Annual Report 2020

Fisher & Paykel HEALTHCARE

Contents

FINANCIAL AND BUSINESS HIGHLIGHTS	6
CHAIRMAN'S REPORT	10
CEO'S REPORT	12
OVERVIEW OF OUR BUSINESS	14
MATERIAL MATTERS	20
FOCUS ON: HEALTH, SAFETY AND WELLBEING	22
FOCUS ON: BETTER PRODUCTS	24
FOCUS ON: GLOBAL REACH	26
BOARD	28
EXECUTIVE MANAGEMENT TEAM	30
FINANCIAL COMMENTARY	33
FINANCIAL STATEMENTS	37
NOTES TO FINANCIAL STATEMENTS	41
AUDITOR'S REPORT	66
CARING SUSTAINABLY: ESG REPORT	69
FIVE YEAR SUMMARY	106
GLOSSARY	109
GRI AND TCFD CONTENT INDICES	110
DIRECTORY	113

This report covers the financial year ended 31 March 2020 and is dated 29 June 2020. The report has been approved by the Board and is signed on behalf of Fisher & Paykel Healthcare Corporation Limited by Tony Carter, Chairman and Lewis Gradon, Managing Director and Chief Executive Officer.

TONY CARTER
CHAIRMAN

LEWIS GRADON
MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

About this Report

Welcome to our 2020 Annual Report – Beyond. This report highlights the work we have done this year to improve health and outcomes for patients all over the world, and the financial results we achieved while doing so.

This report is designed to meet the needs of a wide range of stakeholders. Beyond our financial performance, our investors, customers and employees want to know about our track record with regard to the environment, social responsibility, and governance (ESG). For that reason, we have outlined our ESG commitments and metrics in the second half of this report, called "Caring Sustainably".

We have prepared this year's annual report in accordance with the Global Reporting Initiative (GRI) standards: Core reporting option. This year we are also implementing recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), disclosing our global carbon footprint and integrating commentary related to governance, risk and sustainability.

As with all areas of our business, we are always looking for opportunities to continuously improve our annual reporting. Please address any questions, comments or suggestions to investor@fphcare.co.nz.

Digital versions of this report and our previous annual, interim and sustainability reports are available at www.fphcare.com/investor-reports.

Constant currency information contained within this report is non-conforming financial information, as defined by the NZ FMA and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot financial currency fluctuations and hedging results, and has been prepared on a consistent basis each financial year. A reconciliation between reported results and constant currency results is available on page 36 of this report. The company's constant currency framework can be found on our website at www.fphcare.com/ccf.

More than fifty years ago, we looked beyond what was possible. Through ingenuity and collaboration, we created a device to deliver humidified air and oxygen to patients in hospital.

That device became a full range of world-leading products and therapies essential for treating patients in 2020 – and beyond.

Photo credit: © Victor J. Blue/The New York Times/Redux/Headpress. **Article:** https://www.nytimes.com/2020/04/12/nyregion/coronavirus-births-mothers.html

In the 2020 financial year, our products touched the lives of around 16 million patients, including many with COVID-19.

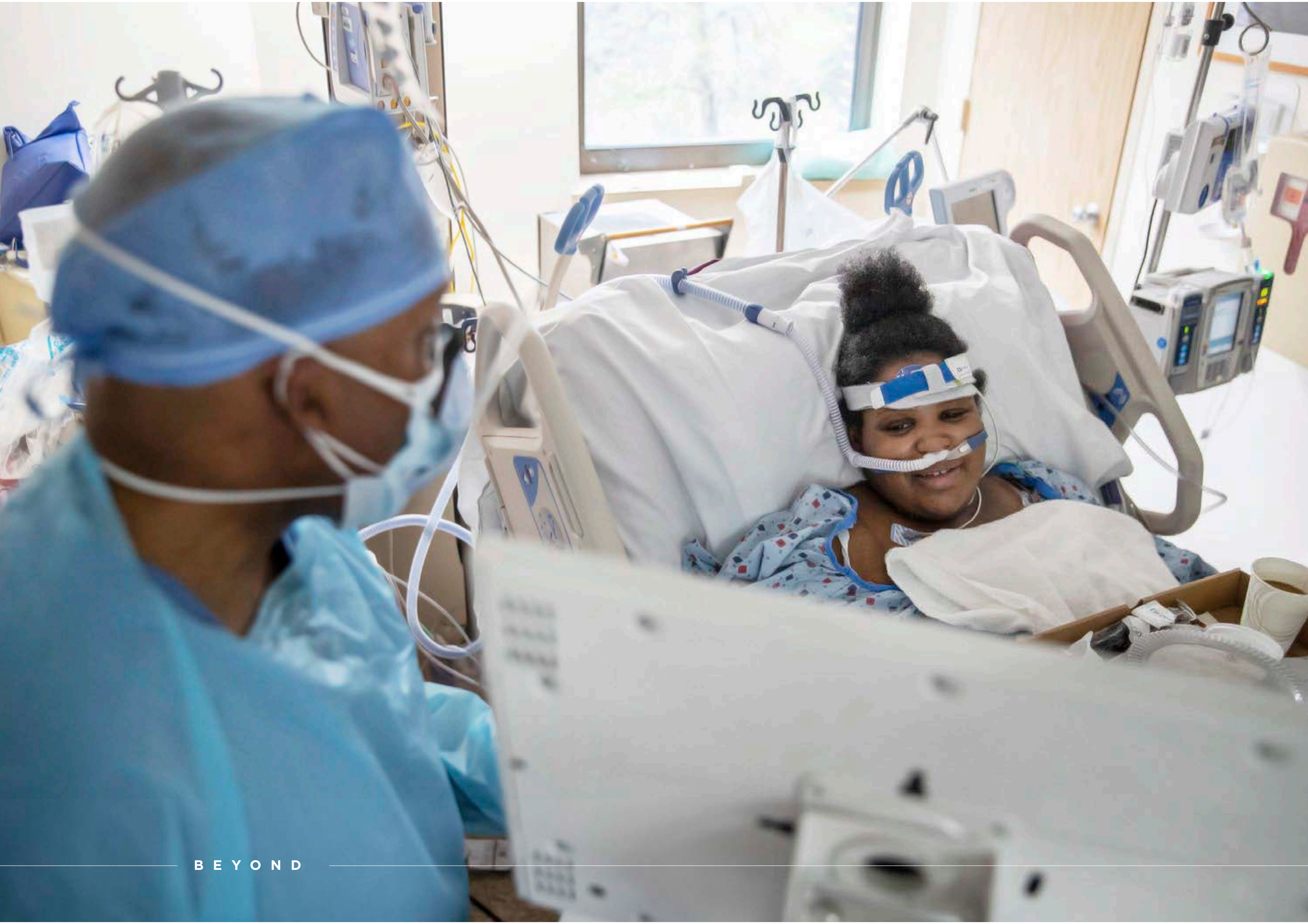


Photo credit: © Victor J. Blue/The New York Times/Redux/Headpress. **Article:** https://www.nytimes.com/2020/04/12/nyregion/coronavirus-births-mothers.html

Financial & business highlights

OPERATING REVENUE

$1.26B

▲ **18%** | 2019 $1.07B

NET PROFIT AFTER TAX

$287.3M

▲ **37%** | 2019 $209.2M

GROSS MARGIN

66.1%

73 BASIS POINTS DECREASE

TOTAL DIVIDEND FOR YEAR
FULLY IMPUTED

27.50CPS

▲ **18%** | 2019 23.25CPS

SPEND ON R&D

$118.5M

9% OF OPERATING REVENUE

HOSPITAL REVENUE

$801.3M

▲ **25%** | 2019 $642.3M

HOSPITAL HARDWARE
REVENUE GROWTH

37%

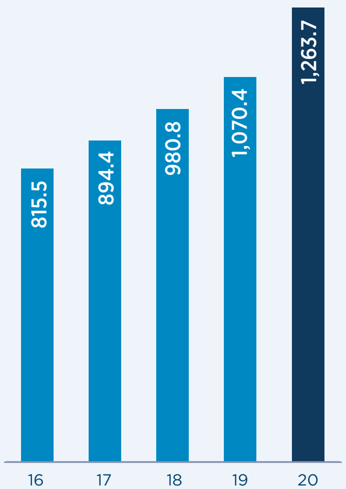
(CONSTANT CURRENCY)

NEW APPLICATIONS CONSUMABLES
REVENUE GROWTH

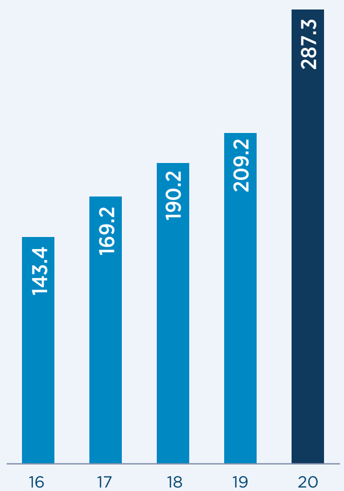
23%

(CONSTANT CURRENCY)

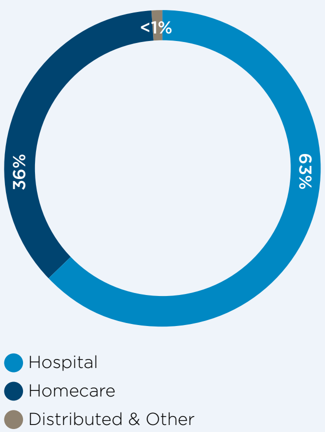
OPERATING REVENUE
NZ$ MILLIONS



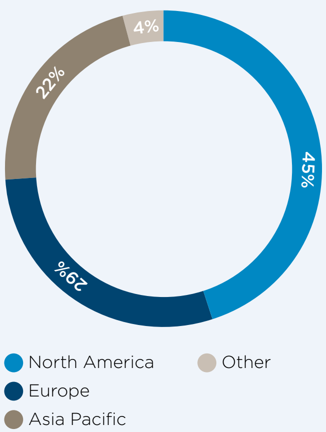
NET PROFIT AFTER TAX
NZ$ MILLIONS



REVENUE BY PRODUCT GROUP
12 MONTHS TO 31 MARCH 2020



REVENUE BY REGION
12 MONTHS TO 31 MARCH 2020



+ IMPACTED

the lives of approximately 16 million patients around the world, including many with COVID-19.

+ LAUNCHED

the F&P Evora™ compact nasal mask for OSA in New Zealand, Australia, Europe and Canada.

+ EXPANDED

release of the F&P 950™ heated humidification system in Europe and the F&P Vitera™ mask in the US.

+ OPENED

new sales offices in Poland and Mexico, with our own dedicated sales teams promoting products in these countries.

+ WELCOMED

Dr Jean-Pierre Frat, a global key opinion leader, to present his findings on the use of nasal high flow therapy in his practice.

+ COMMEMORATED

50 years of care with employee events around the globe.

+ CONTINUED

with the global roll-out of our enterprise resource planning (ERP) system in the US.

+ INCLUDED

in the FTSE4Good and Dow Jones Sustainability Indices for 2019.

+ JOINED

other New Zealand climate leaders as a member of the Sustainable Business Council.

+ HONOURED

to receive the inaugural Value of Design Black Pin in the NZ Best Design Awards.

Hospital

Invasive ventilation

Our products for invasive ventilation provide warm, humidified air to patients with bypassed airways. This can help maintain the natural balance of heat and moisture in the airways.

Noninvasive ventilation

Noninvasive ventilation is a therapy which provides airway support for patients through a face mask. Heated and humidified gas flows can improve patient comfort and compliance, reduce airway drying and improve secretion clearance.

Optiflow nasal high flow therapy

Nasal high flow is a respiratory care therapy delivering high flows of air and oxygen through a unique F&P Optiflow™ nasal cannula. This allows comfortable, effective delivery of up to 100% oxygen for patients in mild to moderate respiratory distress.

Surgical technologies

Our surgical products provide warm, humidified CO_2 during surgery, which may protect patients from hypothermia and post-operative pain and reduce the risk of surgical site infections, adhesions and cancer metastasis.

63%
OF OPERATING REVENUE

OPERATING REVENUE
$801.3M
↑25%

CONSTANT CURRENCY REVENUE FROM NEW APPLICATIONS CONSUMABLES
↑23%

Homecare

CPAP therapy

Our range of CPAP machines and masks support patients with obstructive sleep apnea. Our masks have become well known for their comfort, simplicity and ease of use, which is a key factor in patient compliance. Our patient management and support tools complete a seamless experience to help patients succeed in embracing therapy.

Home respiratory support

We have taken our expertise in nasal high flow therapy and non-invasive ventilation from the hospital to offer respiratory support in the home and in long-term care settings, with the intention of improving patients' quality of life and reducing hospital admissions. The F&P myAirvo™ device provides flows of humidified air, which can contain supplemental oxygen if necessary through an Optiflow nasal cannula or tracheostomy connector, and is used for patients with chronic respiratory conditions such as COPD or bronchiectasis.

36%
OF OPERATING REVENUE

OPERATING REVENUE
$457.3M
↑9%

CONSTANT CURRENCY REVENUE
↑4%

Report from the Chairman of the Board **Tony Carter**

Only weeks after we announced our half-year results in November, the novel coronavirus emerged in China. Within the course of a further few months, the virus had spread to Europe and North America, and suddenly, Fisher & Paykel Healthcare was called on to play a key role in the middle of a worldwide pandemic. Across the globe, our people stepped up to the challenge, going above and beyond to deliver.

Before COVID-19 impacted sales, the 2020 financial year was already on track to deliver strong growth. As a result of increased demand for our Hospital and Homecare products, the second half of the 2020 financial year saw the company deliver better-than-expected performance.

Operating revenue was $1.26 billion, up 18 per cent over last year, or 14 per cent in constant currency. Net profit after tax was $287 million, up 37 per cent over the previous year.

Strategic progress

Innovation is a constant for us, and this year we were pleased with the successful launch of F&P Evora, a new compact nasal mask for the treatment of obstructive sleep apnea. We also released several new consumable products for use on adult and neonatal patients in hospitals. This included new sizing for our Optiflow Junior 2+ products and a new Airvo™ AirSpiral tube and chamber kit for use in the US.

Consistent with our strategy to expand into international markets, we opened new sales offices in Poland and Mexico. Maintaining a direct sales presence in these countries will allow the company to scale more effectively into Eastern Europe and Mexico and focus on changing clinical practice through our relationships with customers.

During the 2020 financial year we commenced manufacturing in the Melville Building, our second manufacturing facility in Tijuana, Mexico. This building provides more than 4,000 square metres of additional manufacturing space, allowing us to increase our production capacity on infant care and adult consumable products.

Last month, we completed the fourth building on our Auckland campus, the Daniell Building, which highlights our commitment to high-tech innovation in New Zealand. This impressive addition couldn't have come at a better time, providing additional research and development facilities, manufacturing space and a state-of-the-art distribution centre that will be crucial to meeting the increased demand for our respiratory products.

The COVID-19 pandemic has highlighted how important it is to maintain manufacturing operations in multiple locations. Having facilities in both New Zealand and Mexico has been a significant advantage and has given us a higher level of confidence in our business continuity plans. We will continue to progress our work on increasing our manufacturing footprint.

Board update

Last November, I announced my intention to retire as Board Chairman effective at the close of the annual shareholders' meeting in August this year. As I mentioned in the interim report, director Scott St John will step into the role of Chairman at that time. Scott joined the Board in 2015 and currently chairs our Audit & Risk Committee. He is a strong leader with excellent corporate governance and commercial skills, and he has the full support of the Board.

Fisher & Paykel Healthcare continues to support the New Zealand Future Directors' programme, and we were pleased to appoint our fifth participant, Toni Moyes, to this position in February. Toni brings a fresh perspective, as well as executive experience in technology companies, which is valuable as we continue to innovate and grow.

Fisher & Paykel Healthcare is resilient and well-positioned to respond to the global pandemic.

Our people

On behalf of the Board, I want to acknowledge the 5,000 employees of Fisher & Paykel Healthcare, who have gone above and beyond to deliver this year, especially in response to COVID-19. They were able to maintain daily operations, supply product and continue to innovate during mandatory lockdown periods around the world. I also want to thank our suppliers, government agencies and local officials in New Zealand and Mexico for the assistance they provided getting raw materials and finished goods across borders.

Dividend

Our consistent practice has been to pay a dividend to shareholders. In light of our strong performance, the Board has approved a final dividend of 15.5 cents per share.

This takes the total dividend for the 2020 financial year to 27.5 per share, which is an increase of 18% and equates to a dividend payout ratio of approximately 55% of net profit after tax for the year. The dividend will be paid on 17 July 2020.

Beyond COVID-19

At a time of great uncertainty, Fisher & Paykel Healthcare is resilient and well-positioned to respond to the global pandemic and adapt to a 'new normal'. Come what may, our innovative products and therapies will continue to shape the future of care in hospitals and homes.

TONY CARTER
Chairman

Report from the Managing Director & Chief Executive Officer **Lewis Gradon**

We talk a lot about our business purpose: to improve care and outcomes through inspired and world-leading healthcare solutions. Never before in my tenure with the company have I seen our people live out this purpose with more drive or clarity than over the past five months.

In February, the demand for our respiratory therapies accelerated in a way that has been unprecedented. At the same time, borders were closing, governments were intervening, supply chains were disrupted, and lockdowns were announced in many of the countries where we do business.

With so many patient lives hanging in the balance, our people delivered. In late January we activated a rapid response team who worked out new processes, new procedures and new ways of working safely, allowing us to double, and in some instances triple, output for some of our hospital hardware products over just a few months.

Our procurement teams worked at all hours to keep raw materials and components flowing in from suppliers. Our manufacturing teams added people and shifts to ramp up production of our Airvo, 850 and 950 humidifiers. Our sales representatives and customer services teams were inundated with inquiries, and they went to extraordinary lengths to train customers and answer their questions quickly. Our distribution centres were under a lot of pressure, but our people went above and beyond to ship products out to those so desperate for them.

Where possible, everyone not directly involved in manufacturing or distribution transitioned to working remotely, where they have continued to collaborate with key opinion leaders and progress new ideas. Many of our people have stepped up to take on challenges radically different to their everyday roles.

The pandemic has brought a new level of uncertainty into all our lives, but it has also brought out the best of our unique F&P culture. It's a culture of trust – where our people work relentlessly to keep doing the right thing for patients, even when no one is watching.

Because of our people and their unyielding commitment to doing the right thing for patients, what would have been a strong year finished better than we expected. Operating revenue was up 18 per cent over last year, or 14 per cent in constant currency, at $1.26 billion. Net profit after tax for the year was $287.3 million, which was up 37 per cent over the previous year.

Hospital product group

The increase in revenue we saw over the previous year was largely driven by growth in the use of our Optiflow nasal high flow therapy, demand for products to treat COVID-19 patients, and strong hardware sales throughout the course of the year.

In the Hospital product group, revenue increased 25 per cent, or 21 per cent in constant currency, to $801 million for the year. Revenue from new applications consumables, which include products used for nasal high flow therapy, grew by 23 per cent over the previous financial year in constant currency.

Nasal high flow therapy has steadily gained traction in the treatment of patients with COVID-19 as a way to reduce intubation rates. Over the past three months several dozen studies have been published demonstrating the benefits for patients with COVID-19, and Optiflow is becoming a 'household name' among respiratory therapists and intensivists.

We introduced several new Hospital products in financial year 2020. For treating patients on noninvasive ventilation, we launched our new vented F&P Nivairo™ full face mask, which incorporates design features to make the fit more comfortable. For invasive ventilation, we expanded our range of consumable products for the F&P 950 system, including neonatal breathing circuits in the UK and Ireland and adult circuits across Europe.

Homecare product group

In the Homecare product group, which includes our masks for obstructive sleep apnea (OSA), revenue grew by 9 per cent, or 4 per cent in constant currency to $457 million. The expansion of our F&P Vitera™ full-face mask into the U.S. contributed to our results, and we anticipate continued success with this product.

In February we launched F&P Evora, a new compact nasal mask for treating OSA. Evora showcases our commitment to 'care by design' with its innovative headgear, which is put on like a baseball cap. This makes fitting the mask easier, both for the patient and for the respiratory therapist. Our Evora team

had to implement a number of innovative manufacturing processes, and they did a great job of rising to the challenges. Already available in Australia, New Zealand, Europe and Canada, Evora will be launched next in the U.S.

Relationships

Fisher & Paykel Healthcare was founded on relationships, and relationships with clinicians are still at the heart of our business.

Before the COVID-19 outbreak, we welcomed Dr Jean-Pierre Frat to our Auckland campus to share the results of his studies into nasal high flow therapy. Dr Frat is recognised by his peers as a global key opinion leader, and his work has been cited more than 600 times. He shared his personal experiences involving the application of the therapy within his practice in France and the profound difference it has made to his patients.

In a year overshadowed by the challenges of COVID-19, we continued to demonstrate our commitment to building direct relationships with our customers. Our new sales offices in Poland and Mexico will bring opportunities for further growth in those countries as our sales representatives influence clinical practice there.

Outlook

At a time when many companies are struggling, we do not take our success for granted. No one can fully predict the scope, duration or impact of COVID-19 and its effects on operations and financial results. In the midst of the uncertainty, we will continue doing what we are known for – expanding our range of innovative products with patients at the centre.

For the first three months of FY21, our Hospital product group growth has continued to accelerate, with hardware growth of over 300 percent, and hospital consumables tracking at over a one-third increase, compared to the first three months of FY20. In our Homecare product group we are seeing evidence of both a lower OSA diagnosis rate, and OSA mask resupply levels in the beginning of FY21 returning closer to expected levels compared to the elevated levels at the end of FY20. Homecare growth for the first three months of FY21 has therefore been closer to the FY20 full year rate.

Some costs, most significantly freight, also remained elevated during the first three months of FY21. We value a long term relationship with our customers, and we have not increased their prices.

Due to significant uncertainty in the extent and duration of the impact of COVID-19 on global demand for our products, we have made some assumptions to allow us to provide some guidance for FY21. As a result, our guidance is provided on the basis that global hospitalisations due to COVID-19 peak for the first quarter of this financial year, and hospitalisations for respiratory-related illnesses and OSA diagnostic activity steadily return to normal by the end of our first half. On this basis and at current exchange rates, full year operating revenue for the 2021 financial year would be approximately $1.48 billion and net profit after tax would be approximately $325 million to $340 million.

Our assumption for guidance is not a prediction of the course of COVID-19 around the world. We are continuing to grow manufacturing capacity of hospital products during our 2021 financial year to ensure a further increase in supply of our respiratory products is available if required.

Construction is complete on our fourth manufacturing building in New Zealand. As we bring forward capital expenditure spending for new product tooling and manufacturing capacity we expect capital expenditure for the 2021 financial year to be approximately $160 million.

This has been a year of learning for all of us at Fisher & Paykel Healthcare. We've scaled up our manufacturing capabilities faster than we thought possible. We've introduced Optiflow and placed hardware in hospitals all over the world, reducing some of the hurdles to changing clinical practice. Most importantly, we've helped patients get better faster.

I want to recognise our suppliers, customers, shareholders, clinical partners, government agencies – and especially, our employees – for your support this year. Thanks to you, in the 2020 financial year our products were used to treat around 16 million patients, including many battling COVID-19 all over the world. We are confident in our ability to respond to this global pandemic, and we are optimistic about our future beyond it.

LEWIS GRADON
Managing Director & Chief Executive Officer


OPTIFLOW
Nasal Cannula
CHAMBERS QC TROLLEY
FPHC

What we do

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea.

Our medical devices and technologies help clinicians around the world to deliver the best possible patient care. They enable patients to transition into less-acute care settings, recover more quickly, and avoid more serious conditions.

Because of our products and therapies, many patients can be treated in the comfort of their own homes instead of in the hospital. Not only does this make life better for the patient, it reduces costs for the world's healthcare systems.

Product innovation has been the cornerstone of our success since 1969, when our first prototype respiratory humidifier was developed. Today, we are still striving to lead the way in the development of medical devices and technologies by continuously improving our products, pioneering new therapies, and changing clinical practice.

How our business works

RESEARCH & DEVELOPMENT

Our R&D is based in New Zealand. The team works extensively in hospitals, and with patients and clinicians, in order to develop better technology that enhances patient care. We typically invest around 9–10% of our revenue in R&D annually.

PATIENTS

Each year millions of patients are treated with our products in over 120 countries. Seeking to understand our patients' needs is what drives our R&D programme.

CUSTOMERS

We work with thousands of healthcare professionals, including doctors, clinicians and nurses, giving them the products and tools to deliver the best possible care. Our largest markets by revenue are North America, Europe and Asia Pacific.

THERAPIES

63% of our operating revenue is from products and systems used in hospitals in invasive ventilation, noninvasive ventilation, nasal high flow therapy and surgery. The remainder is from products used in home environments to treat patients suffering from obstructive sleep apnea and those in need of respiratory support.

MANUFACTURING

We manufacture in NZ (approximately 68%) and Mexico (approximately 32%). The co-location of engineering, quality, manufacturing, marketing and clinical teams facilitates collaboration and an awareness of the medical device process from concept and design right through to how our products are used by patients.

SUPPLY CHAIN

We have distribution centres located around the world and a network of distributors. We use air, sea, road and rail freight, with a focus on sustainable and cost-effective methods of transportation. We source materials from all over the world and look for socially responsible partners to support our growth.

39
Our people are located in 39 countries

1,645
People in North America, including Mexico

333
People in Europe

2,738
People in New Zealand

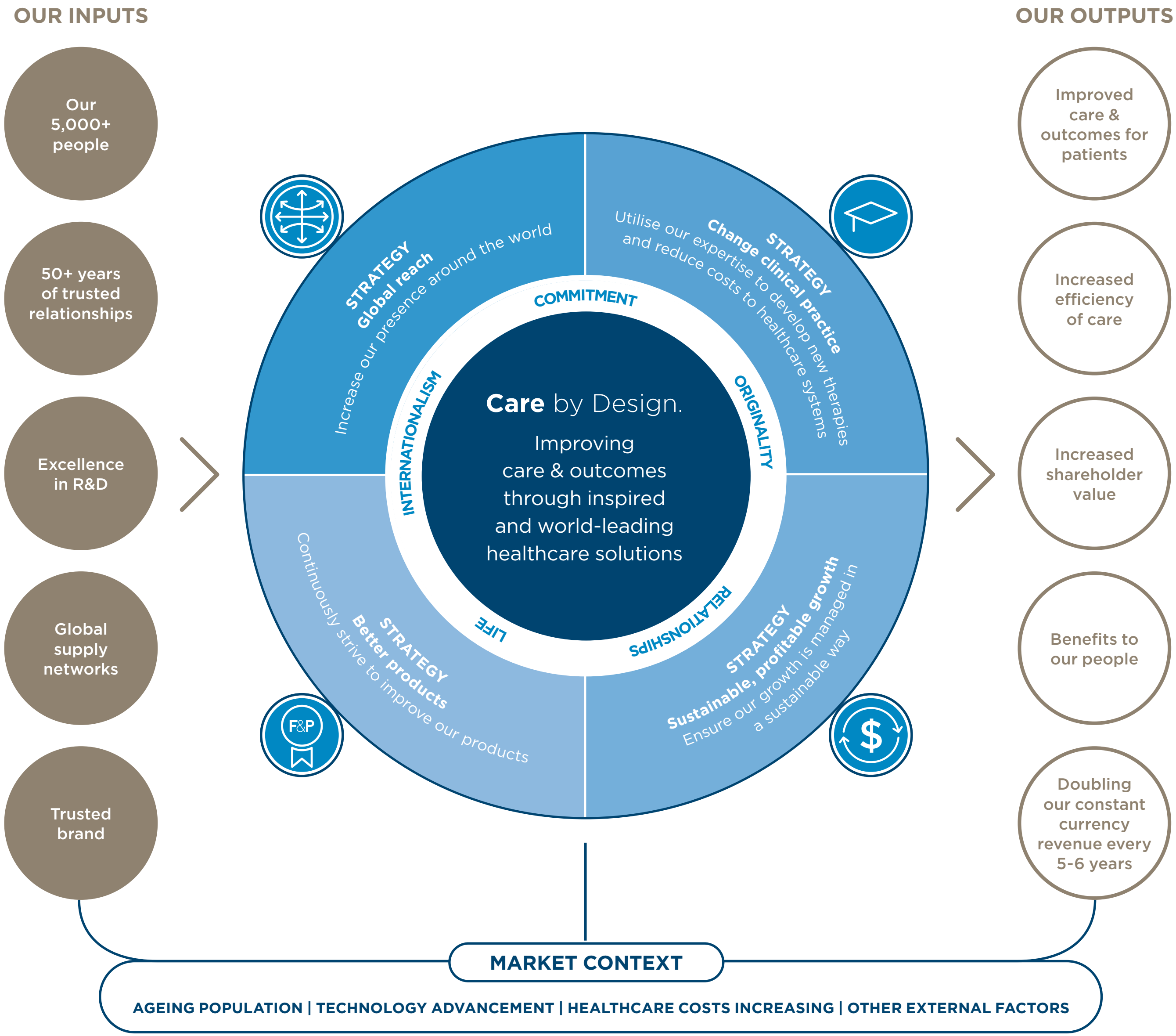
365
People in the rest of the world

Note: people numbers are represented as full time equivalents.

How we deliver value

At Fisher & Paykel Healthcare, our people are motivated by our purpose: to improve care and outcomes through inspired and world leading healthcare solutions.

Our strategy has remained consistent: We aim to grow our business in a profitable way that is sustainable over the long term by creating better products, extending our global reach, and changing clinical practice.



Our unique culture, values and beliefs

Our people have a deep emotional connection to our purpose. Care is inherent in everything we do – our relationships, our decisions, and our daily interactions with each other and with customers. Care is our philosophy and our story. But it's not by accident – it's intentional. It's care by design. Our values and beliefs reflect our commitment to care and putting patients first.

OUR VALUES

Life
We relentlessly focus on improving patients' lives and strive to provide a high quality of life for our employees.

Relationships
We care for our patients, customers, suppliers, shareholders, the environment and each other.

Internationalism
We are global in people, in thinking and in behaviours.

Commitment
We value people who are self-motivated and have a desire to make a real contribution.

Originality
We encourage original thinking which leads to the innovative solutions required to create better products, processes and practices.

OUR BELIEFS

We believe in doing what is best for the patient.

We believe the commitment to doing the right thing is what our customers will find compelling.

We believe that empathy, effectiveness and efficiency are essential to our success.

We believe our people are our strength.

We believe lessons learned are the cornerstones of innovation.

We believe in the need to be relentless in the pursuit of healthcare innovation.

Material matters

In addition to financial and strategic information, investors and other stakeholders are increasingly using nonfinancial information on other 'material' topics to make decisions. Those topics may include trends and risks that could impact a company's long-term value, as well as the economic, environmental and social impacts of doing business. 'Materiality' within this framework differs from financial and audit interpretations and NZX/ASX definitions of material information.

HOW WE DETERMINED WHAT IS MATERIAL

Each year we aim to improve our reporting on the material topics that are important to our stakeholders. In 2018, we conducted a materiality assessment using guidelines set by the Global Reporting Initiative (GRI).

We identified and prioritised material matters by considering:

- Our business risks matrix
- The United Nations (UN) Sustainable Development Goals and the UN Global Compact
- GRI guidelines
- Feedback from customers, healthcare professionals, suppliers and investors
- Broader trends, such as the ageing population, healthcare demographics and disruptive technologies.

We then reflected on the results with members of our executive management team. The results of that materiality assessment are shown in the materiality matrix on the opposite page.

In 2019, we validated and updated the assessment by interviewing a small set of key stakeholders representing different areas of our business, as well as customers, healthcare professionals, suppliers and investors. To assist in this process, we engaged an independent, third-party consultant, thinkstep.

The themes important to stakeholders remained broadly consistent from FY18 to FY19, and in our view, they remained the same in FY20. To validate this assumption, we included a question on material topics in a survey of our investors conducted by Corporate Confidence Index (CCI) in April 2020. The CCI survey results were aligned with our previous materiality assessments. Survey respondents reported the following topics as most material:

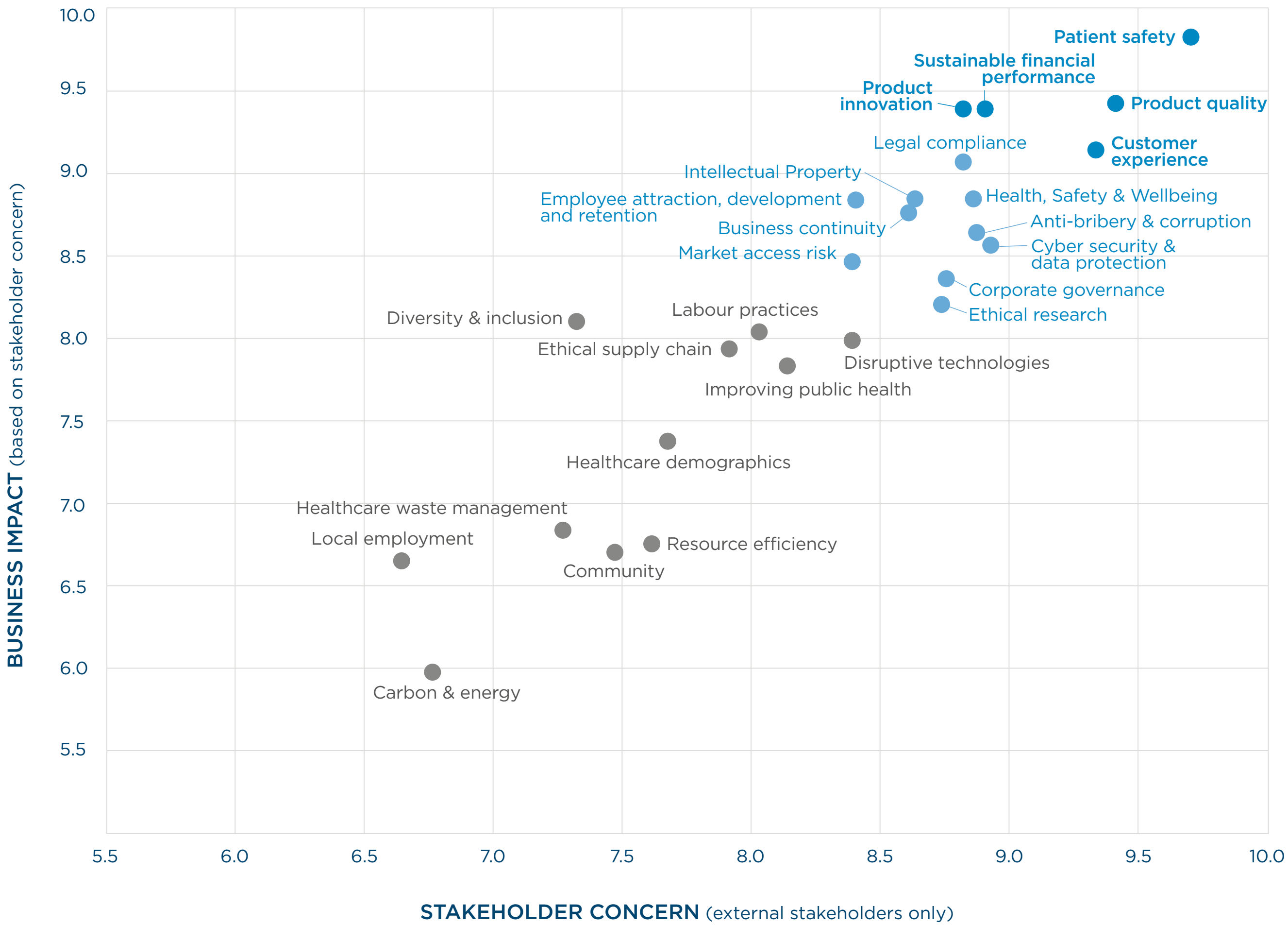
- financial performance
- product innovation
- intellectual property
- product quality
- patient safety

We have grouped the highest-ranking material matters into four categories aligned with our business strategy:

Global reach
Better products
Change clinical practice
Sustainable profitable growth

We have chosen some of those topics to discuss in more detail in this annual report and in our ESG report, "Caring Sustainably."

MATERIALITY MATRIX



MATERIAL TOPICS

Global reach

- Customer experience
- Legal compliance
- Anti-bribery and corruption
- Market access risk

Better products

- Product innovation
- Product quality
- Cybersecurity and data protection
- Employee attraction, development and retention

Change clinical practice

- Patient safety
- Ethical research

Sustainable profitable growth

- Sustainable financial performance
- Health, safety and wellbeing
- Intellectual property
- Business continuity
- Corporate governance

FOCUS ON:

Health, safety and wellbeing

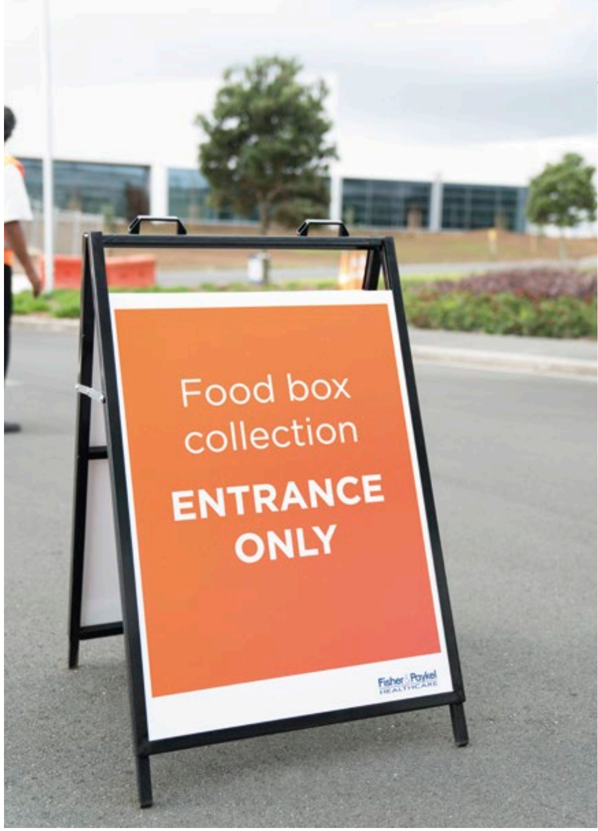
PROTECTING OUR PEOPLE DURING A GLOBAL PANDEMIC

Fisher & Paykel Healthcare products are directly involved with the treatment of patients with COVID-19 in hospitals. As an essential service, manufacturing operations have continued at our facilities in New Zealand and Mexico, with the health, safety and wellbeing of our people our top priority.

When we first became aware of the coronavirus threat, we acted quickly to keep our people and products safe. The majority of our office employees worldwide transitioned to working from home to reduce the risk to themselves and others.

At our production facilities, we have taken many extra precautions, including:

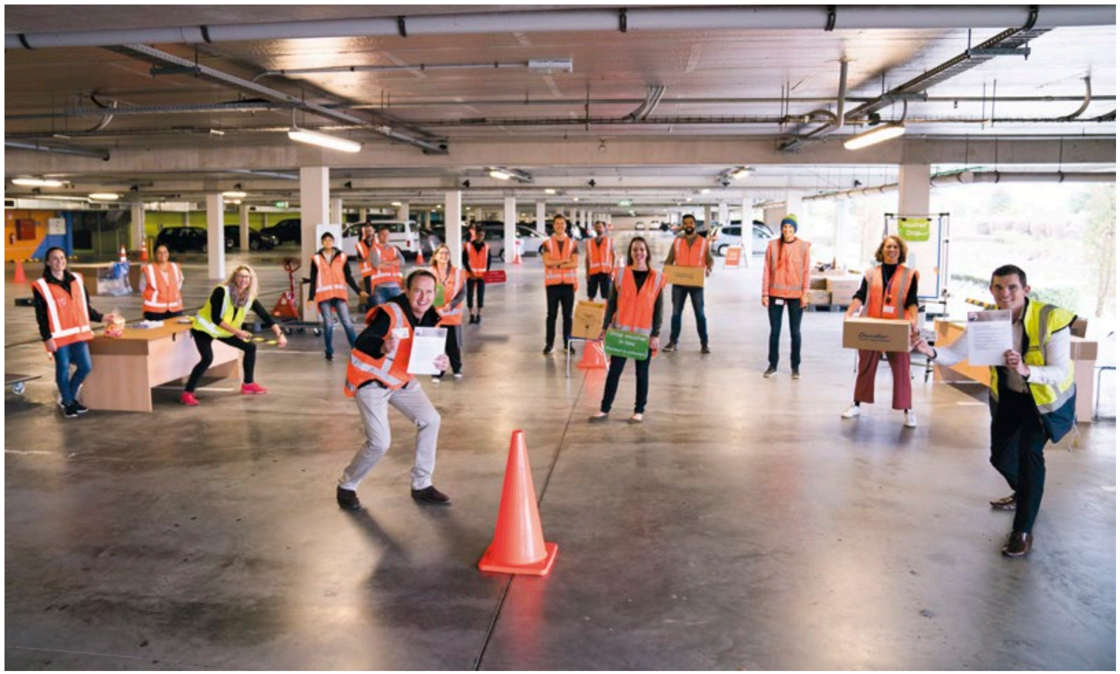
- Keeping qualified medical staff on site at all times
- Limiting the number of people on site
- Increasing awareness of good hand hygiene and providing additional hand sanitiser stations
- Implementing physical distancing wherever possible on site



- Erecting physical barriers or providing appropriate PPE for roles where physical distancing is a challenge
- Rearranging gowning rooms to allow for greater spacing between people when preparing to enter our clean rooms
- Increasing cleaning in high-traffic areas and high-touch surfaces
- Introducing staggered break times in cafeterias
- Introducing daily temperature monitoring for people on site
- Establishing close-contact procedures and a 24/7 call centre for workers concerned about COVID-19

In New Zealand, we engaged a company called Eat My Lunch to provide weekly food boxes for our manufacturing people who were needed on site during lockdown. Our salaried people working remotely also received an Eat My Lunch gift voucher, so they could have food delivered to their homes. This lessened risk by reducing the number of instances our people and their family members needed to visit supermarkets. For every meal purchased, Eat My Lunch provides free lunches for kids in need, so this initiative resulted in 9,034 free meals for children.

Our thoughts have especially been with our team in Mexico, which has been more severely impacted by the coronavirus than New Zealand. Because COVID-19 testing has been limited in the public health system in Mexico, we have provided our Tijuana employees with access to private health care for testing. Some of our people tested positive for COVID-19 and have been hospitalised. To meet their needs and support the local healthcare community at large, we donated 40 F&P Airvo humidifiers, 20 F&P 850s and associated consumables to hospitals in Tijuana.



FOCUS ON:

Product innovation

INTERVIEW WITH CHRIS NIGHTINGALE, GM, OSA OPERATIONS

Chris Nightingale, who has been with Fisher & Paykel Healthcare for 11 years, leads OSA operations on the Homecare side of our business. His team recently launched the F&P Evora™, a new nasal mask for the treatment of obstructive sleep apnea. We spoke with Chris about the unique 'Care by Design' culture at Fisher & Paykel Healthcare and how innovative ideas emerge.

What are the top three factors at F&P that have contributed to product innovation?

First, we have a fundamental belief in doing what is best for our patients. Our company founders, who started in the home appliances business, had a relentless commitment to solving problems. We have continued that philosophy to improve outcomes for patients and enthusiastically carry forward that culture of original thinking.

Second, we're big on collaboration, using a multi-disciplined, diverse team approach, while evolving and validating our ideas with our end-users. Third, we still have an underdog mentality, so we're driven to deliver innovative products that address a real need, and ultimately change clinical practice.

How do you bring designers and patients together? Is it through field work, clinics, or workshops?

Each product team within our business is focussed on a particular therapy and patient demographic. That team coordinates and conducts development clinical user trials, and they provide market and customer insight to help develop and evaluate our products. This helps ensure a deeper understanding of the environment in which our product is used, along with the individual needs of that patient and therapy – whether that's an intensive care unit for our Hospital products, or a patient's home or sleep lab for our Homecare products.

Our teams gather the most valuable insights through observation. This is where they develop true empathy for the patient. We have great facilities on site, with our own sleep lab, collaboration spaces and usability rooms that mimic the home environment or the hospital ward.

We live in an age of data. Has that changed the skills and processes that contribute to good product design?

Not only does data confirm efficacy of care, but it also enables efficiency of care. By integrating sensors into devices, we can optimise the delivery of therapy by measuring numerous variables and responding with custom algorithms. Through Bluetooth and IoT connectivity, those sensors can provide detailed and aggregated data. That data can then provide actionable insights which lead to better outcomes. This has become a core skill requirement within our business, and we have numerous roles and teams that focus on sensor design, data reporting and analytics.

What is it like to be a product designer at Fisher & Paykel Healthcare?

One of the most impressive things is the sheer number of tools and processes that we can access. An engineer here could sketch up a concept, model it using computer-aided design (CAD), then design an injection-mould tool, write the CNC code for it, machine it and mould the prototype components. This could happen all within the same week, or even the same day in some cases.

Whether it's a CNC mill, a 3D printer, sewing machine or a hot glue gun, we have the tools, equipment, facilities, skills and enthusiasm to conceive an idea, make it, and test it. All with the aim of creating products that help solve problems for our customers and patients. I can't think of a more enjoyable environment for a product designer.

As a global company, is your design workforce global, or mostly located in New Zealand?

While we collaborate with key opinion leaders and customers all over the world, our R&D and product design functions are based in New Zealand. That's because we're fortunate in this country to have world-class healthcare, efficient and effective processes for conducting clinical trials, and strong links with industry and universities for recruiting talented staff.

Although our product designers are generally New Zealand raised and trained, we are also fortunate that we can attract and retain international talent from around the globe. The diversity and quality of our design teams reflect that.

F&P Evora

This year Fisher & Paykel Healthcare launched an exciting new mask for the treatment of obstructive sleep apnea (OSA).

F&P Evora is a compact nasal mask that sits comfortably under the nose. The mask was designed to make it easier to fit, for both the respiratory therapist and the patient, and to make it easier to put on in the dark. It has headgear the patient can put on like a baseball cap in one simple and intuitive movement. Evora also has a 'floating' seal, which sits inside stability wings and allows for freedom of movement during sleep. Evora has been released in New Zealand, Australia, Europe and Canada.

FOCUS ON:

Global reach

Poland sales team

NEW SALES OFFICES IN POLAND AND MEXICO

Fisher & Paykel Healthcare continued its expansion into international markets with direct sales offices in Poland and Mexico. In a year overshadowed by the challenges of COVID-19, opening our doors in these countries was a demonstration of our commitment to market expansion.

Poland: a global collaboration

F&P Healthcare's direct launch into Poland in September last year brought with it early success and a strong possibility of further growth into Eastern Europe.

Our Poznan-based national sales manager, Karolina Stapf, heads a team of four product specialists in Poland, drawing customer-service expertise from the French office and logistics and finance support from Germany. New Zealand manages commercial sales.

New Zealand-based area manager Jonathan Allan says the global approach greatly bolsters the launch of new-player Poland, and places the company in a solid position to scale more effectively into Eastern Europe in the future.

The Poland office has already taken an order for Airvos following a Polish government initiative in March for the purchase of critically needed medical products.

New hospital developments in Poland, including a 1,000-bed facility in Krakow, signal avenues for growth for the new office in the immediate future. The F&P 950 humidification system, launched recently into the country, also holds promise, especially within neonatal care.

Changing clinical practice will be a focus for the team, and Allan credits Stapf for developing a strong network of key opinion leaders within Poland that has already established a name for the company and its products.

Mexico sales team

Mexico: off to a flying start

Fisher & Paykel Healthcare's Mexican sales office opened its doors after the combined efforts of our supply chain, ICT, regulatory, quality and international sales teams.

Based in Mexico City, the office is using a multi-distribution channel. It works directly with Mexican homecare medical gas and small OSA companies and is now experiencing a stronger relationship with ventilator manufacturers. Run by country manager Pamela Sanchez, the office was invoicing products from its first day of operation – an achievement that has snowballed into increasing revenue and sales opportunities for the emerging office.

Area manager Stuart Grant says going direct as a wholesaler has given the company better control when it comes to its clinical sales approach in Mexico. It also means more distributors can get on board to focus on potential growth areas in the country and work with hospitals through Mexico's integrated-service system.

Grant says the main challenge for the office is in embedding the right regional distributors, and this will call for flexibility in the year ahead. Although governmental capital purchasing may be unpredictable over the coming months due to COVID-19, the office is in a strong position to build on its achievements.

CHINA: HEROIC EFFORTS IN WUHAN

Our sales people based around the globe often go above and beyond to meet our customers' needs. Tina Cui, our sales representative in Hubei Province, China, received an emotionally-charged phone call soon after the news of the coronavirus was reported in Wuhan. A former nurse who joined Fisher & Paykel Healthcare in 2018, Tina drove at dusk to the epicentre of the crisis – the quarantined Wuhan Jinyintan Hospital – to educate staff on how to set up and use F&P Airvos.

Days later, the once-bustling capital of Hubei province was under lock-down, and requests for Airvos skyrocketed. Tina worked diligently to meet the demand for essential devices. She supported five Wuhan hospitals whose staff desperately needed training, including the two new hospitals the government had hastily built to accommodate COVID-19 patients. Heavy travel restrictions meant Tina had

Sales representative Tina Cui

to carry equipment on foot for about 3kms through rain and mud to meet her training commitments. Teaching while wearing a mask wasn't easy either, and she soon lost her voice.

Tina said it was only at night, after leaving her shoes at the front door of her home and taking off her clothing to be disinfected, that she allowed herself time to reflect on the turmoil around her. "I knew my colleagues were caring, and were supporting us. It let me feel warm during the hard times. It made my heart melt," she said.


Tony Carter


Lewis Gradon

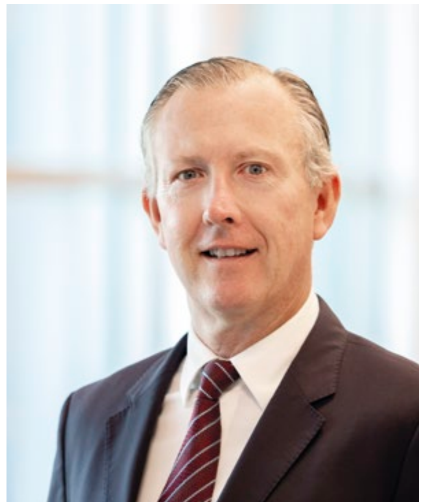

Michael Daniell


Pip Greenwood


Geraldine McBride


Neville Mitchell


Donal O'Dwyer


Scott St John

Our Board

Tony Carter

Chair and non-executive director

TERM OF OFFICE:
Appointed 1 December 2010, last re-elected 24 August 2017

Tony was managing director of Foodstuffs New Zealand Limited for ten years until his retirement in 2010. Tony is chairman of the board of TR Group and Datacom Group, a director of Vector Limited and ANZ Bank New Zealand Limited, and a trustee of the Maurice Carter Charitable Trust.

He was awarded the Companion of the New Zealand Order of Merit for services to business governance in the 2020 New Year Honours list.

Master of Engineering, MPhil (Engineering)

COMMITTEE RESPONSIBILITIES:
Member People and Remuneration Committee, Member Audit & Risk Committee, Member Quality, Safety and Regulatory Committee.

Geraldine McBride

Non-executive director

TERM OF OFFICE:
Appointed August 2013, last re-elected 24 August 2017.

Geraldine has been involved in the technology industry for 30 years and has a wealth of global experience. She has held senior executive roles at SAP AG and Dell Inc, and is a former President of SAP North America. She is a director of National Australia Bank and Sky Network Television Ltd, and the founder and CEO of MyWave.

Bachelor of Science – Zoology

Lewis Gradon

Managing Director and Chief Executive Officer

TERM OF OFFICE:
Appointed 1 April 2016, re-elected 28 August 2019.

Lewis became Managing Director & Chief Executive Officer in April 2016. Prior to that, he spent 15 years as Senior Vice President – Products & Technology, and six years as General Manager – Research and Development. During his 37-year tenure with Fisher & Paykel Healthcare he has held various engineering positions overseeing the development of our range of products as well the development of our manufacturing, quality, intellectual property, supply chain and clinical research functions.

Bachelor of Science – Physics

Neville Mitchell

Non-executive director

TERM OF OFFICE:
Appointed November 2018, elected 28 August 2019.

Neville was Chief Financial Officer and Company Secretary of Cochlear Limited between 1995 and 2017. He is non-executive director of Sonic Healthcare, Osprey Medical and Q'Biotics Group, a member of the Australian Board of Taxation, and a director of the South East Sydney Local Health District Board. Previously, he served on the New South Wales Medical Devices Fund, was Chairman of the Group of 100, and Chairman, Standing Committee (Accounting and Auditing), for the Australian Securities and Investments Commission.

Bachelor of Commerce

COMMITTEE RESPONSIBILITIES:
Member Quality, Safety and Regulatory Committee.

Michael Daniell

Non-executive director

TERM OF OFFICE:
Appointed November 2001, last re-elected 23 August 2018.

Mike was Managing Director and Chief Executive Officer of Fisher & Paykel Healthcare from November 2001 to March 2016. He was General Manager of Fisher & Paykel's medical division from 1990 to 2001 and previously held various technical management and product design roles within the company. Mike is a member of the Council of the University of Auckland, a director of Cochlear Limited, Tait Limited and the Medical Research Commercialisation Fund, and Chair of the Medical Technologies Centre of Research Excellence.

Bachelor of Engineering (Hons)

COMMITTEE RESPONSIBILITIES:
Member Audit & Risk Committee.

Donal O'Dwyer

Non-executive director

TERM OF OFFICE:
Appointed December 2012, last re-elected 28 August 2019.

Donal is a director of Cochlear Limited, Mesoblast Limited and nib Holdings Limited. From 1996 to 2003, he was with Cordis Cardiology, initially as its president (Europe) and from 2000 to 2003 as its worldwide president. Prior to joining Cordis, Donal worked for 12 years with Baxter Healthcare, rising from plant manager in Ireland to president of the Cardiovascular Group, Europe, now Edwards Lifesciences.

Bachelor of Engineering, Master of Business Administration

COMMITTEE RESPONSIBILITIES:
Chair Quality, Safety and Regulatory Committee, Member People and Remuneration Committee.

Pip Greenwood

Non-executive director

TERM OF OFFICE:
Appointed June 2017, elected 24 August 2017.

Pip is a director of Spark New Zealand Limited, Westpac New Zealand Limited and a2 Milk Company Limited, a current trustee of the Auckland Writers Festival and served as a member of the New Zealand Takeovers Panel from 2007 to 2011. Pip was a partner at Russell McVeagh between 2001 and 2019 and previously served as the firm's Board Chair. She has advised on many market-leading transactions.

Bachelor of Laws

COMMITTEE RESPONSIBILITIES:
Chair People and Remuneration Committee.

Scott St John

Non-executive director

TERM OF OFFICE:
Appointed October 2015, last re-elected 23 August 2018.

Scott is Chancellor of the University of Auckland and a director of Mercury Limited, the NEXT Foundation and Fonterra Cooperative Group Limited. Scott was Chief Executive Officer of First NZ Capital from 2002 to 2017. He is a member of Chartered Accountants Australia and New Zealand and a fellow of the Institute of Finance Professionals of New Zealand.

Bachelor of Commerce, Diploma in Business

COMMITTEE RESPONSIBILITIES:
Chair Audit & Risk Committee, Member People and Remuneration Committee.

Our Executive Management Team


Lewis Gradon


Lyndal York


Paul Shearer


Andrew Somervell


Winston Fong


Brian Schultz


Debra Lumsden


Nicholas Fourie


Jonti Rhodes


Marcus Driller

Our Executive Management Team

Lewis Gradon

Managing Director & Chief Executive Officer

Lewis was appointed Managing Director & Chief Executive Officer in April 2016. He previously served as Senior Vice President – Products & Technology and General Manager – Research and Development. He has held various engineering positions within Fisher & Paykel's healthcare business, and has overseen the development of our complete healthcare product range. He received his Bachelor of Science degree in physics from the University of Auckland.

Winston Fong

Vice President – Surgical Technologies

Winston was appointed Vice President – Surgical Technologies in February 2017. Winston previously served as Vice President - Information & Communication Technology from 2010 and has held various IT management, product and software development, and systems engineering roles in the business since 1999. Winston received his Bachelor of Engineering degree with honours in Electronics & Computer Engineering from Manukau Institute of Technology and Master of Business Administration from the University of Auckland.

Jonti Rhodes

General Manager – Supply Chain

Jonti was appointed General Manager – Supply Chain in 2015. Jonti joined Fisher & Paykel Healthcare in 2007 as a product design engineer, and since that time has held several roles, both in New Zealand and the United States, in quality, regulatory, and most recently as Group Logistics Manager. Jonti has overseen the implementation of the New Zealand and US distribution hubs and played a key role in the development of our product surveillance system. He holds a Bachelor of Engineering (Mechanical) from Auckland University of Technology and a Master of Business Administration from the University of Auckland.

Lyndal York

Chief Financial Officer

Lyndal was appointed Chief Financial Officer in March 2019. Before joining Fisher & Paykel Healthcare, Lyndal was CFO at Asaleo Care and prior to this held Head of Group Finance and Group Financial Controller roles at Cochlear in Australia over an 11-year period. She has also spent time in the US, as VP Corporate Accounting and Reporting at Edwards Lifesciences. Lyndal is a member of Chartered Accounts Australia and New Zealand, a graduate of the Australian Institute of Company Directors, and received her Bachelor of Economics from Macquarie University and Masters in Business Administration from Pepperdine University.

Brian Schultz

Vice President – Quality & Regulatory Affairs

Brian was appointed Vice President Quality & Regulatory Affairs in 2015. Brian previously served as Quality Manager for New Zealand Manufacturing since joining the company in 2011. Prior to joining Fisher & Paykel Healthcare, Brian held quality management positions within the medical device and pharmaceutical industries in Australia, Switzerland, United Kingdom and the United States. He received his Bachelor of Science degree from Grand Valley State University, Michigan.

Marcus Driller

Vice President – Corporate

Marcus was appointed Vice President Corporate in February 2019. Marcus joined Fisher & Paykel Healthcare in 2009 as an in-house lawyer and since that time has held several roles in legal, investor relations and communications and most recently as General Manager – Corporate. Prior to joining the company, he worked for New Zealand law firm, Russell McVeagh where he specialised in corporate and commercial law. Marcus received his Bachelor of Commerce and Bachelor of Laws from the University of Auckland.

Paul Shearer

Senior Vice President – Sales & Marketing

Paul was appointed Senior Vice President – Sales & Marketing in 2001. Paul previously served as the General Manager – Sales and Marketing of Fisher & Paykel's healthcare business from 1996. From 1990 to 1998, Paul held several roles in the business and established our sales operations in the UK and US. He has held various positions with Computercorp Ltd, a computer systems integrator, and ICL Ltd., a multinational computer systems company. Paul received his Bachelor of Commerce degree in marketing from the University of Canterbury.

Debra Lumsden

Vice President – Human Resources

Debra was appointed Vice President Human Resources in December 2016. Debra is from the UK and has over 20 years' experience working in HR across a variety of industries and sectors. Before joining Fisher & Paykel Healthcare, Debra was Vice President HR at Gilbarco Veeder-Root, where she headed up HR for Europe, the Middle East, Africa, and the Asia Pacific regions. She has also held senior roles with Insurance Australia Group, E2V Technologies and BAE Systems. She has a Bachelor of Science in Social Sciences from Brunel University and a Master of Business Administration from Warwick University.

Andrew Somervell

Vice President – Products & Technology

Andrew was appointed Vice President – Products & Technology in April 2016. Since joining Fisher & Paykel Healthcare in 2006, he has held various product development and operations management roles, and most recently was General Manager - Product Groups. He has overseen the development of the OSA product range and managed research and development, marketing, clinical, manufacturing, and aspects of the supply chain. Before joining Fisher & Paykel Healthcare, Andrew was a Research Fellow at the University of Auckland and holds a doctorate in physics from the same university.

Nicholas Fourie

Vice President – Information & Communication Technology

Nicholas was appointed Vice President – Information & Communication Technology in February 2017. Nicholas has been with Fisher & Paykel Healthcare since 2007, and in that time has held various systems engineering and IT management roles, including his most recent position as ICT Manager - Development & Engineering. Prior to joining Fisher & Paykel Healthcare, he worked for the South African division of BHP Billiton. Nicholas holds a Diploma in Computer Engineering from Damelin School of Information Technology in South Africa.

Financials

FINANCIAL COMMENTARY

INCOME STATEMENTS

Year ended 31 March	2019 NZ$M	2020 NZ$M	Variation Reported %	Variation CC (1) %
Operating revenue	**1,070.4**	**1,263.7**	+18	+14
Gross profit	715.8	835.8	+17	+11
Gross margin	**66.9%**	**66.1%**	–73bps	–150bps
Other income	5.0	–	–	–
SG&A expenses	(327.8)	(338.0)	+3	–1
R&D expenses	(100.4)	(118.5)	+18	+18
Total operating expenses	(428.2)	(456.5)	+7	+3
Operating profit	**292.6**	**379.3**	+30	+21
Operating margin	**27.3%**	**30.0%**	268bps	169bps
Financing expenses (net)	(1.4)	(8.8)	–	–
Profit before tax	**291.2**	**370.5**	+27	+20
Taxation	(82.0)	(83.2)	+1	–3
Profit after tax	**209.2**	**287.3**	+37	+30

[1] Constant currency (CC) removes the impact of exchange rate movements. This approach is used to assess the Group's underlying comparative financial performance without any impact from changes in foreign exchange rates. See further details on page 36.

Total profit after tax for the year was up 37% to NZ$287.3 million (30% in constant currency). Profit after tax includes $18.7M of taxation expense benefits arising from the new R&D tax credit that has been introduced in New Zealand and building tax depreciation changes.

Revenue

Operating revenue was NZ$1,263.7 million, which is 18% above last year or 14% in constant currency. Hospital revenue grew 21% in constant currency largely driven by growth in our new applications consumables, demand for products used to treat COVID-19 patients, and strong hardware sales. Homecare revenue grew 4% in constant currency.

Gross margin

Our gross margin continues to track above our long term target of 65%. The gross margin decrease of 150 basis points in constant currency largely reflected the full year of costs associated with our new Mexico manufacturing facility as well as additional air freight to expedite deliveries in response to COVID-19. This was partly offset by favourable product mix.

Operating expenses

Operating expenses increased 7% (3% in constant currency) to $456.5 million. Excluding ResMed patent litigation expenses in the prior year of $23.4 million, operating expense growth was 13% (9% in constant currency), reflecting ongoing expenditure to support global sales growth.

R&D spend of $118.5 million grew 18%. The collection of R&D related costs was improved this year to implement the new R&D tax credit. This resulted in approximately $8 million of incremental costs being classified as R&D rather than SG&A. Excluding this reclassification R&D growth was 10%. Over the long term we plan for R&D spend to grow in line with constant currency revenue growth.

At the beginning of the financial year, the Group adopted NZ IFRS 16 *Leases*. On adoption of NZ IFRS 16, rental and lease expenses are effectively reclassified into a depreciation component and an interest component to reflect the implied financing in the lease. The overall profit after tax impact of this is an increase of NZ$0.2 million for the year. The adoption has resulted in an increase in our operating profit of NZ$2.1 million offset by an increase in interest costs of NZ$1.8 million for the year in constant currency.

Financing expenses

Total reported financing expenses increased reflecting lease interest costs, lower interest income on short-term deposits and foreign exchange losses on the translation of foreign currency interest bearing liabilities, including lease liabilities.

Tax

Our effective tax rate for the year was 22.5%, down from 28.2% in the prior year. Excluding the benefit from the newly introduced R&D tax credit and the changes in tax deductibility of building depreciation, the effective tax rate was 27.5% for the year.

Callaghan Grant and R&D Tax Credit

In May 2019 the New Zealand Government passed the Taxation (Research and Development Tax Credits) Act 2019; an R&D tax incentive that provides a 15% tax credit on eligible R&D expenditure. The R&D tax credit was effective from 1 April 2019 and replaced the Callaghan Growth Grant, which was previously reported in Other Income. The tax credit reported this year of $13.4 million reflects the estimated eligible R&D expenditure incurred during the year.

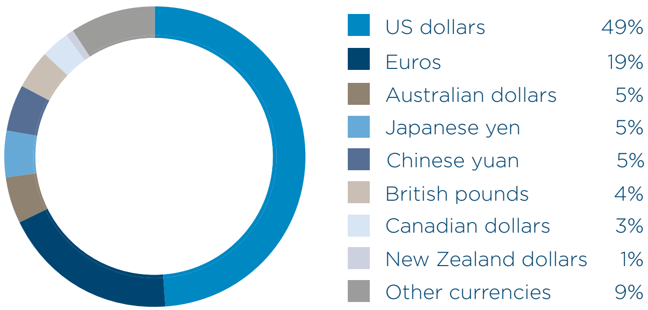
Building depreciation

During the year, the New Zealand government passed legislation to reintroduce commercial building depreciation for tax purposes. Deferred tax liabilities have reduced by $5.3 million resulting in a reduction in the tax expense of $5.3 million as the tax base of the Company's buildings increased by $19.0 million.

FINANCIAL COMMENTARY CONTINUED

FOREIGN CURRENCY IMPACTS

The Group is exposed to movements in foreign exchange rates, with approximately 99% of operating revenue generated in currencies other than NZD as shown below.



Approximately 55% of COGS and 57% of operating expenses are in currencies other than NZD.

The NZD weakened against all major currencies compared to the previous year. The USD and EUR conversion rates were lower compared to the prior year. The average conversion exchange rate movements were largely independent of COVID-19 volatility experienced in the later months of the financial year.

Profit after tax benefited by $17.4 million compared to the prior year due to movements in foreign currency. This $17.4 million benefit is net of a pre tax loss of $7.7 million from the hedging programme in the current year (2019: $1.9 million loss). The effect of balance sheet translations for the year resulted in an increase in operating revenue of $14.7 million (2019: $2.4 million) and an increase in profit after tax of $3.1 million (2019: $0.7 million). See further details on page 36.

The average daily spot rate and the average conversion exchange rate (i.e. the accounting rate, incorporating the effect of forward exchange contracts in respect of the relevant financial year) of the main foreign currency exposures for the reported periods are set out in the table below.

	Average daily spot rate		Average conversion exchange rate	
Year ended 31 March	2019	2020	2019	2020
USD	0.6811	0.6477	0.6804	0.6671
EUR	0.5883	0.5828	0.6039	0.5760

Foreign exchange hedging position

Favourable exchange rate movements during the year have provided opportunities to add hedges for future years, in particular, USD for 2021 to 2025. The hedging position for our main currency exposures as at 26 June 2020 is:

Year to 31 March	2021	2022	2023	2024	2025	2026-27
USD % cover of expected exposure	85%	60%	45%	35%	35%	–
USD average rate of cover	0.652	0.652	0.637	0.630	0.624	–
EUR % cover of expected exposure	85%	60%	50%	35%	35%	5%
EUR average rate of cover	0.551	0.536	0.518	0.509	0.502	0.470

Hedging cover has been rounded to the nearest 5%.

CASH FLOWS

The full statement of cash flows is provided on page 40.

Year ended 31 March	2019 NZ$M	2020 NZ$M	Change NZ$M
Operating profit before financing costs	292.6	379.3	86.7
Plus depreciation and amortisation (including leased assets)	41.7	61.0	19.3
Change in working capital and other	1.7	(23.0)	(24.7)
Net interest paid (including lease interest)	(1.1)	(2.7)	(1.6)
Net income tax paid	(81.6)	(93.2)	(11.6)
Operating cash flows	**253.3**	**321.4**	**68.1**
Lease repayments+	–	(9.7)	(9.7)
Purchase of land and buildings	(74.0)	(81.8)	(7.8)
Purchase of plant and equipment	(41.4)	(63.5)	(22.1)
Purchase of intangible assets	(17.9)	(25.4)	(7.5)
Free cash flows	**120.0**	**141.0**	**21.0**
Dividends paid	(114.6)	(146.4)	(31.8)

+ Free cash flows includes lease liability repayments following the adoption of NZ IFRS 16.

Operating cash flows

Cash flows from operations for the year increased 27% to $321.4 million. Including lease repayments, cash flows from operations increased by 23%. Working capital was impacted by a significant increase in receivables from higher sales related to the COVID-19 pandemic.

FINANCIAL COMMENTARY CONTINUED

Capital expenditure

Property, plant and equipment purchases for the year were $145.3 million, an increase from $115.4 million in the prior year. This expenditure primarily related to building projects in New Zealand, totalling $81.8 million with the remaining spend being production tooling and equipment costs and fitting out the new buildings in Mexico and New Zealand.

Dividends

Dividends paid of $146.4 million were 28% higher than the prior year, reflecting the suspension of the dividend reinvestment plan at the final 2019 dividend payment.

BALANCE SHEET

As at 31 March	2019 NZ$M	2020 NZ$M	Change NZ$M
Trade receivables	136.0	192.9	56.9
Inventories	136.1	146.5	10.4
Less trade and other payables+	(87.6)	(108.5)	(20.9)
Working capital	**184.5**	**230.9**	**46.4**
Property, plant and equipment++	601.4	735.3	133.9
Intangible assets	61.5	73.9	12.4
Lease liabilities	–	(33.6)	(33.6)
Other net assets (liabilities)	11.4	(74.9)	(86.3)
Net cash	54.4	42.2	(12.2)
Net assets	**913.2**	**973.8**	**60.6**

+ Trade and other payables exclude all non-current payables and all employee entitlements and provisions
++ Property, plant and equipment includes lease assets recognised

Trade receivables at 31 March 2020 reflected the increased sales in response to COVID-19, and currency translation benefits. Our debtors days were within the normal range being 45 days (2019: 46 days). Higher inventories reflect a level of inventory build in raw materials in response to the heightened demand. Trade and other payables increase reflected higher production levels and purchases of raw materials.

The impact of the new leasing standard resulted in the recognition of right-of-use (or leased) assets, included in property, plant and equipment, and lease liabilities. The detailed impact is explained in Note 23 of the financial statements.

The increase in property, plant and equipment included the recognition of leased assets of $24.7 million and capital expenditure of $145.3 million, of which $81.8 million related to building additions, primarily our new building in Auckland. These increases were offset by $48.3 million of depreciation, including depreciation of leased assets.

Intangible assets increased by $12.4 million including patent acquisition costs and ERP implementation costs. The global SAP rollout will continue over the next two to three years, with the US office successfully completed in June 2019.

Other net assets/liabilities movements included a significant decrease in net derivative instrument assets of $141.0 million, partially offset by the associated deferred tax movements of $38.7 million. The volatility in foreign currency markets, and the NZD decline, accelerated as the financial year ended. This resulted in the majority of currency derivatives being in a liability position as at 31 March 2020. All currency derivatives continued to be effective hedges.

COVID-19 impact on inventory counts

Given the Company's focus on manufacturing and supplying products to treat patients in response to COVID-19, along with lockdown restrictions in place, the decision was made to postpone certain 31 March 2020 global inventory counts. As a result, PwC were unable to perform all planned physical inventory verification procedures and has issued a qualified audit opinion reflecting this limitation of scope. The Company has a solid history in inventory management, as well as strong controls in place for global inventory balances including regular cycle counting. Subsequent to year end, inventory counts have resumed and no unexpected adjustments have arisen. Further details are set out in Note 3.

Funding and Short-term Investments

	2019 NZ$M	2020 NZ$M	Change NZ$M
Loans and borrowings			
– Current	–	(49.9)	(49.9)
– Non-current	(69.0)	(22.0)	47.0
Bank overdrafts	(17.3)	(30.7)	(13.4)
Total interest-bearing liabilities	**(86.3)**	**(102.6)**	**(16.3)**
Cash and cash equivalents	48.2	67.1	18.9
Short-term investments	92.5	77.7	(14.8)
Total cash and investments	**140.7**	**144.8**	**4.1**
Net cash	**54.4**	**42.2**	**(12.2)**
Gearing	-6.7%	-4.3%	
Undrawn term debt facilities	145.0	148.0	

The average maturity of loans and borrowings of $71.9 million was 1.4 years and the currency split was 92% USD; 5% Australian dollars; and 3% Canadian dollars (with no NZD denominated debt). Interest-bearing debt increased by $16.3 million, including the impact of unfavourable currency revaluations. One of the Group's borrowing facilities is due to mature in November 2020. We expect to extend or replace this facility prior to its maturity.

We held cash balances and short-term investments, mainly in NZD, of $144.8 million at the end of the year. This balance, and operating cash generated in 2021, will fund the payment of the final dividend and ongoing capital expenditure including final payments for our new building in Auckland and manufacturing capacity expansion.

Gearing[1]

At 31 March 2020 the group had net cash of $42.2 million and gearing of -4.3%. Gearing was within the target range of -5% to +5%.

1 Net interest-bearing debt (debt less cash and cash equivalents and short-term investments) to net interest-bearing debt and equity (less hedging reserves). Net interest-bearing debt excludes lease liabilities recognised on the adoption of IFRS 16 – Leases.

FINANCIAL COMMENTARY CONTINUED

NOTES - CONSTANT CURRENCY

Constant currency analysis is non–Generally Accepted Accounting Practice (GAAP) financial information that is not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). Constant currency information has been provided to assist users of financial information to better understand and assess the Group's financial performance without the impacts of foreign currency fluctuations including hedging results.

Constant currency financial information is prepared each month to enable the Board and management to monitor and assess the Group's underlying comparative financial performance without any distortion from changes in foreign exchange rates. Constant currency information is prepared on a consistent basis for reported periods restated into NZD based on "constant" exchange rates, typically the budgeted exchange rates for the current year. This information excludes the impact of movements in foreign exchange rates, hedging results and balance sheet translations.

The Group's constant currency framework can be found on the company's website at www.fphcare.com/ccf. PwC perform assurance procedures over the constant currency information.

RECONCILIATION OF CONSTANT CURRENCY TO REPORTED PROFIT AFTER TAX

Year ended 31 March	2019 NZ$M	2020 NZ$M	Change NZ$M
Profit after tax (constant currency)	**204.3**	**265.0**	**60.7**
Spot exchange rate effect	5.5	24.8	19.3
Foreign exchange hedging result	(1.3)	(5.6)	(4.3)
Balance sheet revaluation	0.7	3.1	2.4
Profit after tax (reported)	**209.2**	**287.3**	**78.1**

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2020, are USD 0.68, EUR 0.60, AUD 0.96, GBP 0.51, CAD 0.90, JPY 76 and MXN 13.10.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2020

	Notes	2019 NZ$M	2020 NZ$M
Operating revenue	4	1,070.4	1,263.7
Cost of sales		(354.6)	(427.9)
Gross profit		**715.8**	**835.8**
Other income		5.0	–
Selling, general and administrative expenses		(327.8)	(338.0)
Research and development expenses		(100.4)	(118.5)
Total operating expenses		**(428.2)**	**(456.5)**
Operating profit before financing costs		292.6	379.3
Financing income		3.3	2.2
Financing expense		(2.5)	(3.9)
Exchange loss on foreign currency interest-bearing liabilities		(2.2)	(7.1)
Net financing expense		**(1.4)**	**(8.8)**
Profit before tax	5	291.2	370.5
Tax expense	11	(82.0)	(83.2)
Profit after tax		**209.2**	**287.3**
Basic earnings per share	16	36.5 cps	50.0 cps
Diluted earnings per share	16	36.2 cps	49.6 cps

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	2019 NZ$M	2020 NZ$M
Profit after tax		**209.2**	**287.3**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		0.2	2.8
Hedging reserves			
Changes in fair value in hedging reserves		29.3	(147.0)
Transfers to profit before tax from cash flow hedge reserve		(10.0)	7.7
Tax on above reserve movements	11	(5.4)	39.0
Items that will not be reclassified to profit or loss			
Revaluation of land	9	34.1	–
Other comprehensive income, net of tax		**48.2**	**(97.5)**
Total comprehensive income		**257.4**	**189.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Notes	Share capital NZ$M	Retained earnings NZ$M	Reserves NZ$M	Total equity NZ$M
Balance at 31 March 2018		**198.4**	**467.3**	**95.7**	**761.4**
Total comprehensive income		**–**	**209.2**	**48.2**	**257.4**
Dividends paid	17	–	(127.3)	–	(127.3)
Issue of share capital under dividend reinvestment plan	15	12.7	–	–	12.7
Issue of share capital under employee share plans	15	6.9	–	–	6.9
Movement in share based payments reserve	17	–	–	0.9	0.9
Movement in treasury shares	15	1.2	–	–	1.2
Balance at 31 March 2019		**219.2**	**549.2**	**144.8**	**913.2**
Adjustment on adoption of NZ IFRS 16 (net of tax)	23	–	(3.8)	–	(3.8)
Balance at 1 April 2019		**219.2**	**545.4**	**144.8**	**909.4**
Total comprehensive income		**–**	**287.3**	**(97.5)**	**189.8**
Dividends paid	17	–	(146.4)	–	(146.4)
Issue of share capital under employee share plans	15	8.0	–	–	8.0
Movement in share based payments reserve	17	–	–	14.8	14.8
Movement in treasury shares	15	(1.8)	–	–	(1.8)
Balance at 31 March 2020		**225.4**	**686.3**	**62.1**	**973.8**

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Notes	2019 NZ$M	2020 NZ$M
ASSETS			
Current assets			
Cash and cash equivalents		48.2	67.1
Short-term investments		92.5	77.7
Trade and other receivables	7	157.9	222.7
Inventories	8	136.1	146.5
Derivative financial instruments	6	19.2	4.1
Tax receivable		1.4	0.6
Total current assets		**455.3**	**518.7**
Non-current assets			
Derivative financial instruments	6	47.0	14.1
Other receivables		2.6	2.3
Property, plant and equipment	9	601.4	735.3
Intangible assets	10	61.5	73.9
Deferred tax assets	11	38.9	90.7
Total assets		**1,206.7**	**1,435.0**
LIABILITIES			
Current liabilities			
Interest-bearing liabilities	12	17.3	80.6
Lease liabilities	23	–	11.6
Trade and other payables	13	135.0	165.6
Provisions	14	4.9	5.0
Tax payable		24.4	35.4
Derivative financial instruments	6	2.8	36.4
Total current liabilities		**184.4**	**334.6**
Non-current liabilities			
Interest-bearing liabilities	12	69.0	22.0
Lease liabilities	23	–	22.0
Provisions	14	2.2	1.5
Other payables	13	12.7	19.8
Derivative financial instruments	6	1.9	61.3
Deferred tax liabilities	11	23.3	–
Total liabilities		**293.5**	**461.2**

	Notes	2019 NZ$M	2020 NZ$M
EQUITY			
Share capital	15	219.2	225.4
Retained earnings		549.2	686.3
Reserves	17	144.8	62.1
Total equity		**913.2**	**973.8**
Total liabilities and equity		**1,206.7**	**1,435.0**

The accompanying Notes form an integral part of the Financial Statements.

On behalf of the Board
26 June 2020

Tony Carter
Chairman

Lewis Gradon
Managing Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2019 NZ$M	2020 NZ$M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,058.1	1,200.9
Grants received		4.8	1.6
Interest received		3.5	2.5
Payments to suppliers and employees		(726.9)	(785.2)
Tax paid		(81.6)	(93.2)
Interest paid		(4.6)	(3.4)
Lease interest paid	23	–	(1.8)
Net cash flows from operating activities		**253.3**	**321.4**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net short-term investments		7.5	15.0
Sales of property, plant and equipment		0.1	–
Purchases of property, plant and equipment		(115.4)	(145.3)
Purchases of intangible assets		(17.9)	(25.4)
Net cash flows from investing activities		**(125.7)**	**(155.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital under employee share plans		2.1	2.3
New borrowings		40.1	15.0
Repayment of borrowings		(40.7)	(20.2)
Lease liability payments	23	–	(9.7)
Dividends paid		(114.6)	(146.4)
Net cash flows from financing activities		**(113.1)**	**(159.0)**
Net increase in cash		14.5	6.7
Opening cash		15.8	30.9
Effect of foreign exchange rates		0.6	(1.2)
Closing cash		**30.9**	**36.4**
RECONCILIATION OF CLOSING CASH			
Cash and cash equivalents		48.2	67.1
Bank overdrafts		(17.3)	(30.7)
Closing cash		**30.9**	**36.4**

	Notes	2019 NZ$M	2020 NZ$M
CASH FLOW RECONCILIATION			
Profit after tax		**209.2**	**287.3**
Add (deduct) non-cash items:			
Depreciation - right-of-use assets	23	–	10.1
Depreciation and amortisation - other assets		41.7	50.9
Share based payments		5.5	6.1
Movement in provisions		0.3	(0.6)
Movement in deferred tax assets / liabilities		(3.3)	(24.0)
Movement in net tax payables		3.8	14.0
Foreign currency translation		2.5	7.9
Other non-cash items		(1.3)	(2.0)
		49.2	**62.4**
Net working capital movements:			
Trade and other receivables		(11.8)	(64.8)
Inventories		(10.7)	(10.4)
Trade and other payables		17.4	46.9
		(5.1)	**(28.3)**
Net cash flows from operating activities		**253.3**	**321.4**

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. REPORTING ENTITY

Fisher & Paykel Healthcare Corporation Limited (the "Company" or "Parent") together with its subsidiaries (the "Group") is a leading designer, manufacturer and marketer of medical device products and systems for use in both hospital and homecare settings. Products are sold in over 120 countries worldwide. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 15 Maurice Paykel Place, East Tamaki, Auckland. These consolidated financial statements were approved for issue by the Board of Directors on 26 June 2020.

2. BASIS OF PREPARATION AND PRINCIPLES OF CONSOLIDATION

Statement of compliance

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the NZX and the ASX. The consolidated financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

These consolidated financial statements for the year ended 31 March 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The Group is a for-profit entity for the purposes of complying with NZ GAAP.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and/or other comprehensive income, and the revaluation of land.

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency to the nearest hundred thousand dollars unless otherwise stated. Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group operates as one integrated business, and the functional currency of all material global operations is NZD, with the exception of Fisher & Paykel Healthcare Mexico Properties S.A. de C.V ("Mexico Properties"). Mexico Properties was established for the purpose of holding the Group's property in Mexico, and its functional currency is United States dollars (USD).

The results and financial position of entities that have a different functional currency are translated to NZD as follows: assets and liabilities are translated at the exchange rate at balance date and Income Statement items are translated at rates approximating the foreign exchange rates ruling at the dates of transactions. Exchange differences are recognised in other comprehensive income as a currency translation reserve movement.

Foreign currency transactions and balances

Foreign currency transactions are translated into the relevant functional currency at the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements. Significant estimates are disclosed in each of the applicable notes to the financial statements and are designated with an E symbol.

Significant Accounting Policies

Accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an AP symbol.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended. All subsidiaries are 100% owned within the Group.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT TRANSACTIONS AND EVENTS IN THE FINANCIAL YEAR

The following significant transactions and events affected the financial performance and financial position of the Group for the year ended 31 March 2020:

Capital expenditure

During the year, construction work on the fourth building in Auckland, New Zealand has been substantially completed. To date, spending on this project totals $141.2 million. Capital commitments at 31 March 2020 include $7.6 million related to this project. The building is expected to be operational in mid-2020.

Research and development tax incentive

During the year, the New Zealand government passed the Taxation (Research and Development Tax Credits) Act 2019. This research and development tax incentive provides a 15% tax credit on eligible research and development "R&D" expenditure.

For the year ended 31 March 2020 a tax credit of $13.4 million was recognised as a deduction to tax expense, resulting in an effective tax rate of 22.5%. Excluding the tax credit, the effective tax rate for the year would have been 26.1%. The R&D tax credit replaces the $5.0 million Callaghan Growth Grant which was recognised in other income.

Adoption of NZ IFRS 16 Leases

During the year, the Group adopted NZ IFRS 16 'Leases' (NZ IFRS 16). The Group recognised additional lease assets of $29.4 million, and $35.2 million of lease liabilities as at 1 April 2019, with a reduction in retained earnings of $3.8 million. The standard was adopted using the modified retrospective approach, with no restatement of comparative information. Further details of the adoption of NZ IFRS 16 and the new accounting policies are disclosed in Note 23.

ResMed litigation

As disclosed in the 2019 Annual Report, in February 2019 Fisher & Paykel Healthcare and ResMed reached a settlement on patent infringement disputes. Net litigation costs related to these actions incurred in the year to 31 March 2019 were $23.4 million. In the year 31 March 2020, no significant costs were incurred.

COVID-19

In March 2020, the World Health Organisation declared the outbreak of COVID-19 as a pandemic. Since the outbreak of COVID-19, the Company's focus has been on manufacturing and supplying products that are directly involved in treating patients with COVID-19.

The Company relied on the NZX class waiver that provided listed companies an additional 30 days to prepare and release their full year results. This provided the Company sufficient time to prepare these financial statements, including appropriately considering, assessing and documenting relevant material impacts on its business.

COVID-19 impact on inventory counts

As a result of COVID-19 and the prioritisation of operational distribution of products that are essential to patients, annual finished products inventory counts planned to be held on or close to 31 March 2020 were not performed in Japan, Australia and Europe (including UK, Germany, France and Sweden). Subsequent to year end finished products cycle count procedures were performed in the majority of these locations with no significant inventory adjustments.

Certain planned materials cycle counts in New Zealand were not completed in the last few weeks of the financial year. Subsequent to year end cycle counts were resumed and have covered the majority of inventory line items. For those completed there have been no significant inventory adjustments.

The Group has strong inventory management processes including the performance of periodic counting procedures across the Group. Based on these, and counts performed after year end, management are comfortable that no adjustment to inventory balances was required at 31 March 2020.

The Company's auditors, PwC, were unable to attend certain 31 March 2020 annual inventory counts and cycle counts in March 2020 as they had planned due to those specific counts not being performed.

COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020

During the year, the New Zealand government passed the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act that reintroduced depreciation on industrial and commercial buildings for tax purposes. The change applies from 1 April 2020 and the depreciation rate is 2% diminishing value. For the year ended 31 March 2020, as a result of the Act, the tax base of the Company's buildings increased by $19.0 million. This reduced the difference between the accounting carrying value and the tax base, resulting in a reduction in deferred tax liabilities and a reduction in tax expense of $5.3 million.

Other

Management have assessed the impact of COVID-19 on all other aspects of the balance sheet. The carrying value of land held at fair value has been assessed for appropriateness (refer Note 9). Specifically, the carrying value of receivables and inventory were considered, with provisioning reflecting management's best estimate of the impact based on information available at the time of preparing these financial statements. There has been no material impact on the balance sheet.

As a result of currency volatility during this period, the liability relating to the Group's portfolio of derivatives has increased, with the corresponding offset in the cash flow hedge reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. OPERATING REVENUE AND SEGMENTAL INFORMATION

	2019 NZ$M	2020 NZ$M
Sales revenue	1,072.1	1,273.4
Foreign exchange loss on hedged sales	(1.7)	(9.7)
Total operating revenue	**1,070.4**	**1,263.7**
Revenue by Product Group		
Hospital products	642.3	801.3
Homecare products	421.4	457.3
	1,063.7	**1,258.6**
Distributed and other products	6.7	5.1
Total operating revenue	**1,070.4**	**1,263.7**
Revenue after hedging by geographical location of customer:		
North America	501.5	571.2
Europe	314.6	365.4
Asia Pacific	208.1	273.3
Other	46.2	53.8
Total operating revenue	**1,070.4**	**1,263.7**

Segmental reporting

The Group operates in one segment - being the design, manufacture, marketing and sale of medical devices and systems globally. These products and systems are for use in respiratory care, acute care, surgery and the treatment of OSA in the home and hospital. Resource allocation decisions are made to optimise the Group's financial operating profit. This is consistent with the internal management reports the chief operating decision-maker (CODM)[1] reviews.

Non-current asset disclosures by geographical location are included in Note 9.

AP

Revenue is recognised at the point in time performance obligations are satisfied by transferring control of goods to the customer at the transaction price specified in the contract. Control typically transfers to the customer at the same time as the legal title passes to the customer, typically on delivery. The transaction price includes all amounts which the Group expects to be entitled to net of sales taxes and other indirect taxes, expected rebates and discounts. Where applicable, rebates and/or discounts are included within the consideration using an estimation typically based on the most likely method, and are only recognised to the extent that it is highly probable that a significant reversal will not occur.

There are no significant financing components in the Group's revenue arrangements.

1 The CODM comprises the Board of Directors (which includes the Chief Executive Officer), Vice-President - Products and Technology, Senior Vice-President - Sales and Marketing and the Chief Financial Officer.

5. EXPENSES

	2019 NZ$M	2020 NZ$M
Profit before tax is after charging the following specific expenses:		
Donations	0.1	0.1
Inventory written off (net)	3.5	3.6

Fees paid to auditors

	2019 NZ$'000	2020 NZ$'000
Statutory audit and half year review (i)	915	953
Other assurance and audit related services (ii)	50	39
Total audit, other assurance services and audit-related services	965	992
Other services (iii)	13	163
Total fees paid to auditors	**978**	**1,155**

Other fees paid to auditors

(i) Statutory audit and half year review includes $361,900 (2019: $306,000) paid to other PwC network firms.

(ii) Other assurance and audit related services of $38,700 (2019: $50,100) include assurance procedures in relation to compliance with the constant currency framework and scrutineering the counting of votes at the Annual Shareholders' Meeting (ASM). In 2019, other assurance and audit related services included these items as well as assessment of eligible expenditure for the purposes of the Callaghan Growth grant.

(iii) Other services includes treasury related financial markets risk analysis and commentary, regulatory tax compliance procedures in Mexico, and remuneration benchmarking.

The fee paid to PwC for the audit and review of the Group's financial statements is split across the jurisdictions where there are subsidiary entities that require an audit or are a significant component of the Group.

	2019 NZ$'000	2020 NZ$'000
PwC New Zealand	672	793
PwC Overseas offices	306	362
	978	**1,155**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2020	
	Assets NZ$M	Liabilities NZ$M	Assets NZ$M	Liabilities NZ$M
CURRENT				
Foreign currency forward exchange contracts - cash flow hedges	14.7	2.6	2.5	33.8
Foreign currency forward exchange contracts - not hedge accounted	0.2	–	–	1.4
Foreign currency option contracts - cash flow hedges	3.8	–	1.6	0.5
Foreign currency option contracts - time value	0.3	–	–	–
Interest rate swaps - cash flow hedges	0.1	0.2	–	0.6
Interest rate options - cash flow hedges	0.1	–	–	0.1
	19.2	**2.8**	**4.1**	**36.4**
NON-CURRENT				
Foreign currency forward exchange contracts - cash flow hedges	43.0	1.6	12.7	56.5
Foreign currency option contracts - cash flow hedges	3.1	–	1.4	3.2
Foreign currency option contracts - time value	0.5	–	–	–
Interest rate swaps - cash flow hedges	0.3	0.3	–	1.6
Interest rate options - cash flow hedges	0.1	–	–	–
	47.0	**1.9**	**14.1**	**61.3**

AP

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group generally applies hedge accounting to all derivative financial instruments.

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items. Any ineffective portion is recognised immediately in the Income Statement. Derivatives that are designated as hedges will be classified as non-current if they have maturities greater than 12 months after the balance sheet date.

Some components of hedge accounted derivatives are excluded from the designated risk. Cash flow hedges include only the intrinsic value of options. Time value on options is excluded from the hedge designation and is marked to market through Other Comprehensive Income and accumulated within a separate component of equity ('the Costs of Hedging Reserve' within 'Hedging Reserves') until such time as the related hedge accounted cash flows affect profit or loss. At this stage the cumulative amount is reclassified to profit or loss.

Master netting arrangements

The Group enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting derivatives in the balance sheet. Netting arrangements are only enforceable upon early termination, for example, on occurrence of a credit default.

Refer to Note 21 for information on the calculation of fair values and maturity of undiscounted cash flows for these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Contractual amounts of derivative financial instruments were as follows:

	2019 NZ$M	2020 NZ$M
Foreign currency forward contracts and options		
Sale commitments forward exchange contracts	982.1	1,873.2
Purchase commitments forward exchange contracts	63.1	86.8
Foreign currency borrowing forward exchange contracts	23.5	16.9
NZD call option contracts purchased	7.7	38.0
Collar option contracts - NZD call options purchased (i)	86.3	70.9
Collar option contracts - NZD put options sold (i)	94.6	76.6
Interest rate derivatives		
Interest rate swaps	50.2	52.1
Interest rate options	22.0	12.5

(i) Foreign currency contractual amounts of put and call options are equal.

Undiscounted foreign currency contractual amounts for outstanding hedges were as follows:

	Foreign Currency	
	2019 M	2020 M
Sale commitments		
United States dollars	US$302.8	US$659.3
European Union euros	€241.5	€322.3
Australian dollars	A$16.5	A$17.4
British pounds	£19.4	£25.8
Canadian dollars	C$26.6	C$37.3
Japanese yen	¥4,925.0	¥11,075.0
Chinese yuan	¥88.0	¥239.0
Korean won	₩7,719.1	₩7,977.7
Swedish kronor	kr23.3	kr58.0
Danish krone	kr3.5	kr14.3
Purchase commitments		
Mexican pesos	MXN$941.0	MXN$1,285.5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. TRADE AND OTHER RECEIVABLES

	2019 NZ$M	2020 NZ$M
CURRENT		
Trade receivables	136.4	195.9
Loss allowance for doubtful trade receivables	(0.4)	(3.0)
	136.0	192.9
Other receivables	21.9	29.8
	157.9	**222.7**

AP

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance for doubtful trade receivables. Estimates are used in determining the level of receivables that may not be collected. The Group has applied the simplified approach to calculating expected credit losses on trade receivables and recognises a doubtful debt based on the lifetime expected credit loss at each reporting date.

Bad debts are written off when they are considered to have become uncollectable.

Trade receivables credit risk

As at balance date 88% of trade receivables were current (2019: 84%) with less than 1% (2019: 1%) more than 90 days past due. The total loss allowance for doubtful trade receivables represents an estimate of the expected credit losses in respect of trade receivables and covers the majority of these more than 90 days past due balances. The expected credit losses are assessed by reference to historical collection trends and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Customer and receivable concentration

	2019	2020
Five largest customers' proportion of the Group's:		
Operating revenue	18.0%	17.7%
Trade receivables	16.6%	16.6%

There is no history of default in relation to these customers. Further information about the credit quality and the Group's exposure to credit risk can be found in Note 21.

8. INVENTORIES

	2019 NZ$M	2020 NZ$M
Materials	38.8	50.3
Finished products	107.0	111.4
Provision for obsolete inventories	(9.7)	(15.2)
	136.1	**146.5**

AP

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished products comprises materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

9. PROPERTY, PLANT AND EQUIPMENT
Reconciliation of carrying amounts at the beginning and end of the year

		Land	Buildings			Plant & equipment		Capital projects		Total
	Notes	Fair Value NZ$M	Structure (i) NZ$M	Fit out and other NZ$M	Leased assets NZ$M	Purchased NZ$M	Leased assets NZ$M	Buildings (i) NZ$M	Other NZ$M	NZ$M
Cost and revaluation										
Balance at 31 March 2018		138.2	89.5	131.7	–	283.7	–	22.8	53.5	719.4
Revaluation recognised in asset revaluation reserve		34.1	–	–	–	–	–	–	–	34.1
Additions		–	0.3	1.1	–	13.9	–	82.9	26.9	125.1
Transfers		7.4	27.1	8.6	–	25.6	–	(43.1)	(25.6)	–
Disposals		–	–	–	–	(4.4)	–	–	–	(4.4)
Foreign exchange differences		0.3	–	–	–	–	–	–	–	0.3
Balance at 31 March 2019		**180.0**	**116.9**	**141.4**	**–**	**318.8**	**–**	**62.6**	**54.8**	**874.5**
Adjustment on adoption of NZ IFRS 16	23	–	–	–	24.9	(0.9)	5.4	–	–	29.4
Balance at 1 April 2019		**180.0**	**116.9**	**141.4**	**24.9**	**317.9**	**5.4**	**62.6**	**54.8**	**903.9**
Additions		–	0.5	1.8	1.1	22.7	3.8	74.6	42.7	147.2
Transfers		0.7	–	0.4	–	26.6	–	(0.9)	(26.8)	–
Disposals		–	–	(0.1)	–	(3.7)	(0.1)	–	–	(3.9)
Foreign exchange differences		3.0	3.8	0.9	–	(0.1)	–	–	–	7.6
Balance at 31 March 2020		**183.7**	**121.2**	**144.4**	**26.0**	**363.4**	**9.1**	**136.3**	**70.7**	**1,054.8**
Depreciation and impairment losses										
Balance at 31 March 2018		–	18.1	64.8	–	160.1	–	–	–	243.0
Depreciation charge for the year		–	2.0	5.7	–	26.6	–	–	–	34.3
Disposals		–	–	–	–	(4.2)	–	–	–	(4.2)
Balance at 31 March 2019		**–**	**20.1**	**70.5**	**–**	**182.5**	**–**	**–**	**–**	**273.1**
Adjustment on adoption of NZ IFRS 16	23	–	–	–	–	(0.4)	0.4	–	–	–
Depreciation charge for the year		–	2.7	6.6	6.8	28.9	3.3	–	–	48.3
Disposals		–	(0.1)	(0.2)	–	(1.2)	(0.1)	–	–	(1.6)
Foreign exchange differences		–	(0.1)	(0.1)	–	(0.1)	–	–	–	(0.3)
Balance at 31 March 2020		**–**	**22.6**	**76.8**	**6.8**	**209.7**	**3.6**	**–**	**–**	**319.5**
Carrying amounts										
At 31 March 2018		138.2	71.4	66.9	–	123.6	–	22.8	53.5	476.4
At 31 March 2019		180.0	96.8	70.9	–	136.3	–	62.6	54.8	601.4
At 1 April 2019 on adoption of NZ IFRS 16		180.0	96.8	70.9	24.9	135.8	5.0	62.6	54.8	630.8
At 31 March 2020		**183.7**	**98.6**	**67.6**	**19.2**	**153.7**	**5.5**	**136.3**	**70.7**	**735.3**

(i) Buildings additions in the year in New Zealand include capitalised finance costs of $2.1 million (2019: New Zealand and Mexico $2.2 million). The average effective interest rate used was 3.0% (2019: New Zealand 2.8% and Mexico 5.4%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers less any impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the fair value does not differ materially from its carrying amount.

All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This cost includes labour attributable to bringing the assets to the location and working condition for its intended use.

Depreciation is generally calculated using the straight line method and is expensed over the estimated useful lives. Depreciation methods, residual values and useful lives are reassessed at each reporting date. Estimated useful lives are as follows:

Buildings – structure	25 - 50 years
Buildings – fit-out and other	3 - 50 years
Plant and equipment	3 - 15 years

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revaluations of land

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the Income Statement, in which case the increment is recognised in the Income Statement.

The accounting policy for leased assets is included in Note 23.

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Land revaluation

As described in Note 21 land in Mexico and New Zealand is considered to be a level 3 asset within the fair value hierarchy for valuation purposes. There are certain estimates associated with determining fair value, with the significant input being comparable land sales information per square metre ('psm') for similar properties adjusted to reflect relevant physical and locational characteristics. Valuation of land is performed in accordance with the provisions of NZ IAS 16 'Property, Plant and Equipment' and NZ IFRS 13 'Fair Value Measurement'.

New Zealand

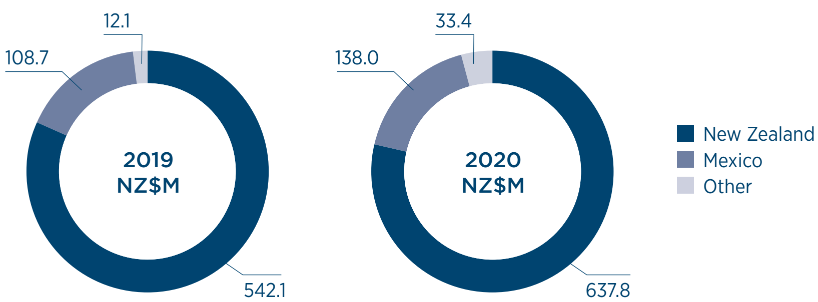
The New Zealand land holding was valued by Jones Lang LaSalle (JLL NZ), with an effective date of 31 March 2019 in accordance with the Australia and New Zealand Property Institute Valuation Standards. The valuation of land ranged from $400 psm for land with improvements to $350 psm for development land.

Mexico

The Group holds approximately 15 hectares of land in Tijuana. An independent valuation of the Mexico land was conducted by Jones Lang LaSalle (JLL Mexico) as at 31 March 2019 in accordance with the International Valuation standards. The land was valued at US$15.7 million (NZ$26.0 million) representing US$100 psm (NZ$143 psm).

COVID-19 may have an impact on real estate transactions. We have considered any impact of this disruption along with market conditions existing prior to COVID-19 on the carrying value of land. The Directors taking into account these market conditions and uncertainties and consultation with external parties, have considered that the carrying value of the land at 31 March 2020 remains an appropriate fair value.

Property, plant and equipment and intangible assets by geographical location:



Carrying amounts of land if measured at historical cost

	New Zealand		Mexico	
	2019 NZ$M	2020 NZ$M	2019 NZ$M	2020 NZ$M
At historical cost	70.9	71.6	21.2	24.2
At fair value	157.0	157.7	23.0	26.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

10. INTANGIBLE ASSETS

	Software NZ$M	Patents, trademarks & applications NZ$M	Other NZ$M	Capital projects in progress NZ$M	Total NZ$M
Cost					
Balance at 31 March 2018	48.2	42.0	5.0	3.2	98.4
Additions	3.5	10.6	–	4.5	18.6
Transfers	2.7	–	–	(2.7)	–
Disposals	(0.1)	(1.4)	–	–	(1.5)
Balance at 31 March 2019	**54.3**	**51.2**	**5.0**	**5.0**	**115.5**
Additions	6.0	13.3	–	5.8	25.1
Transfers	4.0	–	–	(4.0)	–
Disposals	(0.2)	(0.5)	(0.8)	–	(1.5)
Foreign exchange differences	–	–	–	0.3	0.3
Balance at 31 March 2020	**64.1**	**64.0**	**4.2**	**7.1**	**139.4**
Amortisation and impairment losses					
Balance at 31 March 2018	19.5	24.9	3.6	–	48.0
Amortisation for the year	3.9	3.5	–	–	7.4
Disposals	–	(1.4)	–	–	(1.4)
Balance at 31 March 2019	**23.4**	**27.0**	**3.6**	**–**	**54.0**
Amortisation for the year	4.6	8.1	–	–	12.7
Disposals	(0.1)	(0.3)	(0.8)	–	(1.2)
Balance at 31 March 2020	**27.9**	**34.8**	**2.8**	**–**	**65.5**
Carrying amounts					
At 31 March 2018	28.7	17.1	1.4	3.2	50.4
At 31 March 2019	30.9	24.2	1.4	5.0	61.5
At 31 March 2020	**36.2**	**29.2**	**1.4**	**7.1**	**73.9**

AP

Software: Software development costs that are directly attributable to the design and testing of identifiable and unique software products and acquired computer software licences controlled by the Group are recognised as intangible assets and are initially capitalised at cost. Directly attributable costs that are capitalised as part of the software include employee costs. Software costs are amortised over the useful economic life of 3 to 15 years.

Project costs are transferred from Capital projects in progress to Software, as each stage is completed.

Patents and trademarks: Patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents and trademarks over their anticipated useful lives of 5 to 15 years. In the event that a patent is superseded or a trademark registration is not continued or renewed, the unamortised costs are expensed immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. INCOME TAX

INCOME TAX EXPENSE

	2019 NZ$M	2020 NZ$M
Profit before tax	**291.2**	**370.5**
Tax expense at the New Zealand rate of 28%	81.5	103.7
Adjustments to tax:		
Non-assessable income	(0.3)	(0.1)
Non-deductible expenses	2.4	2.4
Foreign rates other than 28%	(0.2)	0.5
Effect of foreign currency translations	(0.8)	(4.5)
R&D tax credit	–	(13.4)
Re-introduction of building depreciation	–	(5.3)
Prior period over provision	(0.6)	(0.1)
Tax expense	82.0	83.2
This is represented by:		
Current tax	85.2	107.0
Deferred tax	(3.2)	(23.8)
Tax expense	82.0	83.2
Effective tax rate	28.2%	22.5%
Effective tax rate excluding R&D tax credit and re-introduction of building depreciation	28.2%	27.5%

AP

Tax expense comprises current and deferred tax. Tax expense is recognised in the Income Statement except to the extent that it relates to items recognised outside of the Income Statement, in which case it is recognised in Other Comprehensive Income or directly in Equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date. It also includes any adjustment to tax payable for previous financial years.

Deferred tax arises due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for tax purposes.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The R&D tax credit is estimated based on the eligible R&D expenditure incurred during the period and is recognised as a deduction to current tax expense and offset in current tax payable. The R&D tax credit is only recognised when there is reasonable certainty the Group will comply with the conditions of the tax incentive.

IMPUTATION CREDITS	2019 M	2020 M
New Zealand imputation credits available for use in subsequent reporting periods	NZ$118.8	NZ$143.0
Australian franking credits available for use in subsequent reporting periods	A$9.1	A$10.3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. INCOME TAX (CONTINUED)

DEFERRED TAX ASSETS/(LIABILITIES)

	Notes	Provisions and accruals NZ$M	Leases NZ$M	Property, plant and equipment and intangibles NZ$M	Financial instruments NZ$M	Employee Share based payments NZ$M	Other NZ$M	Total NZ$M
Balance at 31 March 2018		44.7	–	(19.4)	(10.9)	2.8	0.3	17.5
Amounts recognised in:								
Other comprehensive income		–	–	–	(5.4)	–	–	(5.4)
Directly in equity		–	–	–	–	0.3	–	0.3
In the Income Statement		6.1	–	(3.6)	(0.3)	0.5	0.5	3.2
Balance at 31 March 2019		**50.8**	**–**	**(23.0)**	**(16.6)**	**3.6**	**0.8**	**15.6**
Adjustment on adoption of NZ IFRS 16	23	–	1.5	–	–	–	–	1.5
Balance at 1 April 2019		**50.8**	**1.5**	**(23.0)**	**(16.6)**	**3.6**	**0.8**	**17.1**
Amounts recognised in:								
Other comprehensive income		–	–	–	39.0	–	–	39.0
Directly in equity		–	–	–	–	10.8	–	10.8
In the Income Statement		16.6	–	0.1	(0.3)	0.6	1.5	18.5
In the Income Statement – re-introduction of building depreciation		–	–	5.3	–	–	–	5.3
Balance at 31 March 2020		**67.4**	**1.5**	**(17.6)**	**22.1**	**15.0**	**2.3**	**90.7**

Deferred tax assets and liabilities are offset within the Balance Sheet where they relate to income taxes levied by the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. INTEREST-BEARING LIABILITIES

	2019 NZ$M	2020 NZ$M
CURRENT		
Bank overdrafts	17.3	30.7
Borrowings	–	49.9
	17.3	**80.6**
NON-CURRENT		
Borrowings expiring		
Between one and two years	44.1	–
Between two and three years	–	16.6
Between three and four years	–	5.4
Between four and five years	24.9	–
	69.0	**22.0**

AP

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost, applying the effective interest rate method. Financing expenses directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Lease liabilities are disclosed in Note 23.

Borrowing Facilities

Borrowings have been aged in accordance with the expiry dates of the facilities as there are no required principal payments before the expiry of each facility. At year end the weighted average interest rate is 2.6% (2019: 2.7%).

Key lenders to the Group are Debt Certificate Holders under the Negative Pledge Deed. In April 2017, an amended Negative Pledge Deed was executed. The negative pledge includes the covenant that security can be given only in limited circumstances.

The companies in the Group providing the undertakings under the amended Negative Pledge Deed are:

Fisher & Paykel Healthcare Corporation Limited
Fisher & Paykel Healthcare Limited
Fisher & Paykel Healthcare Treasury Limited
Fisher & Paykel Healthcare Properties Limited

The principal covenants of the negative pledge are that:

(i) the interest cover ratio for the Group shall not be less than 3 times earnings before interest, tax, depreciation and amortisation (EBITDA);

(ii) the net tangible assets of the Group shall not be less than $200 million; and

(iii) the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

There have been no breaches of debt covenants for the current or prior period.

	2019 NZ$M	2020 NZ$M
Unused lines of credit		
Bank overdraft facilities	31.2	19.1
Borrowing facilities	145.0	148.0
	176.2	**167.1**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. TRADE AND OTHER PAYABLES

	2019 NZ$M	2020 NZ$M
CURRENT		
Trade payables	55.1	69.3
Employee entitlements	47.4	57.1
Other payables and accruals	32.5	39.2
	135.0	**165.6**
NON-CURRENT		
Employee entitlements	11.2	16.6
Other payables and accruals	1.5	3.2
	12.7	**19.8**

AP

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Refer to Note 18 for further details of employee entitlements and benefits.

14. PROVISIONS

	2019 NZ$M	2020 NZ$M
Warranty provision		
CURRENT		
Balance at beginning of the year	4.7	4.9
Current year provision	7.6	6.3
Warranty expenses incurred	(7.4)	(6.2)
Balance at end of the year	**4.9**	**5.0**
NON-CURRENT		
Balance at beginning of the year	2.1	2.2
Current year provision	0.1	(0.7)
Balance at end of the year	**2.2**	**1.5**

AP

Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Warranty

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Typical warranty terms are 1 to 2 years for parts and/or labour.

The actual future warranty claims experienced by the Group may be different to that of the past. Factors that could impact future warranty claims include the success of the Group's quality system, as well as future parts and labour costs. Where the Group is aware of specific product warranty issues these are included in the provision.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. SHARE CAPITAL

	2019 NZ$M	2020 NZ$M
Share capital at beginning of the year	201.4	221.0
Issue of share capital under dividend reinvestment plan (i)	12.7	–
Issue of share capital under employee share plans	6.9	8.0
Share capital at end of the year	221.0	229.0
Less treasury shares (ii)	(1.8)	(3.6)
	219.2	**225.4**
Number of issued shares		
Number of shares on issue at beginning of the year	571,230,264	573,708,739
Shares issued:		
Dividend reinvestment plan (i)	918,827	–
Employee share purchase schemes	90,510	167,316
Employee share based payments plans	1,469,138	694,548
Number of shares on issue at end of the year	573,708,739	574,570,603
Less treasury shares (ii)	(210,457)	(290,103)
	573,498,282	**574,280,500**

AP

Incremental costs directly attributable to the issue of new shares, rights or options are shown in equity as a deduction, net of taxation, from the proceeds.

When shares are acquired by a member of the Group, the amount of consideration paid is recognised directly in equity. These shares are classified as treasury shares and presented as a deduction from share capital until the ownership transfers to a holder outside the Group. When treasury shares are subsequently reissued under employee share plans the cost of treasury shares is reversed and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised within Share Capital.

All shares are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

(i) In 2019, shares were issued under the Company's dividend reinvestment plan at an average price of $13.87 per share.

(ii) Treasury shares are shares held and controlled by Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

16. EARNINGS PER SHARE

	2019 NZ$M	2020 NZ$M
Profit after tax	**209.2**	**287.3**
Weighted average number of ordinary shares	572,780,545	574,192,388
Adjustment for share options, PSRs and ESRs	5,270,055	4,857,255
Weighted average number of ordinary shares for diluted earnings per share	578,050,600	579,049,643
Basic earnings per share (cents per share)	36.5 cps	50.0 cps
Diluted earnings per share (cents per share)	36.2 cps	49.6 cps

AP

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Options, Performance Share Rights (PSRs) and Employee Share Rights (ESRs) are convertible into the Company's shares, and are therefore considered dilutive securities for diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

17. RESERVES AND DIVIDENDS

	2019 NZ$M	2020 NZ$M
Hedging reserve	44.1	(56.2)
Asset revaluation reserve	87.6	87.6
Employee share based payment reserve	12.9	27.7
Foreign currency translation reserve	0.2	3.0
Total reserves	**144.8**	**62.1**

Nature and purpose of reserves

Hedging reserve

This reserve is used to record unrealised gains or losses on hedging instruments that are recognised directly in equity and the cumulative net change in the time value on currency options which are excluded from hedge designations of foreign currency risk.

Amounts are recycled to the Income Statement when the associated hedged transactions affect the Income Statement.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of land. For details refer to Note 9.

Share based payment reserve

This reserve is used to recognise the fair value of shares, options, PSRs and ESRs granted but not exercised or lapsed. Tax deductions in excess of the cumulative share based payment expense are recognised in equity.

Amounts are transferred to share capital (including income tax benefits) when the vested shares, options, PSRs or ESRs are exercised or lapse.

Foreign currency translation reserve

The foreign currency translation reserve contains foreign exchange differences arising on consolidation of assets and liabilities of overseas entities with a functional currency other than NZD.

Dividends

All dividends are recognised as distributions to shareholders.

During the year, supplementary dividends of $16.0 million were paid to non-resident shareholders (2019: $13.6 million), for which the Group received an equivalent foreign investor tax credit entitlement. The foreign investor tax credit entitlement is included in income taxes paid within the Statement of Cash Flows.

	Cents per share	NZ$M
Dividends		
2018 final	12.50	71.5
2019 interim	9.75	55.8
31 March 2019	**22.25**	**127.3**
2019 final	13.50	77.5
2020 interim	12.00	68.9
31 March 2020	**25.50**	**146.4**

Subsequent event - dividend declared

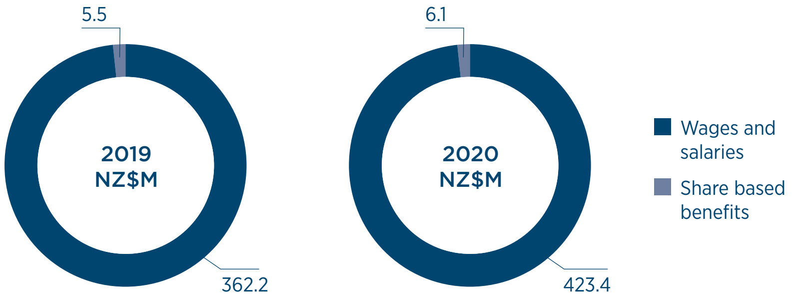
On 26 June 2020 the directors approved the payment of a fully imputed 2020 final dividend of $89.1 million (15.50 cents per share) to be paid on 17 July 2020. A supplementary dividend of 2.7353 cents per share was also approved for eligible non-resident shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. EMPLOYEE EXPENSES

Employee expenses total $429.5 million (2019: $367.7 million).



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Wages and salaries

Wages and salaries includes non monetary benefits, annual leave, long service leave and contributions to superannuation plans.

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave are recognised within employee entitlements in trade and other payables. These are measured at the amounts expected to be paid when the liabilities are settled in respect of employees' services up to the reporting date.

For the liabilities for long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Equity settled share based payments

The fair value (at grant date) of shares, options, PSRs and ESRs granted to employees is recognised as an employee expense in the Income Statement over the vesting period with a corresponding increase in the employee share based payment reserve. When shares, options, PSRs or ESRs are exercised, the amount in the share based payment reserve relating to those instruments, together with the option exercise price paid by the employee, is transferred to share capital. When any vested shares, options, PSRs or ESRs lapse, the amount in the share based payment reserve relating to those shares, options, PSRs or ESRs is also transferred to share capital.

a) Employee share based compensation

From 1 April 2019, the Company grants options and PSRs to certain employees under the 2019 Share Option Plan and the 2019 Performance Share Rights Plan. Prior to April 2019, the Company granted options and PSRs to certain employees under the 2003 Share Option Plan and Employee Performance Share Rights Plan.

Vesting of all schemes is subject to the employee still being in service at date of vesting. No amounts are payable for the grant of any options or share rights. Options, PSRs and ESRs granted to employees have no voting rights until they have been exercised and ordinary shares issued.

(i) Share option plan

Under the 2019 Share Option Plan, one option gives the employee the right to acquire one ordinary share in the Company. Options vest on either the third, fourth or fifth anniversary date of the Grant as long as the FPH share price on the NZX on that date has exceeded the "escalated price". The "escalated price" is determined as at each anniversary of the grant date and is calculated by:

- increasing the last calculated escalated price (which as at the grant date will be the exercise price of the option) by a percentage amount determined by the Board to represent the Company's cost of capital; and
- reducing the resulting figure by the amount of any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

Under the 2003 Share Option Plan, options vest at any time between the third and the fifth anniversary of the grant date, as long as the Company's share price on the NZX has, at any time on or after the third anniversary, exceeded the "escalated price". The escalated price is escalated for a period of three years only.

(ii) Performance share rights plan

Under the 2019 Performance Share Rights Plan, one share right gives the employee the potential to exercise a share right for an ordinary share in the Company at no cost. Performance share rights will only become exercisable if the Company's gross total shareholder return (TSR) performance exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMDQT) in NZD over the same period.

The plan is a 5 year scheme, with the potential for rights to fully vest on the third and fourth anniversary of the grant date if the Company's TSR performance exceeds that of the DJSMDQT by 10 percentage points or more.

Under the previous Employee Performance Share Rights Plan partial vesting of PSRs was possible at the third and fourth anniversary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. EMPLOYEE EXPENSES (CONTINUED)

(iii) Employee share rights plan

Employee Share Rights (ESR) Plan entitles certain New Zealand and Australian employees to be issued ordinary shares in the Company. ESRs automatically vest on the third anniversary of their grant date at no cost to the employee. For each ESR that vests, one ordinary share will be issued.

(iv) Other Employee share and stock purchase plans

Employee Share Purchase Plan: New Zealand and Australian full time employees are eligible, after a qualifying period, to participate in this plan. Shares are issued up to the value of $2,000, with a discount of up to $500 per employee. Loans are provided to employees for the purchase and repaid over the vesting period. No interest is charged on the loans. (2019: up to $2,340 worth of shares, at a discount of 20%). The qualifying period between grant and vesting date is 3 years. At 31 March 2020 the total receivable owing from employees was $2.1 million (2019: $0.6 million).

Employee Stock Purchase Plan: North American employees working more than 20 hours per week, in accordance with section 423 of the US Internal Revenue Code as amended, are eligible to participate in this plan. Shares under this Plan are issued at a discount of 15%, are allocated to employees at the time of issue and vest immediately. Shares issued under this plan in 2020 totalled 82,636 shares (2019: 90,510).

Measurement

The fair value of share options or PSRs is independently determined using a Monte Carlo simulation valuation methodology. The fair value of ESRs is independently determined using a discounted dividend approach. The key inputs and assumptions are included.

b) Key management and director compensation

	2019 NZ$'000	2020 NZ$'000
Salary and other short-term benefits	6,493	7,887
Share based benefits	1,410	1,674
Directors fees	978	1,046
	8,881	**10,607**

Key management personnel includes the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

The table excludes any dividends received on the Company's shares held by the Directors or key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

18. EMPLOYEE EXPENSES (CONTINUED)
Movements in the number of options, PSRs and ESRs outstanding and their exercise prices are as follows:

	2019			2020		
	Options	Performance Share Rights	Employee Share Rights	Options	Performance Share Rights	Employee Share Rights
Number outstanding						
As at beginning of the year	4,827,988	1,231,313	–	3,808,428	972,230	122,355
Granted during the year	670,303	216,937	126,377	815,732	257,701	127,713
Exercised during the year	(1,569,457)	(436,670)	–	(1,177,459)	–	–
Lapsed during the year	(120,406)	(39,350)	(4,022)	(64,814)	(27,160)	(5,412)
As at end of the year	**3,808,428**	**972,230**	**122,355**	**3,381,887**	**1,202,771**	**244,656**
Exercisable at year end	929,970	–	–	870,744	353,603	–
Number of employees holding employee share options, PSRs and ESRs	478	478	227	426	459	261
Weighted average exercise price	$10.46	–	–	$12.98	–	–
Weighted average remaining contractual life (months)	33	39	29	33	33	23
Fair value of share options or rights granted during the year (NZ$M)	2.3	2.2	1.8	2.6	2.6	2.0
Fair value of share options or rights granted during the year ($ per share)	$3.39	$10.16	$14.38	$3.19	$10.11	$15.82
Key inputs and assumptions used in fair value of grants during the year						
Share price at grant date	$15.16	$15.16	$15.16	$16.90	$16.90	$16.90
Contractual life (years)	5	5	3	5	5	3
Exercise price	$14.91	Nil	Nil	$17.21	Nil	Nil
Expected volatility (i)	27%	27%	n/a	25.5%	25.5%	n/a
Expected dividend yield	1.99%	n/a	1.99%	1.63%	1.63%	1.63%
Cost of equity	8.2%	n/a	8.2%	7.6%	n/a	7.6%
5 year NZD risk free rate	2.55%	2.55%	n/a	1.24%	1.24%	n/a
5 year USD risk free rate	n/a	2.90%	n/a	n/a	1.83%	n/a
NZD/USD exchange rate of grant date	n/a	0.6560	n/a	n/a	0.6400	n/a
Expected NZD/USD volatility	n/a	13.00%	n/a	n/a	10.30%	n/a
Expected DJSMDQT index volatility	n/a	13.00%	n/a	n/a	16.40%	n/a

(i) The expected share price volatility is derived by analysing the historical volatility over the most recent historical period corresponding to the term of the option or PSR.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

19. CONTINGENT LIABILITIES

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Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

Periodically the Group is party to litigation including product liability and patent claims. The Directors are unaware of the existence of any claim or contingencies that would have a material impact on the operations of the Group.

20. COMMITMENTS

	2019 NZ$M	2020 NZ$M
Capital expenditure commitments contracted for but not recognised as at the reporting date:		
Within one year	79.7	31.2
Between one and two years	1.2	0.3
Between two and five years	–	–
	80.9	**31.5**

21. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors has approved policies and guidelines for the Group that identify and evaluate risks and authorise various financial instruments to manage financial risks. These policies and guidelines are reviewed regularly.

a. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's profit or the value of financial instruments.

The objective of market risk management is to manage and control market risk exposures through the use of various financial instruments in accordance with the Group's treasury management policy.

(i) Foreign exchange risk

Foreign exchange risk arises when future transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily US dollar (USD), Euro (EUR), Japanese yen (JPY) and Mexican peso (MXN).

Foreign exchange risk is hedged in accordance with the treasury management policy.

The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to hedge the foreign exchange risk associated with anticipated sales or costs. The terms of the foreign currency option contracts and the forward foreign currency contracts generally do not exceed 5 years, but may have terms of up to 10 years with Board approval.

Foreign exchange contracts and options in relation to sales are designated at the Group level as hedges of foreign exchange risk on specific forecast foreign currency denominated sales.

Balance sheet foreign exchange risk arising from net assets held by the Group may be hedged either by debt in the relevant currency, foreign currency swaps or by foreign currency option contracts and forward foreign currency contracts.

(ii) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps and interest rate options within policy parameters. Interest rate swaps and options are accounted for as cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. FINANCIAL RISK MANAGEMENT (CONTINUED)
The carrying amounts of significant non-derivative financial assets and liabilities are denominated in the following foreign currencies:

	NZD NZ$M	USD NZ$M	EUR NZ$M	JPY NZ$M	AUD NZ$M	CAD NZ$M	GBP NZ$M	MXN NZ$M	Other NZ$M	Total NZ$M
2019										
Cash	27.4	10.0	1.6	0.3	–	0.8	–	1.7	6.4	48.2
Short-term investments	92.5	–	–	–	–	–	–	–	–	92.5
Trade receivables	1.6	57.8	33.2	16.1	7.8	5.6	4.7	–	9.6	136.4
Trade and other payables	(31.7)	(23.9)	(6.3)	(1.4)	(3.2)	(0.6)	(3.9)	(3.4)	(14.7)	(89.1)
Bank overdraft	–	(2.0)	(2.6)	(10.0)	(0.4)	–	(1.2)	–	(1.1)	(17.3)
Borrowings	(2.9)	(55.9)	(4.9)	–	(3.4)	(1.9)	–	–	–	(69.0)
	86.9	**(14.0)**	**21.0**	**5.0**	**0.8**	**3.9**	**(0.4)**	**(1.7)**	**0.2**	**101.7**
2020										
Cash	35.8	12.3	3.4	–	2.2	0.4	–	4.9	8.1	67.1
Short-term investments	77.7	–	–	–	–	–	–	–	–	77.7
Trade receivables	2.4	82.9	51.2	20.1	8.0	8.7	8.6	0.9	13.1	195.9
Trade and other payables	(41.2)	(24.1)	(10.7)	(1.6)	(3.5)	(0.9)	(4.9)	(7.0)	(17.8)	(111.7)
Bank overdraft	–	(10.5)	(4.9)	(11.3)	–	(0.1)	(2.4)	–	(1.5)	(30.7)
Lease liabilities	(0.2)	(8.6)	(5.8)	(1.0)	(4.6)	(0.8)	(0.5)	(7.5)	(4.6)	(33.6)
Borrowings	–	(66.5)	–	–	(3.4)	(2.0)	–	–	–	(71.9)
	74.5	**(14.5)**	**33.2**	**6.2**	**(1.3)**	**5.3**	**0.8**	**(8.7)**	**(2.7)**	**92.8**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Market risk (continued)

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

A sensitivity of +/-10% for foreign exchange risk has been selected (2019: +/-10%). The Group believes that an overall sensitivity of +/-10% is reasonably possible given the exchange rate volatility observed on a historical basis. A sensitivity of +/-1% has been selected for interest rate risk (2019: +/-1%). This sensitivity is based on reasonably possible changes over a financial year using the observed range of historical data.

All variables other than the applicable interest rates and exchange rates are held constant.

	2019		2020	
	NZ$M	NZ$M	NZ$M	NZ$M
	-1%	+1%	-1%	+1%
Interest rate change				
Impact on profit after tax	(0.7)	0.7	(0.3)	0.4
Impact on hedging reserves (within equity)	(1.7)	1.7	(1.6)	1.5
	(2.4)	**2.4**	**(1.9)**	**1.9**
	-10%	+10%	-10%	+10%
Foreign exchange rate change				
Impact on profit after tax	(0.9)	0.7	(0.2)	0.1
Impact on hedging reserves (within equity)	(70.1)	60.3	(152.5)	124.7
	(71.0)	**61.0**	**(152.7)**	**124.8**

Fair value estimation

NZ IFRS 13 for financial assets and liabilities measured at fair value requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

Financial Instruments

All the Group's financial instruments held at fair value have been measured at the fair value measurement hierarchy of level 2 (2019: level 2).

The fair value of derivative instruments designated in a hedging relationship is determined using the following valuation techniques:

- Foreign currency forward exchange contracts have been fair valued using quoted forward exchange rates and discounted using yield curves from quoted interest rates that match the maturity dates of the contracts.
- Foreign currency option contracts have been fair valued using observable option volatilities, and quoted forward exchange and interest rates that match the maturity dates of the contracts.
- Interest rate swaps are fair valued by discounting the future interest and principal cash flows using current market interest rates that match the maturity dates of the contracts.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Land

Refer to Note 9 for further information about land that is measured at fair value including a summary of the valuation techniques used.

Other

All financial assets other than derivatives are measured at amortised cost including short-term investments. All financial liabilities other than derivatives are classified as measured at amortised cost. Financial liabilities measured at amortised cost are fair valued using the contractual cash flows. The carrying value of financial assets and liabilities approximates their fair value. In considering the fair value of interest-bearing assets and liabilities the estimated future interest rates approximate the discount rates used in a fair value assessment.

b. Credit risk

The Group is exposed to credit risk in respect of trade receivables, financial instruments, cash and cash equivalents and short-term investments in the normal course of business. The maximum exposure to credit risk is represented by the carrying value of these financial assets. Credit risk is managed on a Group basis with no significant concentration of credit risk.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. There are no significant trade receivable balances relating to customers who have previously defaulted on amounts due to the Group.

Derivative counterparties, cash transactions, cash at banks, and short-term investments are limited to high credit quality financial institutions. Over 93% of cash and short-term investments (2019: 96%) is held with counterparties with credit rating of Standard and Poors' A- and above.

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Liquidity risk

Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flows. The table below sets out the contractual, undiscounted cash flows for non-derivative financial liabilities and derivative financial instruments.

	< 1 year NZ$M	1-2 years NZ$M	2-5 years NZ$M	5+ years NZ$M	Contractual cash flows NZ$M	Consolidated Balance Sheet NZ$M
2019						
Bank overdrafts	17.3	–	–	–	17.3	17.3
Trade and other payables	90.8	–	–	–	90.8	89.1
Borrowings	1.9	45.5	26.6	–	74.0	69.0
Total non-derivative financial liabilities	**110.0**	**45.5**	**26.6**	**–**	**182.1**	**175.4**
Foreign currency forward exchange contracts	12.4	15.1	24.9	–	52.4	53.7
Foreign currency option contracts	–	–	–	–	–	7.7
Interest rate derivative instruments net inflows (outflows) (i)	–	–	–	–	–	0.1
Total derivative financial instruments – assets	**12.4**	**15.1**	**24.9**	**–**	**52.4**	**61.5**
2020						
Bank overdrafts	30.7	–	–	–	30.7	30.7
Trade and other payables	111.7	–	–	–	111.7	111.7
Borrowings	51.2	0.6	22.5	–	74.3	71.9
Lease liabilities	11.9	9.0	6.6	1.8	29.3	33.6
Total non-derivative financial liabilities	**205.5**	**9.6**	**29.1**	**1.8**	**246.0**	**247.9**
Foreign currency forward exchange contracts	(32.9)	(21.0)	(24.7)	1.3	(77.3)	(76.5)
Foreign currency option contracts	–	–	–	–	–	(0.7)
Interest rate derivative instruments net inflows (outflows) (i)	(0.5)	(0.4)	(1.2)	(0.2)	(2.3)	(2.3)
Total derivative financial instruments – (liabilities)	**(33.4)**	**(21.4)**	**(25.9)**	**1.1**	**(79.6)**	**(79.5)**

(i) Interest rate swaps derivative cash flows are estimated using forward interest rates at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than the dividends disclosed in Note 17, there are no other significant events after balance date.

23. OTHER ACCOUNTING POLICIES

a. Changes to accounting policies

During the year the Group adopted NZ IFRS 16 'Leases', effective 1 April 2019, using the modified retrospective approach. The cumulative effect of adopting NZ IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. The reduction in retained earnings on 1 April 2019 was $3.8 million. This is a non cash adjustment and did not impact the Group's ability to comply with its debt covenants.

Adjustments recognised on adoption of NZ IFRS 16

Prior to 1 April 2019, the majority of leases of property, plant and equipment were classified as operating leases with an operating lease expense recognised on a straight-line basis over the term of the lease. From 1 April 2019, leases are recognised as a right-of-use (or leased) asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and financing expense. The financing expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Balance sheet impact of NZ IFRS 16

The impact of NZ IFRS 16 on the Group's opening balance sheet is as follows:

	31 March 2019 NZ$M	Adjustment NZ$M	1 April 2019 NZ$M
ASSETS			
Non-current assets			
Property, plant and equipment	601.4	29.4	630.8
Deferred tax assets	38.9	1.5	40.4
Total assets		**30.9**	
LIABILITIES			
Lease liabilities - Current	–	9.9	9.9
Lease liabilities - Non-current	–	25.3	25.3
Trade and other payables	147.7	(0.5)	147.2
EQUITY			
Retained earnings	549.2	(3.8)	545.4
Total liabilities and equity		**30.9**	

Lease liabilities

The table below presents the reconciliation from lease commitments in accordance with NZ IAS 17 to the opening balance of lease liabilities recognised in accordance with NZ IFRS 16.

	1 April 2019 NZ$M
Operating lease commitments disclosed as at 31 March 2019	26.7
Discounted at the date of initial application	(2.4)
Add: finance lease liabilities recognised as at 31 March 2019	0.5
(Less): short-term leases, or low-value leases not recognised	(0.9)
Add: adjustments as a result of a different treatment of extension options	11.3
Lease liabilities recognised as at 1 April 2019	**35.2**

Profit impact of NZ IFRS 16

The following table shows the adjustments to profit or loss for the year as a result of the adoption of NZ IFRS 16.

	Prior to adoption NZ$M	Impact of NZ IFRS 16 NZ$M	Reported Result NZ$M
For the year ended 31 March 2020			
Total operating expenses	458.6	(2.1)	456.5
Rental and lease expenses	13.1	(12.2)	0.9
Depreciation and amortisation	50.9	10.1	61.0
Operating profit	**377.2**	**2.1**	**379.3**
Operating margin	29.8%		30.0%
Financing expense	2.1	1.8	3.9
Profit before tax	**370.2**	**0.3**	**370.5**
Tax expense	83.1	0.1	83.2
Profit after tax	**287.1**	**0.2**	**287.3**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. OTHER ACCOUNTING POLICIES (CONTINUED)

a. Changes to accounting policies (continued)

Cash flows presentation impact of NZ IFRS 16

Prior to the adoption of NZ IFRS 16, operating lease payments were included in payments to suppliers within operating activities. Following the adoption of NZ IFRS 16 the interest component is allocated to operating cashflows, and the repayment of the lease liability principal is classified within financing activities.

	2020 NZ$M
For the year ended 31 March 2020	
Interest paid on leases (operating activities)	(1.8)
Payments for lease liabilities principal (financing activities)	(9.7)
Total cash outflows from lease liabilities	**(11.5)**

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying NZ IAS 17 and NZ IFRIC 4 'Determining whether an Arrangement contains a lease'.

There have been no other changes in accounting policies.

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Leases

The Group's leases predominantly relate to property or equipment outside New Zealand, the majority of which were classified as operating leases until 31 March 2019. All leases are included within property, plant and equipment (refer to Note 9). Lease contracts are typically made for fixed periods between 3-12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The right-of-use (leased) asset is depreciated over the shorter of the asset's useful life and the expected lease term on a straight-line basis.

Lease liabilities have been measured at the present value of the remaining lease payments, discounted using a discount rate derived from the incremental borrowing rate for each relevant territory on 1 April 2019 when the interest rate implicit in the lease was not readily available. Incremental borrowing rates applied to lease liabilities range between 1% - 25%, with a weighted average rate of 5.3%. Leases that commenced after 1 April use an incremental borrowing rate that was applicable on commencement date.

Extension options

Some property leases contain an extension option exercisable by the Group. At the commencement of a lease, the Group assesses whether it is reasonably certain an extension option will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group. The extension options are only exercisable by the Group and not by the lessor. Where it is reasonably certain the extension will be exercised, that extension period and related costs are recognised on the balance sheet.

Short-term and low-value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement. Short-term leases are leases with a lease term of 12 months or less and predominantly relate to motor vehicle leases with less than 12 months lease term remaining on transition to NZ IFRS 16. Low-value leases predominantly relate to computer equipment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

23. OTHER ACCOUNTING POLICIES (CONTINUED)

b. Standards, Interpretations and Amendments to Published Standards
Other than the adoption of NZ IFRS 16, there are no new standards or amendments to existing standards which have or are expected to have a material impact on the Group.

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c. Impairment of non-financial assets
Assets that have an indefinite useful life or are under development are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

d. Goods and Services Tax (GST)
The Income Statement has been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

e. Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

f. Short-term investments
Short-term investments includes all other current investments that do not meet the definition of cash and cash equivalents. The balance represents deposits with financial institutions with maturities at the date of acquisition between 90 and 120 days.

g. Research and development
Research expenditure is expensed as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when all the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use or sale;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated that the product will generate future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available and;
- the expenditure attributable to the product during its development can be reliably measured and is material.

Directly attributable costs capitalised as part of the product would include employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs recognised as an asset are amortised over their estimated useful lives.

h. Financial guarantee contracts
A financial guarantee contract is a contract that requires a company within the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. Financial guarantees are subsequently measured at the greater of the initial recognition amount less amounts recognised as income or the estimated amount expected to have to be paid to a holder for a loss incurred.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fisher & Paykel Healthcare Corporation Limited

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

BASIS FOR QUALIFIED OPINION

As explained in Note 3, due to the COVID-19 pandemic, certain of the Group's annual finished products inventory counts and materials cycle counts planned to be held on or close to 31 March 2020 did not occur. In planning and scoping our audit we intended to verify the quantities and condition of 100% of the Group's materials and 80% of the Group's finished products by value through physical inventory count procedures at 31 March 2020 and cycle count procedures across the financial year. We were able to verify 32% of the Group's total materials and 62% of the Group's total finished products but were unable to satisfy ourselves by alternative means as to the quantities and condition of the remaining materials and finished products planned to be verified. Consequently, we were unable to determine whether any adjustments to the materials balance of $50.3 million and finished products balance of $111.4 million at 31 March 2020 were necessary. Since closing inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations might be necessary for the year ended 31 March 2020.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of treasury related financial markets risk analysis and commentary, remuneration benchmarking, regulatory tax compliance procedures in Mexico, scrutineering the counting of votes at the Annual Shareholders' Meeting and other assurance services in relation to constant currency disclosures. The provision of these other services has not impaired our independence as auditor of the Group.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section, we have determined that we have one key audit matter, revenue recognition, to be communicated in our report.

Revenue recognition

Description of the key audit matter

The Group's revenue primarily consists of the sale of products which totalled $1,263.7 million in the year ended 31 March 2020 as outlined in Note 4.

In determining the appropriate recognition of revenue, management has considered the following characteristics of the sale of products:

- products are sold to customers in multiple territories with varying sales contract terms and conditions;
- in certain markets sales are made to distributors and include rebate arrangements; and
- the manual intervention required in some cases to allow for the time between despatch of products and the transfer of control to customers.

Management has concluded that:

- revenue is primarily derived from the satisfaction of a single performance obligation for each contract which is the sale of products; and
- control of product transfers to the customer/distributor at the same time as legal title passes.

Given the above and the higher sales in the final quarter of the year ended 31 March 2020 related to the COVID-19 pandemic, we have given significant audit focus and attention to the recognition of revenue.

How our audit addressed the key audit matter

On a sample basis for each major operating subsidiary:

- we examined contracts with customers to validate that management's conclusion in relation to when control transfers was appropriate; and
- validated that the rebate, payment and pricing arrangements supported the recognition of a sale on transfer of control to the distributor.

We completed detailed audit procedures over revenue including:

- obtaining an understanding of systems, processes and controls and evaluating and testing key controls in place over the recording of revenue;
- utilising data assurance techniques to match cash received during the year and amounts receivable at balance date to invoices issued to customers and obtaining supporting evidence for any significant transactions that were not matched to cash or receivables;
- for a sample of transactions within accounts receivable at balance date we obtained either a confirmation of the amount owing from the customer, or evidence of the amount owing from alternative procedures including testing of subsequent receipts or shipping documentation; and
- defining the time period, both before and after 31 March 2020, where there was a heightened risk of error in relation to the timing of recognition of sales transactions. This involved determining the potential time difference between when revenue is recognised in the accounting system and when legal title passes. For a sample of transactions recognised within the defined time period we confirmed that the date on which revenue was recognised by management was appropriate by examining the associated invoice, the terms of the sales contract, and the relevant product delivery documentation.

The sample size for this testing was increased from that originally planned, given the high volume of sales around 31 March 2020 of products essential to the COVID-19 response and because we were unable to attend certain planned inventory counts, as referred to in the Basis for qualified opinion section of this report. Where exceptions were identified in our sample testing, we considered the nature of the exceptions and used audit techniques to determine the results for the remainder of the population. No material exceptions were identified from our procedures.

INDEPENDENT AUDITOR'S REPORT

OUR AUDIT APPROACH

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $15.5 million which represents an average of approximately 5% of profit before tax over the past three years.

We chose an average of profit before tax over the last three years as the benchmark because, in our view, profit before tax is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose to use an average of the last three years because of higher sales in the final quarter of the year ended 31 March 2020 related to the COVID-19 pandemic and the impact of this on the Group's results.

As noted above we have determined that there is one key audit matter being revenue recognition.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Group audit scope focussed on the major operating subsidiaries which were selected based on their contribution to the Group's revenue or profit before tax. In aggregate, the subsidiaries selected for full scope audit procedures contributed 86% of the Group's revenue and 89% of the Group's profit before tax. We performed analytical procedures over the other subsidiaries.

Audits of the selected subsidiaries are performed at a materiality level determined by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

WHO WE REPORT TO

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

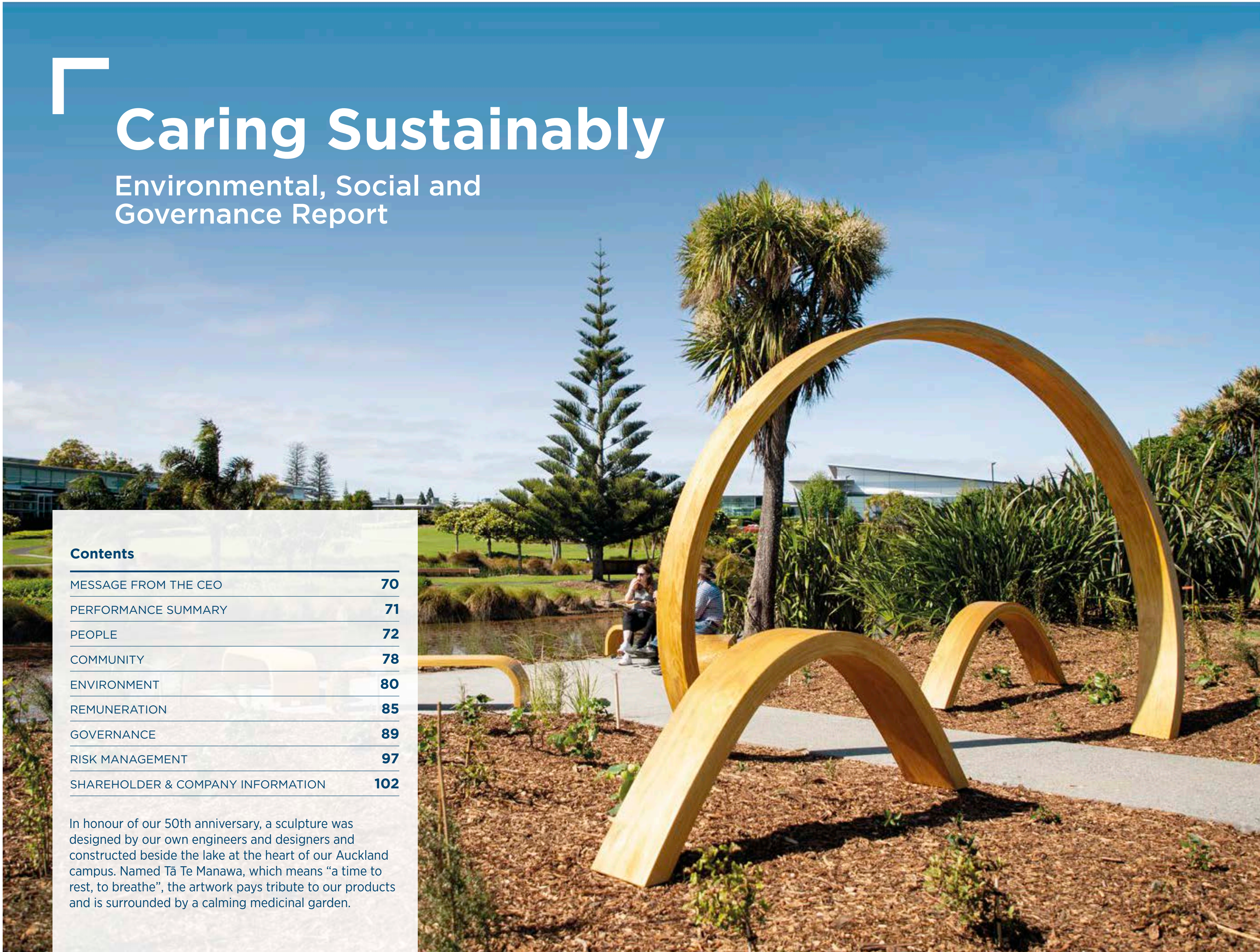
The engagement partner on the audit resulting in this independent auditor's report is Keren Blakey.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

26 June 2020 Auckland



Caring Sustainably

Environmental, Social and Governance Report

Contents

MESSAGE FROM THE CEO	70
PERFORMANCE SUMMARY	71
PEOPLE	72
COMMUNITY	78
ENVIRONMENT	80
REMUNERATION	85
GOVERNANCE	89
RISK MANAGEMENT	97
SHAREHOLDER & COMPANY INFORMATION	102

In honour of our 50th anniversary, a sculpture was designed by our own engineers and designers and constructed beside the lake at the heart of our Auckland campus. Named Tā Te Manawa, which means "a time to rest, to breathe", the artwork pays tribute to our products and is surrounded by a calming medicinal garden.

MESSAGE FROM THE CEO

By looking after our people, local communities and the environment, we can be more innovative and more successful in the long term. In turn, we can continue to return a portion of our profits to shareholders as dividends.

At Fisher & Paykel Healthcare, we are fully committed to our purpose – improving care and outcomes through inspired and world leading healthcare solutions. Our products and therapies were used to treat around 16 million patients, including many battling COVID-19. We have made a significant contribution to the health and wellbeing of the world's people during a global pandemic.

We know that we have a responsibility to look after our own people, our local communities and the environment. By doing so, we can be more innovative and more successful in the long term, and in turn, we can continue to return a portion of our profits to shareholders as dividends.

Reporting on environmental, social and governance topics is one way to hold ourselves accountable for continuous improvement in this area. With that in mind, in this report we have provided disclosures on the topics our investors and other stakeholders consider most important.

This year we are integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This includes commentary in the governance, risk management and environment sections of this report, along with disclosures addressing our global carbon footprint. We have also integrated some of the Sustainability Accounting Standards Board (SASB) standards and Climate Disclosure Standards Board (CDSB) guidance.

We are a fifty-year-old business with thousands of suppliers, and making our operations more sustainable is a journey of continuous improvement. I'm encouraged that we have a team of talented, passionate people who are providing guidance on how to manage our environmental and social impacts, while supporting our work to improve patient care and outcomes. Future generations are counting on us to do both.

LEWIS GRADON
Chief Executive Officer

PERFORMANCE SUMMARY

CDP Scores

Climate	Supplier Engagement	Water	Forests
B	B–	C	To be reported in FY2021

Other ESG ratings and recognitions

Science Based Targets (SBT)	Dow Jones Sustainability Index (DJSI)	MSCI	FTSE4Good
Committed Jan 2020 SBTi disclosure includes Scope 3 forecast	2019 Index Constituent	Screened	2019 Index Constituent

United Nations Sustainable Development Goals

Our business purpose, along with our commitments to look after our people, invest in our local communities and manage our environmental impact, is aligned with the UN Sustainable Development Goals, particularly SDG 3, 8 and 12.

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainability disclosures and indices

We participate annually in a suite of well-respected sustainability disclosure programmes and have been included this year in the Dow Jones Sustainability Index and the FTSE4Good index.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

PEOPLE

We know we need the best people and the best environment in which the best ideas can grow. We have more than 5,000 people working in, or supporting, over 120 countries around the globe. The tables below outline our total numbers of people **by headcount** as at 31 March.

People: by region

	2019		2020	
Region	**Permanent**	**Temporary**	**Permanent**	**Temporary**
New Zealand	2,226	218	2,443	293
Mexico	1,126	66	1,294	28
Rest of World	953	6	1,014	17
Total	**4,305**	**290**	**4,751**	**338**

People: permanent and temporary

	2019		2020	
Gender	**Permanent**	**Temporary**	**Permanent**	**Temporary**
Women	2,089	199	2,386	239
Men	2,216	91	2,365	94
Not disclosed	–	–	–	5
Total	**4,305**	**290**	**4,751**	**338**

People: full-time and part-time

	2019		2020	
Gender	**Full-time**	**Part-time**	**Full-time**	**Part-time**
Women	2,083	29	2,356	30
Men	2,245	20	2,354	11
Total[1]	**4,328**	**49**	**4,710**	**41**

[1] Temporary employees (casual, fixed term, temporary, temporary part time and contract temporary) are not included in these numbers due to the changing nature of their hours.

Caring for our people

We offer our people the opportunity to work for a world-class, successful company where each person is valued and respected. We fully support the principles in the United Nations Declaration on Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, including non-discrimination, freedom of association and collective bargaining, and freedom from forced and child labour. We seek to uphold human rights in all business activities.

We recognise that the results we achieve are built on the hard work and dedication of our employees. In recognition of this contribution, and as has been our longstanding practice, we pay our employees a profit-sharing bonus. In FY20, this represented on average 3.9% of annual base pay for each employee, and a total profit-share of $12.0 million (2019:$5.9 million).

Diversity and Inclusion Policy

One of our core beliefs is that the commitment to doing the right thing is what our customers will find compelling. This extends to doing the right thing by our own people.

This commitment involves:

1. **Empowering employees to reach their potential**

   We believe our people are our strength, and are committed to providing equal employment opportunities for our people, and an environment where everyone has the opportunity to reach their full potential.

   As a global company, we value the differences our people bring as we believe this creates a diversity of thinking that forms the foundations of our culture. We strive to develop a workforce consisting of individuals with diverse skills, values, backgrounds, ethnicities and experiences.

   This commitment to diversity and inclusion means ensuring that no individual is excluded from a position, for which they are skilled and qualified, by inappropriate systems, practices and attitudes. It also means eliminating barriers to ensure that everyone is considered for the employment of their choice and that our people have the opportunity to perform to their full potential.

2. **Creating an inclusive culture**

   We are global in people, in thinking and in behaviours, and we believe that an inclusive culture is essential for diversity to thrive. We are committed to fostering an inclusive workplace where our employees feel they are treated fairly and their contributions are

PEOPLE CONTINUED

respected and valued. We believe this promotes continuous questioning and continuous improvement which builds innovative and high performing teams.

3. **Measuring and reporting on our diversity and inclusion objectives and progress**
   We relentlessly strive to provide a high quality of life for our employees and believe that "what gets measured gets improved". We will use both quantitative and qualitative measures to review our diversity and inclusion performance and, as with all areas of our business, have a focus on continuous improvement. The Board is responsible for establishing measurable objectives for achieving a diverse and inclusive workforce.

   Each year in our annual report we will disclose the measurable objectives for achieving gender diversity set by the Board in accordance with this policy and our progress towards achieving those objectives.

Gender pay ratio

We pay our employees fairly based on performance and the complexity and size of the individual role. The table below outlines the gender pay ratio calculated within salary bands and functions using the average pay ratio between females and males.

	2019	2020
New Zealand (salaried and waged)	99.4%	99.4%
Outside of New Zealand (Salaried only)	98.0%	98.0%
Total	**98.9%**	**98.9%**

For New Zealand, we embedded last year's New Zealand annual salary review procedure into the FY20 procedure. This required managers to report each employee's performance rating to allow calibration across the business.

During the year we completed the assessment of the job sizes for our roles in Mexico using the same Hay Evaluation Methodology applied to other roles globally. This allowed us to more accurately assess employee pay in like-for-like roles, giving us a more accurate representation of the gender pay ratio.

The gender pay ratio, both in New Zealand and globally, remained stable this year with no statistical difference in employees' pay for like-for-like roles based on gender. This result, as well as the other initial work from our gender diagnostic, was recognised at the 2019 Diversity Awards hosted by DiversityWorks NZ, where we received a Highly Commended award. We were also included in the Bloomberg Gender-Equality Index for 2020. The Bloomberg Gender-Equality Index (GEI) tracks the financial performance of public companies committed to supporting gender equality through policy development, representation and transparency. Bloomberg captures all its data from direct sources and runs quality control systems to ensure that it conforms to the highest standards.

Board and employees by gender

The table below shows the ratio of women to men among our Board members, senior executives and all employees. The gender demographics across our workforce are comparable to those seen in 2019.

	2019				2020			
	Women	Men	Women %	Men %	Women	Men	Women %	Men %
Board	2	6	25%	75%	2	6	25%	75%
Senior executives[1]	2	8	20%	80%	2	8	20%	80%
All employees[2]	2,089	2,216	49%	51%	2,386	2,365	50%	50%

[1] "Senior executive", as it is used in the table above, refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.
[2] Temporary staff are not included in the above numbers.

Board and employees by age

The table below shows the age ranges of our people among our Board members, senior executives and all employees. The age demographics across our workforce are comparable to those seen in 2019.

	2019			2020		
	Board	Senior executives[1]	All employees[2]	Board	Senior executives[1]	All employees[2]
Under 30 years old	–	–	1,134	0	0	1,269
30 – 50 years old	–	8	2,460	0	8	2,694
Over 50 years old	8	2	711	8	2	788
% Under 30 years old	–	–	26%	–	–	27%
% 30 – 50 years old	–	80%	57%	–	80%	57%
% Over 50 years old	100%	20%	17%	100%	20%	16%

[1] "Senior executive", as it is used in the table above, refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.
[2] Temporary staff are not included in the above numbers.

PEOPLE CONTINUED

Creating an inclusive culture

We strive to create an environment in which our people feel a sense of belonging and no one is excluded in their day-to-day interactions. This year, we reinforced policies that aimed to allow equal participation and inclusion in the workforce and sought to get a deeper understanding of the impact of inclusion in dimensions of diversity other than gender.

Flexible working policy and procedure

The perceived lack of workplace flexibility was seen as a barrier to inclusivity by our people in the 2018 MySay engagement survey. In FY19, we updated our flexible working policy in New Zealand to allow a wider range of working arrangements to meet the changing needs of our people. As part of our FY20 diversity and inclusion objectives, we monitored the impact of the updated policy.

We found that of the New Zealand salaried workforce who formally adopted a flexible working arrangement:

- Male and female employees were equally likely to work flexibly
- Younger generations – Millennials (24-39 years old) and Gen Z (up to 23 years old) – were much less likely to work flexibly
- Variations to start and end times were the most common form of flexibility, with some employees trialling a condensed working week or 9-day fortnight.

Parental leave procedure

When families welcome a new child, the early months are both valuable and vital. We are committed to supporting our people throughout all phases of this transition, from pregnancy, to birth or adoption, through to a child's first moments. We want our people to feel they can choose to spend time at home if they wish, with less financial pressure. This year in New Zealand, we introduced our F&P Whānau Care as part of our updated Parental Leave policy, which offers increased benefits to both primary carers and partners.

Established the IDEA Council

The IDEA Council – Inclusion, Diversity, Equality and Awareness – was established this year, and was one of our FY20 diversity and inclusion objectives.

Made up of seven members from across the organisation, the purpose of the Council is to champion the advancement of diversity and inclusion at F&P, ensure sustainable outcomes for our initiatives and act as spokespeople to the executive management team and the Board.

Following establishment, the IDEA Council has:

- Organised a pilot unconscious bias workshop.
- Initiated Spectra, an employee-led society whose aim is to enable the rainbow community to be their full authentic self at F&P. Spectra ran its first bite-sized learning session to raise awareness on LGBTQIA+ terminology for the workplace.
- Conducted workshops to gain insight into what may contribute to the current state of gender diversity in our R&D area. We are using the information gathered from these workshops to determine the next steps toward improving gender representation among engineers, and this will form one of our FY21 objectives.

The council also initiated the investigation into the ethnicity diagnostic and perceived value of ideas, as summarised below.

Ethnicity diagnostic

As part of our 2020 diversity and inclusion objectives, we commenced an ethnicity diagnostic of our operations in New Zealand. The preliminary results suggest that there are differences in ethnic diversity in different areas of our business, across both functions and levels. This may indicate biases in our recruitment, development or retention processes. In the 2021 financial year, we will be verifying demographic data on a large proportion of our people. We will be using the updated data to complete the ethnicity diagnostic and identify root causes.

Perceived value of ideas

The perception that ideas are not valued equally was seen as a barrier to inclusivity by our people in the 2018 MySay engagement survey. This will be investigated further in FY21 using updated employee engagement information.

PEOPLE CONTINUED

Attracting great talent

We work closely with universities, schools and community groups to attract the best graduates for our teams. For roles requiring more experience or specialised skills, we search across the global employment market through targeted recruitment campaigns. We take a proactive approach to finding people whose values match ours.

The tables below outline the total number and rate of our new employee hires. Hire rate is calculated as the number of new hires in each category divided by the total number of employees in that category as at 31 March.

Hire rate: by region

	2019		2020	
Region	**New employees**	**Hire rate**	**New employees**	**Hire rate**
New Zealand	257	11%	404	16%
Mexico	382	34%	401	31%
Rest of World	186	19%	192	19%
Total	**825**	**19%**	**997**	**21%**

Hire rate: by gender

	2019		2020	
Gender	**New employees**	**Hire rate**	**New employees**	**Hire rate**
Women	443	21%	625	26%
Men	382	17%	372	16%
Total	**825**	**19%**	**997**	**21%**

Hire rate: by age group

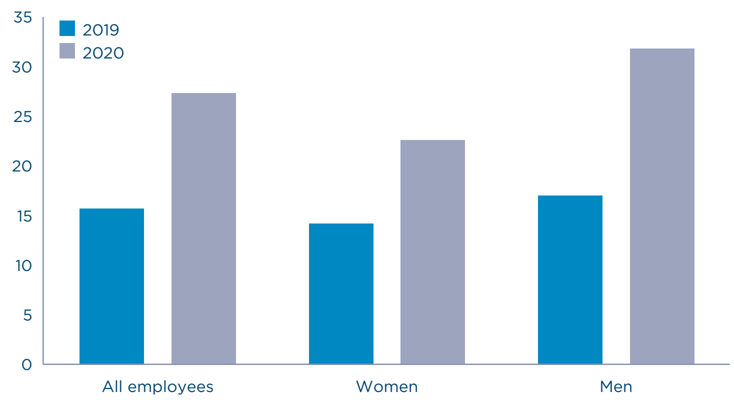
	2019		2020	
Age group	**New employees**	**Hire rate**	**New employees**	**Hire rate**
Under 30 years old	461	40%	521	41%
30 – 50 years old	348	14%	430	16%
Over 50 years old	16	2%	46	6%
Total	**825**	**19%**	**997**	**21%**

Growing our talent

We develop our people through work experience combined with coaching and learning. Our learning and development function runs development programmes for our people, supported where necessary by third-party providers. Our programmes are designed for people at all levels within the organisation, including leadership training for those in management positions.

Average training hours

The figures below illustrate the average hours of training that employees in New Zealand have undertaken during the reporting period. There was an overall increase in training for employees in 2020 compared to previous years.



Internal recruitment policy

We strive to provide an environment where our people have the opportunity to reach their full potential through planned career development and succession conversations. One way of achieving this is to offer all employees the opportunity to broaden their skills, taking on new opportunities within the business in accordance with their potential and aspirations. This is aided by the release of our new Internal Recruitment Policy. The implementation of this policy also provides a sustainable and highly-skilled pool of talent to enable our growth.

Succession planning

Our succession planning process involves identifying experiences that employees require to develop the knowledge and skills for progression. This allows us to be deliberate as we provide opportunities for our people through initiatives such as secondments, project assignments, job enrichment and enlargement.

PEOPLE CONTINUED

Employee development

In New Zealand, we provide a nine-week programme called "Growing our Business". This is facilitated by The Learning Wave for our manufacturing teams in New Zealand. This programme supports our strategic approach of enabling and developing our people, giving them the confidence to speak up and improve how they work every day. We have had 90 employees graduate from the programme since its launch in 2017. In 2019, the company won the Skills Highway Champion Employer Award for supporting our people through the programme.

In Mexico, we strive to enable the growth of our employees by supporting employees to complete their secondary and tertiary education. In FY20, 28 employees graduated from their educational programmes. This represents a better quality of life and increased opportunities for them and their families.

Manager development

Managers play a vital role in leading and developing our people. In order to engage and equip managers for the challenge of leadership and people management, the "Manage, Engage and Lead" workshop is a manager onboarding programme we successfully piloted this year. The goal of the programme is to provide a positive and effective onboarding experience for all newly hired and newly promoted managers. Full implementation is planned for FY21.

Additionally, we implemented the roll out of our Situational Leadership module to our global leaders. Since its launch in 2017, we have had 314 managers complete the course across Europe, United Kingdom, United States, Mexico, Asia, Australia and New Zealand.

Retaining our talent

We believe that maintaining a culture where teamwork, flexibility and diversity are valued will create an environment that will retain our people. We understand that people's needs and goals can be different, and we segment our employees and individualise retention interventions specific to their needs and in line with our culture.

The tables below outline the total number and rate of our employee turnover. The turnover rate is calculated as the number of leavers in each category divided by the total number of employees in that category as at 31 March.

Employee turnover: by region

	2019		2020	
Region	Number of leavers	Turnover rate	Number of leavers	Turnover rate
New Zealand	197	9%	193	8%
Mexico	243	22%	273	21%
Rest of World	139	15%	138	14%
Total	**579**	**13%**	**604**	**13%**

Employee turnover: by gender

	2019		2020	
Gender	Number of leavers	Turnover rate	Number of leavers	Turnover rate
Women	275	13%	338	14%
Men	304	14%	266	11%
Total	**579**	**13%**	**604**	**13%**

Employee turnover: by age group

	2019		2020	
Age group	Number of leavers	Turnover rate	Number of leavers	Turnover rate
Under 30 years old	225	20%	262	20%
30 – 50 years old	304	12%	288	11%
Over 50 years old	50	7%	54	7%
Total	**579**	**13%**	**604**	**13%**

Collective Bargaining Agreements

Of all permanent employees globally, 19% were covered by collective bargaining agreements in the 2020 financial year.

PEOPLE CONTINUED

Diversity and inclusion objectives for FY21

The People and Remuneration Committee is responsible for overseeing the company's Diversity & Inclusion Policy. Each year, the People and Remuneration Committee review and report to the Board on the company's Diversity Policy, its diversity objectives and the company's achievement against its diversity objectives, including the representation of women at all levels of the organisation.

The company has appointed the Chief Executive Officer and Vice President – Human Resources as the company's diversity managers. In order to continue to advance our progress with improving diversity and inclusion in the company, the following objectives are set for the 2021 financial year.

1. Extend gender diagnostic activities to global offices
2. Pilot unconscious bias workshop for New Zealand
3. Complete ethnicity diagnostic for New Zealand
4. Understand and improve female representation in the R&D function

CASE STUDY

Golden days for a golden celebration

Fisher & Paykel Healthcare's golden anniversary in November 2019 was an international celebration of our people and culture.

Teams from Mexico, North America, Australia, Germany, India, Japan and Russia marked the 50-year anniversary with events that highlighted our core values of Internationalism, Life, Relationships, Originality and Commitment.

New Zealand celebrated the milestone with a two-day World Fair festival for our employees and their families at our Auckland campus. Attended by more than 4,000 people, the event featured performances from numerous employee-led cultural groups, lunch, and award presentations for long service, sustainability, upholding our corporate values and continuous improvement.

To further mark the occasion, a sculpture was erected beside the lake at the heart of our Auckland campus. The artwork, named Tā Te Manawa, pays tribute to our humidifier prototype – a copper coil inside an Agee preserving jar – and is surrounded by a medicinal garden. Smaller sculpture-inspired artworks were distributed to our offices worldwide in a symbolic gesture of connectedness.

4,000+ PEOPLE ATTENDED

COMMUNITY

Building build brighter and healthier communities through care and collaboration

One of the hallmarks of a successful company is looking after the wider community. At Fisher & Paykel Healthcare, we seek to build and nurture strong, lasting partnerships with like-minded organisations. Through a combination of financial and in-kind support, we have facilitated and sponsored various community development programmes.

Our volunteer-led community relations programme in New Zealand, called F&P in the Community, focuses on three areas aligned with our business purpose: improving access to healthcare, STEM (science, technology, engineering and mathematics) education and career paths, and environmental sustainability. A committee identifies and facilitates opportunities to create shared value with our community partners. Teams at our global offices also select and sponsor community initiatives at their discretion.

Improving access to healthcare

Urgent help for our local communities during the COVID-19 pandemic

During the COVID-19 pandemic, we acted quickly to help our local communities. Because the majority of our employees work at our facilities in Auckland, New Zealand and Tijuana, Mexico, that is where we have concentrated our COVID-19 community response.

When the COVID-19 virus first rose to crisis level in January 2020, clinicians were worried there could be a shortage of ventilators in New Zealand. Although Fisher & Paykel Healthcare does not produce ventilators, our R&D engineers use them to develop and test our respiratory humidification devices. Our clinical specialists had the foresight to check our R&D labs to locate any ventilators on site, in case they were needed for patients.

We identified 12 ventilators on site that would be usable for COVID-19 patients and loaned them to two local hospitals. We also provided $60,000 worth of personal protective equipment (masks and filters) to Middlemore and Auckland Hospital.

Our thoughts have been with our team in Mexico, which has been more severely impacted by the coronavirus than New Zealand. As COVID-19 testing has been limited in the public health system in Mexico, we have provided our Tijuana employees with access to private healthcare for testing. Some of our people have tested positive for COVID-19 and have been hospitalised. To meet their needs and support the local healthcare community at large, we donated 40 F&P Airvo humidifiers, 20 F&P 850s and associated consumables to hospitals in Tijuana.

Absorbing increased air freight and supply chain costs

Since the outbreak of the pandemic in China, there has been an unprecedented and urgent demand for our respiratory products. Because of challenges with global supply chains, we have used air freight to bring in raw materials quickly and deliver product to customers. The cost of air freight and expediting the supply of raw materials has been significant; however, we have opted to absorb these cost increases instead of passing them on to our customers in the form of increased pricing.

Clinical research for Counties Manukau Health and Middlemore Hospital

In December 2019, we signed a ten-year, $1.5 million partnership agreement with Counties Manukau Health to provide funding for clinical research that will be allocated by Middlemore Hospital. The hospital will use the funds for research projects that benefit local communities in South Auckland. The partnership also helps Counties Manukau Health recruit and retain their top clinicians, who are drawn to research opportunities, and enables Middlemore Hospital to extend its research agenda.

Auckland Health Foundation Sponsorship

This year the company provided $250,000 to the Auckland Health Foundation at Auckland City Hospital. The funds will be used to refurbish the Fisher & Paykel Healthcare Clinical Education Centre, which opened in 2004. The Centre will benefit from upgrades to lighting, technology and furnishings, and clinicians will benefit from the enhanced meeting and lecture spaces.

Biomedical engineering internships in Tonga

As another one of our improving access to healthcare initiatives, we partnered with the University of Canterbury (UC), Callaghan Innovation, and charity Take My Hands on a summer internship programme in Tonga. Seven UC biomedical engineering students served for 10 weeks as Fisher & Paykel Healthcare interns working with the Tongan Ministry of Health to upskill local biomedical technicians, improve processes, and take an inventory of existing medical devices. The interns gained valuable real-world experience in biomedical projects and insight into the challenges and opportunities for the use of medical products in the developing world.

COMMUNITY CONTINUED

STEM education and career paths

We run a comprehensive programme of educational events in which our employees visit schools and universities to discuss career pathways in science, technology, engineering and mathematics (STEM). This year we once again partnered with the Faculty of Engineering at the University of Auckland to help achieve their goal of 33% women in their first-year student cohort. We also sponsored a number of events, such as the NZ Robotics Charitable Trust Kiwibots programme, that encourage local youth to engage with science and consider careers in STEM-related fields.

SouthSci

This year our New Zealand team continued their partnership with SouthSci, an organisation that helps enable education opportunities for kids in science, technology, engineering and maths. An initiative of COMET Auckland, SouthSci aims to spark students' interest in science-related fields and to build relationships between local businesses, researchers, schools and youth. Our people have been involved in SouthSci for the past five years, volunteering their time to mentor project groups, assess community applications, and advise students on their project plans.

One of our most successful SouthSci projects was the Beachlands School Sleep Project, which focussed on teaching young people the importance of sleep. Through this initiative, 100 students aged 10 and 11 years used the scientific method to answer self-developed research questions about their sleep habits by tracking and analysing their own sleep. The students also toured our New Zealand campus, where engineers set up models and working machinery for the students to experience.

Wonder Project

The company also supported the Wonder Project Rocket Challenge, a science initiative led by Engineering New Zealand and funded by the New Zealand government. Dozens of our employees served as mentors, donating their time to work with kids and impart their wisdom, passion and excitement – inspiring students to pursue a career in STEM.

Environmental sustainability

Please refer to the section "Environment" of this report for information on our volunteer-led environmental initiatives.

Sustainable Tax Strategy

Collecting and paying tax is an important contribution to the communities in which we operate. In support of our overall business strategy and objectives, we pursue a tax strategy that is principled, transparent and sustainable in the long term.

Our Group's tax contribution includes paying corporate income taxes, employment-related taxes and other taxes that we pay or collect on behalf of governments. We support the OECD Business and Industry Advisory Committee (BIAC) Statement of Tax Principles for International Business and have endorsed these principles in our published Group Tax Strategy, which was reviewed and approved by our Board in November 2019.

Our tax strategy sets out our approach to tax governance and tax management and is aligned to our conservative appetite for tax risk. Its primary purpose is to ensure that we comply with all of our tax obligations, undertake all transactions with a business purpose considering all of our stakeholders, and have an open and transparent relationship with tax authorities.

Our business model is centred in New Zealand, and the majority of our taxes are paid in New Zealand. Most of our manufacturing activities and tangible assets are located in Auckland. All of our R&D is performed in New Zealand, and the associated intellectual property is owned in New Zealand as well.

ENVIRONMENT

Protecting our environment by minimising our carbon footprint, using resources efficiently and reducing waste

At Fisher & Paykel Healthcare, we are committed to measuring and managing our impact on the natural environment. We have a team of passionate people providing guidance on how to reduce our environmental impact while supporting our work to improve patient outcomes. Although our climate change and environmental commitments continue to evolve, our current focus is on minimising our carbon footprint, using resources efficiently and reducing waste.

Summary of key environmental metrics

Topic	Description of measure	Target	2018	2019	2020
Scope 1 & 2 carbon emissions	Tonnes CO_2e	4.2% annual reduction from 2019 base year	10,798	11,198	10,881
Scope 3 carbon emissions	Tonnes CO_2e	SBTi supplier engagement	25,721	21,931	48,728
Recycling efficiency	% waste recycled at our NZ campus	75%	74%	69%	66%
Recycling trials	Product in market recycling trials underway	3	1	1	3
Water use	Cubic metres of water used	2% annual reduction from 2019 base year	88,461	106,373	98,772

Carbon and energy

We remain committed to reducing our long term carbon footprint. We have engaged Toitū Envirocare (formerly Enviro-Mark Solutions) to conduct third-party carbon footprint audits since 2013, including additional sites in our audit scope as the company has grown.

Scope 1 & 2 carbon emissions are within our operational control, while Scope 3 emissions largely rely on the carbon performance of our suppliers – such as freight carbon intensity, raw material carbon intensity or even the carbon intensity of hospitals where our products are used.

Scope 1 and 2 emissions

For the first time, we are reporting a 3% reduction in overall Scope 1 & 2 carbon emissions. Scope 1 emissions were 2,067 tonnes CO_2e for FY20, compared to 2,104 tonnes CO_2e for the previous year (attributable to seasonal fuel use). Scope 2 emissions were 8,814 tonnes CO_2e, compared to 9,094 tonnes CO_2e for FY19.

This success was largely due to our ability to procure Renewable Energy Certificates from Meridian Energy. These certificates verify that the electricity used at our New Zealand campus is apportioned to low-carbon renewable energy sourced from Meridian's Benmore hydro station in the Waitaki Valley.

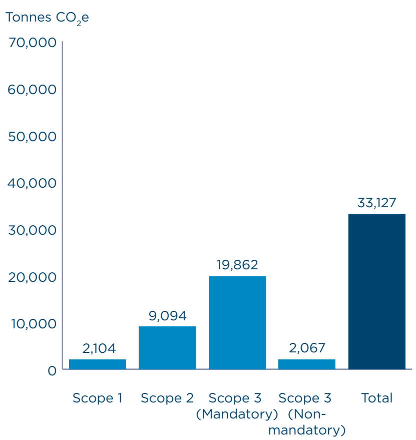
During FY20 our new manufacturing facility began operating in Mexico, resulting in a 44% increase in electricity use across our Mexico operations. Mexico electricity now makes up 70% of our global Scope 2 emissions. We have noted the higher carbon intensity of electricity generated in Mexico when compared to New Zealand and are developing solar array capabilities for the Mexico facilities.

Scope 3 emissions

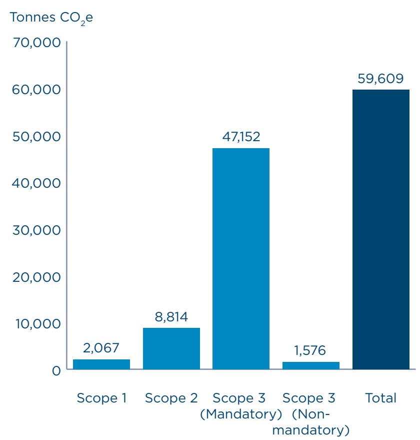
This year, we sought to achieve greater transparency by including data on inbound freight in our audit of Scope 3 emissions. This impacted our overall carbon footprint, particularly in the fourth quarter of the year. Due to COVID-19 and increased global demand for respiratory products, we relied heavily on air freight.

As a result, our overall carbon footprint increased by 26,482 tonnes to 59,609 tonnes of CO_2e for FY20. Our increased reliance on air freight will likely impact FY21 carbon reporting as well, until product demand stabilises.

FY19 Audited Carbon Footprint Disclosure



FY20 Audited Carbon Footprint Disclosure



ENVIRONMENT CONTINUED

Science-based targets

The Science Based Targets initiative (SBTi) is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting and independently assesses companies' targets.

Science-based targets are emissions reduction targets in line with what the latest climate science says is needed to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.

Fisher & Paykel Healthcare has set science-based targets for emissions, and those targets have been approved by SBTi as consistent with levels required to meet the goals of the Paris Agreement. Carbon reduction targets support future carbon cost risk mitigation by providing incentives for the reduction of carbon emissions.

Since 2013, Fisher & Paykel Healthcare has used a 5% annual carbon intensity reduction target. In FY20 we updated this to be a 4.2% absolute reduction in Scope 1 and 2 carbon emissions annually from a 2019 baseline.

This updated business target aligns with our approved Science Based Targets. In FY20, actual carbon reduction for Scope 1 & 2 was 3%. Mexico electricity growth of 44% offset what otherwise would have been a 26% reduction in carbon.

Short, medium and long-term carbon reduction targets have been set for Scope 1 and 2 emissions as follows (in tonnes of CO_2).

Scope	Description	2024	2029	2034
1 & 2	Fuels and refrigerants used directly; electricity and heat purchase directly	8,846	6,494	4,143

As described previously, Scope 3 emissions largely rely on the carbon performance of our suppliers. We will continue to educate and engage with our suppliers to help manage Scope 3 emissions and will continue to collaborate with suppliers through our ecodesign programme.

As part of our TCFD due diligence, we have proactively forecast our Scope 3 carbon footprint using the Science Based Targets Initiative Screening Tool. This assessment gives us better visibility of the carbon impacts across our full supply chain – all the way through to customer product use. Applying this tool has resulted in a forecast that our total carbon footprint may be ~500,000 to 650,000 tonnes CO_2e higher when supply chain impacts and customer product use is considered.

Using the SBTi screening tool, we have estimated the proportion of our FY19 emissions in each scope category to be as follows:

Scope	Description	%
1	Fuels and refrigerants used directly	0.4%
2	Electricity and heat purchased directly	1.6%
3	Carbon used upstream and downstream (indirectly, wider supply chain)	98.0%

CASE STUDY

Renewable energy certificates

In FY20 we set out to reduce Scope 2 carbon emissions at the New Zealand campus by participating in a programme from Meridian Energy. The third-party renewable energy verifier, NZ Energy Certificate System (NZECS) audits Meridian's energy-generating facilities at Benmore Hydro station and then issues renewable energy certificates for each MWh of energy generated. Customers then purchase renewable energy certificates to cover the amount of MWh of electricity they have used.

Fisher & Paykel Healthcare is one of the first companies in New Zealand to purchase renewable energy certificates to verify that the electricity we use has a carbon intensity factor of zero. It is the first initiative of scale we have implemented to assist in reducing our carbon emissions.

During FY20 we purchased 24,283 renewable energy certificates, which is equal to our documented electricity consumption of 24,283 MWh. By sourcing renewable energy in this way, we have been able to reduce Scope 2 carbon emissions by 2,373 tonnes of CO_2e.

Meridian. The Power to Make a Difference.

REDUCING SCOPE 2 CARBON EMISSIONS BY

2,373T CO_2E

ENVIRONMENT CONTINUED

We are currently modelling the impact of our operations in the context of the wider healthcare system, because overall carbon emissions can be reduced when patients are able to receive treatment in their homes instead of in hospitals. Many of our products make this possible.

Carbon commitments

Below are our carbon commitments:

- We have committed to reducing absolute Scope 1 & 2 GHG emissions by 67.2% by FY2034 from a 2019 baseline.
- We have committed that 87% of our suppliers (by spend) covering purchased goods and services and the use of sold products will have science-based emission reduction targets by FY2024.

In summary, we have set carbon-reduction targets out to the end of 2034, and we continue to focus on reducing carbon emissions over the long term. Our goal is to continue our initiatives to reduce Scope 1 and 2 emissions, while engaging and educating our suppliers to manage Scope 3 emissions. Across the broader healthcare system we will continue to collaborate and find innovative ways to achieve these shared goals.

Environmental management

ISO14001 audits

Our global teams continue to perform well in external ISO14001 Environmental Management System audits. These evaluate the day-to-day management of environmental risks and opportunities across our manufacturing sites in New Zealand and Mexico. We are audited annually against the standard and are certified tri-annually by the Swiss-based European notified body, Société Générale de Surveillance.

CASE STUDY

Eco-efficiency programme and life cycle assessment

Fisher & Paykel Healthcare has cross-company teams working on a range of eco-efficiency topics, including sustainable packaging, bioplastics and 3D printing recycling. One of the key tools we use is environmental lifecycle assessment software, which helps our engineers assess the environmental impact of a product across its full lifecycle.

Last year, we conducted an environmental life cycle assessment of the F&P 950 humidification system used in hospitals. We found that 81% of the system's carbon footprint comes from the energy required to operate it. The carbon footprint varies, therefore, depending on where it is used and the energy sources in that region. The chart below shows the life cycle assessment of the F&P 950 system, including all parts and consumables required over the life of the product.

F&P 950 System

US customer total usage – 2,660 kg CO_2e

- Production 17%
- Distribution 2%
- Use 81%
- End-of-life 0%

NZ customer total usage – 1,030 kg CO_2e

- Production 43%
- Distribution <1%
- Use 56%
- End-of-life 1%

ENVIRONMENT CONTINUED

Recycling and reducing waste

Global recycling capacity constraints, including the Chinese National Sword policy, continue to impact our recycling performance. In FY20, 66% of our New Zealand waste stream was recycled. This was a slight reduction from 69% during the prior year.

During FY20 we piloted two recycling trials for some of our products used by customers in New Zealand. Furthermore, we developed onsite recycling machinery in FY20 which will become operational in FY21 for some recycling streams.

Water usage

During FY20, we established an absolute water reduction target of 2% per year. Actual water use reduced by 7% during the year.

Eco-efficiency programme

As part of our eco-efficiency strategy, we have established collaborative teams to work on a range of topics which include sustainable packaging, bioplastics and 3D printing recycling.

Disclosures, awards and community initiatives

Carbon Disclosure Project (CDP) scores

Fisher & Paykel Healthcare participates in CDP (formerly known as the Carbon Disclosure Project) and has received scores for climate change for the past nine years. In 2019 we disclosed our water usage for the first time and received a score of "C". CDP also assessed our Supply Chain Climate Change engagement for the first time, providing a score of "B-". Below is a summary of our CDP scores for the past two years. 2020 scores will be announced later this year.

	2018	2019	2020
Climate Change	B	B	TBC
Water	–	C	TBC
Supply Chain	–	B-	TBC

Climate Leaders Coalition

Fisher & Paykel Healthcare is a member of the Climate Leaders Coalition, a group of leading New Zealand companies who are committed to taking voluntary action on climate change. This includes measuring and publicly reporting emissions, setting a public emissions reduction target, and working with suppliers to reduce their emissions.

CLIMATE LEADERS COALITION

ON A MISSION TO REDUCE EMISSIONS IN NEW ZEALAND

Sustainable Business Council

Fisher & Paykel Healthcare is a voluntary member of the Sustainable Business Council, which aims to mainstream sustainability within the New Zealand business community. SBC members make a commitment to address greenhouse gas emissions, build sustainability into their purchasing decisions, and introduce annual reporting practices.

Sustainable Business Council

wbcsd Global Network Partner

Sustainable Business Network Smarter Transport Award

The Fisher & Paykel Healthcare Sustainable Commuting team won a Smarter Transport award at the Sustainable Business Network awards in November 2019. The award recognised our commitment to promoting more sustainable modes of transport. We currently have 56 electric vehicle (EV) chargers installed at our New Zealand campus, and this year we funded the installation of EV chargers at Auckland Hospital and at Middlemore.

ENVIRONMENT CONTINUED

Green Team

In addition to the environmental initiatives led by our Sustainability team, interest in our volunteer-led Green Team has grown exponentially and now includes more than 300 people promoting environmental sustainability on our Auckland campus and in the wider community.

This year our Green Team led a number of initiatives to encourage employees to move to alternative forms of commuting as a way of reducing greenhouse gas emissions and local air pollution. The group sponsored a number of events to drive employee awareness of alternative ways to commute – such as to drive electric vehicles, ride bikes, e-bikes or e-scooters, take public transport and carpool. They also created an online carpooling tool to connect employees who live near each other and allow easy creation of carpool groups.

300+ people

PROMOTING ENVIRONMENTAL SUSTAINABILITY ON OUR AUCKLAND CAMPUS AND IN THE WIDER COMMUNITY

Community environmental initiatives

In FY20 we hosted several tree planting events on our New Zealand campus, and more than 50 employees pitched in to clean up an estuary during Keep New Zealand Beautiful Week.

Our team in Tijuana, Mexico, planted trees at a local school, volunteered their time to clean up a beach, and led a bottled water elimination initiative.

REMUNERATION

We focus on attracting, motivating and retaining high-quality employees who will help us to achieve our short and long-term strategic objectives. We operate in international markets where substantial competition exists for skilled employees. Our ability to attract, motivate and retain capable people depends in large part upon the remuneration packages we offer.

This section describes how we remunerate our employees, Executive Management and non-executive directors.

Employee remuneration

Our employee remuneration programme consists of a base wage or salary, a discretionary component providing the potential for an annual bonus based on relevant company performance and, in certain countries, superannuation, life insurance and the opportunity to purchase shares and/or receive share options.

Employees receive base remuneration packages that are generally benchmarked against similar positions in companies of comparable size and complexity. The People and Remuneration Committee uses industry remuneration surveys, conducted by outside consultants in determining remuneration levels. Remuneration is generally reviewed annually with the amount of any increases determined by factors such as company performance, general economic conditions, marketplace remuneration trends and individual performance.

The tables below show the remuneration (inclusive of the value of other benefits)[1] totalling NZ$100,000 or more received by employees or former employees in 2020, not including the CEO who is a director of the company. We operate in a number of countries where remuneration market levels differ widely. The offshore remuneration amounts are converted into New Zealand dollars.

Remuneration $	Number of employees
100,000 – 110,000	180
110,001 – 120,000	172
120,001 – 130,000	133
130,001 – 140,000	107
140,001 – 150,000	88
150,001 – 160,000	75
160,001 – 170,000	56
170,001 – 180,000	41
180,001 – 190,000	36
190,001 – 200,000	32
200,001 – 210,000	33
210,001 – 220,000	29

Remuneration $	Number of employees
220,001 – 230,000	21
230,001 – 240,000	26
240,001 – 250,000	15
250,001 – 260,000	18
260,001 – 270,000	21
270,001 – 280,000	13
280,001 – 290,000	22
290,001 – 300,000	12
300,001 – 310,000	5
310,001 – 320,000	8
320,001 – 330,000	4
330,001 – 340,000	5

[1] The table includes salary and wages, profit-sharing bonus and annual variable remuneration (AVR) paid during the 2020 financial year. It also includes the fair value of long term variable remuneration (LTVR) as expensed in the period.

Remuneration $	Number of employees
340,001 - 350,000	1
350,001 - 360,000	4
370,001 - 380,000	6
380,001 - 390,000	4
390,001 - 400,000	4
400,001 - 410,000	1
410,001 - 420,000	2
430,001 - 440,000	1
440,001 - 450,000	1
470,001 - 480,000	1
480,001 - 490,000	2

Remuneration $	Number of employees
510,001 - 520,000	1
530,001 - 540,000	2
540,001 - 550,000	1
560,001 - 570,000	1
570,001 - 580,000	1
580,001 - 590,000	1
640,001 - 650,000	2
770,001 - 780,000	1
950,001 - 960,000	1
980,001 - 990,000	1
1,500,001 - 1,510,000	1

Executive management remuneration

The People and Remuneration Committee is responsible for reviewing the remuneration of Executive Management in consultation with the CEO. The remuneration packages of the Executive Management consist of a combination of a fixed remuneration package, an annual variable remuneration (AVR) component, a long term variable remuneration (LTVR) component, and the company-wide profit sharing bonus, as described further below.

The total remuneration earned by Executive Management is set out in Note 18 of the financial statements.

Fixed remuneration

All members of Executive Management receive a fixed remuneration component that is based on the scale and complexity of the role, market relativities, qualifications and experience, and performance. This also includes any KiwiSaver or other superannuation contribution. Other benefits, including life insurance, are also available to Executive Management and are included in fixed remuneration.

REMUNERATION CONTINUED

Variable remuneration

Executive management receive variable remuneration linked to performance each financial year. The table below shows how variable remuneration is calculated.

<table>
<tr><th>Plan</th><th>Measures</th></tr>
<tr><td>Annual Variable Remuneration (AVR)</td><td>The AVR component is designed to remunerate executive management relative to the company's annual financial performance and non-financial objectives.

Meeting both the financial and non-financial targets results in a payment of 100% of the AVR amount. The AVR payment amount is adjusted pro-rata, with each 1% above or below financial targets resulting in a 2% increase or decrease in payment. The maximum payment is 132% of the AVR amount at 20% over achievement. Should the financial measures in aggregate be underachieved by more than 10%, no AVR is payable.

The relative weighting of AVR measures and the target achieved in 2020 is set out below.

<table>
<tr><th>Measures</th><th>Weighting</th><th>% of Target Achieved</th></tr>
<tr><td>Constant currency operating profit</td><td>45%</td><td>106.7%</td></tr>
<tr><td>Constant currency revenue</td><td>25%</td><td>106.1%</td></tr>
<tr><td>Constant currency pre-tax operating cash flow</td><td>10%</td><td>104.6%</td></tr>
<tr><td>Non-financial measures</td><td>20%</td><td>Variable</td></tr>
</table></td></tr>
<tr><td>Long Term Variable Remuneration (LTVR)</td><td>LTVR components are designed to align executive management with shareholder interests over the longer term, and provide a longer term employee retention benefit.

The LTVR plans available to executive management are described below. Further information on these and other LTVR plans can be found in the "Long Term Variable Remuneration" section of our website.

Share Option Plan – Options vest if during the period from the date of grant of an option to the third, fourth, or fifth anniversary of the grant date the Company's share price on the NZX has exceeded the "escalated price". The escalated price is determined by a representative amount representing the company's cost of capital.

Performance Share Rights Plan – PSRs become partially or fully vested if the company's gross total shareholder return (TSR) exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMDQT) at the fifth anniversary of the grant date of the PSRs. PSRs fully vest if the company's TSR exceeds the performance of the DJSMQT by 10 percentage points or more on either the third or the fourth anniversary.

Employee Share Purchase Plan – Executive management can choose to participate in this Plan up to the value of $2,000 with a discount of up to $500, with no interest charged on the loans. The qualifying period between grant and vesting date is 3 years.</td></tr>
</table>

During 2019, the Board conducted a review of the LTVR Instruments provided to selected executives, managers and employees of the company. The Board instructed an independent advisor, PwC, to conduct a review of the LTVR Instruments. PwC was of the view that the LTVR Instruments have provided strong alignment of the interests of employees and shareholders and recommended amendments to the company's performance share rights and option plans to provide even stronger alignment. The Board agreed with the recommendations and during 2019, two new Long Term Variable Remuneration ("LTVR") equity settled schemes were introduced as a replacement for the previous Employee Share Option Plan and the Performance Share Rights Plan. Further details of the schemes are included in Note 18 of the financial statements and on the company's website.

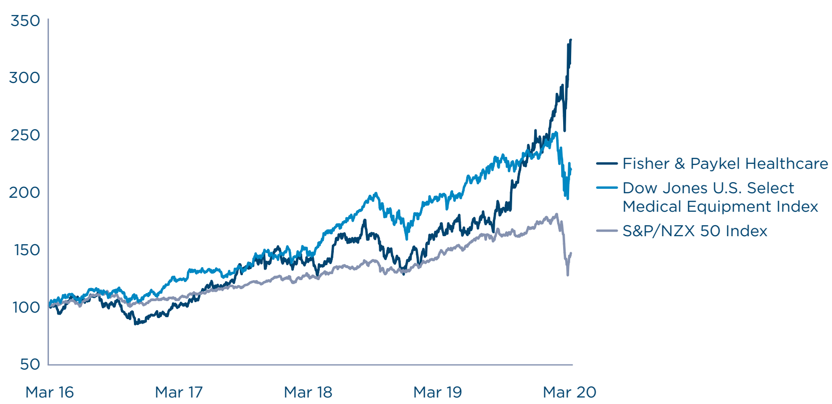
Participants in the company's equity-based remuneration schemes are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of their unvested entitlements. For the avoidance of doubt, this does not prevent participants entering into financial arrangements for them to be able to exercise vested entitlements under any company equity-based remuneration scheme.

Profit sharing bonus

As outlined in the 'People' section all our employees, including executive management, who have worked with us for a qualifying period are eligible to receive a profit-sharing bonus at the discretion of the Board.

5-year summary of TSR performance

The chart below shows our total shareholder return (TSR) compared with the performance of DJSMDQT and the S&P NZX50 index over the previous five years . From 2015 to 2018, our TSR performance exceeded that of the DJSMDQT, and PSRs on issue 100% vested. When the PSRs were last tested, in September 2019, the TSR performance was below the DJSMDQT, and PSRs on issue did not meet the performance hurdle at that point in time.



[1] To enable better comparability of the relative shareholder return performance, the Dow Jones U.S. Select Medical Equipment Index closing prices have been converted to NZD at the daily closing rate quoted by the Reserve Bank of New Zealand.

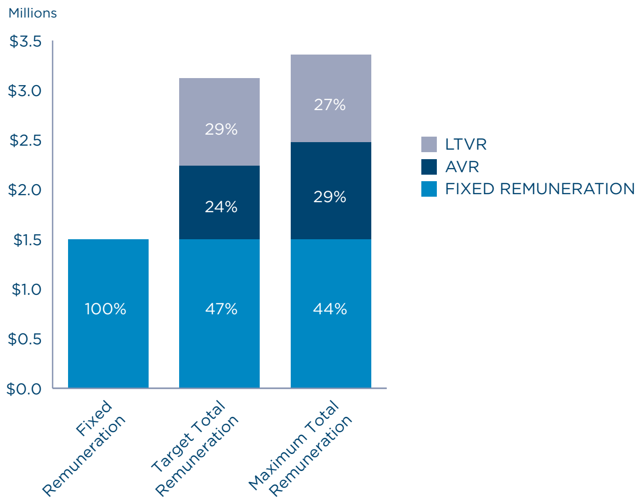
REMUNERATION CONTINUED

CEO remuneration

The CEO remuneration structure is consistent with the executive management remuneration structure described previously.

CEO target remuneration summary

The CEO remuneration target and maximum total remuneration mix for the 2020 financial year is set out below.



CEO remuneration summary

	Salary $	Other[1] $	Fixed remuneration subtotal $	AVR[2] $	LTVR awarded[3] $	Total remuneration $	% AVR against maximum $
2020	1,340,971	109,327	1,450,298	865,581	885,723	3,201,602	83%
2019	1,231,953	85,867	1,317,820	690,356	669,916	2,678,091	78%

1 Other includes employee superannuation contribution and life insurance

2 The 2020 AVR above was earned in the 31 March 2020 financial year, but will be paid in the 2021 financial year. The 2019 AVR was earned in the 31 March 2019 financial year but was paid in the 2020 financial year. AVR value includes the company-wide profit sharing bonus.

3 LTVR includes Options and PSRs awarded during the financial year. In the 2020 financial year, Lewis Gradon was granted 43,848 PSRs and 138,827 share options (2019: 32,466 PSRs and 100,313 share options). Options and PSRs granted in the 2019 and 2020 financial years will vest, if the performance criteria are met in the 2022 to 2024 financial years respectively. Details of the plans and valuation methodology are set out in Note 18 to the financial statements.

AVR achieved in 2020

The AVR financial targets achieved are set out in the Executive Management section on the previous page. During 2020 the CEO achieved 100% of his non-financial measures. The AVR earned in the 2020 financial year is 60% of the fixed remuneration.

LTVR vested in 2020

The following long term Share Option incentives vested in the 2020 financial year. PSRs issued in September 2016 were first tested on 6 September 2019 and did not meet the performance hurdle at that point in time.

Grant year	Securities	Performance period	Performance measure	Vesting outcome	Shares vested	Value on vesting
Financial year 2017	Share Options	September 2016 to September 2019	Cost of capital escalated share price	100% vested	72,000	563,040[1]
	PSRs	September 2016 to September 2019	Absolute TSR against DJSMDQT	0% vested	–	–

1 Represents the difference between the exercise price and the NZX closing price of FPH ordinary shares on the vesting date, multiplied by the number of Share Options vested.

REMUNERATION CONTINUED

Non-executive directors' remuneration

Remuneration strategy

The People and Remuneration Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors. This enables us to attract and retain directors who contribute to the successful governing of the business and create value for shareholders.

We also take advice from independent consultants and take into account fees paid to directors of comparable companies in New Zealand and Australia as part of our assessment of the appropriate level of remuneration of directors. A summary of our independent consultants' remuneration report is available on our website.

The maximum total monetary sum payable by the company by way of directors' fees is $1,050,000 per annum as approved by shareholders at the 2017 Annual Shareholders' Meeting. Executive directors are not entitled to receive any remuneration solely in their capacity as directors of the Company.

Non-executive directors do not take a portion of their remuneration under an equity security plan; however, directors may hold shares in the company. Details are set out on page 94 of this report. It is our policy to encourage directors to acquire shares on-market.

No non-executive director is entitled to receive a retirement payment.

Approved director remuneration for the 2020 financial year

The total directors' fees received by non-executive directors in 2020, including a breakdown of Board fees and Committee fees, is set out below. The fees payable are determined based on the time commitment and responsibilities of each role.

Fees per annum	Chair $	Member $
Board of Directors	234,812	103,298
People and Remuneration Committee	23,460	17,608
Quality, Safety and Regulatory Committee	23,460	17,608
Audit and Risk Committee	29,365	17,608

Director remuneration received in the 2020 financial year

Director	Board Fees $	People and Remuneration Committee $	Quality, Safety and Regulatory Committee $	Audit and Risk Committee $	Travel Allowance[1] $	Total $
Tony Carter[2]	234,812	–	–	–	–	234,812
Michael Daniell	103,298	–	–	17,608	–	120,907
Pip Greenwood	103,298	23,460^	–	–	–	126,759
Geraldine McBride	103,298	–	–	–	–	103,298
Neville Mitchell[3]	103,298	–	17,608	–	22,154	143,061
Donal O'Dwyer[3]	103,298	17,608	23,460^	–	22,154	166,521
Scott St John	103,298	17,608	–	29,365^	–	150,271
Total	**854,601**	**58,677**	**41,069**	**46,973**	**44,308**	**1,045,627**

^ Designates Chair of Committee

1 Directors based in Australia are paid a travel allowance to attend Board meetings in New Zealand.

2 Tony Carter is the Board Chair. No additional fees are paid to the Board Chair for Committee roles.

3 Neville Mitchell's and Donal O'Dwyer's remuneration is set in NZD but paid in AUD at the prevailing exchange rate at the date of payment.

GOVERNANCE

Corporate Governance Statement

The Board and management of the company are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses the company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The company is listed on both the NZX and the ASX (Foreign Exempt Listing category). Corporate governance principles and guidelines apply in both countries. As at the date of this report, the company complies with all of the recommendations of the NZX Corporate Governance Code. In addition, although the company is not required to comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) given its Foreign Exempt Listing on the ASX, the company considers its corporate governance practices and procedures substantially reflect the ASX Principles.

The full content of the company's corporate governance policies, practices and procedures can be found in the corporate governance section of the company's website – www.fphcare.com/corporategovernance.

Ethical behaviour

As a business we are committed to doing the right thing. It is important to us and is what our customers, employees, and shareholders find compelling. We ensure we comply with our legal and ethical obligations throughout our business operations, from the way we source materials, design and manufacture our products, through to selling our products across the world.

We have policies and procedures in place to ensure we conduct our business in a legally, ethically, and socially responsible manner. These policies are available on our website, and summary information with respect to a number of our policies can also be found throughout this section.

Securities Trading Policy and Guidelines

We are committed to ensuring our people are aware of their obligations when trading in or intending to trade in company financial products. Our Securities Trading Policy and Guidelines detail our policy on, and rules for, all directors, officers, contractors or employees who intend to trade in company financial products. The policy explains insider trading laws and the legal and reputational risks of failing to comply with such laws. A copy of the policy is available on our website.

Codes of Conduct

We expect our employees and directors to maintain high ethical standards. A Code of Conduct for the company and a separate Directors' Code of Conduct set out these standards.

The Codes cover a range of areas relevant to legal and ethical behaviour, including competing fairly, health and safety, data protection and privacy, working with customers and suppliers, sanctions compliance, responsible marketing, financial records and reporting, continuous disclosure and insider trading, combating bribery and corruption and interactions with healthcare professionals. It also covers matters such as confidentiality, conflicts of interest, receipt of gifts, and corporate opportunities.

The Codes explain how an employee or director can report an actual or suspected breach of the Code. This is also detailed in our Speak Up (or whistle-blowing/protected disclosures) policy, which ensures employees know how to report potentially unethical or illegal behaviour or breaches of our Code of Conduct, without fear of retaliation or harassment.

We have developed training on the Code of Conduct, and since 2017 this training has been undertaken by employees globally, and it is now part of induction for new employees. The Code of Conduct is available on our internal intranet and our external website. New directors are provided a copy of the Director's Code of Conduct during their induction training.

We have an in-house legal team that provides advice and assistance to the business globally on how to comply with our various legal obligations and engage external legal counsel to assist us as and when required.

We maintain a schedule for regularly reviewing and updating corporate governance policies and charters. The Code of Conduct was last reviewed in March 2020.

Supplier Code of Conduct

We are committed to building a supply chain structure that supports our approach to corporate social responsibility and sustainability. To ensure that our supply chain is transparent and coordinated across our wider supply chain network, an integrated ERP system in conjunction with our strong quality management system is utilised.

Our Supplier Code of Conduct reflects our values and our expectations for the conduct of all suppliers, contractors and consultants, and their affiliates, who provide goods or services to our group of companies. We find business relationships are more productive and effective when they are built on trust, mutual respect and common values. As such, we seek relationships with suppliers who share a common commitment to:

1. Incorporate quality business processes within their day to day operation;
2. Conduct their business ethically and with integrity;
3. Comply with all laws and regulations;
4. Respect human and employee rights;
5. Promote and maintain a health and safety culture within their organisation;
6. Design for sustainability;
7. Monitor and minimise any negative impacts on the environment; and
8. Have systems in place to ensure business continuity, continuous improvement and protection of intellectual property.

Within our upstream supply chain, our active risk mitigation means we continuously monitor and partner with socially responsible organisations that believe in doing the right thing. We aim to dual source directly from manufacturers, service providers and third parties all over the world within our key risk areas.

While materials are procured from all over the globe, a large portion of the externally procured materials originate from suppliers in Asia and North America. To support our suppliers and ensure transparency, we have local teams that enable us to personally interact and be present within our suppliers' operations on a regular basis. The local teams also organise visits from the New Zealand-based global procurement teams to enable mutual collaboration.

GOVERNANCE CONTINUED

Sustainable procurement

We aspire to impact society in a positive way and to develop, manufacture and distribute our products in accordance with principles of sustainable development. The raw materials and components we use to manufacture our products come from a network of suppliers around the globe. Achieving our vision depends not only on what we do, but on the activities of our supply chain. For that reason, we seek to purchase goods and services from suppliers that minimise negative impacts and increase positive outcomes through sustainable and ethical business practices.

As mentioned on the previous page, our Supplier Code of Conduct outlines our minimum expectations in the principal areas of human rights, labour practices, the environment and anti-corruption. We seek to engage suppliers that share our vision and continually strive to develop in these areas to deliver more environmental, social, and economic benefits.

We are committed to working with our suppliers to increase transparency and promote responsible business practices, often beyond simple compliance. We collaborate with them to implement frameworks to identify and mitigate risks and create stronger, sustainable supply chains. Where these principles or remediation plans cannot be agreed, Fisher & Paykel Healthcare may decline to enter or may conclude business relationships with those parties.

Anti-bribery and corruption

In the course of our business we interact with a wide range of government officials and private sector individuals or businesses, including government regulators, inspection authorities and healthcare professionals.

We do not tolerate bribery, corruption, kickbacks or other types of improper benefits, whether committed by our own people or by anyone we deal with.

Most of the countries in which we operate have strict anti-bribery and corruption laws that apply to our interactions with public officials. Failing to comply with these laws could have serious consequences for us, both as individuals and as an organisation. In some cases, these consequences could include criminal charges. We have processes in place for assessing anti-bribery and corruption risk and implement measures to mitigate these risks.

Our Code of Conduct sets out our expectations for all employees in combatting bribery and corruption. We never offer or accept (or ask a third party to offer or accept) bribes, illegal facilitation payments, secret commissions or kickbacks to or from any person. These rules apply to all our business activities, including any interactions we may have with government officials or with any private person or business, either locally or overseas.

The Code requires that where we suspect bribery or corruption, either by our own people or by any of our suppliers, customers or other business partners, we report it immediately. The Speak Up policy ensures that all employees know how to make such a report and can be confident that concerns will be taken seriously and investigated and will not result in retaliation or other harassment.

During the year ended 31 March 2020 the company is not aware of any instances of corruption or of incidents in which employees were dismissed or disciplined for corruption.

Interactions with healthcare professionals

As we are a medical device business, we must comply with laws and regulations on interacting with healthcare professionals in various countries around the world. It is critical that our activities do not improperly influence the medical decisions of healthcare professionals or the purchasing decisions of entities that buy our products.

Our Policy on Interactions with Healthcare Professionals ensures that we act ethically and legally in our interactions with healthcare professionals, comply with all applicable laws, and do not provide improper benefits or inducements to healthcare professionals. We provide training to employees on this policy.

Ethical research

We have formal procedures in place to ensure that we adhere to the International Conference on Harmonisation Good Clinical Practice (GCP) standards during all clinical investigations we carry out. GCP standards cover the design, conduct, recruitment, recording and reporting of clinical investigations that involve the participation of human subjects.

Our procedures have also been compiled based on the ISO 14155:2011 standard for: Clinical investigation of medical devices for human subjects – Good clinical practice and the EU Medical Devices Directive.

These procedures are designed to ensure that the data and reported results of all clinical trials are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected.

Animal ethics

We sometimes participate in or observe testing to assess biocompatibility and obtain worldwide regulatory clearances. This includes animal testing on rabbits, guinea pigs and mice. We conduct this testing according to International Standards 10993 and 18562.

Our external test labs maintain accreditation with the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC), and all applicable portions of study protocols are conducted as per regulations and guidelines regarding animal care and welfare.

Wherever possible, we look for alternatives, such as in vitro or analytical chemistry testing, which do not require the use of laboratory animals. We take great care to ensure there is no duplicate testing of our products.

The Board

The Board plays a vital role in setting and overseeing our strategic direction and driving the business forward. Strong governance from a diverse and experienced Board ensures we can achieve our aims of improving patient care and outcomes through inspired and world leading healthcare solutions, thereby sustainably increasing shareholder value.

The biography of each Board member, including each director's skills, experience, expertise and term of office, is set out in the "Our Board" section of this report.

GOVERNANCE CONTINUED

Role of the Board

The Board is ultimately responsible for our strategic direction. The specific roles and responsibilities of the Board, and the Board's procedures, are set out in detail in our Board Charter, available on our website. In summary, the Board is elected by our shareholders to:

- approve our strategies and objectives;
- identify and manage risks;
- review and approve budgets and business plans;
- approve our remuneration policy and other policies governing the way we operate our business; and
- provide governance of internal decision making and management.

The Board delegates management of the day-to-day affairs and responsibilities of the company to the CEO and executive management to deliver the strategic direction and goals set by the Board. The specific responsibilities delegated to executive management are recorded in the Board Charter and the Delegation Policy. A summary of the Delegation Policy is also available on our website.

The Board regularly reviews and assesses our governance structures, policies, and procedures to ensure these are in-line with international best practice and legal requirements. The Board Charter was last updated on 29 March 2019.

Nomination and appointment of directors

The number of directors is determined by the Board, in accordance with the company's constitution. The constitution requires that there are at least four directors, and no more than nine directors, and governs the process for the appointment and removal of directors. A director is appointed by ordinary resolution of the shareholders, although the Board may fill a casual vacancy.

Under the NZX Listing Rules, a director must not hold office (without re-election) past the third annual meeting following the director's appointment or 3 years, whichever is longer. A director appointed by the Board must not hold office (without re-election) past the next annual meeting following the director's appointment.

When searching for and nominating candidates to act as a director, the People and Remuneration Committee takes into account such factors as it deems appropriate, including diversity of gender, background, experience, and qualifications of the candidate, independence and the Board skills matrix. It may use external search firms to assist with locating possible candidates and gathering relevant information.

When considering the re-election of an existing director, the People and Remuneration Committee will also consider the length of service of the director, and the director's performance on the Board to date. It is the Board's general expectation that a non-executive director will hold office for an aggregate period of approximately nine years (including re-elections).

We undertake a number of checks before appointing a director and putting forward to shareholders a candidate for election as a director, and ensure we provide shareholders with all relevant information to inform their decision on whether to elect or re-elect a director.

At the ASM on 28 August 2019, Lewis Gradon and Donal O'Dwyer retired by rotation and, being eligible, offered themselves for re-election and were re-elected to the Board. Neville Mitchell, having been appointed to the Board on 12 November 2018, offered himself for election and was elected to the Board.

On 27 November 2019, Board Chairman Tony Carter announced his intention to retire with effect from the close of the company's ASM in August 2020. Current director Scott St John has been elected by the Board to succeed Tony Carter as chairman.

Other procedures relating to the nomination and appointment of directors are outlined in the Appointment and Selection of New Directors Policy available on our website.

Board diversity and skills matrix

At Board level, diversity allows the company to benefit from a range of different perspectives, which leads to healthier debate and decision making. As we operate in specialised international markets, the Board believes that it is important to have a Board consisting of members with diverse backgrounds, experience and skills. The Board also believes that the tenure of each of its members is important as it seeks to balance independent, institutional knowledge gained through length of service and the importance of fresh perspectives in decision-making.

The following table summarises the current key skills and experience, and tenure of the Board.

Skills and experience	Tony Carter	Lewis Gradon	Michael Daniell	Pip Greenwood	Geraldine McBride	Neville Mitchell	Donal O'Dwyer	Scott St John
Financial acumen	✓	✓	✓	✓	✓	✓	✓	✓
Sales/Marketing	✓	✓	✓	✓	✓	✓	✓	✓
Engineering/ Science/Technology/ Manufacturing	✓	✓	✓		✓	✓	✓	
Medicine/Medical Device		✓	✓			✓	✓	
Legal/Regulatory		✓	✓	✓		✓	✓	✓
Governance	✓	✓	✓	✓	✓	✓	✓	✓
International Business Experience	✓	✓	✓	✓	✓	✓	✓	✓
Tenure (years)	9.5	4	18.5*	3	6.5	1.5	7.5	4.5

* Michael Daniell was appointed as a non-executive director on 1 April 2016 following his retirement as Managing Director and CEO.

While some directors will have greater expertise in certain areas than others, the Board has determined the table above on the basis of directors who have at least the minimum required level of skill and experience in each area.

Written agreements with directors

Upon appointment, non-executive directors are issued a letter setting out the terms and conditions of their appointment. This includes information about their role and duties, time commitments, term of appointment, remuneration and insurance, access to information, and disclosure and compliance obligations. A copy of the standard form of this letter is available on our website. The CEO has an employment agreement setting out his roles and conditions of employment. Further information about the remuneration of directors is set out in the Remuneration section of this report.

Directors' and officers' insurance and indemnity

The Group has arranged, as provided for under the company's constitution, policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors, ensure that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

Independence of directors

We are committed to ensuring that a majority of directors are independent of the company, and do not have any interests, positions, associations or relationships which might interfere, or might reasonably be seen to interfere, with their ability to bring independent judgement to the issues before the Board and to act in the best interests of the company and to represent the interests of the company's shareholders generally.

The Board has regard to the factors described in the NZX Corporate Governance Code when assessing the independence of directors. After consideration of these factors, the company is of the view that:

1. Lewis Gradon is a director who is currently employed in an executive role by the company;
2. Michael Daniell is a director who was employed in an executive role by the company until 31 March 2016 and there was not a period of at least three years between ceasing such employment and serving on the Board;
3. No director currently holds, nor has held within the last 12 months, a senior role in a provider of material professional services to the company or any of its subsidiaries;
4. No director currently has, nor has had within the last three years, a material business relationship (such as a supplier or customer) with the company or any of its subsidiaries;
5. No director is a substantial shareholder of the company, nor a senior manager of, nor otherwise associated with, a substantial shareholder of the company;
6. No director currently has, nor within the last three years has had, a material contractual relationship with the company or any of its subsidiaries, other than as a director;
7. No director has close family ties with anyone in the categories listed above; and
8. No director has held the position of director of the company for a length of time that may compromise independence.

Based on these assessments, the Board considers that as at 31 March 2020 a majority (six) of the directors are independent, namely Tony Carter (Chairman), Pip Greenwood, Geraldine McBride, Neville Mitchell, Donal O'Dwyer and Scott St John, and that Michael Daniell and Lewis Gradon are not independent.

Induction and continuing development of directors

A formal induction programme is available to new directors to ensure that they have a working knowledge of our business. The programme includes one-on-one meetings with management and a tour of our R&D and manufacturing facilities. All directors are regularly updated on relevant industry and company issues. From time to time the Board may also undertake educational trips to receive briefings from customers and visit operations of the company outside of New Zealand. There is an on-going programme of presentations to the Board by all business units.

All directors are members of the Institute of Directors (or overseas equivalent), and attend training sessions to remain current on their duties as directors. The company also arranges training for directors and management on specific issues as the need arises.

Board performance

We have a Performance Evaluation Policy in place relating to the performance of the Board, the Board Committees and individual directors. The Performance Evaluation Policy is available on our website. The Policy, in accordance with the Board Charter, requires the Board to undertake a two-yearly performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter;
- reviews the performance of the Board Committees;
- sets forth the goals and objectives of the company for the upcoming year; and
- effects any improvements to the Board Charter deemed necessary or appropriate.

The Board has appointed an external consulting company to facilitate the Board's performance evaluation during 2020.

Our executive management are also subject to regular performance reviews. The performance of senior executives is reviewed by the CEO, who meets with each senior executive to discuss their performance, as measured against key performance targets (both financial and non-financial) previously established and agreed with that executive.

Board Committees

The Board has three permanent Committees which support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. These Committees and their members as at 31 March 2020 are:

- **Audit & Risk Committee**
  Members: Scott St John (Chair), Tony Carter and Michael Daniell
  All members are non-executive directors, and two of three (including the Chair) are independent.
- **People and Remuneration Committee**
  Members: Pip Greenwood (Chair), Tony Carter, Donal O'Dwyer and Scott St John
  All members are independent non-executive directors.
- **Quality, Safety and Regulatory Committee**
  Members: Donal O'Dwyer (Chair), Tony Carter and Neville Mitchell
  All members are independent non-executive directors.

Each Committee has a charter setting out its objectives, procedures, composition and responsibilities. A summary is set out on the following page, and copies of these charters are available on our website. The Board may from time to time establish other committees for specific purposes.

GOVERNANCE CONTINUED

Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its responsibilities relating to the company's risk management and internal control framework, the integrity of its financial reporting, and the company's internal and external auditing processes and activities. The Committee also assists the Board in monitoring and reporting the company's strategies, activities and performance regarding sustainability, corporate social responsibility and the environment. The Committee has an annual work plan and reports to the Board following each meeting of the Committee, which enables it to properly and regularly inform the Board on significant financial matters relating to the company.

Employees and external auditors are invited to attend meetings when it is considered appropriate by the Committee. The Committee, at least once per year, meets with the auditors without any representatives of management present and is encouraged to seek advice from external consultants or specialists where the Committee considers that necessary or desirable.

The Audit & Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. As part of this process, before the company's financial statements are approved, the CEO and CFO are required to state in writing to the Board that, to the best of their knowledge, the company's financial reports present a true and fair view of the company's financial condition and operational results and are in accordance with the relevant accounting standards and those reports are founded on a sound system of risk management and internal control which is operating effectively.

People and Remuneration Committee

The People and Remuneration Committee's role is to oversee and regulate remuneration and organisation matters of the company, including recommending the company's human resources strategy for directors and senior executives, reviewing remuneration and benefits policies, monitoring company performance against the Diversity & Inclusion Policy, and reviewing performance objectives and remuneration of the company's Chief Executive Officer and senior executives. It also seeks advice on and recommends director remuneration structure and recommends director appointments to the Board.

Quality, Safety and Regulatory Committee

The Quality, Safety and Regulatory Committee addresses characteristics specific to the company's business. The objective and purpose of the Quality, Safety and Regulatory Committee is to assist the Board in fulfilling its responsibilities relating to the oversight of the company's quality management system and health and safety risk management system. As part of the company's internal audit function, regular quality system specific internal audit reports are received by the Committee.

Board & Committee meetings

Normally, the Board holds eight formal meetings a year. One of those meetings is typically focused on reviewing the company's annual business plan and budget, and at a separate meeting the long-term strategic plan is considered. The Board also meets with senior executives to consider matters of strategic importance. At the company's ASM held on 28 August 2019, all of the then-serving directors attended the meeting.

Committees generally meet three or four times per year, or as required to carry out their responsibilities. Details of attendance at Board and Committee meetings during the year ended 31 March 2020 are set out below:

			Committees					
	Board		Audit & Risk Committee		People & Remuneration Committee		Quality, Safety & Regulatory Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony Carter	8	8	4	4	4	4	4	4
Lewis Gradon	8	8						
Michael Daniell	8	8	4	4				
Pip Greenwood	8	8			4	4		
Geraldine McBride	8	7						
Neville Mitchell	8	8					4	3
Donal O'Dwyer	8	8			4	4	4	4
Scott St John	8	8	4	4	4	3		

Takeover Protocol

The Board has adopted a new Takeover Protocol to assist the directors and management with the response to unexpected takeover activity. The Protocol summarises key aspects of takeover preparation, and sets out governance, conflict and communications protocols for takeover response. This Protocol provides that in the event of a takeover offer, the Board would establish an Independent Takeover Response Committee to manage its takeover response obligations.

Company Secretary

The Company Secretary is Marcus Driller, VP - Corporate. The Company Secretary is responsible for supporting the proper functioning of the Board and ensuring the appropriate policies and procedures are followed. The Company Secretary reports directly to the Board, through the Chair, on all governance matters as outlined in the Board Charter.

GOVERNANCE CONTINUED

Disclosure of interests by directors

Directors' certificates to cover entries in the company's interests register in respect of remuneration, insurance, indemnities, dealing in the company's shares, and other interests have been disclosed as required by the Companies Act 1993.

Directors' shareholdings

Directors held interests in the following ordinary shares in the Company as at 31 March 2020:

Name	Ownership	Ordinary Shares
Tony Carter	Beneficial	76,101
Lewis Gradon[1]	Beneficial	603,502
Michael Daniell[2]	Beneficial	974,267
Pip Greenwood	Beneficial	3,800
Geraldine McBride	Beneficial	1,262
Neville Mitchell	Beneficial	7,200
Donal O'Dwyer	Beneficial	68,569
Scott St John	Beneficial	17,500

[1] Lewis Gradon also had a beneficial interest in 465,504 options issued under the 2003 Share Option Plan and a beneficial interest in 140,912 performance share rights under the PSR Plan

[2] Michael Daniell also had a beneficial interest in 20,000 options issued under the 2003 Share Option Plan

Share dealings by directors

In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests (as defined in the Financial Markets Conduct Act 2013) in the company between 1 April 2019 and 31 March 2020, and details of those dealings were entered in the company's interests register.

Name	Transaction	Number of shares	Price per share	Date
Lewis Gradon	Granted 43,848 PSRs	–	–	11 September 2019
	Granted 138,827 Options	–	–	11 September 2019
Michael Daniell	Sale of Shares	11,000	$22.0036	02 December 2019
	Share issue for cancellation of 20,000 Options	13,458	$21.3000	03 December 2019
Geraldine McBride	Share purchases	1,262	$15.8300	11 September 2019
Scott St John	Share purchases	1,543	$15.4200	11 June 2019
		1,500	$15.2600	26 June 2019
		1,000	$21.2200	03 December 2019

General disclosure of interests by directors

In accordance with Section 140(2) of the Companies Act 1993, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the company's interests register. General notices given by directors which remain current as at 31 March 2020 are as follows:

Name	Entity	Relationship
Tony Carter	TR Group Datacom Group Limited	Chair
	ANZ Bank New Zealand Limited Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited Vector Limited	Director
	Avonhead Mall Limited Loughborough Investments Limited	Director & Shareholder
	Antony Carter Family Trust No 2 Foodstuffs Auckland Perpetuation Trust Foodstuffs Auckland Protection Trust Maurice Carter Charitable Trust Tony and Frances Carter Family Trust	Trustee
	Capital Solutions Limited Capital Training Limited	Advisor
	Independent Selection Panel of Fonterra Co-Op Group Limited	Member
Lewis Gradon	Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited Other Group entities listed in the 'Subsidiary Company Directors' section of this Report	Director
Michael Daniell	Medical Technologies Centre of Research Excellence	Chair
	Cochlear Limited MRCF IIF GP Pty Limited MRCF Pty Limited Tait International Limited Tait Limited	Director
	Council of the University of Auckland	Council Member
	Daniell Family Trust	Beneficiary & Trustee
	Nyxoah SA (by virtue of directorship of Cochlear)	Shareholder
Pip Greenwood	A2 Milk Company Limited Spark New Zealand Limited Vulcan Steel Limited Westpac New Zealand Limited	Director

GOVERNANCE CONTINUED

Name	Entity	Relationship
Pip Greenwood (continued)	Auckland Writers Festival Trust Milbrook 7th Trust Oriental Trust Portia Trust Rakino Trust Theresa Gattung Investment Trust	Trustee
Geraldine McBride	MyWave Holdings Limited National Australia Bank Limited Sky Network Television Limited	Director
Neville Mitchell	Osprey Medical Q'Biotics Limited Sonic Healthcare Limited	Director
	Board of Taxation South East Sydney Local Health District	Board Member
Donal O'Dwyer	Cochlear Limited Mesoblast Limited NIB Holdings Limited	Director
	Nyxoah SA (by virtue of directorship of Cochlear)	Shareholder
Scott St John	Te Awanga Terraces Limited	Director & Shareholder
	Captain Cook Nominees Limited Fonterra Cooperative Group Limited Hutton Wilson Nominees Limited Mercury NZ Limited NEXT Foundation	Director
	St John Family Trust Macleod Trust	Beneficiary & Trustee
	Council of the University of Auckland	Chancellor
	Butland Medical Foundation	Trustee

Reporting and disclosure

We are committed to the promotion of investor confidence by ensuring that the trading of our shares takes place in an efficient, competitive and informed market. We believe that evenly balanced disclosure is fundamental to building shareholder value and earning the trust of employees, customers, suppliers, communities and shareholders.

Continuous disclosure

Our Market Disclosure Policy establishes our disclosure policies for meeting our continuous disclosure obligations. The Market Disclosure Policy is available on our website. This explains the respective roles of directors, officers and employees in complying with continuous disclosure obligations, confidentiality of information, external communications with analysts and shareholders, and responding to rumours and market speculation.

The Disclosure Committee, comprising the CEO, CFO and VP – Corporate, and the Disclosure Officer, the VP – Corporate or alternatively the General Counsel NZ, are responsible for administering compliance with our Market Disclosure Policy, including continuous disclosure obligations. Market disclosure requires the approval of either the Board or the Disclosure Committee, depending on the circumstances. The Market Disclosure Policy was last updated on 29 March 2019.

Company policies

We have policies and procedures in place to ensure we conduct our business with integrity, and in a legally, ethically, and socially responsible manner. Key governance documents including our Codes of Conduct, Securities Trading Policy and Guidelines, Board and Committee Charters, Diversity Policy, Remuneration Policy, and Market Disclosure Policy are all available on our website.

Financial reporting

We are committed to reporting our financial information in an objective, balanced, and clear manner. Financial results are reported in this annual report in accordance with the New Zealand equivalent of International Financial Reporting Standards. This annual report includes detailed financial commentary and notes to the financial statements which explain any changes to financial reporting.

This annual report also includes the Chair's comments on strategic progress and the CEO's report summarises performance and progress towards our strategic objectives. It explains how we deliver value for shareholders and key performance indicators such as revenue, profit, constancy currency information, dividend growth and gearing, and explains how our results link to our strategy.

We ensure that financial information reported in investor material for roadshows, company overviews, and other documents is portrayed in an accurate, fair, and understandable format.

Other reporting

Fisher & Paykel Healthcare is committed to transparent reporting of non-financial objectives, such as environmental, social, and governance (ESG) factors, as well as risk, health and safety, and business strategy. Our annual report references the guidelines and principles set out by the Global Reporting Initiative (GRI) and includes a GRI referenced content index. This year we have also integrated content recommended by the Task Force on Climate-related Financial Disclosures (TCFD) content, and a TCFD content index can be found at the end of this report.

Governance of climate-related issues

Role of the Board in overseeing climate-related issues

The Board has delegated to the CEO and executive management matters relating to environmental sustainability, with oversight of these matters sitting with the Audit & Risk Committee. The Committee meets four times per year and reports directly to and advises the Board on such matters.

During the last financial year, management has briefed the Board on environmental sustainability, including climate-related issues. Briefings have included reviews of internal compliance with both internally established and externally applicable sustainability codes

GOVERNANCE CONTINUED

and principles across the company's global operations. This has included scenario planning with the use of multiple internal carbon prices along with modelling the effects of temperature change on business as usual (>3°C versus rapid decarbonisation or <1.5°C).

Significant environmental sustainability risks have been presented to the Board for their review and consideration. The company's largest environmental sustainability risk is the organisation's carbon footprint, while healthcare waste, ethical sourcing and sustainability data integrity are also potentially material risk areas.

Executive management responsibilities for environmental sustainability sit with the CEO and GM Supply Chain, Facilities & Sustainability, with environmental sustainability strategy, policy development, long term planning and global environmental management system performance managed day-to-day by the company's Sustainability Team.

Ecodesign Advisory Board

To further support good environmental sustainability governance, an external Ecodesign Advisory Board was established in FY20, made up of four independent experts who are subject matter experts in their respective fields. The role of the Ecodesign Advisory Board is to provide expert external independent guidance and support in relation to ecodesign and environmental sustainability. Members of our Ecodesign Advisory Board are shown below.

David Trubridge
Globally renowned ecodesign practitioner

Dr Elspeth MacRae
Leading global bio-economy expert

Dr Ann Smith
Leading global carbon expert

Dr David Galler
Leading sustainability medical practitioner

Role of management in overseeing climate-related issues

Environmental sustainability, including climate-related issues, are integrated in the company's environmental management system, which is externally audited each year to the ISO14001 international standard. Environmental sustainability issues and risks are reviewed and monitored following formal environmental management review processes. Over the next year, climate-related risks will also be further embedded in enterprise risk management systems.

The development of the organisation's long-term carbon reduction plan began in FY20, with involvement from senior management. This has included the development of a suite of carbon reduction initiatives across a number of time horizons stretching to 2034. To assist in providing context to the carbon reduction initiatives, senior management formally committed to setting Science Based Targets. During FY20, proposed targets were submitted, and these were approved in April 2020.

The organisation also became a member of the Climate Leaders Coalition with management and Board support. Our involvement in the Climate Leaders Coalition complements our participation in the New Zealand Sustainable Business Council. Our involvement in these two organisations allows for proactive visibility of climate-related risks and opportunities experienced by other member organisations, as well as the opportunity for collaboration to manage and mitigate such risks.

Auditors

External audit

The Audit & Risk Committee has oversight responsibility for our external audit arrangements. The Board has adopted the External Financial Auditors Independence Policy which complements the Audit & Risk Committee Charter by outlining the requirements for the provision of services by any external auditor we engage. The purpose of the Policy is to ensure that our external auditor carries out its function independently and without impairment, safeguarding the reliability and credibility of external financial reporting.

The External Financial Auditors Independence Policy establishes a framework for the selection and appointment of external auditors, outlines the services which may be ordinarily performed, may be performed with approval of the Audit & Risk Committee, or must not be performed by external auditors, and the responsibilities of external auditors.

The Policy requires the CFO to report at each Audit & Risk Committee meeting any work (audit and non-audit) conducted by the external auditor, including the fees paid to the external auditors for non-audit services. Procedures for communication between the Audit & Risk Committee, Board, senior management, and the external auditors are set out in the Audit & Risk Committee Charter

The Audit & Risk Committee is responsible for monitoring performance and independence of the external auditors. The Policy requires the external auditor to report to the Audit & Risk Committee annually in writing, confirming that they are independent and disclosing all relationships that may bear on independence. Under the Audit & Risk Committee Charter, the Audit & Risk Committee is responsible for recommending appropriate action to the Board in response to this report.

The Board requires our external financial auditors to attend the ASM each year to answer any question from shareholders relating to the audit for that financial year.

The Audit & Risk Committee Charter and the External Financial Auditors Independence Policy can be found on our website.

Internal audit

Internal audit is a key component of our objective-centric risk management approach. In addition to internal mechanisms, including self-assessments and internal reviews, the Board engages external advisors to carry out internal audit functions on various parts of the business as needed. The focus is to assist the business with the evaluation of the effectiveness of key risk management control.

RISK MANAGEMENT

As we work to achieve our purpose of improving care and outcomes through inspired and world-leading healthcare solutions, our leaders have a responsibility to understand and manage the key risks that impact our organisation. We have designed, implemented and maintained an effective, structured approach to risk management to help improve the quality of our business decisions.

Components of our risk management approach

Our business risk management approach is derived from ISO 31000 Risk Management – Principles and Guidelines and enhanced to focus on Fisher & Paykel Healthcare's key strategic objectives. For product risk, we follow the ISO 14971 Medical Devices Application of Risk Management standard specific to medical device design and manufacturing. For health and safety, our focus is on the implementation of global health, safety and wellbeing standards that are aligned with ISO 45001 and a greater emphasis on the effective management of critical risks.

The diagram below provides a high-level summary of our risk management approach:

Through this approach to risk management, we can:

- Ensure prompt resolution of internally identified risk to compliance with laws and regulations to maintain the provision of quality products, protect patient safety and ensure appropriate relationships with customers and stakeholders;
- Enable improved decision making, planning and prioritisation through a structured understanding of opportunities and threats to strategic objectives, and new product introductions; and
- Support value creation by enabling management to deal effectively with future events that create uncertainty, pose a significant risk or opportunity and to respond in a prompt, efficient and effective manner.

While no risk management system can ever be infallible, our goal is to make sure that material risks are appropriately identified and managed within acceptable levels.

Examples of activities to identify and mitigate our material risks are described below.

Business risk management

As part of our annual business planning process we conduct an analysis of risks and opportunities to strategies. The purpose of this approach is to generate better quality information on risks and opportunities to our strategies and help us make the best possible decisions regarding strategy execution.

We analyse the macro and industry risks that we face as a medical device manufacturer selling product globally. A quantitative risk analysis is completed annually using the inputs gathered during a discovery process which involves interviews with employees across the business.

Our modelling process uses a simulation, which generates a probability distribution curve showing the impact of risk on the relevant metric. These include patients treated, time, or a financial measure, depending on what is relevant for the risk metric. This approach provides better insights over single-point estimates by showing not only what could happen, but how likely each outcome is.

Product quality and safety

Ensuring patient safety and the quality of our products is a key priority. We establish processes that effectively manage risk and drive continuous improvement in product quality throughout the lifecycle of our products.

We have introduced proactive quality control mechanisms within our manufacturing operations. Through the use of data collection and statistical analysis, we are improving the control of our manufacturing processes, with the aim of being able to intervene and correct a process prior to product quality being compromised. This approach is providing further assurance that our customers and patients receive high quality products that are safe and effective.

Health, safety and wellbeing

We are committed to ensuring the health, safety, and wellbeing of our people. To do so, we continue to drive performance improvement across our global operations through the ongoing development and implementation of global health, safety and wellbeing management systems and processes which are aligned with ISO 45001:2018.

Targeted interventions to prevent high frequency/low consequence musculoskeletal injuries have been particularly effective during the past financial year as illustrated by the significant improvement in our 'lag' performance indicators, the Total Recordable Injury Frequency Rate (TRIFR) and the Lost Time Injury Frequency Rate (LTIFR), as shown in the 'Health and safety data' section.

In addition, we have placed greater emphasis on the effective management of the critical risks common across our global operations; i.e. low frequency/very high consequence risks with the potential to result in a fatality, serious injury or illness.

We have established critical risk standards across our operations globally, and we are monitoring their implementation. These critical risk standards are becoming an important 'lead' performance indicator for us.

RISK MANAGEMENT CONTINUED

Continuing to improve our health, safety and wellbeing risk management systems and performance indicators will result in a safer and healthier work environment for our people.

Material business risks and strategies to mitigate

After completing the risk management processes outlined on the previous page, and in line with the materiality assessment in the 'Material Topics' section of this Report, we have identified and described a selection of key business risks, and strategies to mitigate these, as shown in the table below.

Area	Risk	Strategies to mitigate
Health and safety	Work-related injuries or illnesses	Our focus is on implementing global health, safety and wellbeing standards that are aligned with ISO 45001, with greater emphasis on managing critical risks. We design and implement preventative and recovery risk controls for critical health and safety risks across our global business. Our health and safety progress is reported regularly to the Board of Directors and to the Quality, Safety and Regulatory Committee of the Board three times a year.
Product quality and patient safety	Patients are harmed as a result of using our products	We operate a worldwide quality management system related to the design, testing and manufacture of our products. Furthermore we foster an organisational attitude of product safety and continuous improvement.
Market access	Maintaining regulatory compliance is required to market and sell our products in certain countries	We have a regulatory affairs process that enables us to obtain and maintain product licenses, as well as a quality management system that ensures compliance with applicable regulatory requirements. We have monitoring steps in place to evaluate the effectiveness of our programmes, and our executive management team conducts regular management reviews.
Intellectual property	Third parties asserting IP rights against us	We have a comprehensive patent portfolio across our technologies and we actively and robustly manage IP litigation risk. As part of our product development phase we conduct freedom-to-operate searches during product design. We monitor competitor patent filings and take action as required.
Sustainable profitable growth	Foreign exchange losses	Currency risk is hedged in accordance with the Board-approved hedging policy. The hedging policy aims to reduce the impact of short-term currency fluctuations on our cash flow. We use derivative financial instruments to hedge exposures in the current and future years. A diversity of currency exposures also provides some natural hedge.
Business Continuity	Continuity and quality of supply	To ensure risk is managed within our global supply chain we actively monitor our end-to-end processes and systems through an internal risk management process and implement actions to prevent disruption. We use a business impact analysis to identify, understand and quantify the impact of a material disruption to a key facility, location, supplier or business process. This approach enables us to prioritise the most significant potential exposures to the business. It is also aligned with our crisis planning, simulation and response outlined below and has been valuable during our response to COVID-19.
Cyber security and data protection	Cyber security attack resulting in disruption to operations and data breach	To manage our risk and protect the data entrusted to us, we are constantly reviewing and honing our control mechanisms to ensure our protections can proactively respond to developing cyber threats. We continue to use independent reviews to test and identify potential risks to ensure we focus on the right cyber risks.

Governance of risk

Our Board is dedicated and fully committed to its role of ensuring quality, safety, compliance and effective risk management. The Board provides oversight of senior leadership's management of risk, meets regularly with key risk management functional leaders and receives regular reports from senior representatives on material risk and mitigation strategies.

The Audit & Risk Committee reports to and assists the Board by reviewing and ensuring our risk management processes (excluding any risks related to quality, safety and regulatory functions) can provide reliable information to the Board on the status of major risks that could impact on the achievement of our objectives.

The Quality, Safety & Regulatory Committee reports to and assists the Board by reviewing our quality, health and safety and regulatory risk management approach to ensure effective mechanisms and internal controls are in place to identify and manage areas of material risk and maintain compliance with applicable regulations.

RISK MANAGEMENT CONTINUED

Health and safety data

Injury rates by year

Injury rates[1]	2018	2019	2020
TRIFR	7.79	2.33	2.29
LTIFR	4.82	0.47	1.09

Injury rates (per million hours worked) and severity

	New Zealand		Mexico		Rest of world	
	2019	2020	2019	2020	2019	2020
TRIFR	4.33	2.83	0.00	0.39	0.52	3.46
LTIFR	0.68	0.65	0.00	0.39	0.52	2.97
Fatality	0	0	0	0	0	0
Serious injury	1	0	0	0	0	2
Lost time injury[2]	3	0	0	2	1	4
Medical treatment injury	4	4	0	0	0	1
Restricted work injury	12	6	0	0	0	0
First aid injury	213	163	28	32	8	7
Pain and discomfort	136	41	26	22	8	13

1 In 2018 we reviewed our incident reporting processes and lag indicator (LTI, MTI, RWI) definitions to align with internationally recognised standards. As a result, our TRIFR and LTIFR reflect improvements in our global reporting process.

2 One LTI reported in Mexico in 2020 relates to a contractor and is not included in LTIFR.

Crisis planning, simulation and response

The key to managing through a crisis is preparedness. In 2018 Fisher & Paykel Healthcare conducted a crisis simulation exercise with a facilitator in order to improve our planning processes and increase resilience. The exercise identified a number of areas where we could improve, such as how we escalate key facts and updates to the executive management team so that decisions can be made quickly.

Response to measles outbreak 2019

Our learnings from the exercise guided our crisis response to an outbreak of measles in Auckland in September 2019. After an employee case of measles was identified, a rapid response team was activated to help manage the crisis and mitigate risk. After identifying the most likely potential impacts on the business, we established two separate streams of work, one to address risk to our people, and one to address risk to our products. Actions, metrics and population trends were recorded in our control room and reported daily to the executive team.

Our crisis response ran over two months and included a massive vaccination programme, whereby more than 300 employees at our Auckland facility were vaccinated for measles. The outcome was highly successful, and no further cases of measles were identified on site.

Response to COVID-19 pandemic

The process improvements we made following the simulated exercise in 2018 and the actual measles crisis in 2019 informed our response to COVID-19. When we first became aware of the coronavirus threat, we activated our rapid response team quickly to keep our people and products safe first, and then formed a plan to meet the global increase in demand for our products.

We established multiple control rooms and seven separate streams of work to address people and safety; production capacity; distribution response; product delivery; external communications and government relations; operations at our Mexico facility; and corporate social responsibility initiatives. Cross-functional teams from across the business were mobilised to lead and execute plans for each work stream.

Responding to COVID-19 has been challenging. However, the crisis has allowed us to scale up our processes, stress-test our response protocols, identify subject-matter experts across the business, and build relationships between people previously unconnected. Moreover, during the crisis we have strengthened key relationships with our suppliers and customers, as well as leaders in government, trade and foreign affairs. Our executive management team is confident that the business is more resilient now than ever before.

Measles vaccination initiative, New Zealand

RISK MANAGEMENT CONTINUED

Climate-related risks

Processes for identifying and managing climate-related risks

We assess and manage climate-related risks as part of our overall sustainability strategy, which is reviewed by senior management twice per year. As carbon, healthcare waste and other sustainability topics have been identified as being potentially material to stakeholders in our materiality assessment, these risks have been reviewed by our risk management team and will continue to be monitored and reviewed. This includes identifying direct and indirect climate-related risks as well as considering short, medium and long-term risk horizons. Further to this, two climate scenarios have been assessed considering a business as usual and a rapid decarbonisation approach.

Sustainability risks, including climate-related risks, are assessed against a standardized criteria encompassing severity and likelihood. Substantive financial impacts are defined as greater than $5,000,000. The Audit & Risk Committee review processes and risks to reputation or operational assets. Risks can be localised to one facility or a particular asset or across the organisation at a system level. Our risk management process includes a >6-year risk horizon.

How processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management

Processes for identifying, assessing and managing climate-related risks are integrated into our operations in three ways. Environmental sustainability risk, including climate-related risk, is documented, risk-scored and managed through our ISO14001 Environmental Management System process.

Key sustainability risks, including climate-related risks, have also been reviewed by our risk management team and will be further embedded into group wide risk management in FY21 with additional scenario and sensitivity analysis work planned.

In May 2020, oversight of environmental sustainability risk, including climate-related risk transitioned from the Quality, Safety & Regulatory Committee to the Audit & Risk Committee to better align management and reporting of these risks within our broader risk management framework.

Actions completed in FY20 to quantify and document climate-related risk included in this report are the results of the Toitū external carbon footprint audit, detailing direct exposure to and impact on carbon emissions from our operations, as well as completion of our first expanded Scope 3 carbon footprint forecast based on the Science Based Targets Initiative screening tool. Internal carbon price trends are provided by the finance function to assist in providing visibility of potential future carbon cost impacts as part of this integrated approach.

Metrics used to assess climate-related risks and opportunities

We have adopted parts of the Sustainability Accounting Standards Board (SASB) standard for the Medical Equipment & Supplies industry related to climate-related disclosure. This includes integrating accounting metrics HC-MS-410a.1 and HC-MS-410a.2. into our reporting on our environmental management system.

We report environmental impacts following the Climate Disclosure Standards Board (CDSB) principles and 'REQ-04 Sources of environmental impacts'. Environmental impact reporting can be found in the Environment section of this report.

Potential climate-related risks

Climate-related risks have been identified across a range of topic areas. Risks that have been classed as having the potential to have a substantive financial or strategic impact include carbon cost impacts, supply chain weather disruption and water scarcity. In addition to these highlighted risks, the development of international climate-related regulations (Paris Agreement Implementation, EU Green Deal) and carbon markets may have a significant impact on regulatory, market access and cost implications over the long-term (15+ years).

Carbon cost impacts

Through the use of internal carbon prices and monitoring of carbon regulatory developments we have assessed that there is a likely short-term (<5 years) risk of increased carbon costs to our global operations. We class this as a transition risk, which will likely result in higher operating costs. These costs include fuel, freight, electricity, insurance and raw materials. We also believe there will be increased compliance costs.

Both the New Zealand and Mexican Governments have had climate-related legislation under review during the past year, with the Zero Carbon Act now enacted in New Zealand. The release of the first three New Zealand carbon budgets in February 2021 will provide more detailed analysis to support likely cost impacts for our New Zealand operations. Current financial estimates for the range of increased costs relating to this risk are in the range of $600,000 to $1,500,000 per year.

Supply chain weather disruption

We acknowledge that more uncertain weather patterns may affect supply chain distribution, which could lead to supply issues and impact our ability to deliver on time to global customers. We are monitoring other related changes caused by physical climate parameters to assess how these impacts could develop to affect parts of our business. This risk is classed as a short to medium-term (<10 year) risk. Annual cost impact if this were to occur could be in the range of $100,000 to $1,000,000 per year.

Supply chain disruption caused by more uncertain weather patterns could have a financial impact, although we note that this is difficult to estimate. For example, having multiple raw material suppliers so that supply risk is not concentrated with one company or location could already provide some environmental risk mitigation. Future forecast sea-level rise and impacts on strategic supply chain locations will be re-assessed over the next two years to broaden the current visibility of climate-based ecosystem scenarios.

RISK MANAGEMENT CONTINUED

Water scarcity

Changes in weather patterns in North and Central America have increased the demand on natural resources such as water. This could have a direct impact on our operations in Mexico, due to the requirement to have water-cooling capacity at these sites. This risk is classed as a short-term risk, because water is already considered scarce in this region. Annual cost impact is estimated to be in the range of $100,000 to $1,000,000 per year.

Water conservation is already an important priority for our Mexico operations, and our new facilities have been constructed taking into account the inclusion of water-efficient cooling equipment. The company has committed to disclosure via CDP Water to assist in verifying water use and water risk management as part of our sustainability programme. A specific water policy will also be developed during FY21.

Impact of climate-related risks and opportunities on our business, strategy and financial planning

Fisher & Paykel Healthcare has identified a number of impacts of climate-related risks and opportunities on our operations. As discussed above, these financial impacts have been estimated and the risks feed into our business, strategy and financial planning as part of our annual business planning process. Examples of this include the procurement of renewable energy certificates for our New Zealand campus to mitigate potential higher carbon costs for non-renewable energy in New Zealand, as well as the development of solar array options for our Mexico operations.

For the FY20 year there are no material financial carbon or climate-related costs. In future years we believe that there may need to be allowances or provisions made for carbon or climate-related cost increases. We see that future regulatory requirements as well as market and environmental factors will likely contribute to these future costs growing in comparison to current levels.

Resilience of our strategy, taking into account different climate-related scenarios

Analysing the potential impacts of climate change on our operations is important to us. We have assessed a range of climate-related scenarios, including a business-as-usual scenario (>3°C increase) and a rapid decarbonisation approach (<1.5°C increase) over medium and long-term time frames. We have assessed the potential impact on our manufacturing operations, supply chain and distribution system, as well as customer needs.

Our analysis takes into account the following:

- impact of changing weather patterns
- increasing average temperatures, coupled with the by-products of these environmental system changes, such as sea-level rise, large-scale population displacement, and impacts on the global healthcare system
- supply chain disruption risk
- natural resource scarcity
- impact of regulatory controls related to climate-related issues.

All of the above will be important issues to continually monitor now and into the future. Examples of current climate-related risks are detailed in this risk management section, including estimates of cost impacts.

At this stage, our strategy is resilient to current and likely future climate-related risks. We have identified carbon as a design challenge, committed to setting Science Based Targets and launched an ecodesign program to assist in reducing our carbon footprint. We are developing a long-term carbon reduction plan and will engage widely with our suppliers to educate and support a low carbon transition.

SHAREHOLDER AND COMPANY INFORMATION

The company has in place an investor relations programme to facilitate effective two-way communication with investors. We aim to build strong relationships with our shareholders and investors based on integrity, transparency and trust. Our intention is to provide shareholders with all relevant information about the company to enable them to actively engage with us and exercise their rights as shareholders in an informed manner.

Shareholder communications

Our Shareholder Communication Policy facilitates communication with shareholders through written and electronic means, and by facilitating shareholder access to directors, executive management and our auditors. A copy of our Shareholder Communication Policy is available on our website.

We communicate with shareholders through the following channels:

- investor section of our website;
- annual report;
- interim report;
- annual shareholder meeting (ASM);
- webcasts;
- regular disclosures on company performance and news; and
- disclosure of presentations provided to analysts and investors during regular briefings, meetings and roadshows.

Our Website

Our website is frequently the first port of call for shareholders and is therefore a core component of our Shareholder Communication Policy. We include on our website a range of information relevant to shareholders and others concerning the operation of the company.

We make available a webcast of our ASM and management presentations of financial results. Webcast details will be published on the NZX and ASX before the event so that shareholders and other interested parties may participate.

We encourage shareholders to receive their shareholder communications electronically to help reduce our environmental footprint and costs.

Direct communication

Shareholders may, at any time, direct questions or requests for information to directors or management by contacting Marcus Driller, our VP – Corporate and Company Secretary, at marcus.driller@fphcare.co.nz or +64 27 578 9663.

We have a modern communication framework in place so shareholders can receive communications in a manner that best suits them. We provide shareholders with the option to receive communications from, and send communications to, us and our share registrar electronically. We offer shareholders the ability to attend our ASM digitally, ask questions through a virtual tool, and to vote electronically or using an app.

ASM and shareholder voting

Our next ASM will be held online at www.virtualmeeting.co.nz/FPH20 and in person at the Guineas Ballroom, Ellerslie Event Centre, Auckland, New Zealand on Friday, 21 August 2020 commencing at 2.00pm (NZST).

The company is closely monitoring the situation in New Zealand with regard to COVID-19. In the event of any significant developments, the company may, in its sole discretion, elect to hold the Annual Shareholders' Meeting as an online only meeting if it considers there are potential risks to the health of meeting attendees or if an in-person meeting is prohibited by law. In such circumstances, the company will provide shareholders with as much notice as is reasonably practicable by way of an announcement to the NZX and ASX and on our website at www.fphcare.com/asm.

Notice of the ASM will be released to the NZX and ASX and posted on our website, along with instructions for attending the virtual meeting, at least 20 working days prior to the meeting. We encourage active participation by shareholders at the ASM, and shareholders may present questions to engage with the Board and executive management.

Shareholders have the right to vote on major decisions which may change the nature of the company. Each shareholder has one vote per ordinary share they own in the company, equally with other shareholders, and may vote at a meeting in person, or by proxy, representative or attorney. We offer an electronic voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.

Share information

Stock exchange listing requirements

The company's shares were listed on the NZX Main Board on 14 November 2001 and on the ASX on 21 November 2001. On 20 June 2016 the company changed its admission category to an ASX Foreign Exempt Listing. As part of this change, the company is still required to comply with the NZX Listing Rules but is not required to comply with many of the ASX listing rules. For the purposes of ASX Listing Rule 1.15.3, the company confirms that it has complied with the NZX listing rules during the year ended 31 March 2020.

Neither the NZX nor the ASX has taken any disciplinary action against the company during the year ended 31 March 2020. In particular, there was no exercise of powers by the NZX under NZX Listing Rule 9.9.3.

Current on-market share buy-back

There is no current on-market buy-back of the company's ordinary shares. During the year ended 31 March 2020 none of the company's ordinary shares were purchased on-market under or for the purposes of an employee incentive scheme or to satisfy the entitlements of holders of options or other rights to acquire ordinary shares granted under an employee incentive scheme. The company does not have any restricted securities or securities subject to voluntary escrow on issue.

SHAREHOLDER AND COMPANY INFORMATION CONTINUED

Incorporation and limitations on the acquisition of shares

The company is incorporated in New Zealand and is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001. In general, securities in the company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by the New Zealand Takeovers Code, the Overseas Investment Act 2005 (NZ), and the Commerce Act 1986 (NZ). The company does not impose additional ownership restrictions.

Credit rating

The company does not currently have an external credit rating status.

Current NZX waivers

On 7 August 2019, the company was granted a waiver from NZX Main Board Listing Rule 3.13.1, allowing the company to aggregate issues of company shares under the company's employee share plans over a 10 business day period for the purposes of market notifications. The company relies on this waiver in respect of the issue of company shares under its share option plans, its PSR plans, its ESR plan and its share purchase plans.

In response to COVID-19, an NZX class waiver dated 19 March 2020 provided listed companies with an additional 30 days to prepare and release their full year results. In accordance with that waiver, the company is reporting full year results within 90 days after year end instead of 60 days after year end. In order to provide shareholders with the most up-to-date information, we are reporting on the distribution of shareholdings and principal shareholders as at 29 May 2020 in this year's report.

Distribution of shareholders and holdings

The company only has one class of shares on issue, ordinary shares, each conferring to the registered holder the right to one vote on any resolution, and these shares are listed on the NZX and ASX. There are no other classes of equity security currently on issue. The total number of ordinary shares on issue as at 31 March 2020 was 574,570,603 shares. The total number of ordinary shares of the company on issue at 29 May 2020 was 574,634,155 shares.

The distribution of shareholdings as at 29 May 2020 was as shown in the table below:

Size of shareholding	Number of holders	%	Number of ordinary shares	%
1 to 1,000	11,681	47.58	4,546,723	0.79
1,001 to 5,000	9,294	37.86	22,227,326	3.87
5,001 to 10,000	2,106	8.58	15,046,803	2.62
10,001 to 50,000	1,300	5.30	24,018,089	4.18
50,001 to 100,000	76	0.30	5,226,937	0.91
100,001 and over	94	0.38	503,568,277	87.63
Total	**24,551**	**100.0**	**574,634,155**	**100**

The employee share options, rights and PSRs on issue to employees are disclosed in Note 18 of the Financial Statements. There are no voting rights attaching to share options, rights, or PSRs.

Substantial product holders

According to company records and notices given under the Financial Markets Conduct Act 2013 the substantial product holders in ordinary shares (being the only class of quoted voting products) of the company as at 31 March 2020, were as follows:

Substantial Product Holder	Date of notice	Number of ordinary shares held as at date of notice	Holding as a % of total ordinary shares on issue as at 31 March
The Capital Group Companies, Inc.	17 Sep 19	37,000,052	6.44%
BlackRock, Inc and related bodies corporate	21 Mar 19	28,725,458	5.00%
The Vanguard Group, Inc	18 Dec 18	30,145,141	5.25%

SHAREHOLDER AND COMPANY INFORMATION CONTINUED

Principal shareholders

The names and holdings of the 20 largest registered shareholders in the company as at 29 May 2020 were:

Investor Name	Total Units	% Issued Capital
HSBC Nominees (New Zealand) Limited	77,154,544	13.43
JPMORGAN Chase Bank	77,153,102	13.43
HSBC Nominees (New Zealand) Limited	66,206,775	11.52
HSBC Custody Nominees (Australia) Limited	43,308,581	7.54
Citibank Nominees (NZ) Ltd	38,413,230	6.68
J P Morgan Nominees Australia Pty Limited	26,906,011	4.68
Citicorp Nominees Pty Limited	12,341,413	2.15
Accident Compensation Corporation	12,190,726	2.12
Tea Custodians Limited	10,942,107	1.9
New Zealand Superannuation Fund Nominees Limited	10,316,516	1.8
National Nominees New Zealand Limited	9,193,619	1.6
Cogent Nominees Limited	9,041,675	1.57
National Nominees Limited	8,744,133	1.52
BNP Paribas Nominees NZ Limited Bpss40	7,957,612	1.38
Custodial Services Limited	6,968,476	1.21
Custodial Services Limited	6,896,852	1.2
Premier Nominees Limited	6,171,300	1.07
FNZ Custodians Limited	5,871,467	1.02
JBWERE (NZ) Nominees Limited	4,646,338	0.81
BNP Paribas Noms Pty Ltd	4,474,902	0.78

Other Group information

Principal activities

The company is a world-leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea. There were no significant changes to the state of affairs of the company or to the nature of the company's (or its subsidiaries') principal activities during the year ended 31 March 2020.

Use of company information

We did not receive any notices from directors requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Donations

Please refer to Note 5 of the Financial Statements for the Group's donations in the financial year to 31 March 2020.

Entries recorded in the interests register

Except for disclosures made elsewhere in this report, there have been no entries in the Company's interests register made during the year ended 31 March 2020.

Other subsidiary company information

No entries were made in the interests register of any subsidiary during the year ended 31 March 2020.

No employee of the Group who is appointed as a director of a Group entity receives or retains any remuneration or other benefits in his or her capacity as a director. The remuneration and other benefits of Group employees and former employees totalling $100,000 or more during the year ended 31 March 2020 are included in the relevant bandings for remuneration disclosed in the 'Remuneration' section of this report.

During the year ended 31 March 2020, all directors of subsidiaries were full-time employees of the Group, with the exception of:

(1) Tony Carter who is a director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

(2) Lawrence Gibbons who is a director of Fisher & Paykel Healthcare S.A. de C.V. (Mexico).

(3) Stuart Herbert who is a director of Highbrook Insurance Company Pte. Limited (Singapore).

Tony Carter and Lawrence Gibbons do not receive any remuneration or other benefits for their roles as directors of the above subsidiaries. Stuart Herbert also does not receive any remuneration personally for his role as director as described above; however, a management fee is paid to his employer (Marsh Singapore Ltd).

SHAREHOLDER AND COMPANY INFORMATION CONTINUED

Group structure

All subsidiary companies in the Group are ultimately 100% owned by the Company. The Group structure and the persons who held office as directors of subsidiary companies at 31 March 2020 are detailed below.

Entities	Directors
Fisher & Paykel Healthcare Corporation Limited* owns:	
Fisher & Paykel Healthcare Limited (NZ)*	Lewis Gradon, Paul Shearer, Andrew Somervell
Fisher & Paykel Healthcare Treasury Limited (NZ)*	Lewis Gradon, Paul Shearer, Andrew Somervell
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)	Tony Carter, Lewis Gradon
Fisher & Paykel Asia Limited (NZ)	Lewis Gradon, Paul Shearer, Andrew Somervell
Fisher & Paykel Healthcare Americas Investments Limited (NZ)	Lewis Gradon, Paul Shearer, Andrew Somervell
Fisher & Paykel Healthcare Pty Limited (Australia)	Lewis Gradon, Paul Shearer, David Boyle, Graham Gourd
Fisher & Paykel Healthcare Limited (UK)	Lewis Gradon, Paul Shearer, Nicholas Connolly, Patrick McSweeny
Fisher & Paykel Holdings Inc. (USA)	Lewis Gradon, Paul Shearer, Andrew Somervell
Fisher & Paykel do Brasil Ltda (Brazil)	Brazilian law does not require directors. Decision making authority lies with the directors of its shareholders
Fisher & Paykel Healthcare (Guangzhou) Limited (China)	Lewis Gradon, Paul Shearer, David Boyle, Zhiping Hou
Fisher & Paykel Healthcare Limited (Canada)	Lewis Gradon, Paul Shearer, Justin Callahan
Highbrook Insurance Company Pte. Limited (Singapore)	Lyndal York, Grant Gillingham, Stuart Herbert
Fisher & Paykel Healthcare Limited* (NZ) owns:	
Fisher & Paykel Healthcare Properties Limited (NZ)*	Lewis Gradon, Paul Shearer, Andrew Somervell
Fisher & Paykel Healthcare Asia Limited (NZ) owns:	
Fisher & Paykel Healthcare Asia Investments Limited (NZ)	Lewis Gradon, Paul Shearer, Andrew Somervell

*Companies operating under a Negative Pledge Deed

Entities	Directors
Fisher & Paykel Healthcare Asia Investments Limited (NZ) owns:	
Fisher & Paykel Healthcare India Private Limited (India)	Lewis Gradon, Paul Shearer, David Boyle, Prashant Kate
Fisher & Paykel Healthcare K.K. (Japan)	Lewis Gradon, Paul Shearer, Hideo Goto
Fisher & Paykel Healthcare Limited (Hong Kong)	Lewis Gradon, Paul Shearer, David Boyle, Zhiping Hou
Fisher & Paykel Healthcare Supply Chain Limited (Hong Kong)	Jonathan Rhodes
Fisher & Paykel Healthcare Colombo (Private) Limited	Lewis Gradon, Paul Shearer, David Boyle
Fisher & Paykel Healthcare Americas Investments Limited (NZ) owns:	
Fisher & Paykel Healthcare S.A. de C.V. (Mexico)	Lewis Gradon, Andrew Somervell, Lawrence Gibbons
Fisher & Paykel Healthcare Colombia S.A.S (Colombia)	Legal Representatives: Bryan Peterson, James Tuck
Fisher & Paykel Healthcare Mexico S.A. de C.V. (Mexico)	Lewis Gradon, Paul Shearer, Bryan Peterson
Fisher & Paykel Healthcare Properties S.A. de C.V. (Mexico)	Lewis Gradon, Andrew Somervell, Jonathan Rhodes
Fisher & Paykel Healthcare Chile SpA (Chile)	No directors. Bryan Peterson and James Tuck are delegates for the shareholder of the Company (with the power to act individually).
Fisher & Paykel Healthcare Limited (UK) owns:	
Fisher & Paykel Healthcare SAS (France)	Lewis Gradon, Paul Shearer, Patrick McSweeny, Ian Hopkinson
Fisher & Paykel Holdings GmbH (Germany)	Ian Hopkinson, Patrick McSweeny, Kerstin Bille
Fisher & Paykel Healthcare AB (Sweden)	Lewis Gradon, Paul Shearer, Patrick McSweeny, Ian Hopkinson
Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)	Lewis Gradon, Paul Shearer, Patrick McSweeny
Limited Liability Company Fisher & Paykel Healthcare (Russia)	Lewis Gradon, Paul Shearer, Bryan Peterson, Anatoly Filippov
Fisher & Paykel Holdings Inc. (US) owns:	
Fisher & Paykel Healthcare Inc. (USA)	Lewis Gradon, Paul Shearer, Justin Callahan
Fisher & Paykel Healthcare Distribution Inc. (USA)	Lewis Gradon

FIVE YEAR SUMMARY

For the years ended 31 March
All figures in NZ$M (except as otherwise stated)

		2016	2017	2018	2019	2020
FINANCIAL PERFORMANCE	Sales revenue	818.5	869.5	964.5	1,072.1	1,273.4
	Foreign exchange gain (loss) on hedged sales	(3.0)	24.9	16.3	(1.7)	(9.7)
	Total operating revenue	**815.5**	**894.4**	**980.8**	**1,070.4**	**1,263.7**
	Gross profit	521.7	590.4	650.4	715.8	835.8
	Gross margin	64.0%	66.0%	66.3%	66.9%	66.1%
	Other income	5.0	5.0	5.0	5.0	–
	SG&A expenses	(242.3)	(269.3)	(290.9)	(327.8)	(338.0)
	R&D expenses	(73.3)	(86.0)	(94.7)	(100.4)	(118.5)
	Total operating expenses	**(315.6)**	**(355.3)**	**(385.6)**	**(428.2)**	**(456.5)**
	Operating profit before financing costs	211.1	240.1	269.8	292.6	379.3
	Operating margin	25.9%	26.8%	27.5%	27.3%	30.0%
	Net financing expense	(10.3)	(1.6)	(2.0)	(1.4)	(8.8)
	Tax expense	(57.4)	(69.3)	(77.6)	(82.0)	(83.2)
	Profit after tax	**143.4**	**169.2**	**190.2**	**209.2**	**287.3**
REVENUE	North America	385.9	433.0	458.5	501.5	571.2
By Region and product group	Europe	253.7	272.0	297.6	314.6	365.4
	Asia Pacific	142.6	154.8	181.0	208.1	273.3
	Other	33.3	34.6	43.7	46.2	53.8
	Hospital products	436.3	500.4	572.1	642.3	801.3
	Homecare products	365.8	381.5	398.1	421.4	457.3
	Core products subtotal	802.1	881.9	970.2	1,063.7	1,258.6
	Distributed and other products	13.4	12.5	10.6	6.7	5.1
	Total operating revenue	**815.5**	**894.4**	**980.8**	**1,070.4**	**1,263.7**
Growth Rates Reported	Revenue	21.3%	9.7%	9.7%	9.1%	18.1%
	Gross profit	27.0%	13.2%	10.2%	10.1%	16.8%
	R&D expenses	12.8%	17.3%	10.1%	6.0%	18.0%
	Profit before tax	26.5%	18.8%	12.3%	8.7%	27.2%
	Profit after tax	26.7%	18.0%	12.4%	10.0%	37.3%
Growth Rates in Constant Currency (1)	Revenue	13.0%	14.0%	9.0%	8.0%	13.8%
	Gross profit	19.0%	17.0%	9.0%	9.0%	11.3%
	R&D expenses	13.0%	17.0%	10.0%	6.0%	18.0%
	Profit before tax	18.0%	21.0%	12.0%	9.0%	20.3%

(1) Constant Currency (CC) removes the impact of exchange rate movements. This approach is used to assess the company's underlying comparative financial performance without any distortion from changes in foreign exchange rates. A full reconciliation for the most recent 2 years and basis of preparation is set out on page 36. The 2016, 2017 and 2018 growth rates in constant currency have been sourced from the 2017 and 2018 annual reports respectively.

FIVE YEAR SUMMARY CONTINUED

For the years ended 31 March

All figures in NZ$M (except as otherwise stated)

		2016	2017	2018	2019	2020
FINANCIAL POSITION	Property, plant and equipment	389.6	425.2	476.4	601.4	735.3
	Total assets	766.8	878.2	1,025.1	1,206.7	1,435.0
	Total liabilities	(225.1)	(216.6)	(263.7)	(293.5)	(461.2)
	Shareholders' equity	541.7	661.6	761.4	913.2	973.8
	Return on assets (%)	28.0%	29.0%	28.1%	26.1%	28.1%
	Return on equity (%)	39.7%	39.6%	37.6%	34.8%	39.3%
	Net debt / (cash) (including short-term investments)	44.4	(0.2)	(49.9)	(54.4)	(42.2)
	Gearing Ratio (1)	7.7%	0.0%	-7.3%	-6.7%	-4.3%
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)	Basic shares outstanding at 31 March	563,841,265	567,686,436	571,230,264	573,708,739	574,570,603
	Dividends declared					
	Interim	6.70	8.25	8.75	9.75	12.00
	Final (2)	10.0	11.25	12.50	13.50	15.50
	Total ordinary dividends	16.70	19.50	21.25	23.25	27.50
	Basic earnings per share	25.6	29.9	33.4	36.5	50.0
	Diluted earnings per share	25.1	29.5	33.0	36.2	49.6
CASH FLOWS	Net cash flow from operating activities	144.6	193.6	247.8	253.2	321.4
	Free cash flow (3)	77.1	130.6	149.3	120.0	141.0
	Dividends paid	(68.2)	(89.4)	(102.5)	(114.6)	(146.4)
CAPITAL EXPENDITURE	Plant and equipment	46.3	44.1	41.8	41.4	63.5
	Land and buildings	1.7	3.8	41.4	74.0	81.8
	Intangible assets	17.7	15.1	15.5	17.9	25.4
	Total	65.7	63.0	98.7	133.3	170.7
	Plant & equipment capital expenditure : depreciation ratio (4)	1.6	1.5	1.3	1.3	2.2

(1) Net interest-bearing debt (debt less cash and cash equivalents and short-term investments) to net interest bearing debt and equity (less hedging reserves). Net interest-bearing debt excludes lease liabilities recognised on the adoption of IFRS 16 – Leases.

(2) Final dividend is paid in the following financial year.

(3) Free cash flow represents net cash flows from operating activities less capital expenditure - including lease liability repayments following the adoption of IFRS 16 – *Leases*.

(4) Depreciation excludes leased asset depreciation.

FIVE YEAR SUMMARY CONTINUED

For the years ended 31 March
All figures in NZ$M (except as otherwise stated)

			2016	2017	2018	2019	2020
PATENT PORTFOLIO NUMBERS	US patents		138	161	186	222	302
	US patent applications (includes PCTs) (1)		329	357	385	427	430
	Non-US patents		559	714	870	988	1,236
	Non-US patent applications (excludes PCTs) (1)		582	732	912	1,080	1,228
PEOPLE NUMBERS	People numbers (2)		3,587	4,112	4,174	4,547	5,081
	By function:						
	Research and development		509	563	572	581	597
	Manufacturing and operations		1,992	2,405	2,386	2,680	3,098
	Sales, marketing and distribution		907	948	994	1,047	1,132
	Management and administration		179	196	222	239	254
	By region:						
	New Zealand		2,142	2,307	2,258	2,416	2,738
	North America		922	1,231	1,314	1,493	1,645
	Europe		258	271	294	303	333
	Rest of World		265	303	308	335	365
EXCHANGE RATES NZ$ 1 =	**AVERAGE DAILY SPOT RATES**	USD	0.6786	0.7090	0.7148	0.6811	0.6477
	AVERAGE CONVERSION RATES (3)	USD	0.7235	0.6957	0.6823	0.6804	0.6671
		EUR	0.5794	0.5935	0.5999	0.6039	0.5760
		GBP	0.4718	0.4812	0.5018	0.5105	0.4921
		AUD	0.9000	0.9143	0.9246	0.9163	0.9235
		CAD	0.8720	0.8787	0.9218	0.8973	0.8748
		JPY	68.38	69.67	72.34	73.21	72.44
		MXN	10.71	12.09	12.62	13.24	13.47

(1) PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.
(2) People numbers are represented as full time equivalents, not as headcount.
(3) Actual exchange rates achieved in delivering or purchasing net foreign currency in relation to the Group's exposures. The average rate includes hedged, spot and close-out transactions in each year.

GLOSSARY

ASM	Annual Shareholders' Meeting
ASX	Australian Stock Exchange
AUD	Australian Dollar
AVR	Annual Variable Remuneration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CODM	Chief Operating Decision Maker
Company	means Fisher & Paykel Healthcare Corporation Limited
Constant Currency	is our way to measure performance of the company without any distortion from changes in foreign exchange rates
CPS	cents per share
CSR	Corporate Social Responsibility
DJSMDQT	Dow Jones US Select Medical Equipment Total Return Index
EBITDA	Earnings before interest, tax, depreciation and amortisation
ERP	Enterprise Resource Planning which is software used to track information across all departments and business functions
ESG	Environmental, Social and Governance
ESR	Employee Share Right
Executive Management	the Executive Management team as set out on pages 30 and 31
FDA	United States Food & Drug Administration
FMA	Financial Markets Authority
FTE	Full Time Equivalent
FY	Financial Year
GHG	Greenhouse gas
GRI	Global Reporting Initiative
Group	means Fisher & Paykel Healthcare Corporation Limited together with its subsidiaries
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
IP	Intellectual Property
LTIFR	Lost Time Injury Frequency Rate
LTVR	Long Term Variable Remuneration
MSCI	Morgan Stanley Capital International
Net Debt	Debt less cash and cash equivalents and short-term investments
New Applications Consumables	Applications outside of traditional invasive ventilation
NZ GAAP	New Zealand Generally Accepted Accounting Practice
NZ IAS	New Zealand International Accounting Standards
NZ IFRS	New Zealand Equivalents to International Financial Reporting Standards
NZD	New Zealand Dollar
NZX	New Zealand Stock Exchange
OECD	Organisation for Economic Cooperation and Development
PCT	Patent Cooperation Treaty
PSR	Performance Share Right
QSR	Quality, Safety & Regulatory
R&D	Research and Development
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
SG&A	Sales, General and Administrative
STEM	Science, Technology, Engineering and Mathematics
TCFD	Task Force on Climate-related Financial Disclosures
TRIFR	Total Recordable Injury Frequency Rate
TSR	Total Shareholder Return
UN	United Nations
USD	United States Dollar
VP	Vice President

Key medical terms used throughout this Report

COPD	Chronic Obstructive Pulmonary Disease
CPAP	Continuous Positive Airway Pressure
GCP	Good Clinical Practice
ICU	Intensive Care Unit
NICU	Neonatal Intensive Care Unit
OSA	Obstructive Sleep Apnea

GRI CONTENT INDEX

Disclosure	Description	Location/Response
GRI 102 General Disclosures		
102-1	Name of the organisation	Cover
102-2	Activities, brands, products, and services	Annual Report: pp. 7–9 and 15–16
102-3	Location of headquarters	Inside back cover
102-4	Location of operations	Annual Report: p. 17
102-5	Ownership and legal form	Annual Report: pp. 41 and 102–105
102-6	Markets served	Annual Report: p. 17
102-7	Scale of the organisation	Annual Report: pp. 10 and 106–108
102-8	Information on employees and other workers	Annual Report: pp. 72–77
102-9	Supply chain	Annual Report: pp. 89–90
102-10	Significant changes to the organisation and its supply chain	None
102-11	Precautionary principle or approach	We support a precautionary approach towards environmental management. While we see little apparent risk for our own operations, we do see an opportunity to help our customers manage this risk through effective product lifecycle management and sustainable design.
102-12	External initiatives	• Business and Industry Advisory Committee (BIAC) Statement of Tax Principles for International Business UN Declaration on Human Rights • ILO Declaration on Fundamental Principles and Rights at Work

Disclosure	Description	Location/Response
102-13	Membership of associations	• American Association of Homecare • American Association of Respiratory Care • American Chamber of Commerce • Association for Anaesthetic and Respiratory Device Suppliers • Australasian Investor Relations Association • Australasian Sleep Association • Australian College of Critical Care Nurses • Business New Zealand • Colorectal Society of Australia and New Zealand • Diversity Works • Employers and Manufacturers Association • Guangdong Investment Promotion Association in China • International Electrotechnical Commission / Technical Committee 62 • International Organisation for Standardisation / Technical Committee 121 • Japan Association of Health Industry Distributors • Japan Association of Medical Devices Industries • Latin America New Zealand Business Council • Medical Technology Association New Zealand • National Association for Medical Direction of Respiratory Care • Sleep Health Foundation • Sustainable Business Council • Taipei Medical Instruments Commercial Association • The Japan Fair Trade Council of the Medical Devices Industry
Strategy		
102-14	Statement from senior decision maker	Annual Report: pp. 10–13
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Code of Conduct available online at www.fphcare.co.nz/corporategovernance
Governance		
102-18	Governance structure	Annual Report: pp. 89–96

GRI CONTENT INDEX CONTINUED

Disclosure	Description	Location/Response
Stakeholder engagement		
102-40	List of stakeholder groups	Annual Report: p. 20
102-41	Collective bargaining agreements	Annual Report: p. 76
102-42	Identifying and selecting stakeholders	Annual Report: p. 20
102-43	Approach to stakeholder engagement	Annual Report: p. 20
102-44	Key topics and concerns raised	Annual Report: pp. 20–21
Reporting practice		
102-45	Entities included in the consolidated financial statements	Annual Report: p. 105
102-46	Defining report content and topic boundaries	Annual Report: pp. 20–21
102-47	List of material topics	Annual Report: pp. 20–21
102-48	Re-statements of information	No restatements
102-49	Changes in reporting	No significant changes from previous reporting periods
102-50	Reporting period	Cover
102-51	Date of most recent report	Inside cover
102-52	Reporting cycle	Annual reporting cycle
102-53	Contact point for questions regarding the report	investor@fphcare.co.nz
102-54	Claims of reporting in accordance with the GRI standards	Inside cover
102-55	GRI content index	Annual Report: pp. 110–111
102-56	External assurance	No external assurance for non-financial disclosures External assurance for financial statements (See Annual Report: pp. 66–68)

SPECIFIC STANDARD DISCLOSURES

Disclosure	Description	Location/Response
GRI 200 Economic standard series		
GRI 103	Management approach 2020	Annual Report: pp. 12–13
GRI 201: Economic performance		
201-1	Direct economic value generated and distributed	Annual Report: pp. 32–65
GRI 205: Anti-corruption		
GRI 103	Management approach 2020	Annual Report: p. 90
205-3	Confirmed incidents of corruption and actions taken	Annual Report: p. 90
GRI 400 Social standard series		
GRI 401: Employment		
GRI 103	Management approach 2020	Annual Report: pp. 72–77
401-1	New employee hires and employee turnover	Annual Report: pp. 75–76
GRI 403: Occupational health and safety		
GRI 103	Management approach 2020	Annual Report: pp. 97–99
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Annual Report: p. 99
GRI 404: Training and education		
GRI 103	Management approach 2020	Annual Report: pp. 75–76
404-1	Average hours of training per year per employee	Annual Report: p. 75
GRI 416: Customer Health and Safety		
GRI 103	Management approach 2020	Annual Report: p. 97
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No instances of non-compliance with regulations resulting in a fine, penalty or warning.
GRI 418: Customer Privacy		
GRI 103	Management approach 2020	www.fphcare.com/privacy
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No substantiated complaints received concerning breaches of customer privacy.

TCFD INDEX

The Task Force on Climate-related Financial Disclosures (TCFD) seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors. Fisher & Paykel Healthcare is integrating the recommendations of the TCFD, and we have included commentary in the governance, risk management and environment sections of this report, along with disclosures addressing our global carbon footprint. Below is an index for locating these disclosures.

Governance	Strategy	Risk Management	Metrics & Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
a) Describe the Board's oversight of climate-related risks and opportunities. pp. 95–96	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. p. 100	a) Describe the organization's processes for identifying and assessing climate-related risks. p. 100	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. p. 100
b) Describe management's role in assessing and managing climate-related risks and opportunities. p. 96	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. p. 101	b) Describe the organization's processes for managing climate-related risks. pp. 100–101	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. pp. 80–83
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. p. 101	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. p. 100	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. pp. 80–83

DIRECTORY

DIRECTORY

In New Zealand:
The details of the company's principal administrative and registered office are:

Physical address: 15 Maurice Paykel Place, East Tamaki,
Auckland 2013, New Zealand

Telephone: +64 9 574 0100

Facsimile: +64 9 574 0158

Postal address: PO Box 14348, Panmure,
Auckland 1741, New Zealand

Internet address: www.fphcare.com

Email: investor@fphcare.co.nz

In Australia:
The details of the company's registered office are:

Physical address: 19-31 King Street, Nunawading,
Melbourne, Victoria 3131, Australia

Telephone: +61 3 9871 4900

Postal address: PO Box 159, Mitcham,
Victoria 3132, Australia

SHARE REGISTER

In New Zealand:
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Physical address: Level 11, Deloitte Centre,
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Investor enquiries: +64 9 375 5998

Internet address: www.linkmarketservices.co.nz

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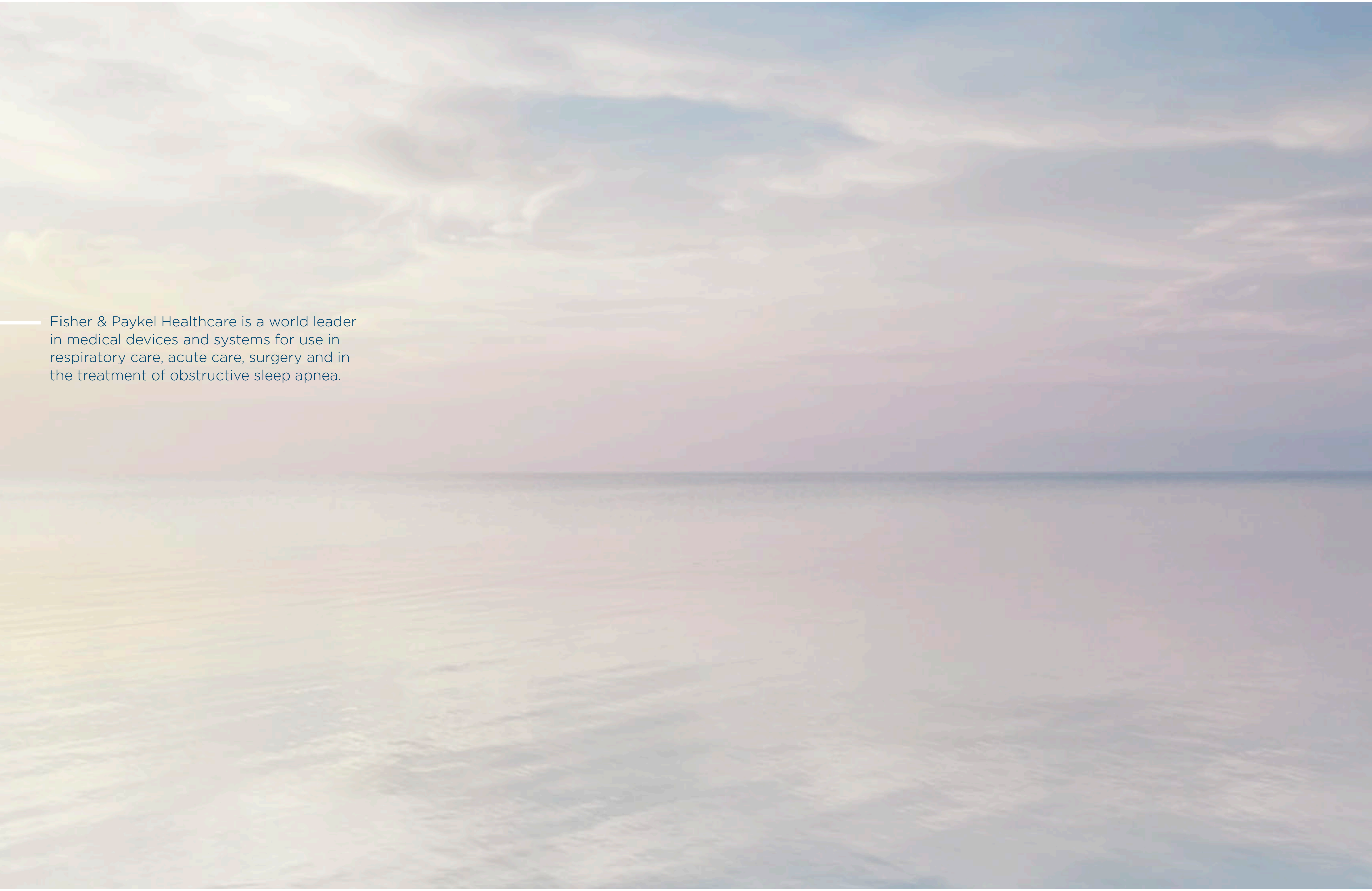
Investor enquiries: +61 2 8280 7111

Internet address: www.linkmarketservices.com.au

Email: registrars@linkmarketservices.com.au



Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and in the treatment of obstructive sleep apnea.

Fisher & Paykel
HEALTHCARE

www.fphcare.com