

BAXTER INTERNATIONAL INC
Form PRE 14A
March 14, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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| <input checked="" type="checkbox"/> | Preliminary Proxy Statement |
| <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> | Definitive Proxy Statement |
| <input type="checkbox"/> | Definitive Additional Materials |
| <input type="checkbox"/> | Soliciting Material Pursuant to §240.14a-12 |

Baxter International Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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| <input checked="" type="checkbox"/> | No fee required. |
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 - 3) Filing Party:
 - 4) Date Filed:
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Notice of 2016
Annual Meeting
of Stockholders
and Proxy Statement

May 3, 2016
Baxter International
Inc. Headquarters
One Baxter Parkway
Deerfield, Illinois 60015

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Baxter International Inc.
One Baxter Parkway
Deerfield, Illinois 60015

March , 2016

Dear Stockholder:

You are invited to attend Baxter's Annual Meeting of Stockholders on Tuesday, May 3, 2016 at 9:00 a.m., Central Daylight Time, at our corporate headquarters located at One Baxter Parkway, Deerfield, Illinois. Registration will begin at 8:00 a.m.

Details of the business to be conducted at the Annual Meeting are included in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. If you plan to attend the Annual Meeting, please review the information on attendance provided on page 72 of the Proxy Statement.

In accordance with Securities and Exchange Commission rules, Baxter has elected to deliver its proxy materials over the Internet to most stockholders, which allows stockholders to receive information on a more timely basis, while lowering the company's printing and mailing costs and reducing the environmental impact of the Annual Meeting.

Your vote is very important. Whether or not you plan to attend in person, I urge you to vote your shares as promptly as possible. You may vote your shares by Internet or by telephone. If you received a paper copy of the proxy card by mail, you may sign, date and return the proxy card in the enclosed envelope. If you attend the Annual Meeting, you may revoke your proxy and vote in person.

Very truly yours,

José E. Almeida
Chairman of the Board
and Chief Executive Officer

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Notice of Annual Meeting of Stockholders

The 2016 Annual Meeting of Stockholders of Baxter International Inc. (the Annual Meeting) will be held at our corporate headquarters located at One Baxter Parkway, Deerfield, Illinois 60015, on Tuesday, May 3, 2016 at 9:00 a.m., Central Daylight Time, for the following purposes:

- To elect the four directors named in the attached Proxy Statement. Subject to approval of Proposal 4 Proposed Charter Amendment to Declassify Board and the subsequent validation of the related amendment to Baxter's Certificate of Incorporation by the Delaware Court of Chancery (as described in such proposal), the specified directors will be elected to hold office for a term of one year. Otherwise elected directors will hold office for a term of three years.
- To approve named executive officer compensation for 2015.
- To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Baxter in 2016.
- To approve amendments to Baxter's Certificate of Incorporation to eliminate the classified board structure and provide for the annual election of directors.
- To vote on a stockholder proposal as described in the Proxy Statement, if such proposal is properly presented at the Annual Meeting.
- To transact any other business that may properly come before the meeting.

The Board of Directors recommends that stockholders vote FOR Items 1, 2, 3, and 4. The Board of Directors recommends that stockholders vote AGAINST the stockholder proposal referred to in Item 5. Stockholders of record at the close of business on March 9, 2016 will be entitled to vote at the meeting.

By order of the Board of Directors,

David P. Scharf
Corporate Secretary

How Do I Vote?

By Internet, following the instructions on the Notice of Internet Availability of Proxy Materials or the proxy card;

By telephone, using the telephone number printed on the proxy card; or

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By mail (if you received your proxy materials by mail), using the enclosed proxy card and return envelope.

**Important Notice Regarding
the Availability of Proxy Materials for
the Annual Meeting Of Stockholders
to be Held On May 3, 2016**

This Proxy Statement relating to the 2016 Annual Meeting of Stockholders and the Annual Report to Stockholders for the year ended December 31, 2015 are available at <http://materials.proxyvote.com/071813>.

Proxy Statement

The accompanying proxy is solicited on behalf of the Board of Directors for use at the Annual Meeting of Stockholders to be held on Tuesday, May 3, 2016. On or about March 24, 2016, Baxter began mailing to stockholders of record a Notice of Internet Availability of Proxy Materials providing instructions on how to access proxy materials via the Internet and how to vote online (www.proxyvote.com). Stockholders who did not receive the Notice of Internet Availability of Proxy Materials as a result of a previous election will receive a paper or electronic copy of the proxy materials, which Baxter also began sending on or about March 24, 2016.

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Proxy Statement Highlights

To assist you in reviewing the proposals to be acted upon at the Annual Meeting, this section presents concise detail about each non-routine voting item. For more complete information, please review our Annual Report on Form 10-K and the complete Proxy Statement.

PROPOSAL	Election Of Directors
1	<p style="text-align: center;">What am I voting on?</p> <p>You are asked to vote for the reelection of the four directors set forth below for a term of one year, subject to the approval of Proposal 4 Proposed Charter Amendment to Declassify Board and the subsequent validation of the charter amendment by the Delaware Court of Chancery. Otherwise, the directors will be elected for a three-year term.</p> <p style="text-align: center;">What is the Board's recommendation?</p> <p>The Board of Directors recommends a vote FOR the election of each of the director nominees.</p> <p>The Board believes that the four directors standing for reelection possess a desirable mix of professional and industry experience and qualifications and have demonstrated an ability to effectively work together (along with other members of the Board) and constructively challenge each other and management. Additionally, they have overseen the execution of significant corporate governance developments at Baxter in 2015. See below for additional information regarding the qualifications, experiences and backgrounds of the Baxter board (including the director nominees) and recent Board developments.</p> <p style="text-align: center;">Where can I find more information?</p> <p>Concise supporting information is presented below.</p> <p style="text-align: right;">See also Proposal 1 Election of Directors for additional information.</p>

Name	Director		Key Attributes and Skills	Baxter Committees			
	Age	Since		A	C	CG	PP
Thomas F. Chen (I) Senior Vice President and President of International Nutrition, Abbott Laboratories (retired)	66	2012	Extensive international business experience Global perspective				
John D. Forsyth (I) Chairman and CEO, Wellmark Blue Cross Blue Shield	68	2003	Extensive experience in the healthcare industry Understanding of large, complex organizations				
Michael F. Mahoney (I) President and CEO, Boston Scientific Corporation	51	2015	Significant knowledge of the global medical products business Extensive experience leading global, multi-faceted corporations				
Carole J. Shapazian (I) Executive Vice President of Maytag Corporation (retired)	72	2003	Significant experience with, and insight into, global supply and service operations, manufacturing and distribution practices				

Key

(I) Independent director	Committee Chairperson	A Audit Committee	CG Corporate Governance Committee
		C Compensation Committee	PP Public Policy Committee

Committee Member

I 2016 Annual Meeting of Stockholders and Proxy Statement

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Proxy Statement Highlights

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Board Qualifications, Experiences and Backgrounds

The following chart sets forth the varied qualifications, experiences and backgrounds of the Board. See Corporate Governance at Baxter International Inc. Board of Directors Director Qualifications and Director Nominations for additional information.



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Proxy Statement Highlights

**PROPOSAL
2**

Advisory Vote to Approve Named Executive Officer Compensation

What am I voting on?

You are asked to cast a non-binding advisory vote to approve Baxter’s compensation programs as described in the Executive Compensation Compensation Discussion & Analysis section of this Proxy Statement.

What is the Board’s recommendation?

The Board of Directors recommends a vote FOR this proposal.

The Board and the Compensation Committee believe that Baxter’s executive compensation programs appropriately align executives’ interests with Baxter’s strategies and long-term objectives, including the successful completion of the Baxalta Incorporated (Baxalta) spin-off in 2015. See Corporate Developments and Performance Highlights below for additional information regarding certain 2015 highlights.

Where can I find more information?

Concise supporting information is presented below.

See Proposal 2 Advisory Vote to Approved Named Executive Officer Compensation for additional information.

Corporate Developments and Performance Highlights

Development or Highlight
Completion of the Baxalta spin-off

Further
Information
See page 27

Spin-off permits Baxter management to focus on stand-alone medical products business
Also enables Baxter to more effectively commercialize product offerings and to help drive innovation across the Hospital Products and Renal franchises
Provides flexibility to pursue growth and investment strategies in revenue acceleration, improved profitability and enhanced returns
Based on company estimates, the combined total shareholder return of Baxter and Baxalta totaled approximately 7.5% in 2015, as compared to 1.4% for the S&P 500 Composite Index and 7.0% for the S&P 500 Health Care Index. See Executive Compensation Compensation Discussion and Analysis Summary 2015 Results for additional information

Strong financial results and stockholder return for 2015

See page 27

As discussed below, Baxter had \$10.0 billion of net sales in 2015
Adjusted earnings from continuing operations per diluted share of \$1.38 increased 8% in 2015. See Executive Compensation Compensation Discussion and Analysis Structure of Compensation Program Pay-for-Performance Financial Targets for a reconciliation of adjusted earnings from continuing operations per diluted share to the closest measure determined in accordance with U.S. generally accepted accounting principles (GAAP)
Returned \$910M to stockholders in 2015 through cash dividends, in addition to the value of the shares distributed in the Baxalta spin-off

\$10.0B	2015 Global Net Sales Reflects net sales from continuing operations	\$1.38	Adjusted Earnings from Continuing Operations per Diluted Share 8% over 2014
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Compensation Design for 2015 and 2016

See page 31

For 2015, long-term compensation consisted of 50% restricted stock units (RSUs) and 50% stock options given the business separation and challenges in establishing appropriate long-term metrics to adequately reflect performance through the spin-off

Cash bonus plan for 2015 was based on adjusted earnings per share (EPS) and adjusted sales, with separate targets established for each half of the year. Targets for first half of 2015 were based on total Baxter results (including Baxalta) and for second half of 2015, solely on Baxter results (after giving effect to the spin-off)

For 2015, Mr. Parkinson's annual base salary, as Chief Executive Officer, totaled \$1,535,000 and he received a cash bonus award of \$3,637,491 and long-term equity incentive awards with a grant date fair value of \$11,466,401

In connection with the appointment of Mr. Almeida as CEO and Chairman in October 2015, Mr. Almeida was awarded an annual base salary of \$1,300,000 and a target annual cash bonus equal to 135% of his salary beginning in 2016 (or \$1,755,000). He also received a long-term equity grant with a grant date fair value of \$7,714,087, consisting of 50% stock options and 50% performance share units (PSUs) as an acceleration of his 2016 annual equity grant

For 2016, cash bonus awards are based on adjusted EPS, adjusted sales and adjusted free cash flow, consistent with the company's increased rigor around the prioritization of capital expenditures

For 2016, equity incentive awards consist of 50% PSUs and 50% stock options for the company's executive officers. 2016 PSU awards are based on three-year growth in shareholder return (GSV) and annual operating margin targets, consistent with the company's increased focus on improving profit margins

Stockholder Engagement

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Baxter sponsors an active stockholder engagement program, with involvement from members of the Board, including the independent lead director (lead director) and members of the Corporate Governance and Compensation Committees

In 2015, the company completed a corporate governance outreach to top investors and covered topics including Board composition and refreshment, succession planning (including the appointment of Mr. José Almeida as the company's Chairman and Chief Executive Officer), Board leadership structure, the company's new proxy access bylaw amendment and Baxter's executive compensation program

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