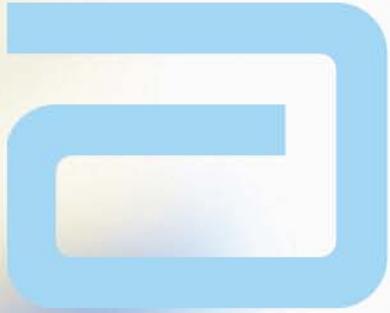




Changing Lives  
2005 Global Citizenship Report



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## About the Cover

Two young girls wait to receive medical treatment at the Afghan Institute of Learning's Mir Bacha Kot Clinic, which works to improve health care for women and children in a rural area north of Kabul. Products donated by Abbott are regularly used in the clinic to reduce malnutrition and treat diseases such as pneumonia and bronchitis.

## About Abbott

Founded in 1888, Abbott is a global, broad-based health care company that discovers, develops, manufactures and markets products that span the continuum of care – from prevention and diagnosis to treatment and cure. Abbott's principal businesses include pharmaceuticals and medical products, including devices, diagnostic tests and instruments, and nutritionals for children and adults. Headquartered in north suburban Chicago, Illinois, we serve customers in more than 130 countries, with a staff of 60,000 at more than 100 manufacturing, distribution, research and development, and other locations.

In 2005, Abbott achieved record sales of \$22.3 billion and ongoing net income of \$3.4 billion. Our operating cash flow was \$5 billion. In December 2005, we declared the 328th consecutive quarterly dividend to be paid to shareholders since 1924.

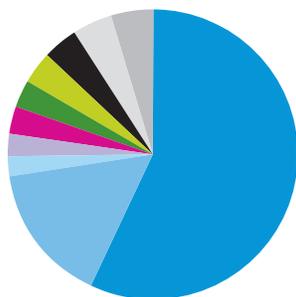
For complete financial information on Abbott and a list of our products, visit [www.abbottinvestor.com](http://www.abbottinvestor.com).

### 2005 Net Sales by Country

dollars in millions

**Total: \$22,338**

|                              |
|------------------------------|
| United States: \$12,707      |
| Japan: \$1,027               |
| Germany: \$992               |
| The Netherlands: \$899       |
| Italy: \$806                 |
| Canada: \$680                |
| France: \$657                |
| Spain: \$542                 |
| United Kingdom: \$504        |
| All Other Countries: \$3,524 |

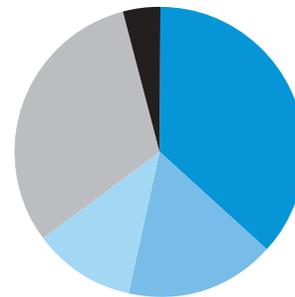


### 2005 Net Sales by Segment

dollars in millions

**Total: \$22,338**

|  |
|--|
| U.S. Pharmaceutical Products: \$8,138  |
| Worldwide Diagnostic Products: \$3,756 |
| Ross Products: \$2,523                 |
| International Division: \$6,967        |
| Other: \$954                           |



## About this Report

This report provides data on our financial, social, environmental, health and safety performance in 2005. For a comprehensive review of our global citizenship policies, programs and performance, and an electronic version of this report and past reports, visit our Web site at [www.abbott.com/citizenship](http://www.abbott.com/citizenship). This report does not contain performance information for our joint ventures, unless otherwise noted. Abbott trademarks and products that are in-licensed by Abbott are shown in italics in the text of this report. Together Rx Access™ and Partnership

for Prescription Assistance programs are not trademarks of Abbott. The Abbott Fund is an Illinois not-for-profit philanthropic corporation established in 1951 by Abbott. We consulted many resources, including the Global Reporting Initiative's 2002 Sustainability Reporting Guidelines, during the development of this report. We gratefully acknowledge the input from our external reviewers for this report. All financial information is stated in U.S. dollars.

## Message from the Chairman and CEO

I believe in corporate social responsibility. It's a fundamental part of our company and the way we do business. In an industry as important as health care, I see what it means – for Abbott and for those we serve – every day.



During a visit to Tanzania in October 2005, Miles White, Abbott chairman and CEO, visits the Bantu Day Care Center, which the Abbott Fund is currently rebuilding to help meet the needs of children affected by HIV/AIDS. An estimated 1 million children in Tanzania have lost one or both parents to HIV/AIDS.

There are 60,000 Abbott people around the world. Many of them – I'd say most – joined this company because they want to contribute to something good and meaningful, and they see our mission of improving human health as a way to do that. Abbott people care about doing the right thing. They want their company to help build the communities in which they live, to take care of the environment, to behave ethically and responsibly, to help those in need. They want their company to be a force for good in the world. I'm an Abbott person; I share those goals, and I try to lead with them in mind. I'm proud to say that, in 2005, Abbott delivered strong performance in all of these areas.

In recent years we've heard the growing concerns of those patients who have been unable to access affordable medicines. This report covers how we are working – on our own and in partnership with many stakeholders – to help patients get the medicines they need. Our most important contribution, of course, is through our investment in research and development of new medical technologies, a \$1.8 billion commitment in 2005. We also provided more than \$340 million in total philanthropic investment through the Abbott Fund, corporate philanthropy, patient assistance programs, humanitarian relief and AIDS-related programs, reaching millions of people worldwide.

While work on access is at the vanguard of our efforts, it's just one facet of our total citizenship commitment. Our progress on diversity was highlighted by Abbott's recognition as the number one company for women executives and one of the "Top 50 Companies for Diversity" by *DiversityInc* magazine.

We continued to emphasize the importance of ethics and compliance conduct through worldwide training. In the United States and Puerto Rico, we trained more than

29,000 employees, representing almost 99 percent of that employee population. And, we are on target to meet our 2010 environmental, health and safety goals, with reductions in water usage, carbon dioxide emissions, hazardous waste, lost workday cases and U.S. fleet accidents.

We faced some challenges last year as well. In Brazil, we settled a dispute with the government on the pricing of our AIDS medications. Together, we reached a solution that continued to provide access for patients, while respecting the intellectual property system that will enable new treatments for future patients.

Abbott has been helping people in need for more than a century, and our unique history has taught us two invaluable lessons. The first is always to take the long view. Abbott has endured for so many years because we act for the long-term sustainability of our company, our stakeholders and the work that we do.

The second lesson is that to be as engaged with the world as we are is to be open to continuous change and to understand society's expectations of our business. This report will explain more about the ways we are responding to these expectations and working for the benefit of all those who depend upon us: patients, employees, investors, and the communities where we work and live.

Thank you for your interest in our work,



**Miles D. White**

# Citizenship, Governance and Ethics

Guided by our Promise for Life, a statement that embodies our values, we work to integrate management policies and procedures across the organization to help our company meet the highest standards of corporate governance, ethical conduct and global citizenship.



Physicians and their patients are among Abbott's most important stakeholders.

## Advancing Global Citizenship

The greatest contribution that we make to society is the discovery and development of new medical products that help improve people's lives. This is the mission of all employees at every level of our company and the source of our success. We believe that our right to do business entails a responsibility to society. We recognize that the sustainability of our company depends upon our ability to think and act for the long term for all the people we serve – most importantly the patients who benefit from our medicines and technologies.

This commitment to good corporate citizenship is an integral part of who we are and how we conduct business.

Our Global Citizenship and Policy department leads our citizenship efforts and is responsible for helping to improve our economic, social and environmental performance across the company. The department chairs our Global Citizenship Working Group, a cross-functional

team that helps implement citizenship initiatives across our company.

Members include representatives from Corporate Purchasing; Environment, Health and Safety; Corporate Strategy; the Office of Ethics and Compliance;

Government Affairs; Human Resources; Investor Relations; and commercial operations.

We work with a number of organizations to advance our citizenship strategy and programs, including The Center for

Corporate Citizenship at Boston College, Business for Social Responsibility, The Conference Board, the Corporate Social Responsibility Initiative at the Kennedy School of Government – Harvard University, International Business Leaders Forum and SustainAbility's Engaging Stakeholders Program.

## READ MORE

Go to [www.abbott.com/gcr05/strategy](http://www.abbott.com/gcr05/strategy) to view our global citizenship and policy strategy. For company position statements, visit [www.abbott.com/gcr05/positions](http://www.abbott.com/gcr05/positions).

## Addressing Key Issues

Managing the issues of concern to stakeholders is vital to the success of our business. The process entails applying what we learn from our work with internal and external groups to our business

# Global citizenship at Abbott reflects how our company advances our business objectives, implements our policies, applies our social investment and philanthropy and exercises our influence to make a productive contribution to society.

decisions. Building on our 2004 exercise to identify and prioritize top issues for our company, we led discussions and took actions to address priorities, including affordability of medicines, intellectual property rights, HIV/AIDS, product safety, uninsured Americans, health care disparities, and marketing and sales practices. Many of these issues are key components of the global debate on improving patient access to medicines.

Our work on all of these topics, as well as other important subjects related to access, is covered in a chapter of this report beginning on page 9. Highlights of our progress appear on pages 6 and 7.

We also raised awareness of key issues among our managers through an intranet site populated with viewpoints of nongovernmental organizations and socially responsible investors, briefing papers and Abbott position statements.

### ***Stakeholder Engagement***

Abbott's key stakeholders include patients, employees, customers, suppliers, physicians, investors, health care providers, policymakers, regulators, scientists, and multilateral and humanitarian organizations. Across corporate functions and in each of our divisions, we manage relationships with stakeholders as part of routine

business operations. We collaborate with others on many fronts, including our efforts to support patient education, advance scientific knowledge, assure product quality, improve the response to natural disasters and raise occupational health standards.

We recognize that some groups have different points of view about our work. While our approach is to find common ground, sometimes we respectfully disagree on solutions, in which case our aim is to be clear and transparent about our positions.

# Actions on Priority Issues

| Issue   | 2005 Actions  |
|---|---|
| <p><b>Affordability of Medicines</b></p> <p>Some patients are concerned about the costs of medicines.</p>   | <ul style="list-style-type: none"> <li>• Abbott and the Abbott Fund invested more than \$325 million in programs that help disadvantaged patients around the world. (page 21)</li> <li>• Miles White, Abbott’s chairman and CEO, delivered eight speeches and authored three opinion editorials on the challenges surrounding access to medicines. (<a href="http://www.abbott.com/gcr05/speeches">www.abbott.com/gcr05/speeches</a>)</li> <li>• Worked with the U.K. government to create recommendations for improving access to medicines for developing world patients. (page 24)</li> </ul> <p><i>For our position on pharmaceutical pricing and importation of medicines from Canada to the United States, see page 15.</i></p> |
| <p><b>Intellectual Property Rights</b></p> <p>Intellectual property is an essential element to advancing innovation to improve health.</p>                  | <ul style="list-style-type: none"> <li>• Invested \$1.8 billion in research and development in 2005. (page 12)</li> <li>• Launched a non-refrigerated tablet formulation of our HIV protease inhibitor <i>Kaletra</i>. (page 12)</li> <li>• Provided the Global Alliance for TB Drug Development access to a potent class of antibiotics that are covered by Abbott’s patents. (page 12)</li> <li>• Reached an agreement with the government of Brazil to provide patients with continued access to <i>Kaletra</i>, while respecting our intellectual property. (page 3)</li> </ul> <p><i>For our position on intellectual property, see page 15.</i></p>   |
| <p><b>HIV/AIDS</b></p> <p>The serious social and health impact of HIV/AIDS around the world threatens the economic future of many developing countries.</p> | <ul style="list-style-type: none"> <li>• Worked with the government of Tanzania to open a new outpatient center and laboratory at Muhimbili National Hospital. (page 20)</li> <li>• Donated or provided at no profit nearly 18 million rapid HIV tests to programs in developing countries. (page 21)</li> <li>• Worked with the Elizabeth Glaser Pediatric AIDS Foundation to support a congressional briefing on pediatric AIDS in the developing world. (page 24)</li> </ul> <p><i>For our position on HIV/AIDS treatment and care, visit <a href="http://www.abbott.com/gcr05/positions">www.abbott.com/gcr05/positions</a>.</i></p>  |

**An Example of Our Work on HIV/AIDS**

Abbott has a long-term partnership with state AIDS Drug Assistance Programs (ADAP) and the National Association of State and Territorial ADAP Directors to ensure access to our HIV medicines, *Kaletra* and *Norvir*, for all patients in need. Annual program costs present ADAPs with a significant challenge, and one that we have helped to address by routinely freezing prices for our HIV medicines and offering free drug to any ADAP-eligible

patient on a drug waitlist. Working with stakeholders is an ongoing process at Abbott and is reflected in many of our activities described throughout this report.

**Corporate Governance**

Abbott has a long tradition of ensuring the independence of the majority of our board of directors. Independent board members chair the public policy, audit, compensation, and nominations and governance committees. Among the

criteria for candidates of the board are a global business perspective and a commitment to good corporate citizenship. The charter of the public policy committee of the board includes the review and evaluation of Abbott’s policies and practices with respect to social responsibility.

Details of Abbott’s corporate governance structure and committees are available at [www.abbottinvestor.com](http://www.abbottinvestor.com).

**Product Safety**

Patients are seeking more information on product quality and safety.

- Continued to implement the Corrective Action and Preventive Action process. (page 13)
- Expanded anticounterfeiting policies and procedures. (page 13)
- Expanded the disclosure of clinical trials involving our pharmaceutical products. (page 18)

**Uninsured Americans**

More than 45 million Americans lack health insurance – 80 percent from working families.<sup>1</sup>

- Launched the Together Rx Access™ program with several other companies. (page 21)
- Provided more than 240,000 low-income and uninsured U.S. patients with Abbott medicines, nutritionals and medical devices valued at more than \$247 million through our company-run patient assistance programs. (page 21)
- Supported effective implementation of the Medicare prescription drug benefit. (page 24)  
*For our position on expanding access to uninsured Americans, see page 15.*

**Health Disparities in the United States**

Minority populations often receive a lower quality of health care, even after controlling factors such as insurance and income.

- Supported our HIV African-American and Latino Treatment Council advisory board in developing and publishing recommendations for health care providers who treat and care for minority HIV/AIDS patients. (page 16)
- Launched the “Diabetes Freedom” mobile tour campaign, a national education and outreach initiative for people with diabetes. (page 18)
- Supported the Partnership for Prescription Assistance (PPA) “Help is Here Express” national bus tour, which provides onsite enrollment in PPA for patients who need assistance with paying for prescription medicines. ([www.pparx.org](http://www.pparx.org))

**Marketing and Sales Practices**

There has been growing public scrutiny about the interaction between sales and marketing personnel of health care companies and members of the medical community.

- Continued training of employees on marketing and sales practices and our Code of Business Conduct, and compliance with industry codes. (page 14)
- Developed and implemented new Pharmaceutical Research and Manufacturers of America (PhRMA) direct-to-consumer advertising guidelines. (page 14)

**Dow Jones Sustainability Index Ranking**

Abbott was the only health care company added to the 2005 Dow Jones Sustainability World Index (DJSI World), as well as the 2005 DJSI North America and DJSI United States. Based on an assessment of a company’s economic, social and environmental performance, the DJSI North America and DJSI United States include the top 20 percent of the 600 largest global companies. The DJSI World ranks Abbott among the top 10 percent of the world’s leading 2,500 companies.





Abbott's Code of Business Conduct is available in 35 languages.

### Ethics and Compliance

Abbott's Office of Ethics and Compliance (OEC) reinforces our company's commitment to promote a culture of integrity. The office is led by our vice president and chief ethics and compliance officer, who reports directly to the chairman and CEO. The chief ethics and compliance officer makes periodic reports to the public policy committee of Abbott's board of directors and an annual report to the full board.

This officer also chairs our business conduct committee, which oversees implementation of the ethics and compliance program.

In 2005, we continued to roll out our Affiliate Compliance Program, which is a specialized ethics and compliance initiative for Abbott

sites outside of the United States. While these organizations have always had their own programs and have been successfully operating in complex environments for years, we are implementing a standard

framework of ethics and compliance elements, such as key policies and procedures, training and communications, monitoring, reporting of concerns, and prompt corrective and preventative action.

The program is tailored to specific country

environments and creates a cross-divisional infrastructure for oversight by line management and the OEC. The program was initiated in the Pacific/Asia region in 2004 and was implemented globally at the end of 2005.

### READ MORE

Go to [www.abbott.com/gcr05/OECorg](http://www.abbott.com/gcr05/OECorg) to view our Office of Ethics and Compliance organizational chart. Visit [www.abbott.com/gcr05/OEC](http://www.abbott.com/gcr05/OEC) for our Code of Business Conduct.

### Building an Ethical Culture

We continued to integrate ethics and compliance initiatives into each of our 13 divisions, where translating corporate standards into meaningful and practical business tools is key to the success of our diversified operations. Divisional ethics and compliance officers and other OEC personnel are responsible for partnering with the business they support to provide guidance to employees and assist in employing these tools to create competitive business programs.

An example of this approach is Abbott Diagnostics Training Day, during which division management provided resources and support for its nearly 6,000 employees

in the United States and Puerto Rico to complete their ethics and compliance training modules for the second half of 2005 in one day – a requirement typically completed on a quarterly basis.

For Joe Nemmers, executive vice president, Diagnostic and Animal Health Divisions, the Training Day was a way to streamline the training process in the division and also send a clear message to employees about the importance of ethics and compliance at Abbott. "Throughout Abbott's more than 100-year history, we've placed a high priority on building a culture that is grounded in ethical behavior," said Nemmers. "We wanted to reinforce to employees that making the right choices is critical to our long-term business success."

The program – suggested by one of the division's employees through a survey – was supported by Abbott's 24-hour ethics and compliance helplines, and an intranet site provided updates on the completion of the modules throughout the day. Due to the program's success, Abbott Diagnostics is implementing a similar initiative in 2006.

"People want to make good decisions, and it is usually those who are unaware of their options who have a more difficult time," added Nemmers. "By assuming more responsibility for ethics and compliance within the business, we are sharing accountability for identifying risks and finding the right solutions."

# improving access to medicines



Marwa and Zohra, students at the  
Afghan Institute of Learning's preschool  
education program.

Improving access to affordable medicines is the greatest challenge facing the health care industry and our company. Simply put, advances in medicine mean nothing to people who cannot access them. The magnitude of this challenge is enormous. The World Health Organization estimates that a third of the world's population lacks access to essential medicines.<sup>2</sup> More than 45 million Americans lack health insurance – 80 percent from working families.

While a single company cannot be expected to effectively address such a challenge on its own, we are committed to advancing solutions that help patients access the medicines they need. Our actions are bringing hope and, most importantly, are delivering results.

In the developing world, the multiple barriers to health care services have been well documented by universities, think tanks and United Nations agencies. They include poverty, illiteracy, limited numbers of trained health personnel and infrastructure deficiencies, such as the lack of access to medical facilities, transportation and clean water. In developed countries, rising costs and financing of health care are at the center of the debate. With advancements in medicines and technology, people are living longer, and health care systems are coming under pressure to support growing and aging populations.

Around the world, citizens expect a lot from their health care systems. They demand first-rate services and the latest medicines and technologies. They want companies like Abbott to develop new medicines for diseases and make them available at the lowest possible prices.

But these expectations require trade-offs and hard choices about health priorities and the allocation of resources. Expanding access to medicines is an issue with scientific, economic, social and policy dimensions. Solutions will require the involvement of many players – governments, health care providers, insurers, medical societies, health professionals, patients, companies, shareholders and employees – to help advance public dialogue about the decisions we need to make as a society to improve access.

#### **Abbott's Approach**

Our contribution to improving access to medicines reflects where our expertise, knowledge and resources make the greatest impact. Our efforts to help expand access receive the highest level of management attention. Abbott's Pharmaceutical Policy Committee – consisting of senior management from our global pharmaceutical business, Global Citizenship and Policy, Government Affairs, the Office of Ethics and Compliance and Public Affairs organizations – discusses major health and public policy issues and integrates policy decisions into core business strategies and practices.



#### **Advancing Leading-Edge Science and Technologies**

We develop innovative products to address patients' unmet medical needs.

#### **Increasing Patient Awareness**

We believe in empowering people through education and information about diseases and products to help them make informed treatment decisions.

#### **Making Our Medicines Available**

We make medicines available through company and industry-run patient assistance programs. We also work with governments and others to remove underlying barriers to health care, such as the lack of infrastructure and trained personnel.

#### **Participating in Public Policy Dialogue**

We work with governments to advance sound public policy and expand patients' access to health care.



The lines start early in the morning outside the modern outpatient center at Muhimbili National Hospital in Dar es Salaam, Tanzania. Among those waiting is Mama Kevin, a mother and HIV patient since 1998. Before the center was built, HIV patients were treated in a cramped, dilapidated building on the edge of the hospital's campus. Now, Mama Kevin receives a higher standard of care at Muhimbili. This is thanks to the Abbott Fund's \$100 million investment over five years to address HIV/AIDS in the developing world – \$35 million of which has been invested in Tanzania toward one of the most comprehensive efforts in Africa to strengthen a country's health care system to meet the lifelong treatment needs of people living with HIV. The trained staff provides patients access to confidential counseling and testing, nutritional advice, clinical care and medicines. Mama Kevin, who initially kept her condition a secret due to the stigma surrounding HIV, now speaks freely about her life and is a symbol of hope in the fight against the pandemic.

# advancing leading-edge science and technologies

## We develop products to address patients' unmet medical needs.

Our key contribution to advancing health care is through the research and development of new and improved medicines and medical products that address some of the world's most important medical needs.

### Abbott's Therapeutic Areas of Focus

Over the past five years, we have increased our research and development investment, concentrating our pharmaceutical research on five key therapeutic areas that affect millions in both developing and developed countries: immunology, neuroscience/pain, oncology, infectious diseases and metabolic diseases. These categories offer the best opportunity for Abbott to apply our expertise,

resources and influence to help large groups of patients. For more information on our research pipeline and new products, visit [www.abbott.com/gcr05/pipeline](http://www.abbott.com/gcr05/pipeline).

### Kaletra Tablet Formulation: A Non-refrigerated AIDS Medicine

In 2005, the U.S. Food and Drug Administration (FDA) approved a new, more convenient tablet formulation of *Kaletra* (lopinavir/ritonavir), the world's number-one-prescribed HIV protease inhibitor. The tablet formulation allows patients to simplify their regimen by taking fewer pills (four tablets daily versus six capsules daily) with or without food. Additionally, the tablets do not require refrigeration. Abbott will register the new tablet formulation around the world, including in Africa and the least developed countries. Currently, a liquid formulation of

*Kaletra* also is indicated for the treatment of children with HIV/AIDS and provides flexible dosing options. We are developing a lower-dose tablet formulation of *Kaletra* to provide clinicians with the flexibility to extend the use of *Kaletra* tablets to appropriate pediatric populations. For more information, visit [www.abbott.com/gcr05/Kaletra](http://www.abbott.com/gcr05/Kaletra).

### Neglected Diseases

Diseases such as malaria, tuberculosis and Chagas' disease, affect millions of people in the developing world. Current treatments are old, and many have severe side effects. Although we do not have a core research capability in neglected diseases, we have expertise that may advance solutions in treating malaria and tuberculosis. For example, we are providing our scientific expertise to the Institute for OneWorld Health to develop a low-cost antimalarial medicine. We also provided access to our intellectual property to the Global Alliance for TB Drug Development, which is working on new treatments to battle tuberculosis. For more information on our work with the Institute for OneWorld Health and the Global Alliance for TB Drug Development, visit [www.abbott.com/gcr05/negDiseases](http://www.abbott.com/gcr05/negDiseases).

2003-2005 R&D Investment  
in billions



**"In the search for a faster, affordable cure for tuberculosis, we must pursue every lead and explore every drug class. The clock is ticking, with a death every 15 seconds and no new drugs introduced in nearly half a century. We welcome Abbott's support so that we can fulfill our mission to ensure that new medicines are priced affordably in developing countries."**

Maria C. Freire  
President and CEO, Global Alliance for TB Drug Development

### Developing Quality Products

Product safety and integrity directly affect a patient's health and well-being, as well as the public's trust in our products and our company. We have numerous processes in place to monitor product quality, which we continually refine and update.

Abbott has an enterprisewide standard business process for Corrective Action and Preventive Action (CAPA), which drives enhancements to product quality. Information technology tools, including our Global Quality Management System, Pilgrim SmartCAPA and a Lotus Notes-based CAPA system, have been deployed at more than 30 Abbott sites around the world to assist with the implementation of CAPA.

### Counterfeit Products

The U.S. FDA estimates that more than 10 percent of medicines sold internationally are fakes.<sup>9</sup> Despite increased global awareness, counterfeit products remain a serious threat to the health and safety of patients. Our Global Product Protection department is working to reduce counterfeit products through a number of initiatives, including the following in 2005:

#### Securing the Supply Chain

- We reviewed 17 U.S. wholesalers' compliance with Abbott's Exclusive

Sourcing Agreement, which requires these customers to purchase our products directly from Abbott, and to sell only to authorized end users. The agreement helps ensure that counterfeiters cannot easily infiltrate the U.S. supply chain with fake products.

- We conducted supply chain reviews with our operations in Argentina, Brazil, Guatemala, Mexico, Puerto Rico and Venezuela, which included the development of an action plan at each site for ongoing program review and measurement.

#### Disrupting Criminal Organizations

We conducted undercover purchases in 27 countries to test for counterfeit products in the marketplace. Once an undercover purchase has been made and tests confirm that the product is counterfeit, we contact government authorities to raid the illegal operation. As an example, based on an Abbott investigation, government officials conducted a raid that netted nearly 3 million counterfeit capsules of *Reductil*, our obesity management medicine. We work with prosecutors throughout the world to apprehend and punish counterfeiters.



Abbott is committed to the production and delivery of high-quality, safe and effective products.

#### Improving Product Identification

We introduced security features that present significant barriers for counterfeiters and facilitate package authentication at Abbott's regional testing centers.

#### Building Global Momentum

Working with governmental and nongovernmental organizations around the world, we seek to strengthen anticounterfeiting laws and increase global awareness of the dangers of counterfeit medicines.

For more information, visit [www.abbott.com/gcr05/GPP](http://www.abbott.com/gcr05/GPP).

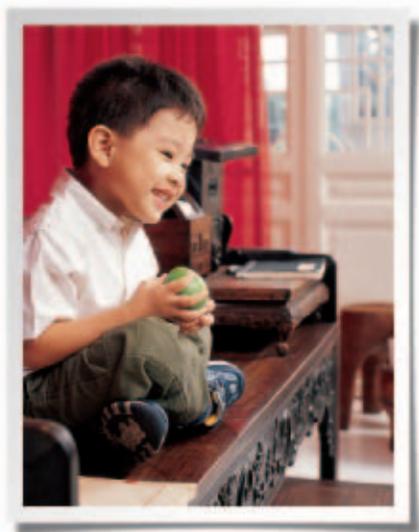
### Animals in Biomedical Research

U.S. and international laws require testing of drug candidates in biological systems, including animals, before testing in humans begins. Abbott is committed to the highest standards of humane care and treatment of our laboratory animals. All employees involved in animal research are required to go through extensive training. Our laboratory

animal research program and facilities meet regulations of the United States, the European Union and other countries as applicable, and have been accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International since 1975. We fund support of alternatives to animal testing, and we employ

the "three Rs" whenever possible: these are refining experimental procedures to avoid or minimize unnecessary pain or suffering; reducing the number of animals used in any tests we conduct to the minimum needed to get valid results; and replacing the need for animal testing through alternative research methods, whenever possible.

# increasing patient awareness



Yew Han Yong, nutritional consumer, Singapore.

**We believe in empowering people through education and information about diseases and products to help them make the best treatment decisions.**

A patient's level of awareness and knowledge of diseases, their symptoms and treatment options can greatly influence quality of care. We share information about our products and the diseases they address; promote education about disease prevention, treatment and management; and disclose our policies and practices related to clinical research and the marketing of our products.

## **Working with Health Care Professionals**

Abbott sales representatives are the most visible interface between our company and physicians and other health professionals. Our employees play an important role in providing doctors with information about disease-specific data, clinical trial results and opportunities, new treatment approaches and patient initiatives – all of which can significantly affect a patient's health. In recent years, we recognize there has been increased public concern about the interaction between sales and marketing personnel of health care companies and members of the medical

community. We are working to ensure that our employees continue to meet the highest ethical and professional standards, and that they recognize and avoid situations that may present a conflict of interest.

We have updated a variety of policies and procedures to guide our marketing and sales activities around the world. In the United States, our Operating Procedures for Program Funding incorporates both the PhRMA and AdvaMed codes of conduct, which represent industry standards for the pharmaceutical and medical device industries, respectively. Outside of the United States, Abbott has issued Promotional Practice Guidelines in more than 50 countries, and, in addition to following applicable local industry codes and standards, our international sites are implementing compliance programs to enhance the integration of ethical business practices into day-to-day operations. We require our marketing and sales employees to complete specialized annual training with regard to the marketing, promoting and selling of our products.

We also require our employees to abide by the high standards outlined in the Abbott Code of Business Conduct, and our Office of Ethics and Compliance conducts a prompt and thorough investigation into all allegations of inappropriate activity or behavior. We have a zero tolerance policy for behaviors that breach the Code. Disciplinary action is taken, which can include termination, if violations are found.

For more information on Abbott's ethics and compliance program and training, see page 8 and visit [www.abbott.com/gcr05/OEC](http://www.abbott.com/gcr05/OEC).

## Answers to Frequently Asked Patient Questions

### Why do medicines cost so much?

The price of medicines is a concern to many people, yet the process of the discovery and development of medicines is a high-risk endeavor that requires the investment of billions of dollars. Only one compound in 10,000 tested advances to human clinical trials and ultimately becomes available to patients. Only three out of 10 new medicines produce revenues that match or exceed average research and development costs.<sup>4</sup> Additionally, pharmaceuticals represent only about 10 cents of every dollar spent on health care. Studies have shown that pharmaceuticals provide value because for each additional dollar spent on newer pharmaceuticals, \$6.17 is saved in total health care spending, \$4.44 of which comes from savings in hospital spending.<sup>5</sup> When pricing our products, we consider multiple factors, including research and development costs, manufacturing and quality assurance costs, the therapeutic value of the product and government regulations. We work to strike a balance between maximizing patient access and ensuring a sustainable return to fund our future research and development. The pricing of medicines is a complex process that is best managed through free-market mechanisms. The distribution of our products varies across markets and involves many players who influence the cost of medicines for patients. In the United States, pharmaceutical companies do not set prices for cash-paying customers – retail pharmacies do – and there is tremendous variability in pricing at the retail level for the same medicine.

### Is intellectual property protection a barrier to access?

No. Actually, the intellectual property system facilitates the discovery and development

of new medicines and technologies, without which there would be nothing to access. The intellectual property system rewards innovators, but it also requires the disclosure of new knowledge that advances future innovation. Without protection of intellectual property, companies would not be able to sustain the billions of dollars invested in medical research and development. The patent system effectively balances the societal goals of encouraging innovation and providing access to its benefits. We are committed to using the patent system responsibly. We respect the intellectual property rights of others and expect others to respect ours.

### How is Abbott helping uninsured Americans to access medicines?

We believe that all people should have access to quality health care, and solutions need to be found to help the more than 45 million Americans who do not have health insurance – 80 percent from working families. Through our patient assistance programs in the United States, we provide free medicines to financially disadvantaged patients who do not have prescription drug coverage. Additionally, we participate in industrywide initiatives to help low-income, uninsured or underinsured patients access free or discounted medicines. Abbott also supports equal access to innovative therapies for everyone through options that may make health insurance more affordable, such as tax credits that allow individuals to purchase health care policies, premium subsidies and employer purchasing pools. We supported the enactment of the Medicare Modernization Act, which added voluntary prescription drug coverage to the Medicare health insurance program for people in the United States who are over 65 years



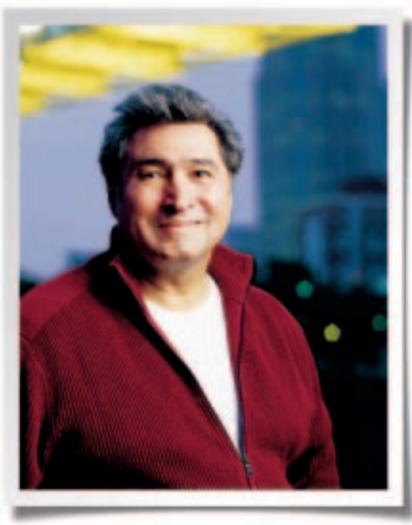
Kathy Bennett, HIV patient, Baltimore, Maryland.

of age, or have certain disabilities or serious kidney disease.

### Why does Abbott oppose the importation of medicines from Canada to the United States?

Importation is not a solution to making medicines more affordable for patients. According to a recent *AARP Bulletin*, Americans who choose the least expensive Medicare benefit plan in their area that covers all of their medicines could pay less than they would if they purchased the same medicines in Canada.<sup>6</sup> Moreover, importation of medicines also poses safety concerns. The U.S. FDA has stated that it cannot ensure the safety and effectiveness of pharmaceuticals imported via parallel distribution channels that lack regulatory or quality oversight.

For more information on Abbott's access programs, see page 21 and visit [www.abbott.com/gcr05/PAP](http://www.abbott.com/gcr05/PAP).



Jose Villanuova, hypertension patient, Nashville, Tennessee.

### Responsible Advertising to Consumers

Direct-to-consumer (DTC) advertising about medicines can help educate patients about medical conditions and treatment options. It is especially useful for chronic conditions that affect large numbers of patients and for diseases that are often underdiagnosed and undertreated. This education needs to be responsible and balanced, and it should encourage appropriate use of medicines.

As a member of PhRMA, we worked with others in our industry to develop a voluntary set of comprehensive guiding principles on DTC advertising of prescription medicines. We are complying with these principles. Some of the areas addressed, beyond U.S. FDA regulations, include:

- Educating physicians with appropriate medical information prior to the launch of a new DTC campaign.
- Targeting TV advertisements for audience and age appropriateness.
- Promoting health and disease awareness as part of advertising.
- Informing uninsured and low-income patients about assistance programs as part of DTC campaigns.

For more information on the PhRMA DTC principles, visit [www.phrma.org](http://www.phrma.org).

### Combating Health Disparities

Health disparities within ethnic and minority communities in the United States have been well documented in medical literature. African-American, Native American and Latino populations experience higher incidences of cardiovascular disease, HIV infection

and diabetes compared with the general population. Frequently, these patients receive a lower quality of health care than non-minorities, even after controlling factors, such as insurance and income.

These disparities are frequently linked to individual behaviors, including prejudice, stereotyping, mistrust and communications barriers. Policy and structural deficiencies, such as a lack of interpreter services and limited or nonexistent health care services in some minority communities, also contribute to the health gap.<sup>7</sup>

To improve the quality of HIV treatment and care among minority communities, Abbott has created advisory councils made up of leading physicians, medical professionals and patient advocates across the United States. One of the key issues facing the African-American and Latino communities is the shortage of physicians with sufficient knowledge of how to treat the affected populations, which often face special physiological challenges in their therapy. Through our advisory councils, we provide doctors with the latest health care treatment data, which they otherwise might not receive.

One of our most active advisory boards is the HIV African-American and Latino Treatment Council (HALT), a team of 18 prominent African-American and Latino HIV/AIDS physicians, who in 2005 published several recommendations for health care providers. HALT also worked to increase participation of minority researchers and patients in clinical trials.

### READ MORE

Go to [www.abbott.com/gcr05/HALT](http://www.abbott.com/gcr05/HALT) to view a copy of the HIV African-American and Latino Treatment Council recommendations on health disparities.



Willis Steele, an Abbott Advocacy Relations Manager and an ordained minister who works closely with at-risk youth in New York, says the two roles complement each other. "My focus is to directly connect with people infected with and affected by HIV/AIDS," said Steele. "I listen to them, ask the tough questions and offer the information they need to help them live full and productive lives."

### **Abbott Policy on Clinical Trials Involving Pharmaceutical Products**

A critical component of drug development is the conduct of clinical trials in human subjects. The results of human drug trials help assess the safety and efficacy of drugs and drug candidates for use in patient populations.

Safety of study subjects is always Abbott's highest priority in conducting clinical trials. Healthy volunteers and patients who are interested in participating in our clinical studies undergo a full discussion of the process with clinical professionals and appropriate medical screening before entering the clinical trial. During the trial, their health is monitored, and, at any time,

a patient has the choice to discontinue the trial. To access a list of clinical trials involving drugs and drug candidates being conducted by Abbott in the United States and other countries, visit [www.ClinicalTrials.gov](http://www.ClinicalTrials.gov).

In addition to making information available on hypothesis-testing trials under way, it is Abbott's policy to publicly disclose the results of these clinical trials for drugs. Individuals seeking information on the results of Abbott clinical trials of drugs can visit [www.ClinicalStudyResults.org](http://www.ClinicalStudyResults.org).

For more information on our clinical trials policy, visit [www.abbott.com/gcr05/ClinicalTrials](http://www.abbott.com/gcr05/ClinicalTrials).

## Diabetes

6<sup>th</sup>

Diabetes is the sixth leading cause of death in the United States.<sup>8</sup>

171 million

people worldwide have diabetes.<sup>8</sup>

### **Raising Awareness of Diabetes**

Diabetes is one of Abbott's key product research areas. At least 171 million people worldwide have diabetes, and this figure is likely to more than double by 2030 to reach 366 million. Many patients lack information about diabetes and the associated risk of disability and premature death if the condition is not managed.

Working with the American Diabetes Association, Abbott developed a U.S.-based education and outreach initiative called the "Diabetes Freedom" mobile tour campaign that stopped in 25 cities across the country. The program encouraged people to take the "Diabetes Freedom" pledge and commit to a successful diabetes management plan that includes exercise, proper nutrition and frequent blood glucose monitoring. For more information, visit [www.diabeteshealthconnection.com](http://www.diabeteshealthconnection.com).

We also employed a first-of-its-kind diabetes management program with two major employers in Shanghai, China: Shanghai Tubing and Shanghai General. The six-month program targeted 150 employees and included screenings, educational sessions on maintaining a healthy lifestyle and tools such as books on diabetes management.

The incidence of diabetes in China is growing at a rapid pace toward epidemic proportions and is costing employers and the government substantial resources to manage. The objective of our program was to help reduce health risks and complications associated with diabetes and cardiovascular disease by implementing an evidence-based program of screening, behavior modification and lifestyle/diet intervention. For more information on our diabetes outreach, visit [www.glucerna.net](http://www.glucerna.net).



Four years ago, Freddie Williams was diagnosed with diabetes. “The moment I found out about my condition, I made a commitment to manage my disease and beat the odds,” said Williams. “Part of getting diabetes under control is educating yourself and staying active.”

# making our medicines available



Christopher Whalen, rheumatoid arthritis patient and Abbott Patient Assistance Program beneficiary, Madison, Wisconsin.

**We make medicines available through company and industry-run patient assistance programs. We also work with governments and others to remove underlying barriers to health care, such as the lack of infrastructure and trained personnel.**

## **Scaling up HIV Testing and Treatment in Tanzania**

“Companies exist largely because society allows us to,” said Miles White, Abbott’s chairman and CEO, during the opening ceremony events in 2005 for the new outpatient clinic and laboratory at Muhimbili National Hospital (MNH), the country’s leading national teaching and reference hospital. “Our work in Tanzania is part of the return we have to give back to society, because businesses like ours have the expertise necessary to develop sustainable solutions.”

The new outpatient center serves up to 1,000 patients a day, many of whom are living with HIV, and also functions as a training center for medical students and health care professionals. The state-of-the-art laboratory performs automated testing with Abbott’s AxSYM, ARCHITECT and CELL-DYN systems, which monitor HIV and other chronic diseases. Previously,

the laboratory processed about 75 chemistry tests and 100 blood tests a day. The new laboratory can process up to 8,000 chemistry tests and 400 blood tests daily, and provide same-day test results.

Other results in Tanzania since the program began in 2003 include:

- Trained more than 6,100 health workers in HIV treatment, voluntary counseling and testing, home-based care, information technology, and laboratory science and management.
- Upgraded 82 hospitals and health centers, many in rural areas.
- Provided access to HIV voluntary counseling and testing to 85,000 people.

Abbott also provides employee volunteers with expertise in the areas of engineering, laboratory technology, security, waste management and information technology (IT). MNH’s new IT system has already sharply reduced the amount of paperwork needed to manage patient accounts. Similarly, Abbott has helped create programs to maintain equipment and buildings in good repair.

“The dedication of these new hospital buildings symbolizes the sweeping changes that we are implementing throughout the country’s health care system to address the AIDS epidemic and will further our goal of expanding the national treatment program to reach more Tanzanians living with HIV,” said Benjamin William Mkapa, former president of Tanzania. “Through our successful partnership with the Abbott Fund, we are providing Tanzanian health professionals with resources and tools to more effectively manage our health care system.”

# Measuring Our Results

For more information on Abbott's programs to improve access to medicines, visit [www.abbott.com/citizenship/gcr05/PAP](http://www.abbott.com/citizenship/gcr05/PAP).

## Program Overview

## 2005 Results

### UNITED STATES – ABBOTT PROGRAMS

#### Abbott Patient Assistance Program

The Abbott Patient Assistance Program is a physician-based referral program that offers free Abbott medicines to low-income patients who do not have or do not qualify for prescription drug benefits through private insurance or government-funded programs. (800) 222-6885 or [www.helpingpatients.org](http://www.helpingpatients.org)

- More than 229,000 patients received free medicines valued at more than \$167 million.

#### Humira Medicare Assistance Program

The Humira Medicare Assistance Program offered Abbott's rheumatoid arthritis medicine at no cost to Medicare patients who did not have prescription drug coverage, until the Medicare Drug Benefit Plan became available. [www.humira.com](http://www.humira.com)

- More than 9,000 patients received free Humira valued at more than \$79 million.

#### Abbott Diabetes Care Patient Assistance Program

The Abbott Diabetes Care Patient Assistance Program offers assistance on blood glucose meters and strips to low-income patients in the United States. [www.abbottdiabetescare.com](http://www.abbottdiabetescare.com)

- More than 2,000 patients were approved for assistance at a value of almost \$1 million.
  - Donated nearly 1,400 blood glucose monitors and 17,000 blood glucose strips.

#### Ross Patient Assistance Program

The Ross Patient Assistance Program offers assistance on metabolic and nutritional products to low-income or uninsured patients in the United States. [www.pparx.org](http://www.pparx.org)

- Nearly 800 patients received products valued at more than \$250,000.

### UNITED STATES – INDUSTRY PROGRAMS

#### Partnership for Prescription Assistance

The Partnership for Prescription Assistance provides low-income and uninsured patients with access to more than 475 public and private patient assistance programs. [www.pparx.org](http://www.pparx.org)

- Matched more than 1.2 million patients with industry patient assistance programs.

#### Together Rx Access™ Card

Through the Together Rx Access Card, multiple pharmaceutical companies offer uninsured patients savings on more than 275 brand-name prescription medicines and products. (800) 444-4106 or [www.togetherrxaccess.com](http://www.togetherrxaccess.com)

- Enrolled more than 350,000 uninsured patients who saved more than \$6.3 million directly from participating companies.

### INTERNATIONAL

#### Abbott Access

Abbott Access provides Abbott's HIV medicines and rapid HIV tests to 69 developing countries, including all of Africa. [www.accesstohivcare.org](http://www.accesstohivcare.org)

- Provided Norvir and Kaletra for nearly 25,000 patients.
- Shipped more than 16 million rapid HIV tests.

#### Determine HIV Donation Program

The Determine HIV Donation Program provides rapid HIV tests free of charge to qualified programs aimed at preventing mother-to-child transmission of HIV in developing countries. [www.pmtctdonations.org](http://www.pmtctdonations.org)

- Donated 1.6 million rapid HIV tests.

#### Step Forward

Step Forward helps orphans and vulnerable children who are affected by HIV/AIDS in developing countries. [www.stepforwardforchildren.org](http://www.stepforwardforchildren.org)

- Provided services to more than 116,000 children and families.
- Trained approximately 2,700 health workers.

#### Tanzania Care

Tanzania Care is a partnership between the Abbott Fund and the government of Tanzania to modernize health infrastructure and improve access to testing and treatment for people living with HIV/AIDS. [www.tanzaniacare.org](http://www.tanzaniacare.org)

- More than 44,000 people received voluntary counseling and testing.
- Renovated 20 hospitals and health centers.
- Trained more than 4,000 health workers.

#### Product Donations

Abbott donates products to support medical missions and other global humanitarian efforts.

- Donated products valued at \$54 million.
- 75 countries.
- 445 medical missions.

### **Improving Health Care for Women and Children in Afghanistan**

As a child in Afghanistan, Sakena Yacoobi watched her mother give birth to 16 children and nearly bleed to death because there were no attending doctors. Due to lack of medical care, only five of her siblings survived. In 1995, Yacoobi, who was educated in the United States, returned to her native Afghanistan to found the Afghan Institute of Learning, an organization dedicated to the idea that Afghan women and children should not be victimized by the lack of health care. Today, the Institute serves more than 350,000 women and children annually with a staff of nearly 400.

From the time she was a little girl, Yacoobi wanted to be a doctor, but she became a public health administrator instead, because, as she says, she wanted to reach out to as many people as she could. What Yacoobi does now, more than anything else, is save lives.

As Yacoobi explains, her ultimate goal is to reverse a terrible fact – Afghanistan is one of the deadliest places on earth for women and children. More than 20,000 Afghan women die annually from pregnancy-related causes, and an estimated 25 percent of Afghan children die before their fifth birthday, mostly from preventable illnesses and malnutrition.<sup>9</sup>

“Afghanistan was at war for 30 years, and the victims have been mainly women and children, who continue to suffer in every

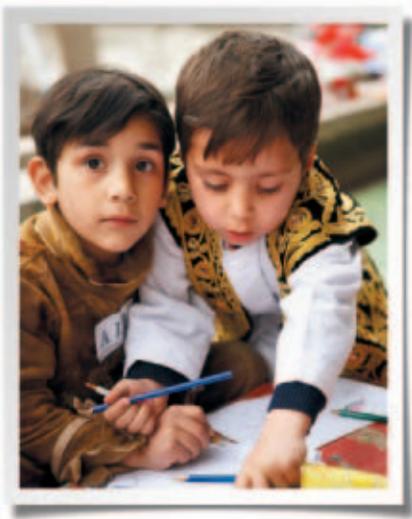
way imaginable,” said Yacoobi. “There are still very few doctors and medical professionals in Afghanistan, but with the help of companies like Abbott, we are beginning to train nurses and midwives to deliver health care to women in remote areas of the country, many of whom have never before received medical treatment.”

In partnership with Direct Relief International and the Afghan Institute of Learning, the Abbott Fund donated \$100,000 in 2005 to train midwives affiliated with three clinics in Kabul and Herat. In 2006, Abbott will ship products, including our adult and pediatric antibiotics, nutritional supplements, rehydration solution and multivitamins, valued at \$1.4 million, to Afghanistan to expand the level of care for women and children at these clinics.

“Abbott’s support has already reduced diseases like pneumonia and bronchitis in women and children,” said Yacoobi. “Through our partnership, we can continue to reduce disease, provide education and prevent more women and children from dying.”

While much more needs to be done in Afghanistan, Abbott’s support has substantially bolstered Yacoobi’s educational and health care efforts.

“These types of contributions can go a long way,” she said. “We need more companies who are willing to come into Afghanistan for the long term.”



Afghan students, Ahmad Shah and Mursal, enjoy themselves during a class at the Afghan Institute of Learning’s preschool education program. Part of the Women’s Learning Center in Kabul, students at the preschool study a range of subjects including reading, writing, music, poetry and math. Because of the quality of education they receive at the Learning Center, the students generally go on to become top performers in government primary schools.



The three clinics Sakena Yacoobi helped found now serve more than 160,000 women and children each year in and around Kabul, Afghanistan. The clinics, supported in part by the Abbott Fund, have bolstered her efforts to deliver much-needed medical treatment and education to reduce disease and raise the level of care.

# participating in public policy dialogue

## **We work with governments to advance sound public policy and expand patients' access to health care.**

Governments have the ultimate authority and responsibility for improving the health care of their citizens. As a responsible health care company, we have a role to work with governments and others to improve policies to address barriers to access. We support market-oriented solutions that promote scientific and medical innovation, foster competition, encourage investment in research and development and protect intellectual property rights.

### **Medicare Modernization Act**

In 2005, Medicare provided health care coverage for 43 million Americans – people over 65 years old, with disabilities, or with serious kidney disease.<sup>10</sup> However, until recently, Medicare coverage focused on hospital and doctor care and did not provide coverage for the majority of prescription medicines, leaving many patients who depend on Medicare without access to affordable drugs.

In 1997, Abbott supported the work of the National Bipartisan Commission on the Future of Medicare to provide a prescription drug benefit to senior citizens

in the United States. In 2003, we worked with a broad coalition of patient advocates, medical associations and employers to support passage of the Medicare Modernization Act, which created a prescription drug benefit.

Recognizing the enormity of the task of educating millions of people about their options under the new Medicare prescription drug coverage, Abbott developed a program to assist in the outreach effort. To help senior citizens learn how the Medicare benefit works and to prepare them for enrollment, we mobilized our employees and retirees, provided them with information and education materials, and partnered with trade organizations, coalitions and senior groups.

### **Addressing Pediatric AIDS Treatment**

We worked with the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF) to call policymakers' attention to the plight of children living with HIV in the developing world through our support of a congressional briefing entitled *What About Us? Children's Battle to Access AIDS Treatment*. The event included speakers

from the Office of the U.S. Global AIDS Coordinator, UNICEF and EGPAF.

We also are working with the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) to advance treatment for children with HIV in developing countries. This public-private partnership includes innovator and generic pharmaceutical companies and multilateral organizations such as UNAIDS and UNICEF. The initiative will identify scientific obstacles to treatment for children, take practical steps to address key barriers, share best practices and develop systems for clinical and technical support. For more information, visit [www.pepfar.gov](http://www.pepfar.gov).

### **Access to Medicines in Developing Countries**

Several major pharmaceutical companies, including Abbott, and many nongovernmental organizations were consulted by the U.K. government's Department for International Development (DFID) to determine best practices and make recommendations to improve access to medicines for patients in developing countries. Based on the consultations, DFID issued a report: *Increasing people's*

*access to essential medicines in developing countries: a framework for good practice in the pharmaceutical industry.* Abbott's participation in these consultations is part of our ongoing work with policymakers to improve access to medicines for patients.

For a copy of this report, visit [www.dfid.gov.uk/pubs/files/pharm-framework.pdf](http://www.dfid.gov.uk/pubs/files/pharm-framework.pdf).

### **READ MORE**

Go to [www.abbott.com/gcr05/pedAIDS](http://www.abbott.com/gcr05/pedAIDS) to find out more about our work to address pediatric AIDS in the developing world.



Since signing up for the Medicare prescription drug benefit, Nick and Cally Nickolas save more than \$100 a month on their medicines, more than half of what they were spending before. "It's made a world of difference for us," said Cally Nickolas. "The process was easy. All you need is a little patience to comparison shop and find the plan that is right for you."

# Environmental, Health and Safety Performance

We conduct our business in a manner designed to be protective of human health, safety and the environment. Our 2010 environmental, health and safety goals are part of an overall management system to continually improve our performance.

## Managing Environmental, Health and Safety Issues

Building on our long-standing injury and illness prevention programs, Abbott has devoted significant resources to our environmental, health and safety (EHS) performance over the past several years. Our EHS policies and programs, which drive performance improvements, include the following objectives:

- Support the business through efficient and responsible EHS management.
- Create a culture that strives for EHS performance excellence at all levels of the company.



Abbott helps bring safe drinking water to several Vietnamese communities.

- Implement a uniform approach to risk assessments, management systems and metrics.
- Incorporate information technologies to improve efficiency and support global programs.

To implement our policies, we developed global standards with related metrics and audit and reporting mechanisms that serve as a baseline expectation for performance worldwide – an important step in measuring our performance. Some of the programs successfully implemented include fleet safety, ergonomics, biosafety, and EHS-related information management systems. We also are reviewing existing programs designed for the management of greenhouse gases and EHS risks in our supply chain.

Highlights of our 2005 progress include:

### **Linking Compensation with Performance**

Employee involvement in our environment, health and safety programs is important,

and each employee has specific EHS job responsibilities. These responsibilities are part of our annual performance review process and impact employees' annual compensation. We trained more than 3,500 management-level employees in all

operating divisions on these job responsibilities.

### **Expanding our Training Programs**

A majority of Abbott's EHS training courses are provided by Global EHS Training Services and are supplemented at the divisional level.

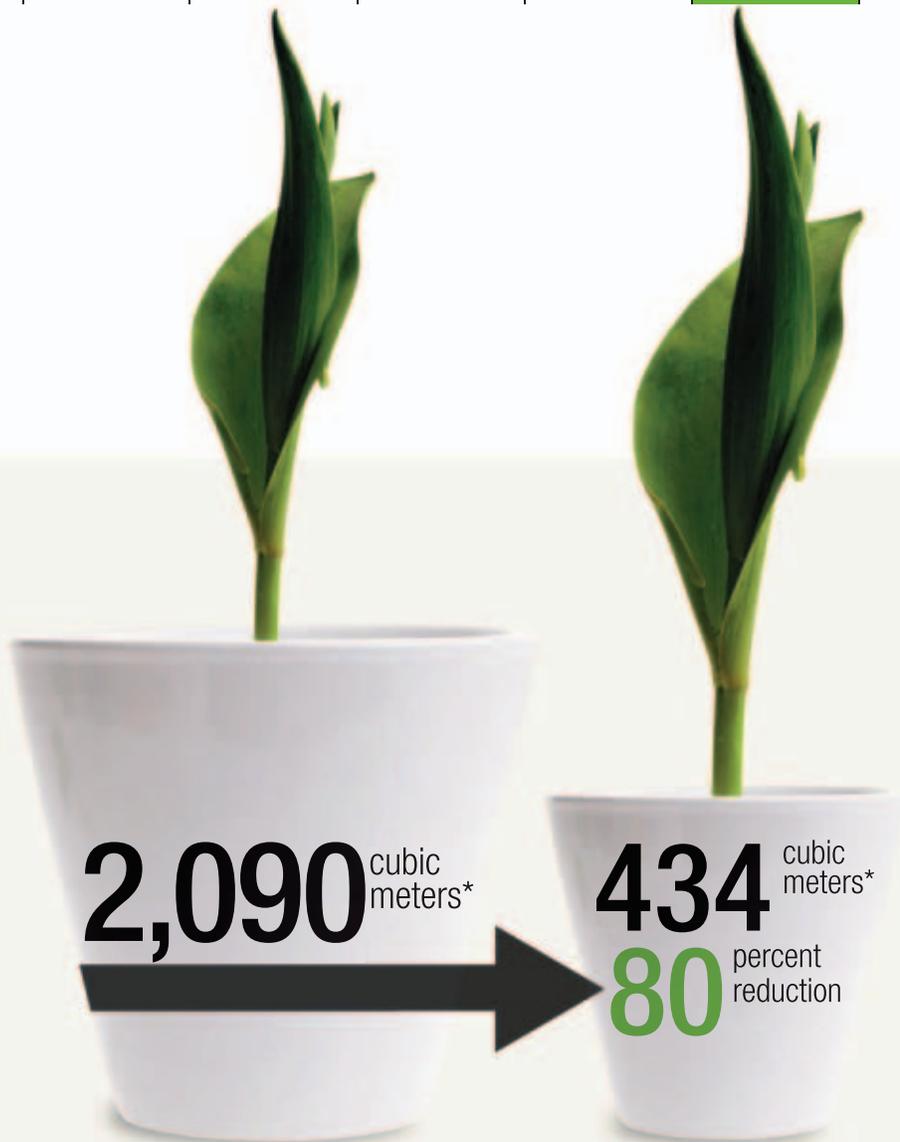
Global EHS Training Services offered 180 EHS Web-based and instructor-led training programs, 135 of which were new curricula.

### **Improving Energy Performance**

We increased our cogeneration capacity in Europe and Asia. Cogeneration produced 12.5 megawatts of electricity for our operations in Italy, Germany and Pakistan in 2005, compared with 4.4 megawatts when we initiated the program in 2003. Abbott continues to explore new ways to improve energy efficiency. We also sponsored a multi-industry project to

## READ MORE

Go to [www.abbott.com/gcr05/EHS](http://www.abbott.com/gcr05/EHS) to find out more about Abbott's environmental, health and safety policies and practices.



\*wastewater discharge per month

### Improving Our Operations in Rio de Janeiro

Our pharmaceutical finishing plant in Rio de Janeiro, Brazil, includes a wastewater treatment facility that was redesigned to pump the treated water for reuse in the cooling tower and to help irrigate the grounds around the plant. As a result, we reduced the amount of treated water discharged from the plant from 2,090 cubic meters per month in 2003 to an average of 434 cubic meters per month in 2005 – a nearly 80 percent reduction.

establish a framework for strategic energy planning and management, organized by The Conference Board. The result was the publication of a guide to help companies investigate and apply methods for improving energy management. Like many companies, Abbott faces rising energy costs and is in the process of conducting a comprehensive review of our energy performance.

#### **Managing Potentially Hazardous Materials**

Through our Process Safety Management program, we work to minimize the risks of

hazardous materials used in many of our manufacturing processes. Approximately 120 managers, engineers and operations employees attended a three-day technical training class on hazard analysis, fires, explosions and risk assessment. We have conducted various process hazard analyses at Abbott sites around the world. We also developed a long-range plan to improve hazardous materials management, which will be implemented in 2006.

#### **Advancing Green Chemistry**

A team of scientists developed process improvements for a compound in our

pipeline that will eliminate the use of two volatile organic solvents, reducing emissions for that compound by 85 percent and the amount of waste generated by 32 percent.

#### **Applying Advanced Technologies**

We expanded our pilot program to test hybrid electric-gas vehicles to include a sport utility vehicle in response to requests from our commercial employees for more cargo space. The three-year hybrid vehicle pilot program will be completed in 2007.

### Access to Water: A Global Issue

For Abbott, responsible water management is important. We use approximately 17 billion gallons per year to manufacture our products, and approximately 20 percent of our manufacturing sites are located in water-stressed areas. By

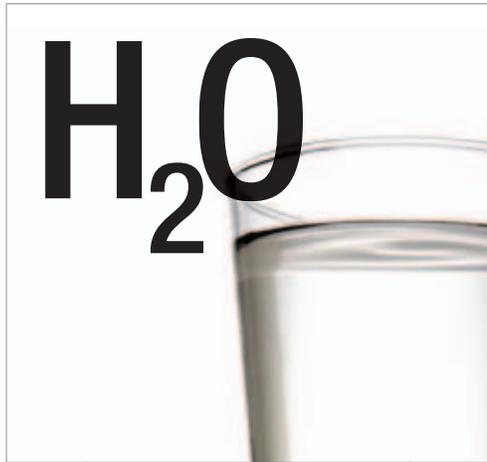
2025, based on our current manufacturing locations, it is projected that two-thirds of Abbott's plants will be located in water-stressed areas, including China, France, Germany, India, Italy, Japan, Mexico, Pakistan, South Africa, Spain, Switzerland and the United States.

We have a comprehensive water strategy, and this year, we developed a position statement on access to water, which is available, along with a copy of our strategy, on [www.abbott.com/gcr05/water](http://www.abbott.com/gcr05/water).

**Our water strategy focuses on three core elements:**

Goal

- Improve our operations and product design.
- Facilitate access to high-quality water in global communities.
- Collaborate with key environmental and business groups.



**50** liters

At present, approximately one billion people live in areas that lack what the United Nations recommends as the minimum amount of water needed for daily drinking, washing, cooking and sanitation – 50 liters per person.<sup>11</sup>

### Improving Access to Water in Vietnam

Throughout Vietnam, the water supply is under stress. Approximately 78 percent of urban households have piped water, but only 44 percent of the rural households can be considered to have ready access to safe drinking water.<sup>12</sup>

The government has ambitious plans to provide 85 percent of the population with access to safe water by 2010, and 100 percent coverage by 2020.<sup>12</sup> But until that time, Abbott is helping provide greater access to safe drinking water in Truong Binh, a town south of Ho Chi Minh City.

Abbott's nutritional products plant in Zwolle, the Netherlands, donated well and water purification equipment to improve the drinking water supply in Truong Binh. In this densely packed town of 30,000 people, rapid population growth has made it virtually impossible for the government to improve the infrastructure. Businesses are doing what they can to help improve the water supply system. We became involved with this project through our supplier, Vitens, a major potable water company in the Netherlands. Two utility engineers at the Abbott plant identified the opportunity to donate unused equipment and traveled to Vietnam to help install the materials.

# Performance Against 2010 Goals

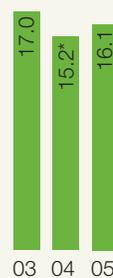
We established five-year performance goals in areas where we can generate the greatest environmental, social and financial benefits – water usage, carbon dioxide emissions, waste, serious employee injuries and commercial vehicle fleet accidents. We report our first year performance against those goals. Environmental and safety data from all of Abbott’s global facilities is included in our results. For more information on EHS programs and data, visit [www.abbott.com/gcr05/EHS](http://www.abbott.com/gcr05/EHS).

## Reducing Water Usage

*Reduce Water Usage by 15 Percent by 2010, Normalized by Sales*

We reduced our water usage rate from 771 gallons of water per \$1,000 of sales in 2004 to 721 gallons per \$1,000 of sales in 2005, a decrease of approximately 6.5 percent. However, our higher level of manufacturing activity led to an increase of 6 percent in total water usage, from 15.2 billion gallons to 16.1 billion gallons.

**Total Water Intake**  
billions of gallons



**Total Water Intake Reduced by 6.5%**  
gallons per \$1,000 sales



## Reducing Greenhouse Gas Emissions

*Reduce CO<sub>2</sub> Emissions by 10 Percent by 2010, Normalized by Sales*

We measure our greenhouse gases (GHG) by the carbon dioxide (CO<sub>2</sub>) emissions from our manufacturing and research facilities, the energy we purchase from others to run our facilities and the energy required to operate the vehicles used by our commercial employees. However, producing our products does not consume a significant amount of energy, nor is the cost of energy significant when compared with raw material or research and development costs.

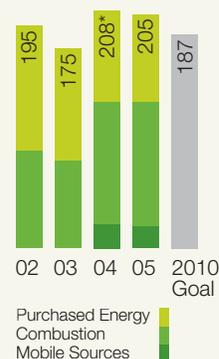
We have adopted a plan for managing GHG emissions. Our objective is to implement best practices globally and reduce our CO<sub>2</sub> emissions, focusing on how we can use less energy in a more efficient manner. We have participated in the Carbon Disclosure Project for the last two years, and are a member of the Business Roundtable’s Climate RESOLVE program.

Our CO<sub>2</sub> emissions decreased by 1.5 percent when normalized by sales. The absolute increase of 10.8 percent corresponds with a similar increase in energy generated and purchased in our manufacturing and research locations.

**Total CO<sub>2</sub> Emissions**  
millions of pounds



**Total CO<sub>2</sub> Emissions Reduced by 1.5%**  
normalized by sales



\*Data has been adjusted from last year’s report based on subsequent verification.

# Performance Against 2010 Goals (continued)

## Reducing Waste

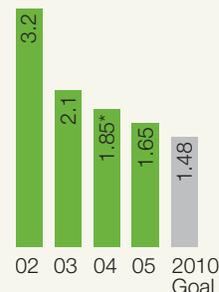
*Reduce Hazardous Waste by 20 Percent by 2010, Normalized by Sales*

Hazardous waste generated by our manufacturing and research facilities increased by 1 percent to 36.9 million pounds, the result of higher production levels in our pharmaceutical manufacturing plants. When normalized by sales, our results improved by 10.8 percent from 1.85 pounds to 1.65 pounds per \$1,000 in sales. We increased waste recycling to 47 percent of our total hazardous waste in 2005, as compared to 32 percent in the previous year. We raised the amount of hazardous waste we recycled from 11.5 million pounds in 2004 to 17.2 million pounds this year.

**Hazardous Waste**  
millions of pounds



**Hazardous Waste Reduced by 10.8%**  
normalized by sales

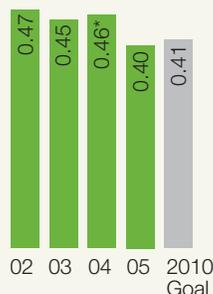


## Protecting Employees

*Reduce Lost Workday Case Rate by 10 Percent by 2010*

We improved our lost workday case rate by 13 percent over 2004, from 0.46 cases per 100 employees to 0.40 cases in 2005. This translates into 17 fewer injuries or illnesses that caused an employee to miss work. We attribute this result to several factors, including the implementation of corrective actions that help prevent incidents from recurring, improvements to our global data collection and reporting process and quarterly health and safety briefings to senior management.

**Lost Workday Case Rate**  
decreased by 13%



## Protecting Employees

*Reduce the U.S. Fleet Vehicle Accident Rate by 10 Percent by 2010*

Traffic accidents are the most frequent cause of employee injuries. Our goal is to reduce business-related driving accidents among our sales and service employees. Our Commercial EHS Executive Council oversees our comprehensive fleet accident prevention program, which includes behind-the-wheel (BTW) training and employee safety communications. We expanded BTW training to approximately 90 percent of Abbott's commercial operations and provided computer-based training to more than 6,000 field employees. Our 2005 performance of 7.24 accidents per million miles (APMM) driven demonstrates a 2.7 percent improvement compared with 2004. We are on target to meet our 2010 goal of no more than 6.70 APMM.

**U.S. Fleet Accident Rate**  
**Reduced by 2.7%**  
accidents per million miles driven



**In-vehicle Training**  
number of employees trained



U.S. fleet accident and in-vehicle training figures include data from TAP Pharmaceutical Products, Inc., our 50/50 joint venture with Takeda Pharmaceutical Company Ltd. of Osaka, Japan.

\*Data has been adjusted from last year's report based on subsequent verification.

More than  
**22,800**  
computer-based training courses were completed.



We conducted more than 390 instructor-led training classes involving over

**4,400**  
employees.

**Working with Others**

We work with a number of leading EHS organizations to inform our strategies and improve our programs, including the Global Environmental Management Initiative, the World Environment Center, the European Biosafety Association, and the National Safety Council. Our 2005 highlights include:

***e-Library on Environmental Health and Safety***

Working with the World Health Organization (WHO), the U.S. National Institutes of Health Fogarty International Center (Fogarty), and the Centers for Disease Control National Centers for Environmental Health and their regional Great Lakes Center of Excellence in Environmental Health at the University of Illinois at Chicago, Abbott is helping create a unique, Web-based global library of public-domain educational materials covering all aspects

of occupational and environmental safety and health. The two-year project began as a prototype development and was offered as a pilot program at a WHO Collaborating Centre meeting in South Africa. The site is scheduled to be operational in 2006. Once launched, we will help publicize the site to targeted users, including health care professionals, government workers, public health officials, and private sector safety and health professionals, especially those working in developing countries. For more information, visit [www.geolibrary.org](http://www.geolibrary.org).

***OSHA-Abbott Alliance Update***

We expanded our role in the U.S. Occupational Safety and Health Administration (OSHA) Alliance program, which brings together organizations with safety and health expertise with OSHA to help prevent injuries, illnesses and fatalities in the workplace. Among the highlights:

- We worked with the nursing home

industry to develop practical programs and processes to help reduce injuries and illnesses suffered by employees.

- We collaborated with Georgetown University's Center for Business and Public Policy, which published eight case studies for business schools to teach students about the business value of effective health and safety programs. The case studies were shared with experts at the World Congress on Safety and Health at Work.
- We formed a regional alliance with OSHA in Puerto Rico to improve the safety and health of employees in the construction industry, which was identified as a priority on the island. We hosted three training sessions at Abbott facilities in Puerto Rico and trained more than 150 construction professionals. For more information about the program, visit [www.osha.gov](http://www.osha.gov).

## **Environment, Health and Safety Compliance**

A notice of violation (NOV) is a formal allegation from a government agency that an environmental standard has been breached. When we receive an NOV, we investigate the allegation, determine the cause, implement corrective actions, and communicate our actions to the appropriate government agencies. In 2005, we received 12 NOVs, a decrease of 40 percent over the previous year. Nine stemmed from reports we filed with government agencies, and three resulted from 33 government inspections that took place throughout the year.

- Altavista, United States – a \$780 penalty paid for a citation for failure to provide adequate emergency shower facilities in a work area.
- Abbott Park, United States – three NOVs without penalties for exceeding a pH and phosphorous limit.
- Barceloneta, Puerto Rico – one NOV without penalty for exceeding an opacity limit for an air emission source.
- Buenos Aires, Argentina – one NOV without penalty for administrative changes required for the water extraction and waste disposal programs.

- North Chicago, United States – two NOVs without penalty for exceeding a phosphorous discharge limit and for accidentally releasing untreated wastewater.
- Sligo, Ireland – one NOV without penalty for an operational issue with an air pollution control device.
- Sturgis, United States – one NOV without penalty for exceeding a particulate emission limit and not reporting within the specified time period.

## **Environment, Health and Safety Governance**

Abbott's Global EHS audit function systematically evaluates our EHS-related performance and compliance status. These periodic assessments serve several purposes, including identifying significant risks to employees, the environment and the company; fostering continuous improvement; developing staff expertise; and promoting knowledge transfer. Abbott facilities are typically audited once every 36 months to assess compliance with regulatory and internal requirements. If noncompliant situations are found,

audited facilities are responsible for developing and implementing action plans, which are tracked through completion. Abbott completed 20 EHS facility audits around the world.

## **Property Remediation**

Under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund, we have been identified as one of many potentially responsible parties in investigations at 19 locations in the United States, none of which are owned or operated by Abbott, for releases of materials into the environment. At nine of these locations, there has been no involvement on the part of Abbott, and we believe that we have no liability at those locations. We also are engaged in remediation at six other locations, some of which are owned by Abbott, in cooperation with the U.S. Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to these investigations and remedial activities, we believe that such costs should not have a materially adverse effect on our financial position, cash flows or operations.



## **Community Engagement in Dartford, England**

Our manufacturing and research complex in Dartford, England, has ongoing initiatives with local schools and colleges to offer students experience in addressing environmental impact issues. One such program is a weeklong exercise that analyzes waste disposal issues at our site, with a focus on waste segregation and recycling.

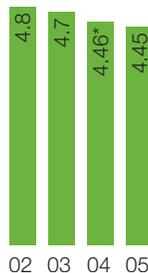
In 2005, a team researched the problem and presented its findings to management and independent industry experts. Many of the recommendations are currently being implemented, and the team will return to review progress in 2006.

**Other Performance Indicators**

**Process Air Emissions**

Emissions of volatile organic chemicals and other organic chemical pollutants remained fundamentally unchanged in 2005 over the previous year. Emissions were 4.45 million pounds compared with 4.46 million pounds in 2004. When normalized by sales, we emitted 0.20 pounds per \$1,000 in sales compared with 0.22 pounds in 2004, a 9 percent decrease.

**Process Air Emissions**  
millions of pounds



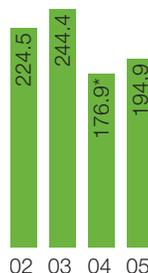
**Process Air Emissions Reduced by 9%**  
pounds per \$1,000 sales



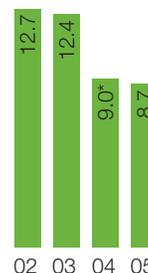
**Nonhazardous Waste**

Nonhazardous waste includes paper, plastic, metal and construction debris as well as solids generated in our wastewater treatment plants. Our nonhazardous waste increased over the previous year by 10.2 percent, from 176.9 million pounds to 194.9 million pounds. When normalized by sales, this represents a 3 percent decrease. The absolute increase was the result of higher production levels in our pharmaceutical manufacturing plants. We also treated more water in our wastewater treatment plants, which led to an increase in nonhazardous organic solid waste.

**Nonhazardous Waste**  
millions of pounds



**Nonhazardous Waste Reduced by 3%**  
pounds per \$1,000 sales



**Employee Accident Rate**

Our recordable incident rate improved by 16 percent compared with 2004, from 1.17 cases (work-related injuries and illnesses) per 100 employees to 0.98 in 2005. This translates into 29 fewer injuries or illnesses that required more than first-aid treatment or that resulted in an employee's inability to perform his/her job. Our programs on ergonomics and basic safety and our training and awareness initiatives for the divisions and commercial organizations contributed to this improvement.

**Recordable Incident Rate Reduced by 16%**  
cases per 100 employees



\*Data has been adjusted from last year's report based on subsequent verification.

# Our People

Discovering, developing and producing world-class pharmaceutical, nutritional, and diagnostics products is a competitive arena where new ideas and approaches are critical. We count on the creativity of our employees to foster innovation and build the expertise we need to compete in the marketplace. Every employee's contribution is essential to our long-term success.

With the rapid globalization of our company, more than half of our workforce is located outside of the United States. In 2005, we began the process to restructure our human resources organization to improve our ability to address business needs and emerging issues, such as our growth in markets like China; the establishment of research and development facilities outside of the United States; and the aging workforce in the

United States, Japan and Europe, where succession planning will become ever more important.

### Diversity and Inclusion

We work to create an environment that is inclusive and enables all people to contribute to their full potential.

Our diversity and inclusion strategy focuses on three areas: hiring and advancement,

leadership development, and culture and environment. The Abbott Executive Inclusion Council, led by our chairman and CEO, oversees our diversity and inclusion efforts, monitors the advancement of women and minorities in management, and develops programs that encourage a supportive work environment for all employees. The Council presents an annual report to our board of directors. Inclusion councils within all 13 of our

## 2005 Recognition



**Working Mother Magazine**  
"100 Best Companies for Working Mothers"  
Fifth Consecutive Year



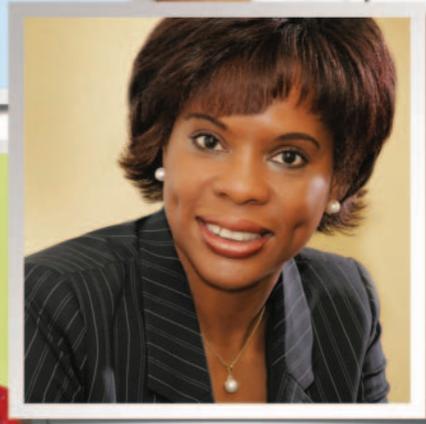
**DiversityInc Magazine**  
"Top 50 Companies for Diversity"  
Second time on list  
No. 5 Overall  
No. 1 for Executive Women  
No. 3 for Recruitment and Retention of Women and Minorities  
No. 6 for Asians  
No. 7 for Latinos



**The Scientist Magazine**  
Second time on list  
Only company in the Midwest to rank one of the "Best Places to Work in Industry" in 2005

For a complete list of our awards and recognition, visit [www.abbott.com/gcr05/awards](http://www.abbott.com/gcr05/awards).

▼ **Janick Merven**  
General Manager, Abbott Diagnostics  
Kuala Lumpur, Malaysia



▲ **Sarilyn Johnson-Carter**  
General Manager, Abbott Diagnostics  
San Juan, Puerto Rico

▼ **Martha Penna**  
General Manager, Abbott International  
San Juan, Puerto Rico



▶ **Sybil Dahan**  
General Manager,  
Abbott International  
Stockholm, Sweden



# 17 women lead Abbott sites around the world

We continued our commitment to advance women in management at many of our operations around the world.

Women general managers (GMs) now head 17 Abbott sites, comprising Australia, Belgium, Chile, Colombia, Denmark, Guatemala, Israel, Italy, Malaysia, New Zealand, Philippines, Poland, Puerto Rico (two GMs), Romania, Russia/Belarus and Sweden.

divisions execute our strategy for employees of each business.

### Hiring and Advancement

Abbott maintains aggressive goals for the recruitment, hiring and retention of women and minorities. These goals are included in the performance assessment of our managers and affect their compensation. In the United States, we seek to achieve representation of 50 percent women and 25 percent minorities in management positions. In 2005, women employees at Abbott in the United States represented 40 percent of management, while minority employees represented nearly 18 percent of our U.S. managers.

We continued to make progress during the year to ensure that we attract and retain the best talent, including:

- We narrowed our partnerships with

recruitment firms to 52, of which 19 are minority owned.

- We enhanced our partnership with leading groups, such as the National Black MBA Association and the Association of Latino Professionals in Finance and Accounting.
- We worked with our primary contract labor company, Manpower, to identify and monitor a diverse representation of contractors. On average per year, nearly 20 percent of these contractors become Abbott employees.

We expanded our University Relations strategy to include a new Campus Recruiting Diversity program, which serves as the foundation of our recruitment efforts for entry-level talent. Our summer internship program is the cornerstone of this strategy. For the second consecutive year, *The Princeton Review* recognized our

program as offering the best entry-level jobs. We enhanced graduate-level student participation, with 26 percent of our interns from MBA, MD and PhD programs around the world.

Additionally, we entered yearlong partnerships with six colleges and universities. Among them are historically black universities, Howard University, Xavier University of Louisiana and Florida A&M University, as well as three other institutions, University of Puerto Rico (Mayaguez), Tsinghua University (China), and China Europe International Business School. We also increased outreach to minority student organizations at other schools.

For more information on our hiring and advancement programs, visit [www.abbott.com/gcr05/people](http://www.abbott.com/gcr05/people).



Stalin Parmar, senior production operator in our Global Pharmaceutical Operations plant in Abbott Park, Illinois, joined Abbott five years ago from India. Through the Abbott Laboratories Employee Credit Union, he was able to finance his first home in America.

### **Leadership Development**

Developing diverse leaders includes providing opportunities for our employees to interact across the organization through networks and mentoring programs.

Following is a summary of our progress in 2005:

### **Employee Networks**

We launched our seventh employee network, La Voice (*L*Atino-*V*isibility-*O*pportunity-*I*nclusion-*C*ontribution-*E*nduring benefits), which focuses on heightening cultural awareness and leadership development among Hispanic/Latino employees throughout our company. La Voice comprises 110 members and was initially launched at our corporate headquarters location in Lake County, Illinois. We plan to expand the network to other Abbott sites across the United States in 2006.

More than 9,000 Abbott employees participate in our employee networks, which include Women Leaders in Action, Black Business Network, Chinese Cultural Network, Bayanihan@Abbott, Part-Time Network and the Latino/Ibero-American Network. Each network is sponsored by a member of senior management, who helps align the group's objectives with Abbott's business needs. The networks focus on career development, mentoring, informal networking and work/life integration.

### **Mentoring**

We hosted a companywide mentoring fair to increase awareness of our new online mentoring program. In the two weeks following the event, overall enrollment, as well as new mentor/protégé partnerships, increased by 9 percent. Since the program's initial launch, 607 partnerships have been formed across all levels and job types in our U.S. organization, and 1,845 employees have enrolled in the program.



Karen and Dennis Rodriguez visit their children at Early Discoveries, Abbott's onsite day care center at our corporate headquarters campus in Abbott Park, Illinois.

### **Balancing Career and Family**

Karen Rodriguez, a Life Sciences manager with Abbott Diagnostics, and her husband Dennis, who also works for the division as a senior process scientist, take full advantage of our flextime policy and day care center so they can spend as much time with their children as possible. "The day care center allows us to have a normal morning and evening routine with our children," said Karen. "And, my flex schedule offers the opportunity to telecommute, which permits me to be more accessible to my children while getting my work done during non-family time."

Karen, who has been with Abbott for nearly 10 years, also is a member of Diagnostic Women in Action (DWA), a divisional networking group that is dedicated to promoting career advancement opportunities for women. "We developed a mentoring program in DWA that has made a significant difference in my career path," said Karen. "I'm partnered with women from all walks of life – many part of modern working families like mine – and we share ideas for planning successful careers at Abbott."

### **Culture and Environment**

We work to help our employees balance their personal lives and their work obligations. Following is a summary of our progress on key initiatives in the United States:

#### **Adoption Assistance**

30 employees used our adoption leave benefit, which provides up to \$10,000 and two weeks paid time off.

#### **Paternity Leave**

551 new fathers took advantage of our new paternity leave benefit, which offers two weeks of paid time off.

#### **Lactation Support Program**

In partnership with *Working Mother* magazine, we continued our Business Backs Breastfeeding program. This flexible workplace benefit, designed to help companies provide more effective support for mothers who choose to continue breastfeeding after returning to work, was used by 139 employees. Our program offers counseling and dedicated nursing rooms.

#### **Flexible Work Options**

Many of our U.S. employees continue to use our flexible work schedule program.

- 84 percent have access to flexible work options.
- 25 percent use telecommuting.
- 7 percent use compressed work weeks.
- 3 percent work part-time.

#### **Training and Development**

Abbott offers comprehensive training and development curricula for leaders at every level. Three core programs are designed to align our employees' contributions with Abbott's business strategy and prepare leaders for the demands of our industry.

More than 2,200 Abbott leaders around the world attended corporate-sponsored leadership programs, representing a \$2.7 million investment.

We also employ a companywide talent management process that creates a strong pipeline of leaders to sustain and expand the business. This process consists of talent review meetings that take place at all levels of our organization, with the reviews of executive positions by senior management, including our chairman and CEO and board of directors. Teams identify talent for current and future leadership opportunities and the development needed to prepare these employees for more senior positions.

#### **Performance Excellence**

All employees participate in our annual performance management process, known as Performance Excellence. Employees work with their managers to assess their ongoing performance, set new goals and objectives and create career development plans. This process helps employees integrate their work priorities with the broader objectives of our organization, champion the business strategy and understand management expectations.

#### **Organizational Change**

We periodically review our organization and the way we operate to ensure we meet the needs of the business and remain competitive. In 2005, we created Abbott Nutrition International, which has sole responsibility for growing our nutrition business globally. We also restructured

some of our business, which in some cases led to a reduction in the workforce. For more information, visit the Summary of Selected Financial Data in our 2005 Annual Report at [www.abbott.com/gcr05/orgChange](http://www.abbott.com/gcr05/orgChange).

### **READ MORE**

Go to [www.abbott.com/gcr05/benefits](http://www.abbott.com/gcr05/benefits) for information on our guiding principles for compensation programs.

#### **Compensation and Benefits**

Abbott's compensation philosophy is to pay for performance. Our compensation is intended to compare favorably with the pay programs of other leading health care companies, as well

as with other companies of similar size and financial performance outside of our industry in global markets where we compete for talent. Our total rewards program combines elements of base pay with a broad array of benefits and opportunities for growth and development. On average, total compensation is competitive at the median of other leading health care companies. Individual pay may vary based on an employee's competency, experience and performance. This pay-for-performance philosophy, combined with internal and external compensation analysis and reviews, helps drive our total reward strategy.

Our executive compensation program is designed to help align our business strategy, values and management initiatives with the interest of our shareholders.

# Our Global Community

Abbott and the Abbott Fund maintain a long-standing commitment to being a good neighbor in the hundreds of communities around the world where we operate and where we can make a difference.

Abbott's philanthropic policy and practice is to involve our leaders and employees, share our knowledge and expertise, donate our products and provide financial support to address unmet needs in our core funding areas: access to medicines, science and innovation and community vitality. We also provide humanitarian relief when disaster strikes.

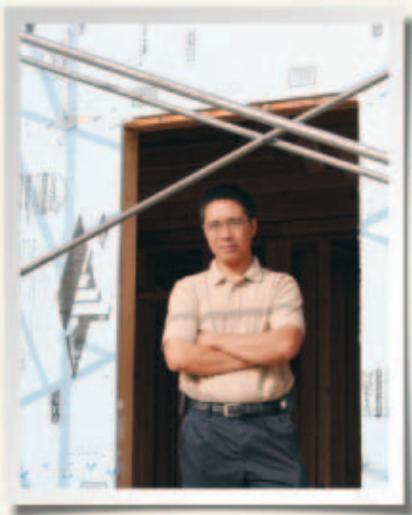
In 2005, we expanded our philanthropic initiatives in our core funding areas and created a number of new partnerships that

will provide long-term, sustainable solutions to people most in need. For information on our work in access to medicines, see our chapter on the topic beginning on page 9 and visit [www.abbott.com/gcr05/PAP](http://www.abbott.com/gcr05/PAP). Following are highlights from the year:

### Responding to Global Disasters

The year 2005 will be remembered for the number of natural disasters that devastated parts of the world. In response, we mobilized the cross-functional Abbott Executive Crisis Management Team to

provide support to those affected by natural disasters and other crises, and to coordinate our efforts with relief agencies, including the American Red Cross, America's Second Harvest, AmeriCares, CARE, Direct Relief International, MAP International and Project Hope. Abbott and the Abbott Fund contributed more than \$14 million in humanitarian aid to the victims of the hurricanes in the American Gulf Coast region, Mexico and Central America, the earthquakes in India and Pakistan and the Indian Ocean tsunami.

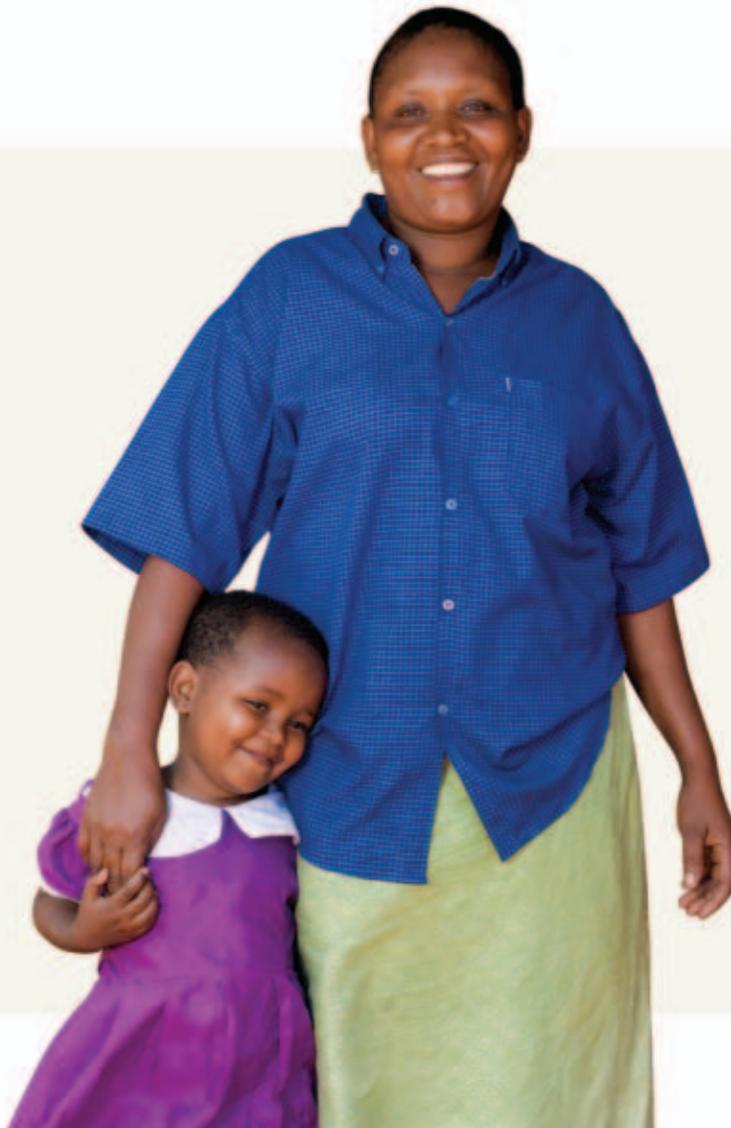


Domingo Rubinos, chairperson of the Bayanihan@Abbott employee network, helps build homes for low-income people.

### Domingo and Bayanihan@Abbott: Building Homes for Those in Need

The term "bayanihan" refers to a tradition in the Philippines wherein neighbors help a relocating family by carrying their house to its new site. More generally, the word "bayanihan" has come to mean a communal spirit that makes seemingly impossible feats possible through the power of unity and cooperation. Bayanihan@Abbott is an employee network of approximately 255 U.S.-based employees who carry this tradition to their local communities. Many are Filipino, like the group's chairperson, Domingo Rubinos, but members include people of all backgrounds.

The members volunteer much of their time with Habitat for Humanity, the global organization that helps low-income people who lack adequate shelter gain affordable housing. Our employees helped build four homes in Waukegan, Illinois, this year.



more than  
**\$340** million

In 2005, our total investment from the Abbott Fund, corporate philanthropy, patient assistance programs, humanitarian relief and AIDS-related programs reached millions of people worldwide with a total value of more than \$340 million.

Mother and child from Maramba, Tanzania, who benefit from Abbott Fund programs.

### ***Hurricane Katrina***

Abbott was one of the first responders to the humanitarian crisis following the destructive impact of Hurricane Katrina on the American Gulf Coast. We donated more than \$6.5 million in funding, medicines, nutritionals and medical devices.

We also provided Abbott experts and equipment to emergency and makeshift medical centers in Texas and Louisiana. Three Abbott Architour semitrailer trucks and numerous personnel were deployed to distribute medical and nutritional products and set up mobile laboratories. Health care professionals used our *i-STAT* handheld blood analyzers to perform medical tests on

hurricane victims and help triage patients through emergency centers at a number of hospitals, as well as at the Reliant Center in Houston. With the help of Wal-Mart and Sam's Club pharmacies in the affected states, we provided a seven-day supply of Abbott medications at no charge to patients displaced from their homes or without the ability to purchase prescriptions.

### ***International Disasters***

In response to the earthquake that hit parts of Pakistan and India, we contributed more than \$700,000 in funding and medical and nutritional product donations through relief agencies. When Hurricanes Stan and Wilma hit Central America and Mexico, Abbott

donated more than \$1.23 million of medical and nutritional products, including *Pedialyte* and *Rehydralyte* rehydration solutions, as well as antibiotics and other medications.

### ***Tsunami Relief***

Abbott delivered \$5.5 million in funding and product donations through international humanitarian agencies working on tsunami relief efforts.

In India, Abbott employees assisted with the storage and distribution of product donations. Abbott sites in Indonesia, Thailand and the Netherlands donated medicines and, in some cases, provided relief volunteers.

## Employee Giving

The annual Abbott Employee Giving Campaign serves as a resource for employees to make donations to nonprofit organizations and the causes they support. In 2005, our campaign raised more than \$5.2 million for nonprofit organizations in the United States. Our employees also continued their support for maintaining the U.S. blood supply this year. Many sites conducted blood drives, and our headquarters operation was recognized as the largest corporate-based blood-giving program in the Chicago area for the second consecutive year.



Abbott scientist, Christine Thiffault, leads an experiment at Operation Discovery, an innovative science education program that partners our top scientists with middle-school students to help advance science education in local schools.

In Egypt, employees contributed portions of their salaries to the relief efforts, and Abbott Ireland matched employee contributions.

Abbott was one of 15 companies that formed the Tsunami Recovery Business Task Force to assess the business response to the disaster. Organized by the International Business Leaders Forum (IBLF), the Task Force visited affected areas in Thailand, India and Sri Lanka and met with local groups to understand needs and assess the impact of relief and recovery efforts. The final report, which includes key Task Force findings and recommendations, has been published by IBLF and is available at [www.iblf.org](http://www.iblf.org).

## Science and Innovation

We provide our scientific expertise and resources to help address key health care challenges.

## Operation Discovery

Hosted at Abbott's major research facilities in the United States, our Operation Discovery program partners our scientists with local educators to bring hands-on scientific learning to middle-school students. Piloted at our headquarters location in 2003, nearly 800 students

from more than 20 schools have had the opportunity to work alongside our scientists on demonstrations and experiments that draw on the expertise of the Abbott site. The program aligns with National Science Education Standards.

## Addressing Obesity

Abbott was the lead sponsor of the second annual Youth Policy Summit in partnership with The Keystone Center and the National Consortium for Specialized Secondary Schools of Mathematics, Science and Technology. This unique educational model joined more than 40 high school students from 10 specialized math and science schools across the country to discuss nutrition and its link to obesity among America's youth. The program culminated in a two-day meeting at The Keystone Center, where students developed a policy statement on obesity. For more information, visit [www.keystone.org](http://www.keystone.org).

## Community Vitality

Through our community vitality programs, we provide expertise and resources to respond to local needs in areas such as food and nutrition, civics, arts, culture and diversity. Employee giving and volunteerism are key components of our support.

### **Partnering to Reduce Malnutrition in Vietnam**

Chronic malnutrition among young children in rural areas of Vietnam is one of that country's most prominent health concerns. According to UNICEF, less than one decade ago, 49 percent of Vietnamese children under five years of age suffered from stunted growth caused by malnutrition, and 42 percent were underweight. While significant efforts have been made to address this problem, one in three Vietnamese children continues to suffer from the effects of malnutrition today.<sup>13</sup>

Abbott partnered with global relief agency AmeriCares and its local partner, the Giao-Diem Humanitarian Foundation, to launch a nutritional program in the Vietnamese school system, which provides lunch, homemade soy milk and Abbott's nutritional supplements, including *Ensure*. Abbott also is helping to provide training to parents, caregivers and teachers about the preparation of soy milk using local resources. After the first 10 months of the program, which reached 379 students in the country's most disadvantaged provinces, the percentage of underweight children declined from 45 percent to 15 percent, the rate of malnutrition declined from 41 percent to 14 percent, and the rate of anemia decreased from 50 percent to 9 percent. The program is set to reach approximately 700 children in five additional schools throughout the Quang Tri and Hue regions in 2006.

#### **READ MORE**

Go to [www.abbott.com/gcr05/vitality](http://www.abbott.com/gcr05/vitality) for more about our work in local communities. Visit [www.abbott.com/gcr05/suppliers](http://www.abbott.com/gcr05/suppliers) for more about our work with suppliers.

### **Working with Suppliers**

In 2005, Abbott purchased an estimated \$10 billion in goods and services from suppliers worldwide. More than \$7 billion of these purchases supported our operations in the United States and Puerto Rico.

#### **Supplier Code of Conduct**

Abbott's Supplier Code of Conduct addresses issues related to the environment, health and safety, diversity, human rights, and the ethical treatment of animals in research, and provides guidelines for supplier relations with our employees. Suppliers are expected to comply with the Supplier Code, as well as with relevant portions of Abbott's Code of Business Conduct. Abbott's Office of Ethics and Compliance (OEC) partners with our Corporate Purchasing department to oversee supplier and employee compliance with the codes.

A cross-functional team reviewed Abbott's Supplier Code and initiated a process

to update the Code to reflect our global presence and industry business practices. During 2006, we expect to complete revisions to the Code and relaunch the guidelines throughout our global supply chain.

To view a copy of our Supplier Code, visit [www.abbott.com/gcr05/supplierCode](http://www.abbott.com/gcr05/supplierCode).



The rate of malnutrition has decreased from 41 percent to 14 percent among children in the Quang Tri and Hue regions of Vietnam, as the result of a program in the local school system that provides Abbott's nutritional supplements free of charge.

### Training

Each year, we educate our purchasing professionals on successfully managing our supply chain. During 2005, we conducted more than 400 training sessions on a number of procurement issues, including purchasing policies and procedures, ethics, supplier diversity guidelines, the Supplier Code, international law, cultural awareness and compliance with import laws. We also partnered with our OEC to deploy an online training module outlining purchasing guidelines for all Abbott employees.

### Global Presence

We completed our effort to develop and implement enterprisewide global purchasing policies, and beginning in 2006, purchasing employees around the world will be trained on these new harmonized policies and the common expectations they set. Once the training is complete, Abbott's internal audit team will assess worldwide compliance with these policies. Our Global Purchasing Council, comprising approximately 130 purchasing professionals, meets on a

regular basis to review ethical standards and purchasing policies. The group also

discusses ways to improve our sourcing among suppliers that demonstrate a commitment to corporate citizenship.

### Supplier Diversity

Abbott has a long-standing commitment to diversity in our purchasing practices. In the United States, we actively work to identify opportunities for small and women-, veteran- and minority-owned businesses, as well as businesses that are located in economic development zones. We work with government agencies, minority business groups and supplier diversity organizations to identify suppliers and communicate sourcing opportunities. We provide guidance to these suppliers through our informal mentoring, advocacy and outreach efforts. We are active members of supplier diversity and benchmarking

### Supplier Diversity Performance in thousands

| Supplier Category | 2003      | 2004      | 2005      |
|-------------------|-----------|-----------|-----------|
| Minority          | \$150,000 | \$138,000 | \$171,000 |
| Women             | \$138,000 | \$139,000 | \$147,000 |
| Small             | \$761,000 | \$820,000 | \$884,000 |

groups, including the National Minority Supplier Development Council, The Chicago Minority Business Development Council, Inc., ISM Pharmaceutical Forum, and The Conference Board Council on Supplier Diversity. We also participate in small business matchmaking fairs and conferences across the United States and Puerto Rico.

Our supplier diversity focus in 2005 was to identify qualified disadvantaged businesses and veteran-owned business suppliers. We utilized the data in our spend database to develop goals and track diverse supplier growth at our U.S. and Puerto Rico locations. We also instituted a monthly communications vehicle to monitor our progress and explore diverse supplier spend growth opportunities.

### Economic Impact in Breda, The Netherlands

In 2006, Abbott will begin shipping products representing \$5.1 billion of our total sales from our new regional distribution center in Breda, the Netherlands. The facility is part of our European distribution network of three centralized hubs (Northern Hub in Breda, Iberian Hub in Spain and Southern Hub in Italy) serving Europe and other world markets. The network will enhance our customer service and improve efficiencies in the local supply chain.

Following is a summary of our contributions in Breda:

Facility: Regional Distribution Center (Northern Hub)  
Location: Breda, the Netherlands  
Population: 165,000  
Employees: 100

- Approximately \$236,850 in local city taxes.
- Approximately \$78,254 in sales and use tax.

- \$250,000 paid by employees in income taxes.
- \$4 million paid for employee payroll and benefits, including temporary employees.
- \$6.2 million paid for direct purchases (e.g., local suppliers).
- \$357,860 for building permit.
- 100 permanent and contract employees.
- Additional impacts include creation of indirect jobs in logistics support and other services, and recruitment from local educational institutions.

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## Data Summary Table

|   |                        |             |             |             |                | <b>% Change<br/>(05 vs. 04)</b> |
|---|------------------------|-------------|-------------|-------------|----------------|---------------------------------|
| <b>Net Sales Worldwide</b>                      | <b>Unit</b>            | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>    |                                 |
| Net Sales Worldwide                             | Millions               | 15,279.5*** | 17,280.3*** | 19,680***   | <b>22,338</b>  | 14%                             |
| <b>Income Taxes Paid</b>                        | <b>Unit</b>            | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>    | <b>% Change<br/>(05 vs. 04)</b> |
| Income Taxes Paid                               | Millions               | 880,569***  | 832,380***  | 675,728***  | <b>746,504</b> | 10%                             |
| <b>Cash Contributions and Product Donations</b> | <b>Unit</b>            | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>    | <b>% Change<br/>(05 vs. 04)</b> |
| Cash Contributions and Product Donations        | Millions               | 165         | 225         | 300         | <b>340</b>     | 13%                             |
| <b>Energy</b>                                   | <b>Unit</b>            | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>    | <b>% Change<br/>(05 vs. 04)</b> |
| Purchased electricity                           | 1,000 gigajoules       | 5,134       | 5,056       | 4,301       | <b>4,636</b>   | 7.8                             |
| Indexed to sales                                | Megajoules per \$1,000 | 290         | 257         | 218         | <b>208</b>     | (4.6)                           |
| Natural gas                                     | 1,000 gigajoules       | 5,566       | 5,714       | 5,482       | <b>6,489</b>   | 18.4                            |
| Indexed to sales                                | Megajoules per \$1,000 | 314         | 290         | 278         | <b>291</b>     | 4.7                             |
| Coal  | 1,000 gigajoules       | 1,745       | 1,707       | 1,745       | <b>2,001</b>   | 14.7                            |
| Indexed to sales                                | Megajoules per \$1,000 | 98          | 87          | 89          | <b>90</b>      | 1                               |
| Fuel oil  | 1,000 gigajoules       | 2,514       | 2,609       | 2,207       | <b>3,003</b>   | 36.1                            |
| Indexed to sales                                | Megajoules per \$1,000 | 142         | 132         | 112         | <b>135</b>     | 20.5                            |
| Purchased steam                                 | 1,000 gigajoules       | 490         | 641         | 53          | <b>33</b>      | (37.7)                          |
| Indexed to sales                                | Megajoules per \$1,000 | 28          | 32          | 3           | <b>1.5</b>     | (50.0)                          |
| Total energy consumption                        | 1,000 gigajoules       | 15,449      | 15,727      | 13,790      | <b>16,163</b>  | 17.2                            |
| Indexed to sales                                | Megajoules per \$1,000 | 874         | 799         | 700         | <b>725</b>     | 3.6                             |
| <b>CO<sub>2</sub> Emissions</b>                 | <b>Unit</b>            | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>    | <b>% Change<br/>(05 vs. 04)</b> |
| CO <sub>2</sub> from combustion                 | Million lbs.           | 1,509       | 1,497       | 2,094*      | <b>2,427</b>   | 15.9                            |
| Indexed to sales                                | Lbs. per \$1,000 sales | 85          | 76          | 106.3*      | <b>108.8</b>   | 2.4                             |
| CO <sub>2</sub> from purchased energy           | Million lbs.           | 1,949       | 1,956       | 1,583*      | <b>1,698</b>   | 7.3                             |
| Indexed to sales                                | Lbs. per \$1,000 sales | 110         | 99          | 80          | <b>76</b>      | (5)                             |
| CO <sub>2</sub> from fleet emissions            | Million lbs.           | ND          | ND          | 427         | <b>422</b>     | (1.2)                           |
| Indexed to sales                                | Lbs. per \$1,000 sales | NA          | NA          | 21.7        | <b>18.9</b>    | (12.9)                          |
| Total CO <sub>2</sub> emissions                 | Million lbs.           | 3,458       | 3,453       | 4,104*      | <b>4,547</b>   | 10.8                            |
| Indexed to sales                                | Lbs. per \$1,000 sales | 195         | 175         | 208*        | <b>205</b>     | (1.5)                           |
| <b>Air Emissions</b>                            | <b>Unit</b>            | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>    | <b>% Change<br/>(05 vs. 04)</b> |
| VOCs  | Million lbs.           | 3.6         | 3.7         | 3.5*        | <b>3.6</b>     | 2.9                             |
| Indexed to sales                                | Lbs. per \$1,000 sales | 0.20        | 0.19        | 0.18*       | <b>0.16</b>    | (11.1)                          |
| Total process air emissions                     | Million lbs.           | 4.8         | 4.7         | 4.46        | <b>4.45</b>    | 0                               |
| Indexed to sales                                | Lbs. per \$1,000 sales | 0.27        | 0.24        | 0.22        | <b>0.2</b>     | (9.0)                           |
| CO  | Million lbs.           | 0.80        | 0.78        | 2.1*        | <b>2.6</b>     | 23.8                            |
| Indexed to sales                                | Lbs. per \$1,000 sales | 0.05        | 0.04        | 0.106*      | <b>0.117</b>   | 10.4                            |
| NOx   | Million lbs.           | 2.0         | 2.0         | 3.2         | <b>6.3</b>     | 96.9                            |
| Indexed to sales                                | Lbs. per \$1,000 sales | 0.11        | 0.10        | 0.16*       | <b>0.28</b>    | 75                              |
| Particulates                                    | Million lbs.           | 0.8         | 1.3         | 1.8*        | <b>2.3</b>     | 27.8                            |
| Indexed to sales                                | Lbs. per \$1,000 sales | 0.045       | 0.065       | 0.09*       | <b>0.103</b>   | 14.4                            |
| SOx   | Million lbs.           | 4.6         | 4.2         | 4.8*        | <b>10.8</b>    | 125                             |
| Indexed to sales                                | Lbs. per \$1,000 sales | 0.26        | 0.21        | 0.24*       | <b>0.48</b>    | 100                             |

| <b>Waste Generation</b>                                 | <b>Unit</b>                           | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>  | <b>% Change<br/>(05 vs. 04)</b> |
|---|---------------------------------------|-------------|-------------|-------------|--------------|---------------------------------|
| Hazardous waste   | Million lbs.                          | 57          | 41.2        | 36.5        | <b>36.9</b>  | 1.1                             |
| Indexed to sales  | Lbs. per \$1,000 sales                | 3.2         | 2.1         | 1.85        | <b>1.65</b>  | (10.8)                          |
| Nonhazardous waste                                      | Million lbs.                          | 224.5       | 244.4       | 176.9*      | <b>194.9</b> | 10.2                            |
| Indexed to sales  | Lbs. per \$1,000 sales                | 12.7        | 12.4        | 9.0*        | <b>8.7</b>   | (3.3)                           |
| <b>Water</b>  | <b>Unit</b>                           | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>  | <b>% Change<br/>(05 vs. 04)</b> |
| Total water intake                                      | Billion gallons                       | ND          | 17          | 15.2*       | <b>16.1</b>  | 5.9                             |
| Indexed to sales  | Gallons per \$1,000 sales             | ND          | 863         | 771*        | <b>721</b>   | (6.5)                           |
| Water consumed  | Billion gallons                       | ND          | ND          | 0.8*        | <b>1.1</b>   | 37.5                            |
| Indexed to sales  | Gallons per \$1,000 sales             | ND          | ND          | 40.6*       | <b>49.3</b>  | 21.4                            |
| Water discharged (impaired)                             | Billion gallons                       | ND          | ND          | 3.8*        | <b>3.9</b>   | 2.6                             |
| Indexed to sales  | Gallons per \$1,000 sales             | ND          | ND          | 192.9       | <b>174.9</b> | (9.3)                           |
| Water discharged (nonimpaired)                          | Billion gallons                       | ND          | ND          | 10.6        | <b>11.1</b>  | 4.7                             |
| Indexed to sales  | Gallons per \$1,000 sales             | ND          | ND          | 538         | <b>498</b>   | (7.4)                           |
| <b>Environmental Spending</b>                           | <b>Unit</b>                           | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>  | <b>% Change<br/>(05 vs. 04)</b> |
| Expense   | \$ millions                           | 66          | 65          | 66          | <b>62</b>    | (6.1)                           |
| Capital   | \$ millions                           | 29          | 17          | 10          | <b>9</b>     | (10)                            |
| Total   | \$ millions                           | 95          | 82          | 76          | <b>71</b>    | (6.6)                           |
| <b>Fines, Audits, Inspections</b>                       | <b>Unit</b>                           | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>  | <b>% Change<br/>(05 vs. 04)</b> |
| EHS fines   | Dollars                               | 3,500       | 0           | 27,091      | <b>780</b>   | N/A                             |
| Notice of Violation (NOVs)                              |                                       | 25          | 20          | 20          | <b>15</b>    | (25)                            |
| EHS audits of Abbott facilities<br>(by Abbott)          |                                       | 29          | 20          | 21          | <b>20</b>    | N/A                             |
| Inspections by government<br>agencies                   |                                       | ND          | ND          | ND          | <b>33</b>    | N/A                             |
| <b>Health &amp; Safety</b>                              | <b>Unit</b>                           | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b>  | <b>% Change<br/>(05 vs. 04)</b> |
| Recordable injury or illness<br>incident rate           | Incidents per 100<br>employees        | 1.59        | 1.37        | 1.17        | <b>0.98</b>  | (16.2)                          |
| Lost time case rate                                     | Cases per 100 employees               | 0.47        | 0.45        | 0.46        | <b>0.40</b>  | (13.0)                          |
| Employee vehicle accident rate<br>(U.S. employees only) | Accidents per million<br>miles driven | ND          | ND          | 7.44        | <b>7.24</b>  | (2.7)                           |

ND = No data

NA = Not applicable

\* = Data has been adjusted from last report based upon subsequent verification.

\*\*\* = In 2004, Abbott spun off Hospira, Inc., and as a result, prior years' statements of income and cash flows have been adjusted to reflect the effects of the spinoff.

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For an interactive version of our GRI index, visit [www.abbott.com/gcr05/GRI](http://www.abbott.com/gcr05/GRI).  
The index includes indicators found in the report and on [www.abbott.com/citizenship](http://www.abbott.com/citizenship).  
Descriptions of indicators are brief. For more information on GRI, visit [www.globalreporting.org](http://www.globalreporting.org).

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