

Integrity Works Here

U.S. Government Sales



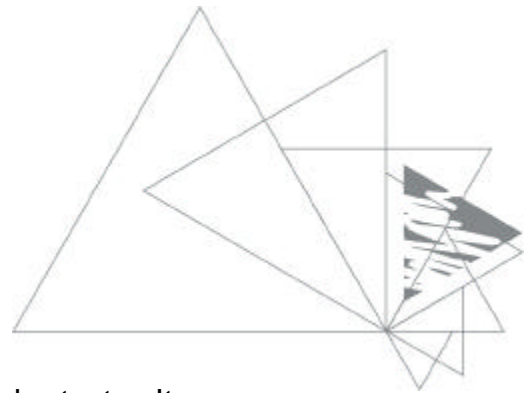
Ethics Standards

Baxter

Integrity In Action

Guidelines, rules, and policies do not make us honest. They only mark the pathway we should follow. Each one of us must make our own decisions, based on our own values and courage. Only when we make ethical behavior a reflex action as natural as breathing will we truly possess **INTEGRITY**.

Integrity must be the starting point for everything we do. When we make decisions we base them on our sense of what is right and wrong. The standards we set for ourselves are the measure of what we do. As long as we are true to our ideals, then we know that what we do will be the right thing. In the long run, integrity **WORKS**.



Integrity is not easy. It doesn't allow us to take shortcuts. It may mean accepting a short-term sacrifice to create a long-term benefit. Integrity can sometimes even make us temporarily unpopular. When we encourage and support each other in making the right decisions, integrity is no longer difficult. It becomes the norm that we all follow and the bond that holds us together. It is up to each of us to create a place where we can proudly say, "INTEGRITY **WORKS HERE**."

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U.S. GOVERNMENT SALES
ETHICS
STANDARDS

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Introduction

Of our shared values, none is more important than integrity. Our ethics manual, Global Business Practice Standards, a copy of which you should be familiar with, is the foundation of our business practice initiatives. It is just one of the tools available to support sound business decision-making. This brochure, U.S. Government Sales Ethics Standards, supplements the Global Business Practices Standards manual in the area of selling and marketing to the U.S. federal government.

We cannot over-emphasize the important role that all of us play in maintaining a responsible business relationship with government agencies and their personnel. It is important to Baxter that we maintain our commitment and sense of responsibility for the integrity of the government procurement process. Among other things, this means acting at all times with the expectation that you will be held accountable for all actions taken and statements made by you. The fact that our competition may behave differently is not an excuse for failing to meet the level of business conduct required of our employees. We will not compromise these responsibilities in order to meet financial plans or maximize profits. To that end, these standards provide guidance in accomplishing these critical objectives, consistent with our shared values.

The federal government has complex rules and regulations mandating how they procure products and services and conduct business on behalf of their agencies. Because of this, Baxter has committed resources to support your efforts to assure our compliance with the laws and regulations applicable to government procurement while maintaining the highest standard of business ethics. Please contact Corporate Government Sales (*see Resources on page 11*) if you have questions concerning government contracts or Federal Supply Schedules (*Schedules*), how to sell to the government, or any other matters addressed in these standards.

The Government Sales and Operations intranet home page at <http://http1.roundlake.baxter.com/shared1/government/home.htm> is another good resource for information. You may also contact the Corporate Responsibility Office through the Business Practice Standards Helpline, 1-877-229-8373, if you are in need of additional information, guidance, or wish to report a potential violation of these standards. A list of resources to contact is contained on page 11 .

Government Sales Standards

As personnel at the forefront of our government sales effort, the following are certain basic principles to which you must adhere in your dealings with the government. If we fail to abide by these principles we risk being disciplined, having our contract(s) terminated, and the individual(s) involved risk being disciplined up to and including termination of employment. If we break the law, we also may be personally liable.

Represent Products Honestly and Fairly

When communicating with our customers, make sure that all representations concerning our products are accurate and in accordance with authorized labeling. Making false or misleading statements about any of our products is strictly prohibited. You should not knowingly misrepresent any information about pricing, contract status, or other terms of sale.

Respond to Customer Inquiries with Accurate, Current, and Complete Information

An essential element of any sale is an agreement between Baxter and its customer as to basic terms, such as price, availability, and delivery. All information concerning terms of sale must be provided accurately and, where applicable, in accordance with the terms of the particular federal contract or Federal Supply Schedule (Schedule).

To assure the integrity of information provided to federal customers regarding Schedule items, the following procedures must be followed:

- a. Copies of all relevant Federal Supply Schedules (*Schedules*) and changes to those *Schedules* will be provided to field sales representatives. It is incumbent upon field sales personnel to deliver copies of these *Schedules* to the appropriate purchasing official(s) at their federal accounts. Sales reps may review these *Schedules* in person with their customers to answer questions as to price and/or *Schedule* status of specific products.

- b. **Sales representatives may not quote pricing, *Schedule* status, or other terms to federal customers without reference to the *Schedule*.** It is your responsibility to know which products are on *Schedule*, and which are not, by referring to the *Schedule* documents. You must not make false or misleading statements about the *Schedule* status of any product; nor should you knowingly create any document or invoice that misrepresents any information about pricing, *Schedule* status, or other terms of sale.

- c. **If you do not have your *Schedule* documents available, do not try to answer questions about which items are on *Schedule*.** Refer customers to their own copy of the *Schedule* or the Federal Government Customer Service Center (see *Resources on page 10*). These are the only approved sources of information regarding whether certain items are on *Schedule*. Do not guess about the *Schedule* status of any product. If you believe your customer is mistaken about the *Schedule* status of an item, direct them to their *Schedule* or tell them to call the Federal Government Customer Service Center.

Additionally, keep in mind that *Schedule* pricing, terms, and products may change. You need to keep abreast of any modifications. Corporate Government Sales and your division sales management team will keep you timely advised concerning *Schedule* modifications. Information is also available on the Government Sales & Operations intranet site at <http://http1.roundlake.baxter.com/shared1/government/home.htm> .

The same regard for the integrity of the data provided to the federal customer for other types of federal contracts (DAPAs, local contracts, etc.) is required. In short, any information provided to a government employee (in person, over the phone, or in writing) must be verified for accuracy and completeness before it is provided. A deliberate failure to disclose information, which is material to an accurate presentation of the facts, may also be misleading. If you are ever in doubt as to the accuracy and/or completeness of any information that you intend to provide to a government employee, you should not provide such information without first checking with an appropriate Baxter official or your business unit's legal counsel.

Avoid Conflicts of Interest

Our demonstrated willingness to support our government accounts with service, training, and responsiveness in times of emergencies has permitted us to be viewed as a partner in the delivery of health care to patients serviced by those accounts. Nonetheless, it is essential for all employees to understand that their legal obligation is to preserve an arms-length relationship with government employees.

Our customer relationship is governed by a number of statutes and regulations designed to insure that both parties are protected against actual and apparent conflicts of interest or divided loyalties. Thus, Baxter requires all of its employees to refrain from any action or conduct that creates or could create a conflict of interest or reasonably could create the appearance of a conflict of interest. Additional information on Conflicts of Interest can be found in Baxter's Global Business Practice Standards manual. Copies of the Global Business Practice Standards manual can be viewed and/or downloaded from the Baxter.com site under Doing Business With Baxter <http://www.baxter.com/doingbusiness/> .

Gifts, Gratuities, and Entertainment

To avoid even the appearance of any impropriety, it is important that each employee refrain from offering any gifts that would raise even the slightest question of improper influence. The Company defines a gift as including a favor, entertainment, service, conference fee, promotional training, transportation, lodging, meals, and loans, as well as any discounts not available to the general public. Any question regarding the propriety or legality of offering anything of value (i.e., meals, refreshments, transportation, entertainment, or gifts) should be referred to your business unit legal counsel or the V.P. of Corporate Government Sales.

Certain expenditures that are permitted to facilitate the conduct of business include such things as:

- Promotional items bearing a corporate or divisional logo or product name of nominal value [less than twenty dollars (\$20.00)];

- Reasonable meals or refreshments [not to exceed twenty dollars (\$20.00) per person, per meal; fifty dollars (\$50.00) annually] **during the course of a meeting or activity which has an exclusive business purpose and which expense is to facilitate a meeting which could not otherwise be scheduled at a different time**; however, such meals and refreshments shall not be available to government contracting officers and other government officials participating personally and substantially in procurement decisions;

Reasonable travel, subsistence, and related expenses, but only in unusual circumstances (e.g., remote or inaccessible locations) for government employee attendance at a non-promotional or non-marketing event in his/her official capacity, so long as the specific trip has been authorized in advance by the appropriate Designated Agency Ethics Official (DAEO) or counsel empowered to provide such authorization and subject to written confirmation by such employee that he/she is in compliance with all government rules applicable to that employee. However, no such expense can be paid for any government contracting officer or other government official having personal and substantial involvement in government procurement. You should not agree to such expenses without written authorization from your business unit's legal counsel.

Remember, the rule is that government employees are expected to pay their own way.

Exceptions are few and should be properly authorized by appropriate government officials. Government employees are strictly prohibited from accepting any offers from you to pay their share for anything that falls outside the above guidelines. Therefore, you must never make such an offer to a government employee without following these rules. Neither you nor government employees can afford to be placed in the position of offering or accepting such favors.

Prohibition of Bribes, Kickbacks, Unlawful Payments, and Other Corrupt Practices

Any offer, promise, payment, gift, loan, donation, or reimbursement to a government employee (including family members, and individuals designated, recommended, or suggested by the government employee) of money, property, services, or anything of value, whether made directly or indirectly, and which might be construed as a payoff, bribe, or other improper influence, is expressly forbidden. Do not offer, make, or authorize payment of money or anything of value, directly or indirectly, to:

- Illegally influence the judgment or conduct or ensure a desired outcome or action of any individual, customer, company or government representative.
- Win or retain business or to influence any act or decision of any governmental official, political party, candidate for political office or official of a governmental organization.
- Gain an improper advantage.

This would include donations to a federal government customer's charity golf outing, employee picnic, etc. unless the government customer has obtained a letter from its Designated Agency Ethics Officer (DAEO) stating that such contributions are permissible and approval of the business unit's legal counsel or the V.P. of Corporate Government Sales.

Additional information on Prohibition of Bribes, Kickbacks, Unlawful Payments, and Other Corrupt Practices can be found in Baxter's Global Business Practice Standards manual. Copies of the Global Business Practice Standards manual can be viewed and/or downloaded from the Baxter.com site under Doing Business With Baxter <http://www.baxter.com/doingbusiness/>.

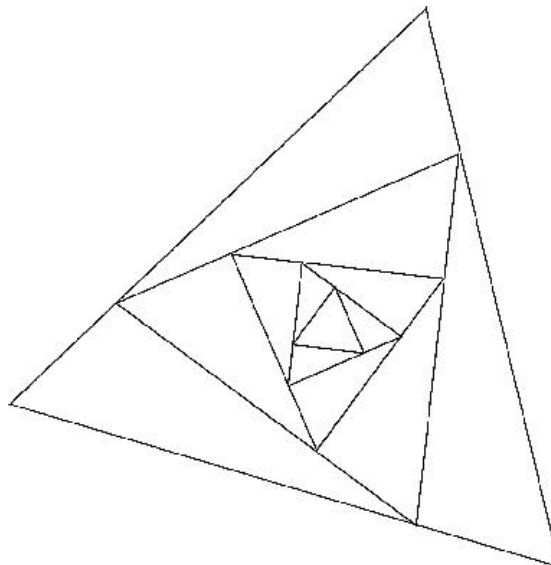
If you have any questions or need guidance on situations of these types please call the V.P. of Corporate Government Sales, your business unit legal counsel, or the Business Practice Standards Helpline at 1-877-229-8373.

Employment Discussions

You should not make, directly or indirectly, any offer or promise of future employment or business opportunity, or engage in any discussion of future employment or business opportunity with any procurement official of a federal agency with which Baxter has a contract or will bid on a contract. If any government employee inquires about employment opportunities with Baxter, refer them to the Careers @ Baxter section of Baxter's internet home page at www.baxter.com.

Soliciting, Obtaining, or Disclosing Proprietary or Source Selection Information

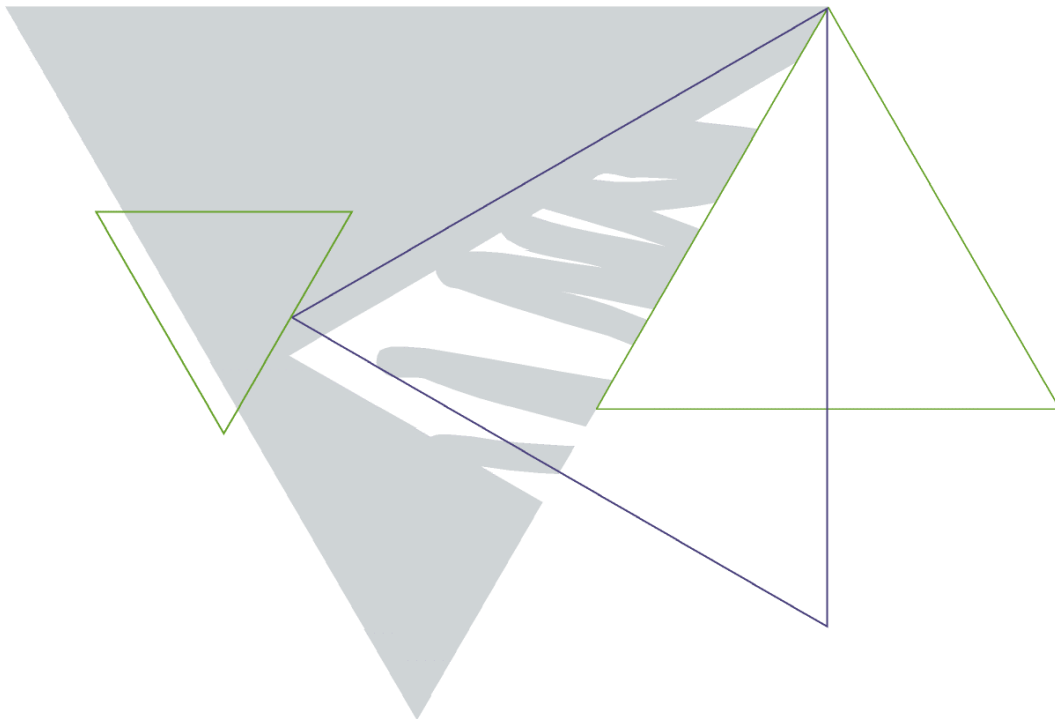
You shall not solicit or obtain, directly or indirectly, from any officer or employee of a government department or agency, prior to the award of a contract, any proprietary or source selection information regarding such procurement.



Seeking Guidance or Reporting Unethical Conduct

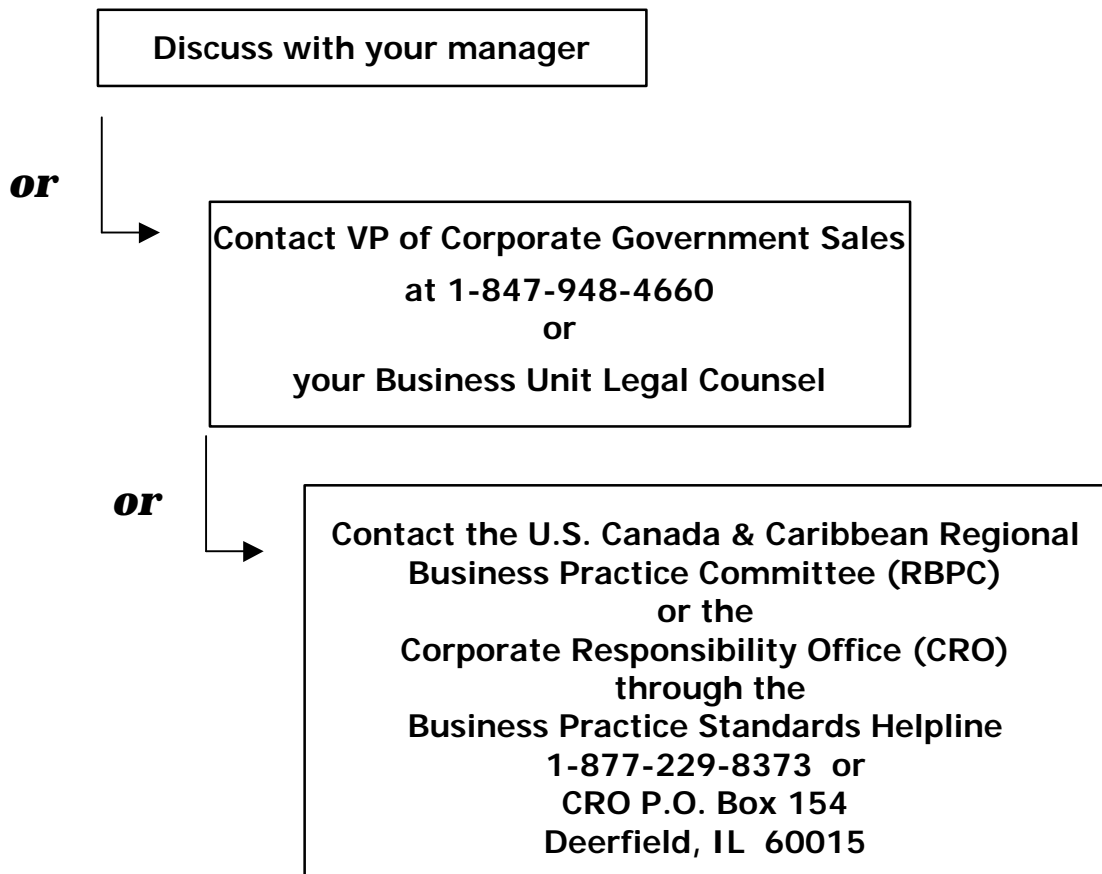
If you believe that any government employee, competitor, or fellow employee has engaged in conduct that violates any law or regulation, or has otherwise engaged in unethical conduct, Baxter expects that conduct to be reported appropriately, in a responsible and timely manner. When the conduct in question involves a Baxter employee or agent, Baxter expects that it will be reported internally -- in order to permit Baxter to investigate and promptly resolve incidents of improper or suspected improper conduct. If the violation involves government employees, you may report such conduct directly to the Inspector General of the Department or Agency affected, in addition to or in lieu of internal reporting outlined as follows.

These guidance and reporting channels exist to facilitate the enforcement of ethical and legal standards that Baxter requires each and every employee to follow and support. They should not be abused for personal or financial gain. Your cooperation will ensure that Baxter conducts itself in accordance with the highest ethical and legal standards and remains a company for whom all of us can be proud to work.



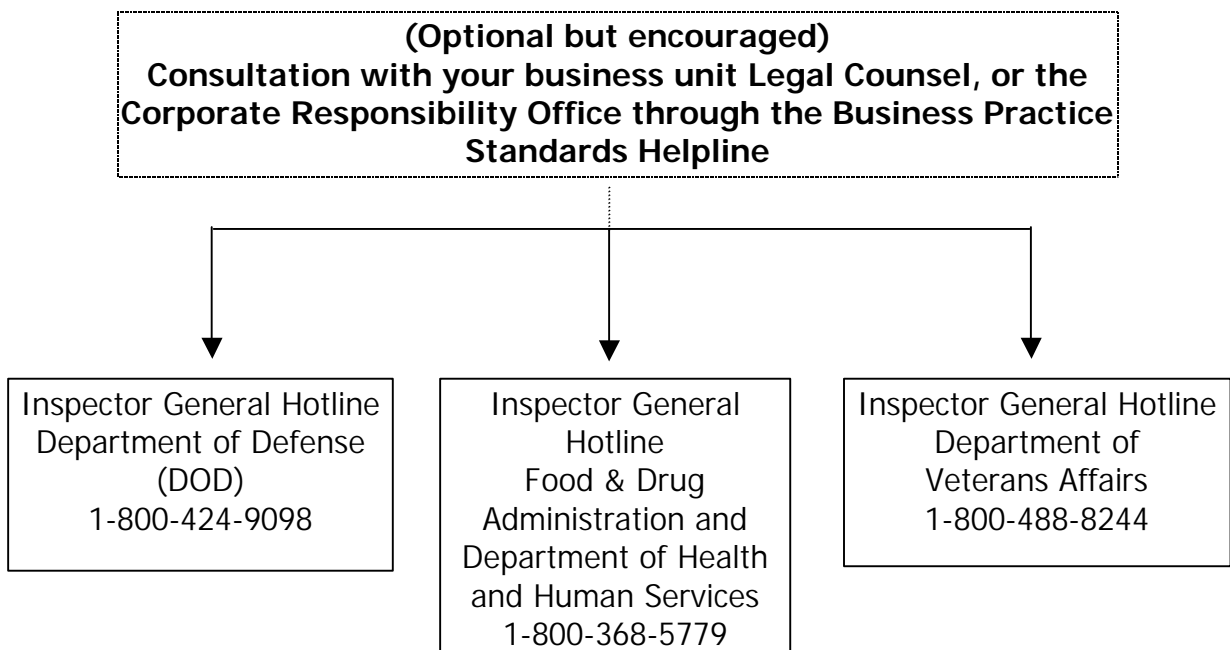
***Internal Process for Raising Concerns
regarding Government Sales Ethics***

Employee seeking guidance, information, or reporting potential violation



**Process for Raising Concerns
regarding the Conduct of Government Employees or
Competitors**

Baxter employee seeking to report potential violation by a government employee or competitor



Every agency in the federal government has an Inspector General to whom such reports can be made. While prior consultation with your business unit's legal counsel is encouraged in order to ensure that employees have an adequate basis before making a report, such consultations are not required.

Baxter expects each employee to abide by these ethical standards. If a federal employee poses questions to you concerning the types of issues addressed in these standards, inform them they should consult with their designated agency ethics official. If any employee suspects a violation of these standards has occurred or is about to occur, they are encouraged to report the possible violation. Employees violating these standards, or failing to report any violation that they know to have occurred, may be subject to discipline, including termination of employment with the company.

RESOURCES

Primary Resource

Baxter Government Sales

One Baxter Parkway

Deerfield, IL 60015

Phone: 1-847-948-4660

<http://http1.roundlake.baxter.com/shared1/government/home.htm>

Additional Baxter Resources

Baxter Legal Counsel

Each business unit has an in-house attorney responsible for its legal affairs. If unsure of who your designated Legal Counsel is, contact the General Counsel at 1-847-948-2600.

Business Practice Standards Helpline

1-877-Baxter3 (1-877-229-8373)

Business Practices or the Corporate Responsibility Office

Phone: 1-847-948-4964 or 1-877-229-8373

or write to

Corporate Responsibility Office

P.O. Box 154

Deerfield, IL 60015

Intranet site:

http://http1.roundlake.baxter.com/shared1/Business_Practices/who/Welcome.htm

External site: <http://www.baxter.com/doingbusiness/customers/index.html>

Federal Government Customer Service Center

One Baxter Parkway

Deerfield, IL 60015

Phone: 1-800-777-2298

Inspector General Hotlines

Department of Veterans Affairs

1-800-488-8244

Department of Defense

1-800-424-9098

Food and Drug Administration &

1-800-368-5779

Department of Health and Human Services