high degree of transparency.

Growth Excellence



Baxter has demonstrated growth excellence through strategic partnerships and collaboration, technology-driven innovation in healthcare solutions, service-based business models, operational efficiency, and enhanced customer experiences. Despite the emergence of the COVID-19 pandemic in 2020, the company has managed to maintain positive growth by recording sales of \$11.7 billion, an increase of 3% on both a reported and constant currency basis and 2% on an operational basis. In the United States, the company's sales totaled \$4.9 billion, and is growing at 1% on a reported basis, while international sales grew 4% on both a reported and operational basis and 5% on a constant currency basis.

The strong growth in Baxter's global business units (GBUs) was led by Acute Therapies, which continues to experience increased product demand due to the COVID-19 pandemic. Additionally, Baxter's Renal Care and Clinical Nutrition GBUs also showed increased sales. The company supports the new End-Stage Renal Disease (ESRD) Treatment Choices (ETC) payment model which encourages access to and adoption of home dialysis. The model was finalized by the Centers for Medicare and Medicaid Services (CMS) as a core component of the Advancing American Kidney Health Initiative (AAKHI). In doing so, the Company has demonstrated their commitment to the access of quality healthcare.

Furthermore, Baxter's growth excellence can be observed through strategic acquisitions and partnerships. For example, in 2020, the company acquired toSense, a California-based technology

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- Analyst, Frost & Sullivan

company focused on developing sensors and software for applications in non-invasive patient monitoring; of strategic importance as the company embarks on developing leading-edge monitoring solutions. Additionally, Baxter has acquired Septrafilm Adhesion Barrier and related assets from Sanofi. The product is a solid complement to the company's renowned surgical hemostat and sealant portfolio, thus, creating opportunities in the Advanced Surgery

area. Baxter also announced a distribution agreement with bioMérieux, a global leader in in-vitro diagnostics, for the NEPHROCLEARTM CCL14 diagnostic test which is currently in development for assessing the risk of 'developing persistent severe acute kidney injury' (AKI).

While other competitors struggle to achieve growth, Baxter has managed to maintain its leadership position and growth excellence by leveraging strategic partnerships to augment their portfolio and provide novel healthcare solutions.

Technology Leverage/Innovation

Healthcare services and delivery is transforming in response to technological advancements. R&D is the most important strategic priority for Baxter. The company spent \$521 million on R&D in 2020, \$595 million in 2019, and \$654 million in 2018. The company is looking to invest around \$13.5 million to set up a global R&D headquarters in Ahmedabad, India. Furthermore, the company is also in collaboration with Mayo Clinic, a nonprofit academic medical center focused on integrated health care, education,



and research in developing a renal care center of excellence in the U.S. The center provides advance innovation through the spectrum of renal care which ranges from chronic kidney disease (CKD) management through transplant leading to better patient outcomes. Using technology advancement and investing in R&D is testimony to Baxter's vision for a better, disease-free tomorrow.

Conclusion

Baxter demonstrates enlightened leadership through the efficient usage of energy within its manufacturing operation and admirable initiatives towards empowering women in the workforce. The company has also made strategic acquisitions and partnerships with leading companies to deliver innovative solutions and technologies set to transform the market. Additionally, research and development is a core strategic priority as the company continues to invest in R&D facilities with the focus on not only making healthcare accessible but also contributing to innovation and solutions that will lead to a care-for-all and disease-free tomorrow, someday.

For its strong overall performance and focusing on the moral imperative of growth, Baxter International Inc. earns 2021 Frost & Sullivan Institute Enlightened Growth Leadership Award.



What You Need to Know about the Enlightened Growth Leadership Recognition

Frost & Sullivan Institute's Enlightened Growth Leadership Award recognizes the company that addresses the global priorities as identified by the Institute and demonstrates sustainable growth in the industry.

Best Practices Award Analysis

For the Enlightened Growth Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

'Innovating to Zero' on Global Priorities: The company demonstrates proactivity in 'Innovating to Zero' in terms of one or more of the following global priorities that form the seven pillars of the Frost & Sullivan Institute:

- i) **Environment:** Environmental initiatives can include climate change, vulnerable groups, behavioral change, international governance, waste management, or others.
- ii) **Education:** Education can encompass equal access, gender parity, EdTech, quality education, education resources, vocational training, or others.
- iii) **Infrastructure:** Infrastructure can incorporate infrastructure as a basic right, technology and infrastructure, environment and infrastructure, urban infrastructure, and financing models, among others.
- iv) **Healthcare:** Healthcare can comprise healthcare crisis, mental health, finance, healthcare systems, advanced healthcare, and technology and healthcare, among others.
- v) **Security:** Human security can refer to transnational governance, human security, food security, or others.
- vi) **Human Rights:** Human rights can involve governance, special group rights, justice, or other such elements.
- vii) **Economics:** Economics can pertain to inequality, new economic regime, FinTech, behavioral change, or others.

Growth Excellence: The company demonstrates healthy growth over a span of 10 years. It focuses on short-term and long-term growth strategies to maintain a superior industry position. The executive team's vision aligns with the company's growth strategy, effectively translating this vision into growth. The socially responsible organization enforces strategies to increase its share of the customer wallet, successfully differentiating itself from competitors and positively impacting its market share. It also adopts strategies to build upon achieved growth and sustain continued growth while highlighting best practices for sustainable development.



Customer Value Chain: The company pays heed to the planet's well-being and addresses environmental initiatives such as climate change, carbon footprint reduction and elimination, waste management, or clean energy production. Its key value proposition is refined by building on client feedback and continuously improving products and services. The organization prioritizes its customers' needs and provides significantly greater value for the price. It offers exceptional customer value by providing the best purchase experience to customers, placing importance on providing a high degree of satisfaction amongst existing and potential clients, or ensuring the best and differentiated service experience.

Integrated Competition - Industry Partner Ecosystem: The company makes use of unique business models such as corporate partnerships and public-private collaborations to boost the industry partner ecosystem. By combining business sense with a moral imperative, the company demonstrates aspirational ideals beyond the simple goal of generating profits. The organization's efforts to cooperate with competitors reveal its cognizance of a broader vision and endeavors towards positively impacting the overall industry.

Technology Leverage/Innovation: The company incorporates or uniquely leverages technology, standing out among the competition. The technology addresses key future needs and applications and is disruptive to or supersedes existing technologies. The company's technology or technology leverage can be diversely applicable or has created new markets or applications where none existed before. It has introduced creative features and functionality by jumping through hoops to convert its vision into a reality. The organization has a structured process or best practices to incubate new technologies developed internally or through strategic partnerships. The company's innovations or technology incorporation has the potential to become an industry standard.



Analytical Perspectives:

- Mega Trend (MT)
- Business Model (BM)
- Technology (TE)
- Industries (IN)
- Customer (CU)
- Geographies (GE)

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