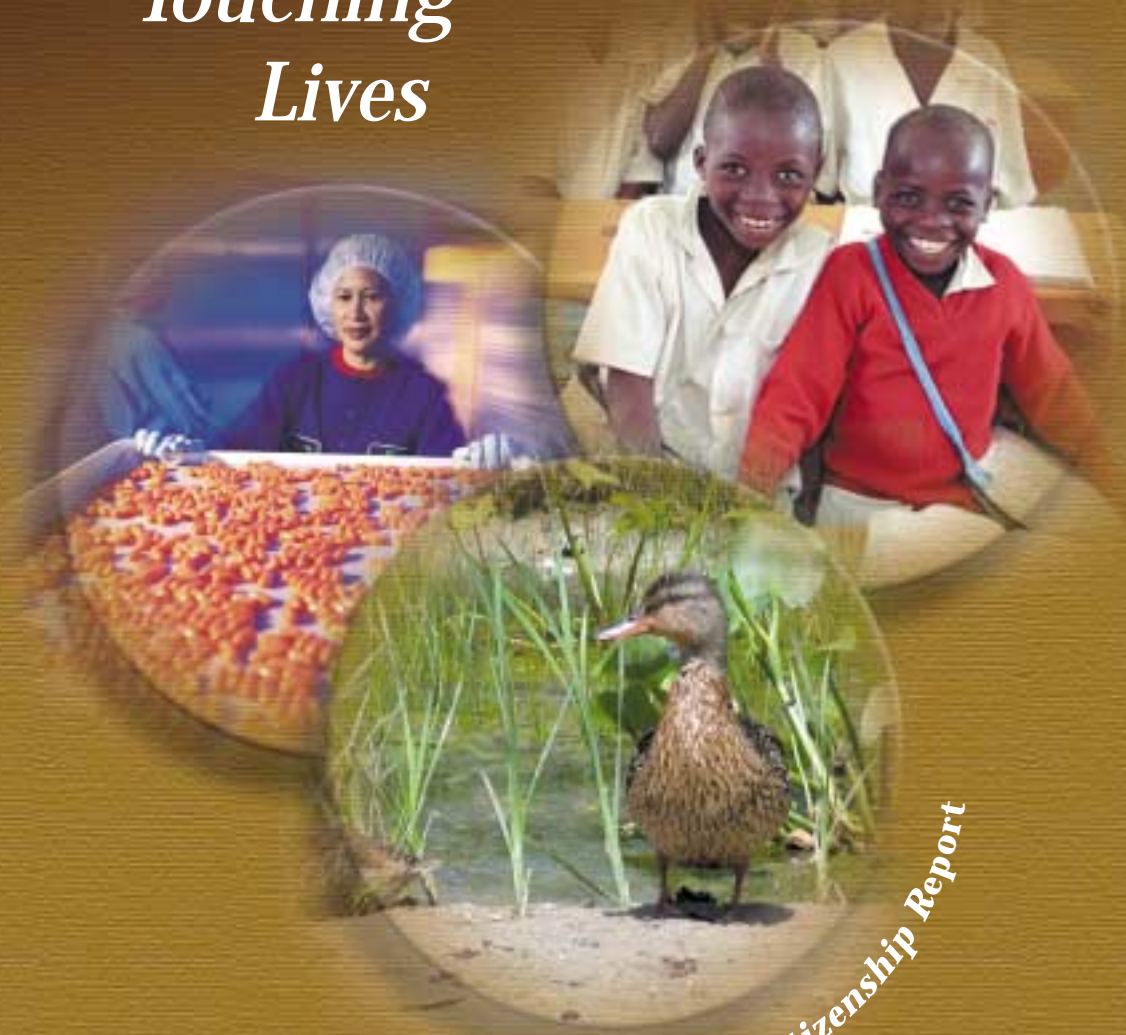


# *Touching Lives*



*2003 Global Citizenship Report*

This report updates information provided in our 2002 global citizenship report, *Working Together ... Making a Difference*, with 2003 data on our financial, social, and environmental, health and safety performance. For a comprehensive review of our global citizenship policies, programs and performance, and an electronic version of this report, visit our Web site at [www.abbott.com/citizenship](http://www.abbott.com/citizenship).

This report does not contain performance for TAP Pharmaceuticals Products Inc., our 50/50 joint venture with Takeda Chemical Industries of Japan, Ltd. of Osaka, Japan. In August 2003, Abbott announced the spin-off of Abbott's Hospital Products Division (now known as Hospira). The transaction will be completed in 2004.

This report includes data from the Hospital Products Division.

Abbott trademarks and products in-licensed by Abbott are shown in italics in the text of this report.

The Together Rx™ program is not a trademark of Abbott.

Abbott consulted many resources, including the Global Reporting Initiative's 2002 SustainAbility Reporting Guidelines, during the development of this report.

Craig Bender Photography ® Paris/Chicago: Cover photo of Tanzanian children;  
photos on pages 6, 11, 13, 16, 18, 20, 21, 27, 28, 31, 33, 45 and 49.

Steve Lundy for the Daily Herald, Chicago: Photo on page 25.

Mark Joseph, Chicago: Cover photo of manufacturing employee.

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## Message From the Chairman and CEO

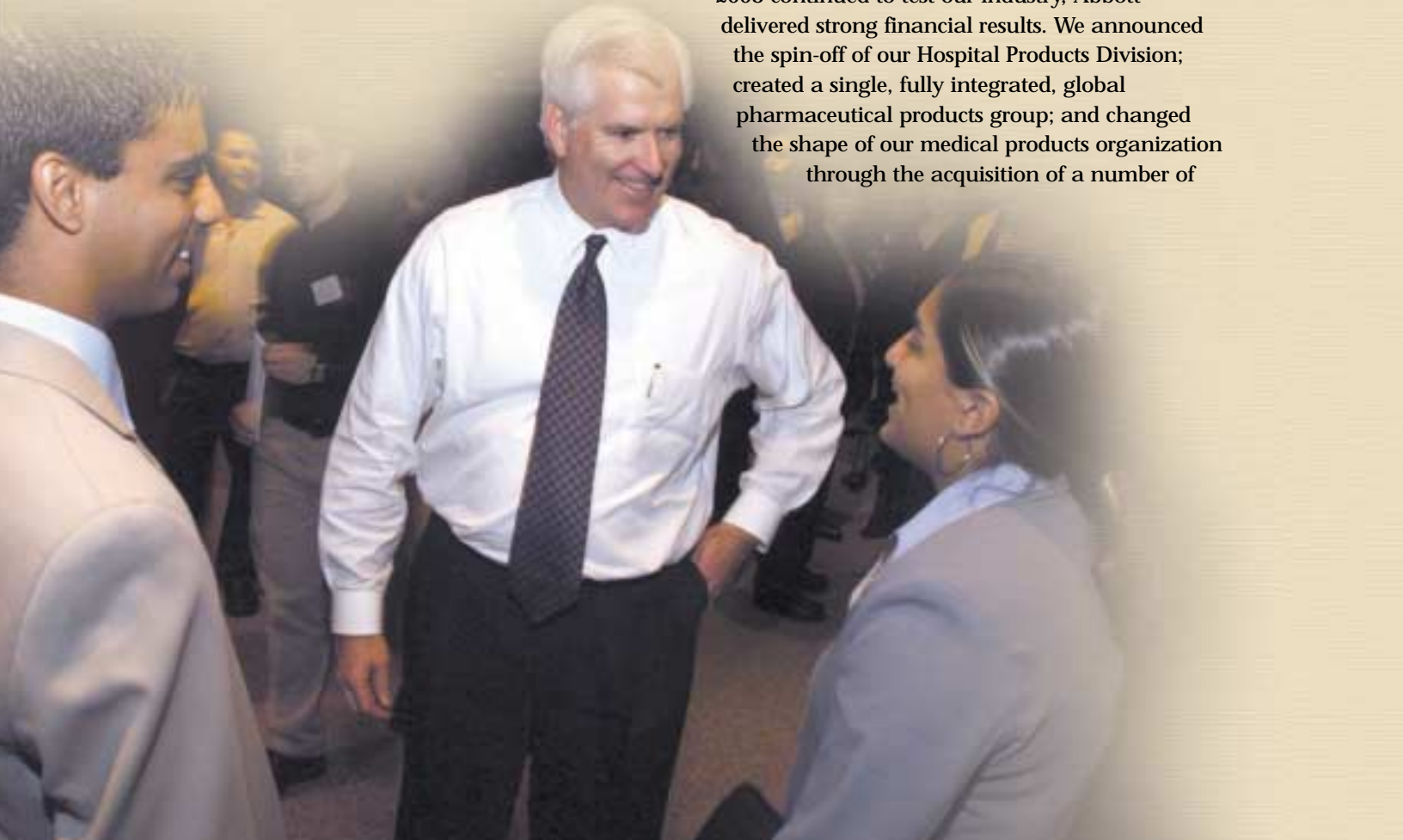
Throughout 2003, we focused our citizenship efforts on helping expand access to affordable medicines for patients most in need, a top policy issue for Abbott and for countries around the world. We worked with many patient and medical groups to support passage of the Medicare prescription drug benefit legislation in the United States. More personally, I met with U.S. policymakers to urge their support of President Bush's Emergency Plan for AIDS Relief, now funded for its first year, which will help developing countries fight HIV/AIDS.

Lending Abbott's influence and voice to important issues is an example of citizenship in action. Citizenship recognizes that our right to do business entails responsibilities to society. For us, citizenship is an integral part of who we are and how we conduct business. As an innovator in health care, Abbott must be part of the solution that improves access to medicines. Our social obligations on this issue are tied directly to our long-term success as a

company. Expanding access to medicines depends largely on the continued development of breakthrough products and the revenues they generate. Furthermore, our ability to innovate depends largely on national policies that encourage and reward innovation, and on a workplace that is inclusive and enables diverse talents to flourish.

This is why our 2003 global citizenship report highlights these three themes: access to medicines, innovation and science, and diversity and inclusion. The report also illustrates how we are integrating citizenship and engagement with diverse stakeholders into many aspects of our core business practices, from supplier standards and product quality systems, to policy advocacy and water usage management.

The past year was characterized by change, challenges and progress for our company. While the global economic and political environment in 2003 continued to test our industry, Abbott delivered strong financial results. We announced the spin-off of our Hospital Products Division; created a single, fully integrated, global pharmaceutical products group; and changed the shape of our medical products organization through the acquisition of a number of



businesses serving higher-growth markets. These steps will enable us to focus on advanced pharmaceuticals and medical technology essential to innovation in our business. The U.S. Food and Drug Administration determined that our Lake County diagnostics operations were in substantial conformity with the agency's Quality System Regulation, enabling us to return products to the market. Much more work remains to be done, and we continue to improve our product quality and compliance programs.

We reached a settlement with the U.S. government with regard to an investigation into the sales and marketing practices of our enteral (tube-fed) nutritionals business that was part of a larger investigation of industrywide practices dating back to the 1980s. As a result, we entered into a five-year corporate integrity agreement, which requires significant commitment to ethics training for our employees.

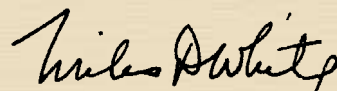
Additionally, we updated our Code of Business Conduct and our Supplier Code of Conduct, further elevating the importance of ethics and integrity in everything we do. As of the end of the year, 13,000 employees had completed our Safeguarding Trust ethics training program.

Our environmental, health and safety efforts were also characterized by integration and outreach with internal and external stakeholders. As a result of integrating our EHS standards into business practices, we improved

employee safety performance, and reduced energy consumption and emissions from manufacturing operations. We also launched several new initiatives designed to expand our citizenship vision. These include a unique initiative using our environmental experts as volunteers to help improve waste handling practices in the health care sector in Tanzania; our safety and health alliance with the U.S. government; and an initiative to integrate safe work practices into our commercial operations.

At Abbott, we are as committed to doing pioneering work in our communities as we are in our laboratories. We realize that we cannot solve all of our world's problems. For some stakeholders, what we do will never suffice; and for others, it will be too much. We strive to balance multiple interests and obligations, and to be open to opportunities where our products, expertise and influence can help solve social problems and improve people's lives.

The benefits of our citizenship efforts to Abbott are often more qualitative than quantitative, but no less worthwhile. Our programs will evolve with the needs of our communities around the world, but our commitment to global citizenship is unbending. I encourage you to read this report and visit our Web site at [www.abbott.com/citizenship](http://www.abbott.com/citizenship) to learn more about our work.



Miles D. White  
Chairman and CEO



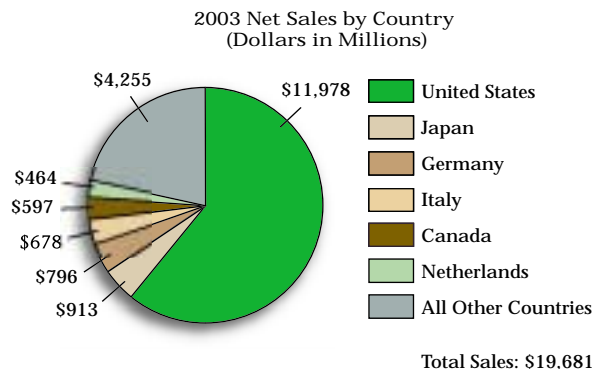
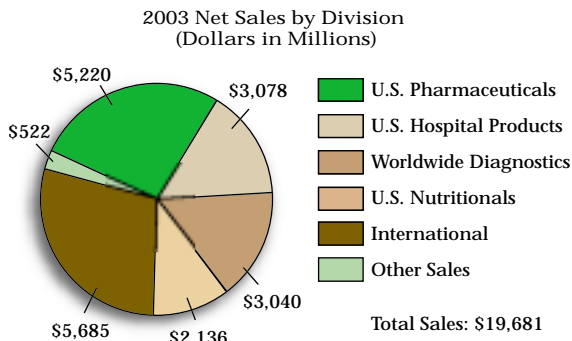
## **Abbott Profile**

**For more than a century, Abbott Laboratories [NYSE: ABT] has been working to help people around the world in their pursuit of healthy lives. We are a broad-based health care company that discovers, develops, manufactures and markets innovative products and services that span the continuum of care – from prevention and diagnosis to treatment and cure.**

## What We Do

Founded in 1888, Abbott's central purpose is to develop breakthrough health care products that advance patient care for diseases with the greatest unmet medical need. Our principal businesses consist of pharmaceuticals and medical products, including hospital-based medicines and devices, diagnostics tests and instruments, and nutritionals for children and adults.

Headquartered in north suburban Chicago, Illinois, United States, Abbott serves customers in more than 130 countries, with a staff of approximately 70,000 employees at more than 135 manufacturing, distribution, research and development, and other facilities around the world.



## Financial Strength and Stability

In 2003, Abbott achieved record sales of \$19.7 billion and net earnings of \$2.8 billion. In December 2003, Abbott also declared the 320<sup>th</sup> consecutive quarterly dividend paid to shareholders since 1924. Our financial performance reflected healthy and sustained growth and returns to our investors. Our balance sheet was strong; our operating cash flow exceeded \$3.7 billion in 2003.

Complete financial information on Abbott is available at [www.abbottinvestor.com](http://www.abbottinvestor.com).

## Products

Abbott is a market leader in the areas of pharmaceuticals, nutritionals, hospital products and diagnostics. Our products address some of the world's most prevalent medical conditions, including AIDS, cancer, cardiovascular disease, diabetes, pain management and respiratory infections. Our leading products include the following:

### Pharmaceuticals

- *Biaxin/Biaxin XL/Klaricid/Klaricid OD* (anti-infectives)
- *Depakote/Depakote ER* (neurological treatments)
- *Flomax* (benign prostatic hyperplasia)
- *Humira* (immunology)
- *Kaletra* (protease inhibitor for HIV/AIDS)
- *Meridia/Reductil* (obesity management)
- *Norvir* (protease inhibitor for HIV/AIDS)
- *Synthroid* (thyroid hormone replacement)
- *TriCor* (cholesterol/triglyceride management)

### Hospital Products

- *Perclose A-T* (vessel closure devices)
- *Ultane/Sevorane* (inhalation anesthetics)
- *Zemplar* (renal disease pharmaceutical)

### Diagnostics

- *Abbott Prism* (blood screening)
- *AxSym* systems and reagents (immunodiagnosics)
- *Cell-Dyn* (hematology)
- *LCx* (DNA detection)
- *MediSense* products (glucose monitoring)

### Nutritionals

- *Ensure/Glucerna* (adult nutritionals)
- *Isomil* (soy-based infant formulas)
- *PediaSure* (pediatric nutritionals)
- *PediaLyte* (oral rehydration solution)
- *Similac* (infant formulas)

More information about Abbott is available at [www.abbott.com](http://www.abbott.com).

A circular inset image showing two men in business attire (one in a light blue shirt and the other in a white shirt) standing around a table, looking at and pointing to documents. The background of the entire page is a textured, light brown paper-like surface.

## **Integrating Citizenship Across Abbott**

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

## Organization and Accountability

We recognize that citizenship is an ongoing process. We have further developed our Global Citizenship and Policy function and our long-term strategy. This chapter builds on progress shared in our previous reports and provides updates on how we are working to integrate our values and citizenship into all aspects of how we conduct business, from ethics and compliance and social investing to product quality and safety, and relationships with suppliers.

Abbott's Global Citizenship and Policy function resides within the Investor Relations and Public Affairs organization and is led by a divisional vice president who reports to a corporate officer. The mission of Global Citizenship and Policy is to position Abbott as a thought leader in the field of citizenship among the world's FORTUNE 500 companies. The function is responsible for developing and driving our citizenship strategy, working with others to develop policies on key issues, implementing programs, and promoting dialogue with stakeholders.



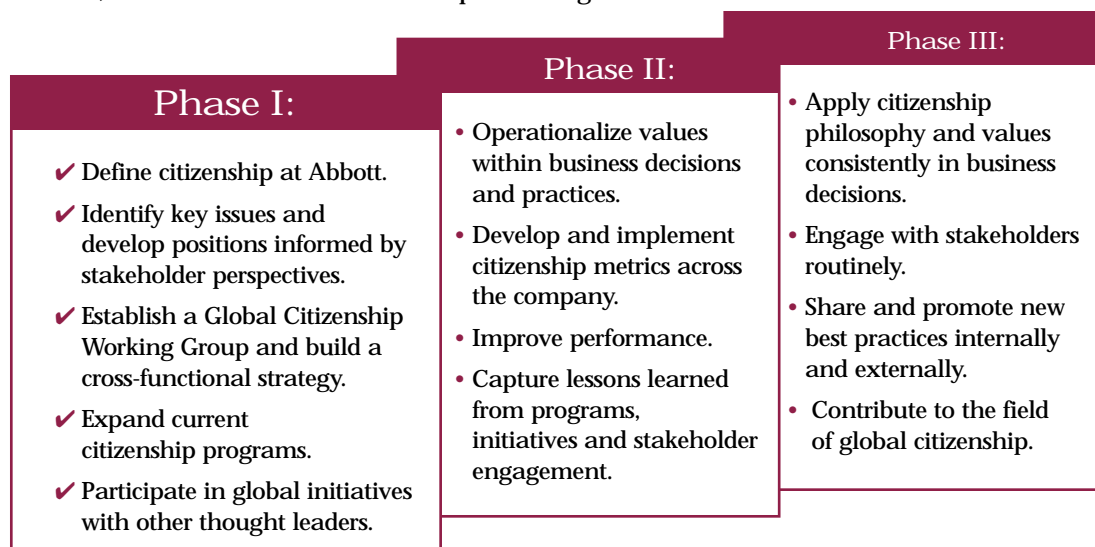
## Key Issues

Through a series of discussions with our internal and external stakeholders in 2003, we identified the following issues that are most important to Abbott: access to medicines; research and innovation; intellectual property rights; corporate governance and business ethics; diversity and human development in the workplace; environment, health and safety; and social investing. Examples of our stakeholder engagement in these areas are featured throughout this report.

For a list of our stakeholder groups and partner organizations, visit [www.abbott.com/citizenship/citizen\\_abbott/stakeholders.shtml](http://www.abbott.com/citizenship/citizen_abbott/stakeholders.shtml). Copies of our position statements on pharmaceuticals in the environment, animals in biomedical research, alternatives to PVC, and biosafety (all of which were featured in past reports) are available at [www.abbott.com/citizenship/citizen\\_abbott/position.shtml](http://www.abbott.com/citizenship/citizen_abbott/position.shtml).

## Developing a Strategy

The strategy for global citizenship at Abbott has three phases, as shown in the diagram below. In 2003, our efforts were focused on implementing Phase I.



**Global  
Citizenship  
Working Group**

In 2003, we established the Global Citizenship Working Group, which consists of representatives from Community Relations; Corporate Purchasing; Environment, Health and Safety; Ethics and Compliance; Government Affairs; Human Resources; Investor Relations; and the Abbott Laboratories Fund. Chaired by Global Citizenship and Policy, the group's charge is to drive Abbott's global citizenship reporting strategy, keep abreast of citizenship issues and integrate citizenship within the representatives' respective functions. Members of the working group bring diverse viewpoints and expertise.

**Pharmaceutical  
Policy Committee**

Abbott's president and chief operating officer of the Pharmaceutical Products Group chairs our Pharmaceutical Policy Committee. Members include senior executives from the company's U.S. and international pharmaceutical businesses, Global Citizenship and Policy, Government Affairs and Public Affairs. The committee discusses major health and public policy issues, and integrates policy decisions into core business strategies and practices. In 2003, the committee addressed issues such as Medicare reform, coverage for uninsured patients, Abbott's product access programs and global AIDS outreach.

**Engaging in  
Citizenship  
Initiatives**

We are active in a number of forums and initiatives – with other companies from multiple industrial sectors and nongovernmental organizations (NGOs) – that are focused on the evolving roles of government, business and NGOs in a global society. Many of these organizations have created innovative approaches to social responsibility. Abbott's objective is to learn from others and share our experiences. Examples of forums in which we participate include the following:

- Boston College Executive Forum on Corporate Citizenship
- Business for Social Responsibility
- Commonwealth Business Council
- Harvard University/UNAIDS/World Economic Forum on HIV/AIDS
- International Business Leaders Forum
- SustainAbility's Engaging Stakeholders Program
- The Conference Board
- World Economic Forum's Global Health Initiative and Global Corporate Citizenship Initiative

**Social  
Investing  
and  
Philanthropy**

A key component of Abbott's definition of citizenship is how we use our knowledge, leadership, products and financial resources to address needs around the world. The Abbott Laboratories Fund, our philanthropic organization, is now aligned with Global Citizenship and Policy. In 2003, we undertook a review of philanthropic policies, programs and grants to determine how best to focus and maximize our resources on critical issues facing the global community. Moving forward, we will concentrate our giving in four primary areas: global health disparities, science and innovation, diversity and inclusiveness, and the vitality of communities. Through our social investing strategy, we hope to generate new ideas and pioneer solutions that address global needs, create an environment that advances science and innovation, and develop leaders within Abbott and the organizations we support.

In 2003, Abbott's social investment from the Abbott Laboratories Fund and our corporate philanthropy, including product donations, totaled more than \$225 million.





## Q&A on Business Ethics

*Patricia Werhane, Professor of Business Ethics at DePaul University, Chicago, Illinois, United States, and Director of DePaul's Institute for Business and Professional Ethics*

**Q** What are the unique ethical challenges facing Abbott and other companies in the health care sector?

**A** *Increasingly, the public views patients' access to medicines, in particular pricing issues, as an ethical matter. Pricing of medicines is a complex issue that encompasses questions such as Medicare reimbursement, the importation of medicines from Canada into the United States, and access to medicines for HIV/AIDS patients around the world. The challenge is to protect intellectual property while helping patients in need. Without intellectual property protection, research-based companies like Abbott cannot afford to innovate. And without innovation, society would not have access to needed medicines. If we are unable to discover and develop medicines to address emerging diseases, our children and future generations will suffer.*

**Q** What is your assessment of Abbott's corporate ethics programs? What advice would you give Abbott?

**A** *As the director of DePaul's Institute for Business and Professional Ethics, I work closely with Charles Brock, Abbott's chief ethics and compliance officer, who is on the corporate board of the institute. Abbott has an impressive group of people working full time on ethics, which reflects how very seriously the company*

*considers ethics. There is a growing body of literature showing that companies with programs focused only on legal compliance have a poorer compliance record than those companies with ethics programs. At organizations with strong ethics programs, like Abbott, employees think about what is the right thing to do, not just the legally correct thing to do.*

*Abbott should ensure its ethics programs are reaching and engaging all employees. Effective programs are comprehensive. Often programs start at the top, but never reach all levels of an organization. Abbott should also find ways to secure unfiltered feedback from employees about the programs, what is happening in their areas, and ideas for improvements. Morale builds when all employees understand that ethics matter.*

**Q** What are your observations of business today, given the public attention on ethics?

**A** *I am concerned about some companies becoming so preoccupied with the details of regulations, focusing almost exclusively on legal compliance, that they have lost sight of the larger picture of what it means to be an ethical organization. Doing the right thing is more than legal compliance. Leaders must ask themselves, "Why are we in business, and how do we work effectively and ethically?"*



## Accountability and Remediation

Each employee is responsible for his or her decision making and for adherence to the principles set forth in the Code of Business Conduct. The Office of Ethics and Compliance investigates all alleged violations and potential violations of the code, or of any related Abbott standard, policy or procedure. If we determine that corrective action is necessary to resolve a problem and avoid the likelihood of its recurrence, we take such action promptly. For more information about Abbott's corporate governance guidelines and initiatives, visit [www.abbott.com/investor/gov\\_guidelines.html](http://www.abbott.com/investor/gov_guidelines.html).

## Quality and Compliance

Abbott's product quality and compliance improved in 2003. We introduced a significant training program, launched a new quality system tool and unveiled a blueprint for achieving consistent quality standards worldwide.

A major milestone in improving quality and compliance was the establishment of more stringent requirements within our internal audit standards, which resulted in fewer adverse regulatory actions during 2003.

First-phase deployment of a new comprehensive electronic Global Quality System tool was realized after more than a year of preparation, development and training. More than half of Abbott's sites are expected to implement the system by the end of 2004. When fully deployed, this tool will replace more than 50 electronic and paper-based processes, and will standardize the process for ensuring quality and compliance.

We created the Quality Excellence e-learning training program. This 90-minute CD-ROM demonstrates how quality and compliance are the responsibility of every employee. The program acknowledges that quality excellence is not easy to achieve. It demands high levels of commitment from every employee. By working together to share standards, we ensure quality for the people who have entrusted us with their health care needs.

We also developed a Master Quality Business Plan for use by Abbott's manufacturing and operating divisions. The plan is a blueprint for implementing a consistent quality process worldwide, ensuring the production of high-quality, safe and effective products while ensuring compliance. Our objective is to deploy this plan throughout 2004.



## Progress Towards Resolution of Consent Decree

In our last report, we noted that we were working to bring our diagnostics manufacturing operations in Lake County, Illinois, United States, into conformity with the Quality System Regulation (QSR) of the U.S. Food and Drug Administration (FDA). In December 2003, we received the FDA determination letter indicating that Abbott's processes are in substantial conformity with the QSR. As a result, we have started the process of reintroducing products that were removed from the market in 2000. Our commitment to continuing our efforts to improve our quality system and sustain compliance remains firm.

## Update on Ethics and Compliance

Abbott's Office of Ethics and Compliance reports to the chairman and CEO, and is led by a vice president and chief ethics and compliance officer, who makes periodic status reports to the Public Policy Committee of Abbott's board of directors and presents an annual report to the full board. In 2003, we restructured the Office of Ethics and Compliance to better align it with the evolving operating structure of the company. A divisional vice president and a team of cross-divisional subject-matter specialists (in areas such as reimbursement and government contracts) now report to the vice president and chief ethics and compliance officer. Divisional-level ethics and compliance officers, as well as a program and training development team, report to the divisional vice president.

### Leadership

Membership of our Business Conduct Committee, which reports to the chairman and CEO, has been expanded to include the heads of the businesses recently added under our newly organized Medical Products Group. The vice president and chief ethics and compliance officer chairs this 19-member committee, which meets quarterly. Its purpose is to advise and assist in the implementation of our ethics and compliance program.

### Code of Business Conduct

In 2003, we updated Abbott's Code of Business Conduct. The code is the fundamental policy that guides our ethics and compliance program. It reflects our core values and the key areas of compliance requirements relevant to our businesses. The code focuses on the process of making good decisions and taking the right actions. It also satisfies requirements of the Sarbanes-Oxley Act and of the recently approved New York Stock Exchange Corporate Governance Rules. The code is available on our Web site at [www.abbott.com/investor/codebusinessconduct/index.html](http://www.abbott.com/investor/codebusinessconduct/index.html).

### Training

Ethics and compliance training continued to be a priority in the past year, and is mandatory for all managers and field sales personnel in the United States, including Puerto Rico. We launched an interactive CD-ROM training program titled Safeguarding Trust. It covers ethical decision making; our Code of Business Conduct; operating procedures; Medicare/Medicaid fraud and abuse laws and regulations; and Abbott's Performance Excellence career-development program. In 2003, more than 13,000 employees completed the program. Similarly, we continued to implement LERN, our Web-based training program, which we introduced in 2001. This program includes a series of modules on topics such as antitrust, insider trading, unfair competition and workplace harassment. In 2003, more than 15,000 employees successfully completed the program.

### Communications

We actively encourage employees to bring forward questions and concerns about compliance with the Code of Business Conduct to their managers or others. As an alternative source of assistance, our Ethics and Compliance Helpline continues to be a multilingual and confidential resource available to employees 24 hours a day, seven days a week. Calls may be made anonymously, and any reports or concerns are kept confidential to the extent possible that Abbott is able to investigate and take appropriate action. We do not tolerate retaliation against anyone who makes a report in good faith, whether via the helpline or otherwise, regarding a violation or potential violation of the code.

The code requires that complaints or concerns regarding accounting, internal accounting controls or auditing matters be promptly communicated to Corporate Internal Audit or the Office of Ethics and Compliance.





## Q&A on Corporate Integrity Agreement

*Cathy Falter, Ross Program Director, Ethics and Compliance*

In July 2003, Abbott's Ross Products Division announced that we had reached a settlement with the U.S. Attorney's Office for the Southern District of Illinois. This settlement resolved all issues arising from the government's investigation of Ross that began in the mid-1990s and focused on the sales and marketing practices of the enteral (tube-fed) nutritionals business. Patient safety was not an issue. We fully cooperated with the government during the investigation. As a result of the settlement, Abbott took a charge of \$622 million in 2003, and entered into a five-year corporate integrity agreement with the government.

**Q** What is Ross doing to change the sales and marketing practices of its tube-fed nutritionals operations?

**A** *We began to change our sales and marketing practices in the first half of 2003 to address government concerns. In particular, we have discontinued our program where the price of the pump was included in the price of the feeding sets. All new customers can either rent or purchase pumps, which will help our customers more accurately determine the cost of the pump. We are working diligently to transition existing customers into new arrangements in which they can only rent or purchase pumps.*

**Q** What is required under the corporate integrity agreement? What measures and systems need to be put in place, and for how long?

**A** *There are many individual requirements under the agreement, but two are most significant: employee training and documentation of our policies and procedures.*

*Our 5,000 Ross employees are required to attend a one-hour training session on Abbott's Code of*

*Business Conduct and on the requirements of the corporate integrity agreement. Through the training, we emphasize that all employees must have a copy of the code, read it, commit to and abide by it, and understand what to do if there may be a violation of the code. New employees must be trained within 30 days of hire, and all employees will participate in an annual refresher training over the next five years. A subset of more than 700 employees involved in sales, marketing and promotion of enteral products must attend an additional four hours of training. This in-depth training focuses on practical examples of how employees can appropriately promote Ross products. We will train these employees annually during the five-year term of the corporate integrity agreement.*

*The second major requirement is to document our business policies and procedures, which we have completed. These policies focus on our relationship with customers who purchase products that are reimbursable under Federal Health Care Programs. We have always had strong business practices, and the corporate integrity agreement challenged us to commit these to writing. Under the agreement, everyone involved must understand the policies and procedures, and abide by them.*



## Working With Suppliers

In 2003, Abbott purchased an estimated \$9 billion in goods and services from suppliers worldwide, with nearly \$6 billion of these purchases made from suppliers supporting our operations in the United States. To nurture fair and ethical relationships, we require our suppliers to comply with the Supplier Code of Conduct and applicable portions of Abbott's Code of Business Conduct. Worldwide, we also provide our suppliers and purchasing professionals with comprehensive training on and materials about our purchasing policies and procedures. We conduct a thorough assessment of each supplier, covering staff, capabilities, operations, systems, documentation, finances, processes and finished products. When necessary, we provide technical support to suppliers to assist them in meeting quality requirements.

## Supplier Code of Conduct

We partner with suppliers who meet our business needs and share our commitment to conduct business in a legal and ethical manner, and with a high degree of integrity and professionalism. To help our suppliers understand our requirements, we updated our Supplier Code of Conduct with information about our policies, guidelines and expectations for doing business together. We actively promote this new code in face-to-face meetings with our suppliers, through purchasing-related newsletters, in Abbott Purchasing Council meetings and through other forums that foster the development of our business relationships. The updated code is posted on our intranet site and is available externally on our Web site at [www.abbott.com/citizenship/ethic/smg.html](http://www.abbott.com/citizenship/ethic/smg.html).

## Ethics Training

We maintain a robust training program for employees engaged in all phases of the purchasing cycle. We offer several courses, including mandatory training for purchasing professionals, purchasing policy compliance, government requirements, and relevant and current good manufacturing practices.

During 2003, we conducted 20 ethics training sessions with more than 300 participants on topics such as dealing with gifts from suppliers, fostering appropriate supplier relationships, travel and entertainment, and supplier diversity. Corporate purchasing professionals also attended classes on global business practices and cultures. Such training highlights our company's global influence, and recognizes our expanding international presence and use of a global supply base.

## Excerpts From Abbott's Supplier Code of Conduct

Abbott Laboratories' commitment to our global citizenship role reflects our desire to make a productive contribution to society in the way we advance our business objectives, engage our stakeholders, implement our policies, apply our social investment and exercise our influence. As an Abbott supplier, you play a vital role in fulfilling Abbott's commitment to global citizenship and making the world a better place. Being an Abbott supplier means sharing Abbott's vision and values regarding:

- Compliance with legal and regulatory requirements for the workplace, including environment, health and safety.
- Compliance with all legal and regulatory requirements recognizing human rights.
- Compliance with all legal and regulatory requirements surrounding the ethical treatment of any and all animals used in product development.
- Commitment to equal opportunity employment and compliance with all legal and regulatory requirements regarding employee diversity.



**Working With a  
Diverse Supplier  
Community**

Through our Supplier Diversity Program in the United States, including Puerto Rico, we continue to increase the purchase volume directed to minority-owned, women-owned and disadvantaged businesses. We are also an active and highly visible presence in supplier diversity organizations, such as the Chicago Minority Business Development Council and the National Minority Supplier Development Council, and support a variety of supplier diversity events. Abbott's manager of supplier diversity co-chaired the 2003 Chicago Business Opportunity Fair and served as treasurer of the Chicago Minority Business Development Council.

We firmly believe that increasing the diversity base of our suppliers benefits Abbott, as well as our larger society. Many factors influence Abbott's purchasing decisions. We continue to work with various agencies, including the Small Business Administration, to identify sourcing opportunities in disadvantaged business and other categories. The table below details our supplier diversity performance for the past three years.

Supplier Category	2001 Spending (\$ Thousands)	2002 Spending (\$ Thousands)	2003 Spending (\$ Thousands)
Minority-Owned	\$121,000	\$135,000	\$150,000
Women-Owned	\$107,000	\$113,000	\$138,000
Small Business	\$792,000	\$780,700	\$761,000

**Local  
Economic  
Impact**

In the communities in which Abbott operates, we have direct and indirect impacts on the local economy and the people living in the area. The link between our operations and the vitality of the community is especially strong in small communities, where we may be one of the most prominent employers. As an example of our impact in one community, we have quantified data from some of our economic contributions at our nutritional facility in Sturgis, Michigan, United States – population 12,000 – in 2003:

**Sturgis, Michigan, United States:**

- \$11,840 provided in charitable contributions (not directed through the Abbott Laboratories Fund).
- 225 hours of employee volunteer time in the community.
- \$2.1 million paid in local city and county taxes.
- \$100,000 paid in sales and use tax.
- \$2 million paid by employees in state income taxes.
- \$200,000 paid to the state in unemployment taxes.
- \$40 million paid by the facility for employee payroll and benefits.
- \$18 million paid by the facility for direct expenses (e.g., supplies, services and training – all of which are local purchases).
- \$122 million paid for raw materials and packaging materials, including \$19.2 million paid to suppliers within 100 kilometers of the facility.
- 525 permanent employees and approximately 25 contract employees hired.

Unquantified impacts from our facility include the creation of other jobs in the local area, the government's use of taxes to improve education and social services, and the ripple effects of philanthropy and employee volunteerism throughout the community.





## Q&A on Citizenship in the Supply Chain

*Murali Divi, Chairman and Managing Director, Divi's Laboratories Ltd.*

Divi's Laboratories Ltd. supplies Abbott with several active pharmaceutical ingredients and intermediates, including components for our HIV medicines. The company built its first manufacturing facility near Hyderabad, India, in 1995. It now has a second manufacturing site in Visakhapatnam, India; four research centers; and a total of 2,000 employees, including 200 R&D scientists. The company has earned certification to ISO 9001 quality systems, ISO 14001 environmental management systems and OHSAS 18001 occupational health and safety systems, and has successfully completed an FDA inspection.

**Q** What is your relationship with Abbott, and what impact has Abbott had on your business?

**A** *Abbott has been a customer since 1996. Abbott gave us a chance to demonstrate we could make a quality product. The company worked with us to ensure that our operations met the FDA standard for good manufacturing practices, which enabled us to pass the FDA audit. Over time, our relationship has grown as we have provided an increasing number of products to Abbott.*

*Divi's total sales in 2003 were \$60 million, and Abbott is one of our top five customers. Our growth has enabled us to continue investing in our operations, while at the same time implementing initiatives to improve the welfare of the surrounding community.*

**Q** In the villages surrounding your facilities, Divi's supports programs for access to clean drinking water, better education, women's

welfare and public health. What motivates your passion for community service?

**A** *I came from a village similar to those that are located near Divi's facilities. At the start, I decided that if we were making money, we would give back to society. We began making grants when we were building our plant.*

*Local donations work best, because we understand the problems that people face in the villages. The number one problem is health, followed by education. That's why all of our programs focus on addressing these needs. We know our donations are being used wisely and where they are needed most.*

**Q** What does the future hold?

**A** *I envision that we will continue to grow as an important supply chain partner for Abbott, providing more products and enabling Abbott to achieve its business goals. I also hope we can partner with Abbott on global citizenship efforts and provide greater educational and health benefits to the people in my country. By joining hands, we can do much more together than what Divi's can do alone.*





## **Access to Medicines**

The issue of access to affordable medicines has become one of the great public policy debates of our time. At Abbott, helping patients most in need – the poor, uninsured and elderly – access quality and affordable medicines is a top citizenship issue. Facilitating such access takes many forms and depends on the economic, social and political environment in each country. Solutions require the leadership, expertise and resources of diverse stakeholders, including patients, health professionals, governments, health care companies and nongovernmental organizations.

## Discussion of Key Issues

Following are excerpts from the David R. Calhoun Jr. Memorial Lecture, “Remaking the American Health Care System: Can We Preserve the Promise of Innovation?” presented by Miles White, Abbott chairman and CEO, on Dec. 9, 2003, at the Olin School of Business, Washington University, St. Louis, Missouri, United States.

The lecture honors individuals who exemplify outstanding business and community leadership, and is designed to advance study and discussion on the important role of business in a free society. Past speakers have included George Shultz, former chairman, Council on Economic Policy; George Stigler, Charles R. Walgreen professor, University of Chicago; Yotaro Kobayashi, chairman and CEO, Fuji Xerox Company Ltd.; and Rt. Hon. Edward R.G. Heath, MBE, MP, former prime minister of Great Britain.

“... What are our *health care priorities*? Should we only pursue medical innovation on the condition that everyone can have easy and cheap access to it? Or should we continue to expand the frontiers of discovery even when those discoveries, no matter how valuable they prove to be, are not easily available to everyone? Is the price tag of innovation, which is very real, worth the additional years or higher quality of life that patients receive? In short, how much is too much to pay for a longer life, or a child free of cancer, or an elderly parent whose mind doesn't have to waste away?”

“... many Americans do not enjoy access [to America's health care system]. In fact, at this moment, 43 million Americans wake up every morning without health care insurance. Nearly 2.5 million Americans were added to the rolls of the uninsured in just the last year. At the same time, many elderly can't afford the prescription wonder drugs that can save, prolong and improve the quality of their lives. Congress, the administration, consumer groups, insurers and the health care industry – we are all struggling to find answers to the twin dilemmas facing health care today: *affordability and accessibility*.”

“... With all the clamoring about the high cost of pharmaceuticals, it might surprise you to know that prescription drugs are the *most cost-effective, value-added*, least invasive part of our health care system. Increased use of pharmaceuticals often will result in lower overall health care costs for specific diseases such as Alzheimer's [disease], diabetes, asthma, stroke and heart disease. Medicines keep people out of the hospital, off the surgery table, on the job and in the home.”

“... we can *no longer tolerate* the two-class health care system in America today, which is comprised of those who can afford and have access to medical innovation, and those who do not.”

“... as we look to the future, it will be increasingly incumbent on our industry to concentrate its *R&D focus on innovations* that will improve health care quality and patient outcomes. In deciding whether to invest in developing new therapies, we should always be guided by the following basic, but fundamentally important question: How do we most efficiently achieve better results for patients?”

The full lecture is available at [www.abbott.com/citizenship/news/presentations.shtml](http://www.abbott.com/citizenship/news/presentations.shtml).

## **Pricing Considerations**

Pharmaceutical research and development is a risky enterprise. In 2003, Abbott invested more than \$1.7 billion in research and development, including more than \$1 billion to develop new medicines. Pricing of medicines is complex. When determining prices of our medicines, we consider multiple factors, including R&D costs, manufacturing and quality assurance costs, the therapeutic value of the product and government regulations. As such, we work to strike a balance between maximizing patient access and ensuring a sustainable return to fund future research and development, while meeting our obligation to provide a return for shareholders.

## **Patient Advocacy**

Consistent with Abbott's mission to improve human health, we have a duty to shareholders, employees and patients to ensure our voice is heard on major policy issues that influence patients' access to innovative medicines. These issues also impact our company's success over the long term.

## **Medicare Reform**

Abbott's top policy issue in the United States in 2003 was to help secure passage of a Medicare prescription drug benefit for the nation's senior citizens. We have supported this benefit since the inception of the National Bipartisan Commission on Medicare in 1997. During the year, we worked closely with a diverse number of patient and health professional organizations to successfully advocate for the adoption of this benefit by the U.S. Congress.

## **Expanding Patient Access**

Thousands of patients have benefited through our partnerships with patient groups at the state and national levels in the United States to ensure economically disadvantaged patients are not denied access to needed treatments. For example, we estimate that our efforts have helped approximately 750,000 Medicaid patients gain access to HIV and neurological medicines, and 142,000 Medicare patients gain access to treatments for end-stage renal disease. We also worked closely with state AIDS Drug Assistance Program (ADAP) directors and HIV community groups to increase funding for ADAP.

## **AIDS Funding for the Developing World**

On the international front, we supported President Bush's Emergency Plan for AIDS Relief, which proposed \$15 billion in foreign assistance to address HIV prevention, treatment and care in developing countries over five years. Abbott's chairman and CEO participated in congressional briefings to urge support of the president's initiative. In addition, Abbott executives conducted briefings with policy advisors in the administration and Congress, sharing lessons learned from Abbott's AIDS-related humanitarian programs in Africa.



**Product  
Access  
Programs**  
*United States*

Several Abbott programs help patients in the United States and worldwide who are uninsured, financially disadvantaged and not eligible for publicly funded prescription coverage.

- *Abbott's Patient Assistance Program.* Since our physician-based referral program was launched in 1996, we have provided free Abbott medicines to hundreds of thousands of patients. In 2003, we served more than 152,000 patients and provided free products valued at \$71 million.
- *Humira Medicare Assistance Program.* Launched in January 2003, this program provides *Humira*, Abbott's novel rheumatoid arthritis medicine, at no cost to Medicare-eligible patients without prescription drug coverage. Last year, the program served 6,360 patients and provided free products valued at \$52 million. These free medicine recipients represent more than one out of 10 patients taking *Humira* in the United States. More information on this program is available at [www.HUMIRA.com](http://www.HUMIRA.com).
- *Together Rx™ Program.* Abbott is a founding member, along with six other pharmaceutical companies, of this prescription drug discount program that was launched in 2002 and is available to qualified patients on Medicare. The Together Rx™ card provides discounts of approximately 20 percent to 40 percent at the point of sale for more than 170 medicines. At the end of 2003, the program had enrolled more than 1.1 million members and had accounted for approximately \$245 million in savings to patients. More information is available at [www.together-rx.com](http://www.together-rx.com).

*Worldwide*

- *Medical Mission Programs.* We donate pharmaceutical, medical, and nutritional products to health care workers who are on short-term missions to provide needed medical services in resource-poor settings around the world. In 2003, in partnership with AmeriCares, we supported 780 physician missions.
- *Disaster Relief.* We responded promptly to disasters around the world in 2003, including those in the following countries:
  - Liberia, to assist those impacted by the ongoing civil war.
  - Iraq, to assist those affected by the war.
  - Iran, in response to the earthquake in December.
- *Routine Product Donations.* In 2003, our product donations assisted individuals in 105 countries.

## Providing Health Care in Myanmar

Anne Smith, an Abbott medical representative in the United Kingdom, went to Myanmar (formerly Burma) in 2003 with the charity EYESSEE. This charity organizes volunteer teams of health care workers who travel to communities in Myanmar and Peru to provide free surgery and vision care. Smith, a qualified anesthetic nurse, was part of a seven-person medical group that screened approximately 400 patients with eye problems and conducted more than 150 eye operations in two weeks. Abbott donated medicines and provided a grant to support her mission.



## Global HIV/AIDS Initiatives

Abbott is working with local communities, businesses, NGOs, faith-based groups and governments to help people in the world's poorest countries that have been hardest hit by the HIV/AIDS pandemic, including all of the countries in Africa. We have committed to invest \$100 million over five years in our AIDS-related humanitarian programs that address critical areas of need. The following summary is an update on our programs since our 2002 report:

- **Product Access.** Through Abbott Access, we provide our HIV medicines in 68 developing countries at a loss to Abbott. We also offer our rapid HIV test at no profit as part of this program. In 2003, Abbott Access shipped more than 6.6 million tests to 55 countries. More information is available at [www.accesstohivcare.org](http://www.accesstohivcare.org).
- **Prevention of Mother-to-Child Transmission of HIV.** Through the *Determine* HIV Donation Program, we are providing our rapid test free of charge to qualified programs aimed at preventing mother-to-child transmission of HIV in the developing world. By the end of 2003, our donations exceeded 670,000 rapid tests. More information is available at [www.pmtctdonations.org](http://www.pmtctdonations.org).
- **Health Care Infrastructure and Systems.** Tanzania Care, a partnership between the government of Tanzania and the Abbott Laboratories Fund, is a program that is working to strengthen the country's public health system and expand its ability to treat and care for HIV patients. Over the next few years, our program will build a new outpatient department, rehabilitate laboratories, upgrade management systems and update the medical training curriculum at Muhimbili National Hospital in Dar es Salaam. We will also improve voluntary counseling and testing services at 21 regional hospitals around the country. In 2003, we began construction of the outpatient department and renovations of the laboratories, which will be completed in 2004. Voluntary counseling and testing services are now available in four regional hospitals, and more than 300 health workers were trained during the year. More information is available at [www.tanzaniacare.org](http://www.tanzaniacare.org).
- **Orphans and Vulnerable Children.** Step Forward ... for the world's children, an initiative of the Abbott Laboratories Fund, is pioneering programs that provide care and support for orphans and vulnerable children impacted by HIV/AIDS in the developing world. In 2003, the program served more than 140,000 children and their families in Burkina Faso, India, Romania and Tanzania. Program information is available at [www.stepforwardforchildren.org](http://www.stepforwardforchildren.org).

As part of our contribution to the knowledge base about HIV/AIDS, we publish and present findings from these programs at major conferences. We also share our findings with other companies and encourage them to get involved. For papers covering lessons learned from these programs – including topics such as voluntary counseling and testing, legal rights for women and children, microenterprise, and treatment access – please visit [www.abbottglobalcare.org](http://www.abbottglobalcare.org).





## Step Forward Spotlight: Improving Access to HIV Treatment in Romania

Romania is one of the world's poorer countries and is home to more than half of Europe's pediatric AIDS cases. The country's pediatric AIDS epicenter is located in Constanta County on the Black Sea. Access to health care and treatment is a critical need for the area's children.

Dr. Mark Kline, director, International Pediatric AIDS Initiative at Baylor College of Medicine, had a vision to provide state-of-the-art care to these children. He identified a champion in Dr. Rodica Matusa, a Romanian pediatrician who had begun treating AIDS cases in the early 1990s, but was frustrated with the lack of resources to address the profound need. Through a grant from the Step Forward program, an abandoned building was renovated, equipped and transformed into the Romanian-American Children's Center, which opened its doors in 2001. Step Forward also provided a grant to upgrade the pediatric ward at the local municipal hospital that had been filled with AIDS cases. We are also supporting a group home for 10 abandoned HIV-positive children.

Two years later, the results have been transformational. The center's staff is providing a high standard of primary and specialty care and treatment to approximately 900 children. Mortality rates in Constanta County for HIV-positive children have decreased from more than 15 percent to less than 3 percent in two years, and in-patient hospitalizations for HIV-related complications have decreased by 90 percent. The center serves as a model for other developing countries in addressing pediatric HIV. Dr. Kline and others have already replicated this model in a pediatric clinic in Botswana.





## **Innovation Through Science**

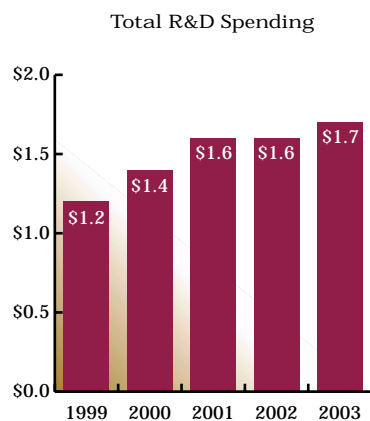
Scientific innovation drives our growth. Abbott combines science and innovation to develop solutions to the world's health care challenges. Our ultimate goal is to help people live longer, healthier lives through leading pharmaceuticals and medical products, including diagnostics, medical devices and nutritional products.

## Global Pharmaceutical Strategy

In 2003, we rolled out the second phase of our strategy for the development of a science-driven, specialty-focused organization that is committed to improving the quality of health care for patients. One of our first steps in executing the strategy included the development of a mission that would serve as the foundation of our business:

*Our Pharmaceutical Products Group's mission is to create a top-tier global pharmaceutical business capable of consistently discovering, developing and marketing breakthrough drugs to improve patient health, while delivering superior value for our shareholders. We are a single global team, focused on using innovation to create breakthrough pharmaceutical products that address large unmet medical needs.*

We have completed the following initiatives of our strategy:



- The organization of our pharmaceutical business into a single group that encompasses pharmaceutical research and development, strategic planning and business development, manufacturing and operations, and pharmaceutical regulatory affairs.
- A more than double increase in our R&D budget over the last three years, which has enhanced the success rate of our discovery and development capabilities.
- A focus on recruiting, retaining and developing global scientific talent, and establishing an infrastructure that will support our mission.

Additionally, one of the key elements of our strategy is the focus on five therapeutic areas that target diseases which are among the leading causes of death and disability worldwide and that will drive our pharmaceutical business over the long term. We believe that the best opportunities for today's science and for future medicines are in immunology, select antivirals, the twin epidemics of diabetes and obesity, the major cancers, and a constellation of highly prevalent yet poorly treated conditions within neuroscience and pain.

Our ongoing research and development in immunology has made a significant impact among rheumatoid arthritis patients worldwide. We are currently targeting use of *Humira* to treat other disabling conditions, such as Crohn's disease and psoriatic arthritis; and we have had promising Phase II results in treating psoriasis, suggesting that *Humira* is indeed a pipeline in a single drug.

In antivirals, Abbott has had enormous success first with *Norvir*, followed by the second-generation improved molecule, *Kaletra*. These two industry-leading protease inhibitors have spurred the industry to follow our innovation, thus changing the course of the disease. In 2003, Abbott presented data at the 9<sup>th</sup> European AIDS Conference that showed almost two-thirds of patients who initiated therapy with a *Kaletra*-based regimen five years earlier remained on therapy with undetectable viral load.

In the area of oncology, we have developed a novel endothelin receptor, *atrasentan*, which as a first indication will be used to fight prostate cancer. Treatments for this common and potentially terminal disease have not significantly improved in more than six decades. *Atrasentan* is based on a new method of treating cancer by enhancing the body's ability to fight off the disease.

We are also in the early stages of developing products to target the growing diabetes epidemic and the ongoing need for new pain products worldwide.

## Our Pharmaceutical Portfolio



## Global Clinical Research Standards

Abbott's policies and practices ensure that global clinical research is conducted in accordance with the International Conference on Harmonization, World Health Organization Guidelines for Good Clinical Practices, ethical principles of the Declaration of Helsinki, U.S. Food and Drug Administration requirements, the regulations implementing the Health Insurance Portability and Accountability Act, related international laws regarding medical privacy and local regulations.

We have internal research proposal committees that review submissions from clinical researchers based on scientific merit. Among the factors evaluated, the committee looks at whether the medical practices in the host country are at sufficiently high standards to qualify for regulatory submission; whether there is an appropriate regulatory environment to permit clinical investigation; and whether there is a sufficient prevalence of a disease to permit the trial to be successful. We are sensitive to and respect specific rules and guidelines of the country of origin. Institutional review boards or institutional ethics committees approve the study protocols in countries where we conduct research or fund research of an independent clinical researcher.

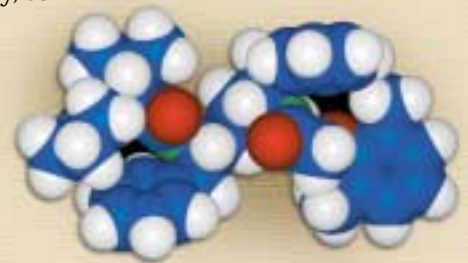


## The Drug Discovery Challenge: Finding a Single Molecule That Satisfies Multiple Criteria

Innovation begins with the assumption that a complex disease will be vanquished by striking a specific molecular target. To accomplish this feat, a drug molecule must meet a number of uncompromising demands. The drug molecule must be patentable and amenable to manufacture. It must be stable enough to sit on a shelf unchanged for a year, yet dissolve within minutes right after it's swallowed. As if it were food, it must be absorbed through the cells of the intestinal tract, and then it must pass through the liver, an organ that is designed to expel foreign molecules. Once in the bloodstream, it must circulate long enough to reach its target, which might be in the brain, lung, pancreas or any other organ. Once the drug finds its target, it

must bind to it tightly, so that its effect will be long lasting while the dose can be small and infrequent. The drug molecule must be miraculously selective, shunning interactions with thousands of other targets, any one of which could produce side effects or toxicity.

Approximately 10,000 potential drug candidates must be synthesized and tested to find just one that satisfies all of these requirements. For more information, visit [www.abbott.com/citizenship/pdf/gpai.pdf](http://www.abbott.com/citizenship/pdf/gpai.pdf).



## Intellectual Property

Some stakeholders are concerned that patents are barriers to access to medicines. Yet, patents actually facilitate pharmaceutical innovation, which provides a critical benefit to patients and to society by creating solutions for unmet medical needs. As a result, patients today have effective medicines for many major diseases, including HIV/AIDS, cardiovascular disease and cancer. To deliver these advances, the research-based pharmaceutical industry invests billions, more than \$33 billion in 2003 alone, to discover and develop new medicines. However, without patents to protect their investments, companies would not be able to sustain innovation at this level, to the detriment of patients.

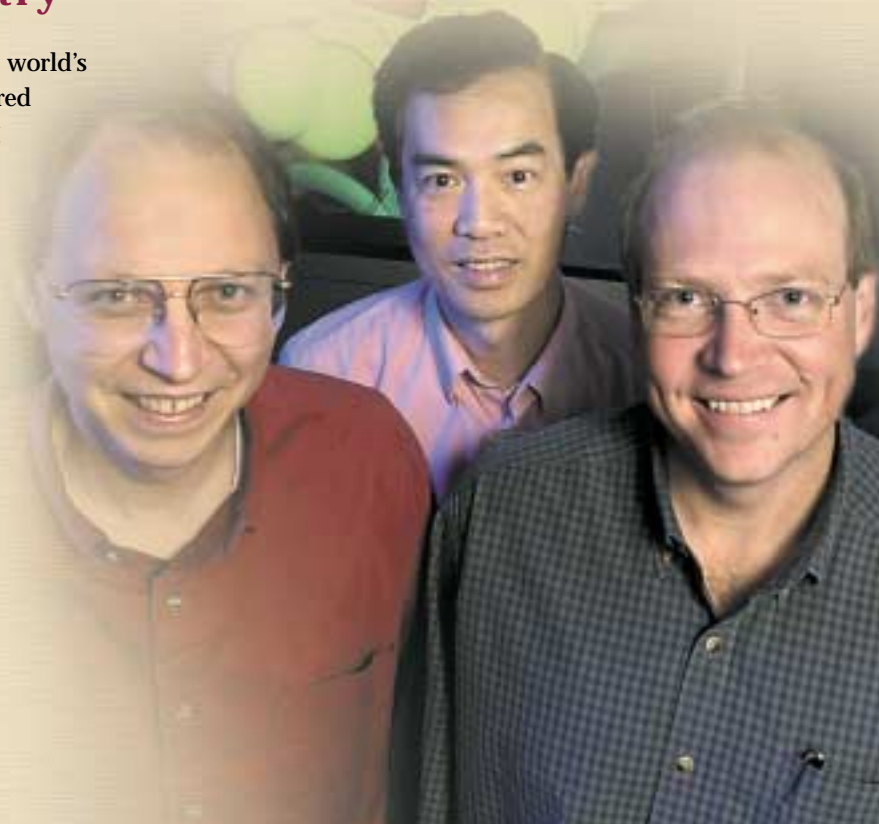
The protection of intellectual property should apply from the discovery of new molecules to the next generation innovations that benefit patients. Pharmaceutical innovation continues even after a medicine has been approved and must be encouraged. Ongoing innovations that enhance safety, reduce side effects and yield new indications are examples of meaningful benefits to patients. For instance, improved antiretroviral formulations have significantly reduced the pill burden for HIV patients, enhancing compliance and health outcomes. Likewise, innovations that have shortened the course of antibiotic treatment not only improve patient compliance, but also help guard against resistance.

The patent system effectively balances the societal goals of encouraging innovation and providing access to its benefits. We take seriously our obligation to manage our patents in the long-term interests of both patients and shareholders. We are committed to using the patent system responsibly. We respect the intellectual property rights of others and expect others to do the same.



## Three Abbott Scientists Honored as “Heroes of Chemistry”

The American Chemical Society, the world's largest scientific organization, honored Abbott scientists Dan Norbeck, Hing Sham and Dale Kempf in 2003 as Heroes of Chemistry for the discovery of *Kaletra*, a medicine to treat HIV/AIDS. The Heroes of Chemistry program recognizes the contributions of industrial chemical scientists who create commercially successful products. Each year, through different themes, the program highlights innovations that affect and improve everyday life. In 2003, the program honored scientists whose work has improved children's health and wellness.



## Innovation in Medical Products

Our medical products businesses compete in distinct markets characterized by rapid technological advancements that require agile responses to evolving market conditions. To better position our businesses in this fast-paced environment, in 2003 we developed an operating model where each business operates independently with full responsibility for performance and growth.

Building on our commitment to broad-based health care that is rooted in science, we also completed several targeted acquisitions that will help us to extend the value of advanced medical technology. For more information on Abbott's strategic alliances and acquisitions in 2003, visit [www.abbottdiagnostics.com](http://www.abbottdiagnostics.com).

Moving forward, we will focus our medical products businesses on key growth areas, including cardiovascular devices used in the treatment of the heart and surrounding arteries; plates, screws and rods used in spinal surgery; nutritional products for people of all ages; point-of-care testing; blood glucose monitoring; immunoassay/clinical chemistry testing; and molecular diagnostics.

## Philanthropy to Support Innovation

The Abbott Laboratories Fund supports a diverse group of organizations engaged in the advancement of medical innovation and the development of future scientists. In 2003, we provided grants to the American Foundation for Pharmaceutical Education, American Society for Clinical Research and the Life Sciences Research Fellowships. We also support organizations, such as the Foundation for Biomedical Research, which are dedicated to promoting humane and responsible use of animals in medical and scientific research. We work with programs that stimulate early interest in science, math and technology at the middle and high school levels, such as the Center of Science Innovation, Lake Forest College Project Explore, *Operation Discovery*, Camp Invention and the Keystone Science School. A major focus of these grants is exposing young people from diverse backgrounds to different learning environments. For more information about Abbott's giving in the area of science innovation, please visit [www.abbott.com/citizenship/communities/education.shtml](http://www.abbott.com/citizenship/communities/education.shtml).





## Q&A on Global Diagnostics Research

*Gerald Schochetman, Ph.D., Director, Infectious Diseases R&D, Abbott Diagnostics Division*

**Q** What is your background and role at Abbott?

**A** *In Abbott's diagnostics business, there are two major areas of research and development. One focuses on life sciences, which covers diseases such as cardiovascular disease and cancer; and another focuses on infectious diseases, which is the area that I lead. Prior to joining Abbott in 1997, I worked for the U.S. Centers for Disease Control (CDC) and Prevention where I oversaw the research and diagnostics laboratories in the HIV/AIDS program.*

**Q** How do you prioritize your research and address the global nature of infectious diseases?

**A** *Our infectious diseases strategy is to identify areas where there are unmet public health needs and major commercial opportunities. A significant part of Abbott's diagnostics business is to help keep the world's blood supply safe. We are investing in diagnostics tests for HIV, hepatitis B, hepatitis C, Chagas' disease, SARS and the West Nile virus – all debilitating illnesses with a global reach.*

*We live in a global village, and infections are transmitted quickly around the world with the migration of populations. For example, the West Nile virus, which began in Africa, has spread to many parts of the world. It is a growing problem in the United States. According to the CDC, the infection grew from an initial outbreak of 62 reported cases in 1999 to more than 9,000 cases in 2003, including more than 225 deaths. Many more cases go unreported, as only one out of every 150 infected people develop severe symptoms. An estimated half million people in the United States were infected in 2002 with the West Nile virus. We are working with the FDA and other organizations to develop blood-screening tests. We are also developing better tests to screen for Chagas' disease, which affects 16 million to 18 million people worldwide and for which there is no known treatment in its chronic stages.*

**Q** How does Abbott's diagnostics research contribute to the fight against HIV/AIDS?

**A** *Abbott's HIV Global Surveillance Program, which we established in 1996, is an excellent example of how we*

*are contributing to the scientific knowledge base about HIV. The goal of this program is to characterize the genetic diversity of HIV and to monitor for an emergence of new HIV strains, with a considerable focus on strains found in developing countries. The original HIV assays developed in the 1980s were for the virus strain that is still the most prevalent type of HIV in the United States and Europe, yet it represents only a small percentage of the worldwide HIV infections. Because we market our HIV tests worldwide, we must ensure that our assays can detect any variant of the virus. Through our global surveillance program, we collaborate with local experts and blood banks in Africa, Asia and Latin America to collect samples, following clinical standards and informed consent requirements in the country of origin.*

*We then challenge our assays and also evaluate our competitors' assays. This program has aided the development of diagnostics and patient monitoring assays that perform to a high standard in all environments. Each year, our scientists publish papers and share our results at scientific conferences around the world. This way, we are furthering scientific understanding and raising standards for all diagnostics tests.*

**Q** *Determine HIV is a rapid test that Abbott is making available to the developing world. What were the drivers for creating Determine HIV?*

**A** *We identified a compelling need in developing countries for a rugged, reliable and high-quality test to detect HIV. This product is a simple, yet high-quality assay that delivers accurate results. Patients can know the results of their test within a few minutes. This enables the health professional to begin the appropriate course of care immediately, without requiring the patient to return days later for the results, which is extremely difficult in remote areas where people must walk miles to get to a health clinic. Now, any field hospital or remote village medical unit – even in areas without access to refrigeration, electricity or clean water – can quickly test for HIV. The technology behind Determine is filling a need and making a difference in the developing world.*





## **Diversity of Talent and Perspectives**

Having a diverse work force – in terms of geographic origin, ethnic background, gender, race, religion, disability and life experiences – enriches Abbott with new perspectives and insights, and enables us to better understand and connect with our customers. Diversity spurs innovation and generates new ideas to explore in research, products that benefit patients and programs that make a difference to society.

## Diversity and Inclusion in the Workplace

Simply defined, diversity recognizes similarities and differences. Inclusion builds a foundation where each employee can reach their full potential by embracing concepts such as awareness, acceptance, respect and understanding. Our goal is to create an inclusive culture at Abbott that enables all employees to contribute to our company's success and to develop their talents, strengths, and careers. Diversity and inclusion are more than just beliefs; they are priorities. With approximately 70,000 employees in more than 130 countries, we place a premium on having a high-performing employee population that reflects the customers and markets we serve.

Abbott's efforts extend throughout our entire organization: from our board of directors to our employees. We have incorporated diversity considerations into our programs and activities, including:

- A commitment to a competitive and sustainable employee benefits package, in order to attract and retain top-quality employees.
- A commitment to complying with equal employment opportunity; nondiscrimination; and other applicable local laws, regulations and voluntary codes.
- A senior management commitment to creating a work environment where all of our employees can reach their full potential. This commitment encompasses developing great leaders, focusing on the advancement of women and minorities, supporting employee networks, and increasing awareness of the many needs of our employees through training.

### Executive Leadership

Our commitment to diversity and inclusion starts at the top. Abbott's Executive Inclusion Council, led by the chairman and CEO, works to ensure that women and minorities are advancing into management positions and that we are creating a positive work environment for employees at all levels within the company. The council sets and reviews our strategy, tracks the effectiveness of current programs, and evaluates proposals for new programs. The scope of the council's work includes review of the management pool and gaps in female and minority representation, succession planning, and recruitment and hiring strategies.

The council also receives direct input from task forces made up of female and minority employees, and works closely with divisional leaders to make sure the diversity strategy is being implemented. Each division at Abbott has its own inclusion council that is responsible for driving change. Divisions share best practices and learnings, and discuss overall strategy on a cross-divisional inclusion council.

### Diversity Training

Over the past two years, we have incorporated diversity and inclusion concepts into every management development curriculum to ensure that it becomes the integrated standard of good management practices. We offer diversity training sessions throughout the company, covering a range of issues. Within Abbott's Global Pharmaceutical Research and Development organization, employees are engaged in sessions that promote diversity and inclusion, and that emphasize the company's value of treating one another with respect. Outside of the United States, our international division rolled out a diversity and inclusion program for employees in 2003. The program focuses on the impact of women in the marketplace and workplace. Following the training, each country developed a plan of action to accelerate inclusion in the workplace, and the selection and development of women in Abbott affiliates around the world.



## Diversity in Leadership

The advancement of women is a key component of Abbott's long-range human resources strategy. We increased the number of women in executive and management positions by 71 percent, and the number of minorities in executive and management positions by 86 percent in the last five years (1999 to 2003). Women now make up 48 percent of the company's total work force in the United States, 36 percent of management and 18 percent of corporate officers.

Women represent 37 percent of the management within our Global Pharmaceutical Research and Development organization and 23 percent of the management within Abbott International.

In 2003, 247 women were identified in the succession planning process for key leadership roles. We also identified 213 minorities as successors for the company's top posts. As part of the succession planning process, senior management pays close attention to diversity of experience, making sure that future leaders have the depth and breadth of functional and business experience.

## Employee Networks

In 2003, we expanded our diversity and inclusion efforts by formally recognizing the formation of employee networks, including the Chinese Cultural Network, the Black Business Network, the Bayanihan Network, the Iberoamerican Network and the Part-Time Network. Our Women Leaders in Action network, which was established in 2002, hosted its first series of formal launch events in 2003, including the rollout of this program in Latin America.

Through these networks, employees will be able to build skills to enhance their personal and professional development. The networks, sponsored by Abbott executives and open to all employees, have been instrumental in promoting employee engagement.

## Employee Recruitment and Retention

Abbott has continued to build on our talent acquisition strategy to develop a diverse talent pool across the key areas of our business, such as science, regulatory, sales and marketing. We have formed partnerships with national and local minority and women's groups - including the Association of Latino Professionals in Finance and Accounting, the National Society of Hispanic MBAs, the Society of Women Engineers, and the National Organization of Black Chemists and Chemical Engineers - to identify potential candidates. Working with our retained minority-owned search firms, we also post positions on Web sites aimed at women and minorities.

Our college internship program supports our efforts to recruit women and minorities as well. Our program is ranked by The Princeton Review as one of the top internship programs in the country and, in 2003, our intern class of 278 students consisted of 53 percent women and 40 percent minorities.

## Recognition for Leadership in Diversity and Inclusion

In 2003, Working Mother magazine again named Abbott as one of the 10 best employers for working mothers, and we were named to FORTUNE magazine's annual list of "50 Best Companies for Minorities" for the sixth consecutive year. For more information about Abbott's awards and rankings, visit [www.abbott.com/corporate/awards.html](http://www.abbott.com/corporate/awards.html).



## *Employee Benefit and Development Programs*

Diversity programs such as these support our commitment to an inclusive workplace, help reduce turnover and make our company more productive. Abbott's voluntary turnover in the United States in 2003 was 7.5 percent, compared to 10.7 percent for the pharmaceutical industry, according to Organization Resources Counselors Inc.

Over the past three years, Abbott has concentrated on helping employees maintain a healthy balance in their work and personal lives. We continue to offer a number of employee benefits and programs that ensure our competitiveness as a global employer and address employee needs for a healthy work/life balance, such as child care services, elder care resources, disability services and flexible work arrangements.

In 2003, we made the following improvements to our benefits and employee development programs:

### *United States*

- Expanded Stock Retirement Plan investment options.

### *Outside the United States*

- Continued our roll out of the Affiliate Employee Stock Purchase Plan.
- Continued our roll out of new pension programs or improvements of existing programs for employees in many countries, particularly those in which statutory pensions are inadequate or nonexistent.
- Sponsored third-party provider child care programs at several affiliates.

### *Worldwide*

- Continued our roll out of Performance Excellence, a comprehensive career development program.
- Implemented a leadership development program for middle managers and new leaders.

## *Disability Services*

Abbott recognizes the abilities of people with disabilities, and we continuously seek opportunities to improve our communication, facilities, workstations and tools to accommodate our employees with disabilities. In 2003, we offered disability awareness training for employees at Abbott's headquarters. We also participated in Mayor Daley's Employment Fair for People With Disabilities in Chicago, Illinois, United States; and recognized National Disability Employment Awareness Month. Additionally, our headquarters has a full-time sign language interpreter on staff.

In 2003, we implemented a number of projects that made our headquarters more accessible, including the following:

- Emergency contact system for TTY users.
- Additional accessible parking spaces.
- Text/vibrating pagers issued to employees who are deaf.
- Amplified phones provided to employees who are hard of hearing.
- Power door assists added to many buildings.
- Captioned videos.
- Lift-equipped passenger shuttle buses between buildings on campus.





## Q&A on Middle East Women in the Work Force

*Hanan Shaban, Nutrition Education Program Manager, Abbott Saudi Arabia*

**Q** What is your background and role at Abbott?

**A** *Abbott Saudi Arabia established the Nutrition Education Program (NEP) in September 1999 to support the company's nutritionals business within the World Health Organization guidelines. I became manager of the program in 2001, after working for several years at Abbott Kuwait and at Aventis as a medical representative and sales supervisor. My current role is to provide educational information about health and nutrition to the Saudi women's community.*

**Q** What does diversity mean to you, relative to your environment?

**A** *In our culture, there are constraints on men and women working in the same place. Yet, in a community such as Saudi Arabia, where Saudi mothers and female doctors are the decision makers for infant nutrition, there is a great need to have a female team that is able to meet our women customers' needs. Our commitment to diversity translates to expanding the company's presence in the community by creating roles for women in a predominantly male work force. This gives us the level of access to women in the community that we need to make a difference.*

**Q** What role does diversity play in your contribution to Abbott?

**A** *The diversity of the NEP team, which includes a mixture of nationalities, cultures and experiences,*

*gives Abbott a unique competitive advantage in the Saudi pharmaceutical market. We are the only health care company in Saudi Arabia with an all-female team visiting women doctors in female-restricted areas and with the ability to provide Saudi mothers with ethical support from the Ministry of Health. Female doctors, who are hard to reach by our male counterparts, make up 70 percent of our nutritionals business. The work of the NEP team is a solid step towards diversity that benefits both Abbott's business and the community.*

**Q** Given the diversity of our marketplace and our customers, how will Abbott's commitment to diversity make a difference?

**A** *The diversity of the NEP organization is making a difference on a number of levels. Within the company, we are providing career opportunities to several young, well-educated women in the Middle East region that would otherwise be without work. In fact, Abbott Saudi Arabia, through the NEP, offers 40 women part- or full-time positions, making up 30 percent of our total employee base. We offer our female employees flexible schedules to allow them to continue their roles as mothers and homemakers.*

*Within the community, we are providing Saudi mothers with the information they need to achieve optimal maternal and infant nutrition. Over the long term, we hope to reduce the high rates of infant nutritional deficiencies in the Saudi community.*



## Retirees

Our global citizenship strategy promotes engagement with a broad range of stakeholders, including our retirees. We established Connecting Our Retired Employees in 2000 to enhance two-way communications with the more than 10,000 Abbott retirees. In 2003, our senior management met with retirees at eight gatherings throughout the United States. We also provide periodic e-mail communications, a semiannual newsletter, and a dedicated Web site with news and information for Abbott retirees. We issued a retiree directory that includes contact information for more than 6,300 retirees from Australia, Canada, China, the Dominican Republic, England, Germany, India, New Zealand, Norway, Ireland, Pakistan, the Philippines, Scotland, Switzerland and the United States.

## Philanthropy to Support Diversity and Inclusion

The Abbott Laboratories Fund and Abbott support many organizations working to promote diversity and inclusion in the fields of arts, business, education and sciences. For example, we support organizations, such as Catalyst and the Association for Women in Science, which are dedicated to advancing the leadership of women in business and science. We provided grants to organizations, such as the DuSable Museum, History Makers and Mexican Fine Arts Center, which educate the public about the contributions of various races. We also support organizations whose mission is to fight prejudice and discrimination, such as the National Association for the Advancement of Colored People and the Organization of Chinese Americans. Additional information on our philanthropic grants during 2003 is available at [www.abbott.com/citizenship](http://www.abbott.com/citizenship).

## Update on AIDS in the Workplace

Employers can play a critical role in removing the stigma of HIV/AIDS and fighting discrimination, which remains the primary barrier that keeps those who are HIV-positive from seeking help and access to treatment. Abbott's global workplace policy protects employees against discrimination and ensures confidentiality. We remain among a handful of companies with a comprehensive AIDS-in-the-workplace program in Africa, which covers education and prevention, voluntary counseling and testing, and treatment for employees and their families. Our current program covers

employees and dependents in South Africa, Botswana, Lesotho, Swaziland, Mozambique, Kenya and Nigeria. We also implemented a workplace program in Thailand and plan to expand the initiative to Brazil, India and Pakistan.





## **Environment, Health and Safety**

How we conduct our business has a direct impact on the health and safety of our employees, and the communities in which we operate around the world.

Abbott's commitment to society is to continuously manage and reduce the environmental footprint resulting from our operations, activities and products.

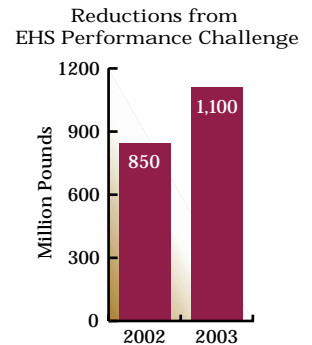
## EHS Policy

Abbott's Environmental, Health and Safety (EHS) Policy states that we will operate in a manner that is protective of human health and the environment. Our policy requires more than legal compliance. It requires strategic planning; goal setting; and the implementation of effective programs, procedures and training. We continuously review and refine all aspects of our EHS management systems, integrating improvements into our decisions and practices. Our EHS Policy, organization and management system are described in more detail on our Web site at [www.abbott.com/citizenship/ehs/define.shtml](http://www.abbott.com/citizenship/ehs/define.shtml).

## EHS Performance Challenge

The EHS Performance Challenge is how we continuously improve our performance while supporting the growth of our business. Each year, our businesses, including manufacturing sites around the world, identify projects to reduce waste and injuries, and to improve EHS performance. These projects are the result of extensive cross-functional collaborations. At the corporate level, we roll up these performance targets across the company and track progress.

The EHS Performance Challenge includes reducing the following: nonhazardous and hazardous waste, emissions to the air, wastewater discharges, and employee injuries and illnesses. The chart on the right indicates Abbott's total waste reduction through the EHS Performance Challenge. Health and safety performance is presented later in this report. More information on the EHS Performance Challenge is available at [www.abbott.com/citizenship/ehs/monitor.shtml](http://www.abbott.com/citizenship/ehs/monitor.shtml).



## Environmental Performance Data

Environmental data from all of Abbott's facilities – pharmaceuticals (covering bulk manufacturing, finishing, research and development), hospital, diagnostics and nutritional products operations – are included in this report. (A more detailed account of our performance data can be found in the Data Summary Table on page 45.) We report both absolute data and data normalized to sales, which is a practice consistent with that of our peer companies.

Although we recognize that sales are not an ideal substitute for production, sales-normalized data do help with trending performance. At this time, Abbott does not track energy and waste data from contract or third-party manufacturers.



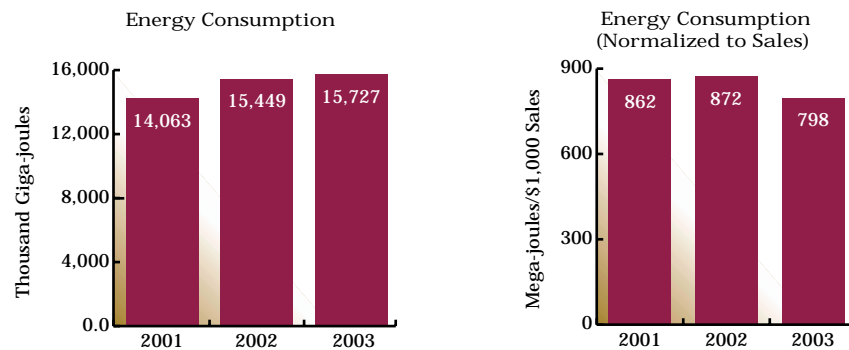
## Energy Consumption

For more than 30 years, Abbott has implemented energy management and conservation efforts designed to reduce our energy consumption. Compared to our energy consumption in 1973, our U.S. locations now use approximately 70 percent less energy per unit of output. Energy conservation provisions have been integrated into our engineering and facility-design standards. We have evaluated how emissions, capital costs and operating expenses are affected by different energy sources and new technologies, such as solar and wind power. We have found that traditional energy management technologies, and combined heat and power projects provide more value than alternative energy sources. We will continue to evaluate the viability of alternative energy sources in the future.

Whenever feasible, we use natural gas as our fuel of choice combined with cogeneration as a more efficient way to provide energy. Some Abbott facilities in Italy, Germany, the United Kingdom and the United States, including Puerto Rico, currently use cogeneration on site.

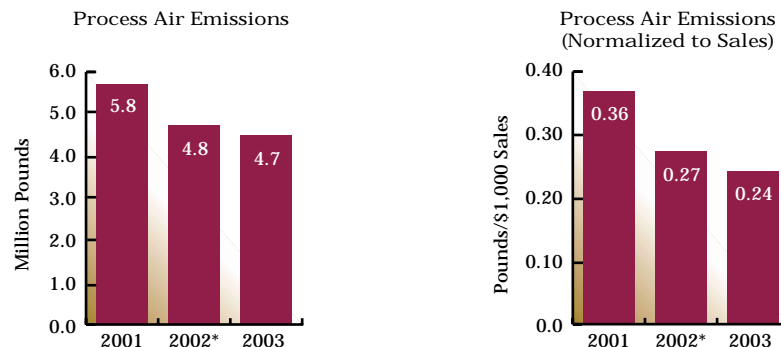
Electricity accounts for about one-third of our energy consumption and two-thirds of our energy costs, and produces one-half of our carbon dioxide (CO<sub>2</sub>) emissions. Controlling our electricity consumption provides us with the best return both economically and environmentally.

In 2003, total energy usage increased 2 percent. When normalized to sales, however, energy usage decreased by 8.5 percent. In part, this decrease was due to the energy conservation measures in place throughout the company.



## Process Air Emissions

Process air emissions worldwide declined 2 percent from 2002 to 2003, and declined 11 percent when normalized to sales.



\* Data has been updated from the last report based on a records audit.

## Greenhouse Gas Emissions

Abbott adopted an implementation plan for managing greenhouse gas (GHG) emissions. Our objective is to identify, develop and implement best practices globally for documenting and reducing Abbott's carbon-equivalent emissions. The plan is consistent with the Business Roundtable's Climate RESOLVE (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts) program, an initiative to encourage voluntary action to reduce GHG emissions. Our plan has three phases:

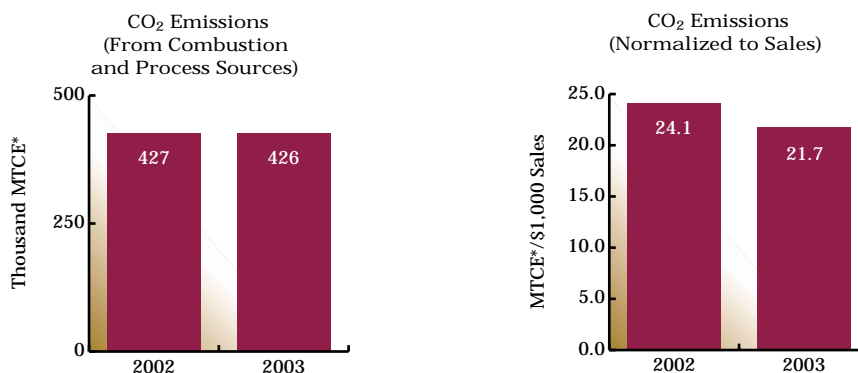
Phase I: Define GHG emissions sources and establish a policy.

Phase II: Complete a baseline inventory and report publicly.

Phase III: Develop a data management, verification and performance improvement system.

In 2003, we implemented a global GHG data management system that is consistent with accounting measures in the Greenhouse Gas Protocol – a joint undertaking of the World Resources Institute and the World Business Council for Sustainable Development. This system automatically computes for each facility the pollutant emissions from heat and power generating activities based on the type of boiler or fuel-burning equipment in use, and the quantity and type of fuel. Emissions from other fuel-consuming devices (such as pollution control equipment on our sites, and from consumption of electricity and steam produced by third-party energy providers) are also calculated.

Our GHG emissions remained flat from 2002 to 2003 and decreased 10 percent when normalized by sales. This trend tracks with our energy use.



\* MTCE means metric tons carbon equivalents.

## Water Usage

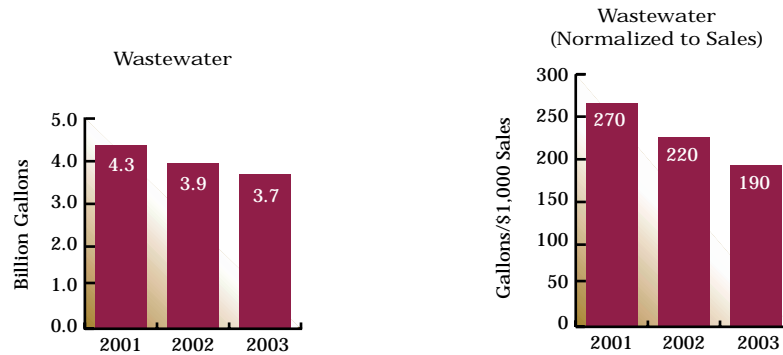
Abbott has adopted a new water use metric – total water intake – to align us with peer companies and the Global Reporting Initiative guidelines. Total water intake is defined as the total volume of water acquired from all off-site sources and nonrecycled on-site sources for facility use. Our water use in 2003 was approximately 17.6 billion gallons worldwide. Of that total, 90 percent was used by our U.S. facilities.

We also began the development of a water management strategy, which involves substantial research, including the identification of best practices; our engagement with stakeholders to understand perceptions and performance expectations; a review of current strategies at some of our largest water use facilities; and an assessment of the strengths and weaknesses of current programs. Based on this research, we will determine priorities and action steps.



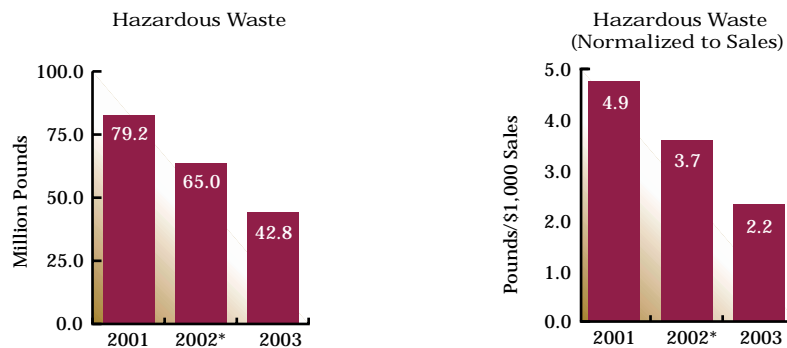
## Wastewater

The amount of wastewater discharged from our facilities worldwide decreased 5 percent from 2002 to 2003, and decreased 14 percent when normalized by sales. Much of this decrease is attributed to wastewater reduction projects under the EHS Performance Challenge (see related information earlier in this section).



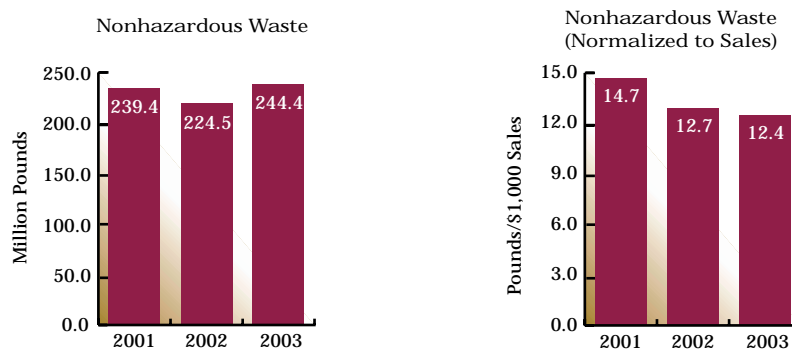
## Hazardous Waste

Hazardous waste generation decreased by 34 percent from 2002 to 2003, and decreased 40 percent when normalized by sales. We attribute this significant decrease in large part to our use of waste fuel for energy in the United States.



## Nonhazardous Waste

Nonhazardous waste generation increased by 9 percent from 2002 to 2003, and decreased 2 percent when normalized by sales. We attribute this change to two factors: the switch of some coal boilers to gas (which decreased boiler ash), and changes in the handling of waste materials in the nutritional business.



\* Data has been updated from the last report based on a records audit.

## EHS Compliance

Abbott has a number of systems in place to ensure compliance with legal requirements. In 2003, we updated the tools and guidance available to our facilities for their required self-assessments. These complement our corporate EHS assurance program. Each facility must conduct a comprehensive evaluation of its performance against all applicable regulatory and company requirements, and implement corrective action for any gaps it identifies.

In 2003, we improved the corporate assurance program. Assessment summaries, compliance trends and the status of corrective action plans are now reported to management quarterly. These reports help us develop specific action plans to address performance issues. Additional information on how we monitor and manage performance, including our EHS assurance program, is available at [www.abbott.com/citizenship/ehs/monitor.shtml](http://www.abbott.com/citizenship/ehs/monitor.shtml).

We also track Notices of Violation and associated monetary penalties. A Notice of Violation is a written citation from a regulatory body identifying a perceived nonconformance with an applicable EHS requirement. The term does not include letters of warning or other prenotice requirements. In 2003, we received 20 EHS-related Notices of Violation, all in the United States, and had no penalties. Two of the safety notices were related to fire protection. The majority of the environmental notices were associated with water discharge excursions. In 2003, we conducted formal root-cause analyses for all Notices of Violation. We developed corrective action plans, some of which we implemented in 2003, and others that we will continue to implement in 2004.

Year	Notices of Violation	Penalties
2003	20	\$0
2002	25*	\$3,500
2001	28	\$8,514

\*Number differs from that provided in 2002 report due to new information that became available after publication of the report.

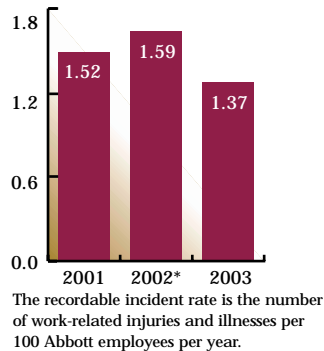


## Employee Health and Safety

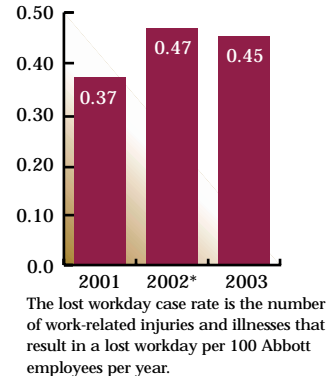
There were no employee or contractor fatalities at Abbott due to work-related incidents in 2003, an improvement over our 2002 performance. Our recordable incident rate improved by 14 percent, and our lost workday case rate improved by 4 percent as compared to our 2002 performance. Compared to other pharmaceutical companies, Abbott's recordable incident rate for our pharmaceutical operations is low.

We attribute the improvement in Abbott's safety performance to several factors: integration of Global EHS Standards into our business systems and strategies; sharing of best practices – such as active management support, effective EHS leadership and comprehensive programs – from our strongest performing facilities; and program focus. We will continue to concentrate our efforts on those areas of highest risk, such as ergonomics and motor vehicle accidents. We expect further improvements as we execute our long-range plan.

Recordable Incident Rate



Lost Workday Case Rate



\* Data has been updated from the last report based on a records audit.

## An OSHA-Abbott Alliance to Improve Employee Safety

In 2003, Abbott became the first company in the health care sector to join the U.S. Occupational Safety and Health Administration (OSHA) Alliance program, which encourages organizations to work cooperatively to improve safety for all employees. Our alliance will be aimed at assisting employees in the health care industry.

OSHA and Abbott will focus on three program areas: training and education, outreach and communication, and the promotion of a national dialogue on workplace safety and health. Specific initiatives include the following:

- Partnering with key business schools to develop curriculum content and the business case for implementation of comprehensive workplace safety and health programs.
- Participating in forums, roundtable discussions and stakeholder meetings on health care industry issues to help forge innovative solutions in the workplace.

- Engaging with stakeholders in the nursing home community regarding practical solutions to reducing injuries and illnesses, with a pilot program to be focused in Illinois, United States.

“We welcome the expertise and knowledge that Abbott brings to help ensure that workers in the health care and pharmaceutical arena will have safe and healthful workplaces,” said OSHA Administrator John Henshaw. “The results of this alliance will touch thousands of workers in the industry, and we are pleased that Abbott has joined us in this important effort.”



### Ergonomics

Incorporating ergonomics early into the design of jobs, tools, equipment and facilities reduces the risk of injuries. We introduced a training program, Design for Ergonomics, to engineers in Lake County, Illinois, United States; and Barceloneta, Puerto Rico. The training provides engineers with the knowledge and tools they need to reduce ergonomic risk in the design phase of employee workstations and process equipment, and covers topics such as clearance, reach, posture, repetition, force, tool design, lifting, carrying and maintenance. We implemented 29 ergonomics engineering projects, which contributed to a 15 percent reduction in ergonomics-related injuries to employees in 2003 compared to 2002.



### Collaboration With the University of Puerto Rico

Abbott joined with the University of Puerto Rico Graduate School of Public Health to study the anthropometrics – the size and proportion of the human body – of the local population. In 2003, 156 Abbott employees were evaluated. The evaluation process will conclude in early 2004. The results of this study will help ensure Abbott engineers have the most appropriate anthropometric data when designing workstations for our operations in Puerto Rico.

### Emergency Preparedness

Emergency preparedness is an important component of our overall EHS program. All facilities are required to comply with our Emergency Preparedness Global Technical Standard. In addition, many facilities have collaborative relationships with local emergency response organizations, such as fire departments and hospitals.

In light of the changing global landscape, we conducted extensive reviews of all emergency response plans (ERPs) for manufacturing and commercial sites. A corporate officer in our Global Pharmaceutical Operations organization directed this review and reported it to the chairman and CEO. The review uncovered significant variation between existing plans. To improve consistency and to ensure adequate provisions worldwide, we developed a model ERP covering 15 core emergency conditions (e.g., a chemical threat); six site-specific emergency conditions (e.g., an earthquake); and an implementation plan that included training and extensive follow-up. Through this standardized process, we have increased our level of global emergency preparedness. Our internal EHS assurance program will monitor compliance.



## Ergonomics Highlights

Abbott's facility in Campoverde, Italy discovered ergonomic problems in a process where employees added raw materials into production equipment.

An employee would lift a container from floor level, climb four steps and balance the container while pouring contents at shoulder level. We modified the process, including the elimination

of the stairs. Employees now move raw materials directly to a waist-high dumping point for the equipment, which reduces carry distances and ergonomic stress.

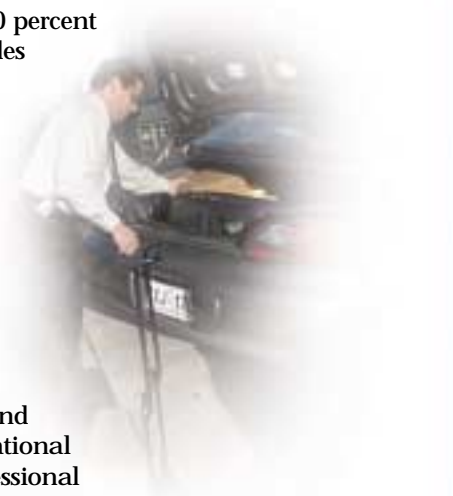
Year	Ergonomic Incident Rate	Annual Reduction
2003	0.34	15%
2002	0.40	13%
2001	0.46	-

At North Chicago, Illinois, United States, employees were required to repetitively scoop product from a large stainless steel tote onto a tray and load the trays onto a rack. Previously, operators had to bend at the waist to reach into the tote, causing strain on the lower back and upper extremities. We redesigned the process to eliminate scooping and tray lifting.

Since then, the manufacturing line has experienced no OSHA recordable incidents, compared to seven recordable incidents in the previous 12 months.

## Commercial Operations

Traditionally, our EHS programs have focused on manufacturing. Yet 30 percent of Abbott's employees work in our commercial operations, which includes field sales and service. In 2003, we established the Commercial EHS Executive Council to provide leadership in addressing fleet safety and other EHS impacts. The council meets routinely to share internal and external information on best-in-class programs and implementation plans, and to ensure appropriate management and financial support to execute our strategies. This approach will position Abbott as a leader in EHS management for commercial operations.



## Occupational Health

Consistent with our long-range plan, in 2003 we began to implement our first Global EHS Standard for occupational health services. The standard requires that each Abbott facility must provide the expertise and resources for a health services program. We refocused the global occupational health audits to evaluate implementation of this new standard. A professional competencies program was developed to ensure basic skills and career development for occupational health service providers. Training and best practice sharing continues through bimonthly teleconferences.

We also developed and implemented a global medical surveillance strategy that includes a plan to periodically update our 40 medical surveillance protocols and establishes a global review team for all new and updated protocols. The protocols address occupational exposures to hazards, such as chemicals, radiation, noise and biohazards.



## EHS Leadership at Abbott Facilities Around the World

- Mumbai, India, provided yearly medical checkups for employees. In addition, the site doctor conducted regular training programs on health, hygiene, safety, first aid and current health topics, such as SARS and jaundice outbreaks.
- China addressed SARS by providing masks to all employees to avoid infection and adopted disinfection measures to be integrated into daily office cleaning procedures. In Beijing, employees were encouraged to use flexible work hours to avoid the rush hours and crowds. In Hong Kong, the Abbott site donated nutritional products to infected health care workers and hospital patients.
- Rio de Janeiro, Brazil, showed a 50 percent improvement in safety performance and conducted Behind-the-Wheel training for 50 sales employees. The facility reduced wastewater generation by 41 percent and hazardous waste by 30 percent.
- Cootehill, Ireland, achieved significant EHS goals this year, such as developing more environmentally friendly packaging, and reducing chemical testing, emissions and energy use. Additionally, while expanding the facility to accommodate growth, the facility used tons of soil to reclaim two fields into pastureland and create a community park.



## Q&A on the Commercial EHS Executive Council

*Joseph Nemmers, Senior Vice President, Diagnostics Operations, and President, Abbott Diagnostics Division*

**Q** What is the greatest EHS challenge facing commercial operations today?

**A** *We have thousands of people in our commercial organizations worldwide who spend six to eight hours a day in a motor vehicle. The greatest risk they face is driving. Our greatest challenge is educating our commercial organization about safety – in particular, personal safety while behind the wheel of a vehicle and throughout the workday.*

**Q** Why is it critical that senior managers actively participate in this initiative?

**A** *Employee safety starts with leadership. We set the proper tone and expectations for the organization. A leader's focus on this issue raises visibility at all levels.*

**Q** What has been done to secure senior management's support in addressing EHS issues?

**A** *We called the heads of the commercial businesses to participate in the Commercial EHS Executive Council. At council meetings in 2003, the leaders of commercial organizations briefed the group on their progress in implementing their own safety initiatives. The meetings helped us identify risks and develop plans. These were*

*very effective meetings, and we expect to meet at least twice in 2004 to continue to move forward.*

**Q** How is the council working to promote safe driving practices among the sales force?

**A** *Any time we try to initiate change within the organization, we need to align ourselves towards a common idea. Everyone in the commercial organizations shares a common experience: They all spend time in a vehicle. The council supports Behind-the-Wheel (BTW) training as a way to provide*

*both awareness of and a solution to driver safety. It helps create ownership of the issue throughout the organization. Based on several years of experience with BTW training, we have seen a significant improvement in decreasing the number of accidents and their associated expense, and in improving commercial productivity. Our BTW training is extremely popular among employees, who view it as an investment in their future with very practical benefits on the job, as well as in their personal lives.*

*Flyers and brochures on safe driving can get lost, but BTW training works and stays with people for years. With this training, the council is off to a great start in demonstrating value to our employees and Abbott.*



## Remediation

Abbott is identified as one of many potentially responsible parties in investigations or remediation at 13 locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation and Liability Act. The aggregate costs of investigation and remediation at these sites by all such identified parties are uncertain, but have been subject to widely ranging estimates totaling as much as several hundred million dollars. In many cases, Abbott believes that the actual costs will be lower than these estimates, and the fraction for which Abbott may be responsible is anticipated to be considerably less and would be paid out over a number of years. Abbott may not participate in the investigation or cleanup of these sites. During 2003, we executed *de minimis* settlements in four cases and received notification for one new case.

Abbott is also voluntarily investigating potential contamination at two Abbott-owned sites and is engaged in remediation at six other sites in cooperation with the U.S. Environmental Protection Agency or similar government agencies. The six sites are comprised of one current and three former Abbott manufacturing facilities, and two purchased pieces of property contaminated by past owners or operators. At all six sites, we believe that contaminant migration is contained and presents no immediate threat to the local communities or environment.

## Green Chemistry

Scientific innovation is not limited to meeting the challenges of disease. Abbott is also concerned with novel approaches to developing pharmaceutical compounds in an environmentally friendly manner. It can take 10 to 15 years to fully develop a viable new compound and successfully commit it to a strict manufacturing process that is not easily altered. Yet, existing and reliable chemistries widely used for synthesis of pharmaceutical compounds tend to generate high volumes of waste, especially hazardous solvent waste, relative to the mass of product generated. Over the life cycle of any single product, this waste represents one of the most significant impacts our activities have on the environment.

Abbott chemists, researchers and engineers involved early in the pharmaceutical development process recognized that they had a unique opportunity to positively influence the environmental aspects of our operations. In 2003, our Global Pharmaceutical Research and Development organization's drug development group at Abbott Park, Illinois, United States, formed a team and took the following actions:

- Educated our researchers about green chemistry alternatives currently available.
- Promoted green chemistry metrics, which are now being applied to Phase I compounds in development to generate baseline performance data.
- Developed tools, including an online Solvent Selection Guide, which identifies more environmentally friendly solvent choices.

Efforts are underway to expand this initiative to our pharmaceutical R&D sites in Worcester, Massachusetts, United States; and Ludwigshafen, Germany.



## Conservation

Highlights of Abbott's support for conservation include:

- Our headquarters has maintained certification for wildlife management and education initiatives from the Wildlife Habitat Council since 1999. We manage 200 acres of wildlife habitats on the 750-acre site, including wetlands, prairie, open water and forested areas. We also have a maintenance and monitoring plan to protect a federally protected species within the site.
- Our nutritionals business donated 1,200 one-liter bottles of *Pedialyte*, an oral rehydration solution formulated for children, to help beached whales in the Florida Keys recover enough fluid and strength to return to sea. *Pedialyte* helped to hydrate the whales, which were treated by feeding them fish that had been injected with the product or by injection through a feeding tube. Extra product was supplied to a research facility in Florida that was working to nurse a sick dolphin back to health.
- Our plant in Granada, Spain, worked with a local environmental organization to organize a bird protection program. More than 200 employees and their family members volunteered for the project.
- At our site in Mumbai, India, employees have planted 4,000 trees on the facility grounds to date.



## Tanzania Care: Ensuring Sound Environmental Practices

When considering how best to improve access to HIV/AIDS treatment and care in Tanzania, it is easy to overlook issues beyond the delivery of medicines to patients. Yet, EHS systems for proper handling and disposal of contaminated medical waste can provide an immediate benefit to hospital staff, patients and the local community.

As part of the Tanzania Care program, our EHS staff is providing their expertise to Muhimbili National Hospital in Dar es Salaam. A team of EHS volunteers traveled to Tanzania in 2003 to provide waste management technical assistance to hospital and local environmental officials. We saw firsthand the challenges presented by poor waste handling, including exposed medical waste on the hospital grounds, improper disposal of used needles, untreated sewage and a rudimentary system for incinerating waste. Working with local officials, we developed a multiyear plan to better manage waste at the hospital and the local municipality. In the coming years, implementation of this plan will improve the health and safety of the local environment for the entire community.

More information, visit  
[www.abbott.com/citizenship/ehs/implement.shtml](http://www.abbott.com/citizenship/ehs/implement.shtml).



## Data Summary Table

<i>Economic Indicators</i>	<i>Unit</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>% change (2002-2003)</i>
Net sales worldwide	\$Millions	16,285	17,685	19,681	11.3
Income taxes paid	\$Thousands	984,079	1,032,287	897,354	-13.1
Cash contributions and product donations*	\$Millions	135	165	225	36.4

<i>Energy and Water Consumption</i>	<i>Unit</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>% change (2002-2003)</i>
Purchased electricity	1000 giga-joules	4634	5134	5056	-2
Normalized to sales	Mega-joules per \$1000	284	290	257	-11
Natural gas	1000 giga-joules	3855	5566	5714	3
Normalized to sales	Mega-joules per \$1000	236	314	290	-8
Coal	1000 giga-joules	2810	1745	1707	-2
Normalized to sales	Mega-joules per \$1000	172	98	87	-11
Fuel oil	1000 giga-joules	2110	2514	2609	4
Normalized to sales	Mega-joules per \$1000 sales	130	142	132	-7
Purchased steam	1000 giga-joules	654	490	641	31
Normalized to sales	Mega-joules per \$1000 sales	40	28	32	14
Total energy consumption	1000 giga-joules	14,063	15,449	15,727	2
Normalized to sales	Mega-joules per \$1000 sales	862	872	798	-8
Total water consumption	Billion gallons	no data	no data	17	-
Normalized to sales	Gallons per \$1000 sales	no data	no data	863	-

<i>Combustion Gases</i>	<i>Unit</i>	<i>2001**</i>	<i>2002</i>	<i>2003</i>	<i>% change (2002-2003)</i>
CO	Million lbs.	1.3	0.80	0.78	-3
Normalized to sales	Lbs. per \$1000 sales	0.08	0.05	0.04	-20
CO <sub>2</sub>	Thousand MTCE***	-	427	426	0
Normalized to sales	MTCE per \$ million sales	-	24	21.7	-10
NO <sub>x</sub>	Million lbs.	6.5	2	2	0
Normalized to sales	Lbs. per \$1000 sales	0.33	0.11	0.10	-9
Particulates	Million lbs.	0.9	0.8	1.3	62
Normalized to sales	Lbs. per \$1000 sales	0.052	0.045	0.052	16
SO <sub>x</sub>	Million lbs.	11.8	4.6	4.2	-9
Normalized to sales	Lbs. per \$1000 sales	0.72	0.26	0.22	-15

\* Numbers are a rounded estimate of Abbott's combined cash contributions and product donations.

\*\* Includes data from facilities in the United States only.

\*\*\* MTCE means metric tons carbon equivalents.

## Data Summary Table

<b>Air Emissions</b>		<b>Unit</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% change (2002-2003)</b>
VOCs		Million lbs.	4.2	3.6	3.7	3
Normalized to sales		Lbs. per \$1000 sales	0.26	0.20	0.19	-5
Total process air emissions		Million lbs.	5.8	4.8†	4.7	-2
Normalized to sales		Lbs. per \$1000	0.36	0.27†	0.24	-11

<b>Waste Generation</b>		<b>Unit</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% change (2002-2003)</b>
Hazardous waste		Million lbs.	79.2	65†	42.8	-34
Normalized to sales		Lbs. per \$1000 sales	4.9	3.7†	2.2	-40
Nonhazardous waste		Million lbs.	239.4	224.5	244.4	9
Normalized to sales		Lbs. per \$1000 sales	14.7	12.7	12.4	-2

<b>Wastewater</b>		<b>Unit</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% change (2002-2003)</b>
Process wastewater		Billion gallons	4.3	3.9	3.7	-5
Normalized to sales		Gallons per \$1000 sales	270	220	190	-14

<b>Environmental Spending</b>		<b>Unit</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% change (2002-2003)</b>
Expense		\$Millions	66	66	65	-2
Capital		\$Millions	36	29	17	-41
Total		\$Millions	102	95	82	-14

<b>Fines, Audits, Inspections</b>		<b>Unit</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% change (2002-2003)</b>
EHS fines		\$Thousands	8,514	3,500	0	-100
Notices of Violation			28	25	20	-20
EHS audits of Abbott facilities			18	29	20	N/A

<b>Health and Safety</b>		<b>Unit</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% change (2002-2003)</b>
Recordable Incidence Rate		Incidents per 100 employees per year	1.52	1.59†	1.37	14
Lost Workday Case Rate		Cases per 100 employees per year	0.37	0.47†	0.45	-4

† Data has been updated from last report based on a records audit.

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A list of awards and recognitions received by Abbott in 2003 is available at [www.abbott.com/corporate/awards.html](http://www.abbott.com/corporate/awards.html).





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