A HUMAN RESPONSE

THERE, TOGETHER WHEN IT COUNTS

Annual Report 2021

Fisher&Paykel HEALTHCARE

About this report

Welcome to our 2021 Annual Report – A Human Response. This report offers a behind-the-scenes look at 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.

Our people, investors and customers also want to know about our track record with regard to non-financial matters, including environmental, social and governance (ESG) topics. You will find our ESG commitments and metrics in Section 4 of this report, called Operating Sustainably.

We have prepared this report to align with the GRI Core reporting option. We have also included data on our global carbon footprint and governance, climate and sustainability risks in line with the recommendations of the Taskforce for Climate Related Financial Disclosure (TCFD).

As always, we welcome your feedback and suggestions for improvement. Please send any questions, comments or suggestions to **investor@fphcare.co.nz.**

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

This report covers the financial year ended 31 March 2021 and is dated 26 May 2021. The report has been approved by the Board and is signed on behalf of Fisher & Paykel Healthcare Corporation Limited by Scott St John, Board Chair, and Lewis Gradon, Managing Director and Chief Executive Officer.

SCOTT ST JOHN
BOARD CHAIR

LEWIS GRADON
MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

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 foreign currency fluctuations and hedging results. It has been prepared on a consistent basis each financial year. A reconciliation between reported results and constant currency results is available on page 103. The company's constant currency framework can be found on our website at **www.fphcare.com/ccf**.

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A HUMAN RESPONSE Behind the scenes in every corner of our business, our people were doing their part to answer the global call for life-sustaining products.

01

GUIDED BY OUR VALUES

LIFE • RELATIONSHIPS • COMMITMENT
INTERNATIONALISM • ORIGINALITY

BEHIND THE SCENES, all across our business, our people were doing their part to answer the global call for life-sustaining products during a global pandemic. Our values – life, relationships, commitment, internationalism and originality – guided our business decisions at every turn.

In April 2020, a member of our US sales team received an email from a customer in Sioux City, Iowa. Already familiar with our products, he anticipated the impact of COVID-19 on our Airvo™ team. It began:

"I would imagine that with the COVID-19 virus about to peak soon, your company is ramping up production of items like high flow oxygen systems and the related supplies that go with them. Everyone is currently focused on

ventilators, but the reality of the situation is that far fewer patients will need a ventilator over other therapies, notably the Airvo high flow oxygen system and others like it."

Indeed, at the start of the pandemic, healthcare providers leaned toward early mechanical ventilation for the most severe patients. However, a few months in, evidence suggested high mortality rates for COVID-19 patients on mechanical ventilators. As our customer had predicted, healthcare providers pivoted away from invasive ventilation. One treatment in particular emerged as a leading frontline treatment – Fisher & Paykel Healthcare's Optiflow™ nasal high flow therapy.

With Optiflow, warm, humidified air and oxygen is administered through the patient's nostrils. Patients can remain awake while receiving Optiflow, so they can talk, eat and drink. They also can be treated outside the intensive care unit, which lightens the burden on healthcare providers. For many patients, Optiflow is sufficient to maintain oxygen levels that help them to recover while avoiding the risks of mechanical ventilation.

As clinicians reported positive results using Optiflow, Fisher & Paykel Healthcare was bombarded with requests for devices that deliver the therapy – namely Airvos and our MR850 and F&P950 respiratory humidification systems. Increasing output on these critical devices has required a massive effort. Behind the scenes, our people have been there – together – when it counts.

The email from that customer offered encouragement our teams needed to keep people safe, source supplies, boost production, deliver for customers and change clinical practice.

"We, in the frontlines of patient treatment, recognise the Airvo team as major unsung heroes in this outbreak...

It concluded: "We, in the frontlines of patient treatment, recognise the Airvo team as major unsung heroes in this outbreak. Their contribution to the pandemic will go unnoticed by the general public, but certainly not by respiratory practitioners all over the globe. Hats off to you and your team for providing research, product engineering and development along with the compassion to pull it all together."


LIFE
Keeping our people safe and healthy was top of mind.

EARLY IN THE PANDEMIC, we formed a crisis response team made of people across the business. The goal – to protect everyone at our facilities while outlining a plan to answer the global call for products. As an essential service, operations continued during COVID-19 lockdowns. Our health and safety approach was – and remains – to meet or exceed local government recommendations.

At our largest manufacturing site in New Zealand, we have implemented social distancing, extra cleaning protocols and Bluetooth contact tracing cards. Gowning areas, production lines, office areas, and cafeterias have been rearranged, physical barriers erected and desks moved to create more space between people. Occupancy in meeting rooms is limited. Masks are mandatory, except when two-metre physical distancing can be maintained. We have an onsite clinic staffed by health professionals, as well as a COVID-19 support team who assist with contact tracing and answer questions 24/7.

At our Mexico site, we took preventative measures to protect our people before the pandemic arrived in Tijuana. Our Mexico leaders created a COVID-19 committee to monitor the pandemic's impact and implement safety measures across the facility. This included masks and goggles, sanitising mats and cleaning kits. Capacity limits were set for meeting rooms, and acrylic dividers were added in manufacturing areas and cafeterias. During the worst of the pandemic, employees received essential groceries.

THE GOAL

To protect everyone at our facilities while outlining a plan to answer the global call for products.

Special leave entitlements have helped to ensure our people could take time off work if they needed to self-isolate, and we have provided discretionary COVID-19-related leave so that workers could make the right decision without fear of losing income. These changes will remain in place until the threat of COVID-19 has diminished.

We recognise that COVID-19 has had an impact on the wellbeing of our people. We are continuing to promote counselling services through the Employee Assistance Programme and to focus on returning to sustainable workloads.

RELATIONSHIPS

Our ability to source materials was a testament to our strong supplier relationships.

MANY OF THE RAW MATERIALS and components used in Fisher & Paykel Healthcare products are imported. Very quickly, the virus impacted our suppliers around the world. Thanks to strong supplier relationships and creative sourcing, production lines never stopped, although some components arrived only one day before they were needed.

"Failure was not an option, so we needed to work with sub-suppliers, and in some cases, sub-sub suppliers to make sure the whole supply chain was completely integrated."

EDDY PEREIRA
General Manager Transformation and Optimisation

Senior research and development manager Phil Edgeworth recalled some of the challenges at the start of the pandemic.

"We had a problem obtaining enough power circuit boards, and we had to work out an alternative within three months."

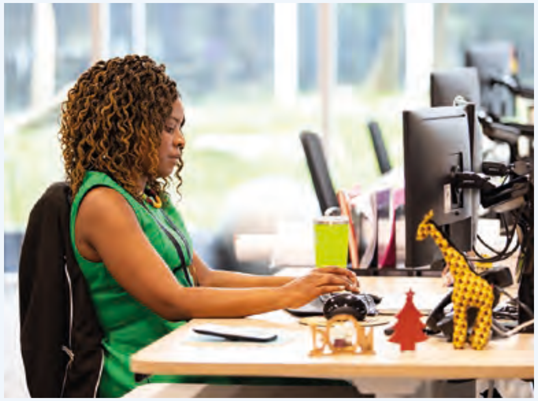
Edgeworth said that in 24 years of working for the company, he has never seen so much help and collaboration from suppliers. In fact, two essential suppliers of custom mechanical and electrical builds changed to a 24/7 shift pattern just to supply Fisher & Paykel Healthcare.

The situation became even more difficult when the United States prioritised supplies to companies making ventilators. There are more than 300 components in one Airvo device, and Fisher & Paykel Healthcare was competing with ventilator manufacturers for the same parts.

"The components come from multiple sources, and you need every single one to make it," said Eddy Pereira, general manager transformation and optimisation. "Failure was not an option, so we needed to work with sub-suppliers, and in some cases, sub-sub suppliers to make sure the whole supply chain was completely integrated."

"Freight became a nightmare," said procurement manager Sheleen Ellis. "We had congestion and delays at ports as everyone was trying to move things in a different manner."

With most planes grounded and sea freight too slow to be useful, the team had to be creative and adaptable to import materials and ship finished goods. At one point, a single box of critical filter parts was on a Singapore Airlines plane facing eight weeks on the ground in Dubai. The box had to be extracted from the airport, flown back to Europe, and then sent on to New Zealand – and all of that activity was arranged through multiple third parties.



Supply planning manager Jacquelene Bycroft has watched Fisher & Paykel Healthcare grow during her 20 years with the company. She said she has never been in a situation like the pandemic before.

"It's about people's lives," she said. "Years ago when I worked on the manufacturing line, that's the first thing I learned. COVID-19 has been really, really stressful, but we had to do it."

COMMITMENT

Adding shifts and people, we expanded our manufacturing capacity in record time.

INCREASING PRODUCTION this year required more space and more people. Working collaboratively, our teams in Mexico and New Zealand relocated existing manufacturing lines and created new ones for essential products. Worldwide, our human resources team recruited several thousand full-time and temporary workers and managed their induction and training.

Mexico

MR290 chambers are a central part of Fisher & Paykel Healthcare's humidification devices, and demand surged for these parts. Our Mexico and New Zealand teams worked together to tackle a major challenge: set up a brand-new MR290 chambers production line in our Tijuana, Mexico facility while working within COVID-19 health guidelines.

Senior project engineer Karen Guerrero in Mexico and senior process development manager Ian Russell from New Zealand led the project. It required installing and validating 128 pieces of equipment, creating operations and processes, reviewing documents and recruiting and training people. To ensure safety, the core project team, which included specialists from both Mexico and New Zealand, spent ten days in isolation. They stayed at a nearby hotel in Tijuana, away from family and friends, to avoid any risk of infection.

In April 2020, the first chambers rolled off the new line, ready to be shipped to help patients in North America.

Diana Tenorio Sanchez was one of the new line's team leaders. "It was challenging to stay away from family for almost a month," she said, "but we made the sacrifice because we knew our products were helping to fight COVID-19."

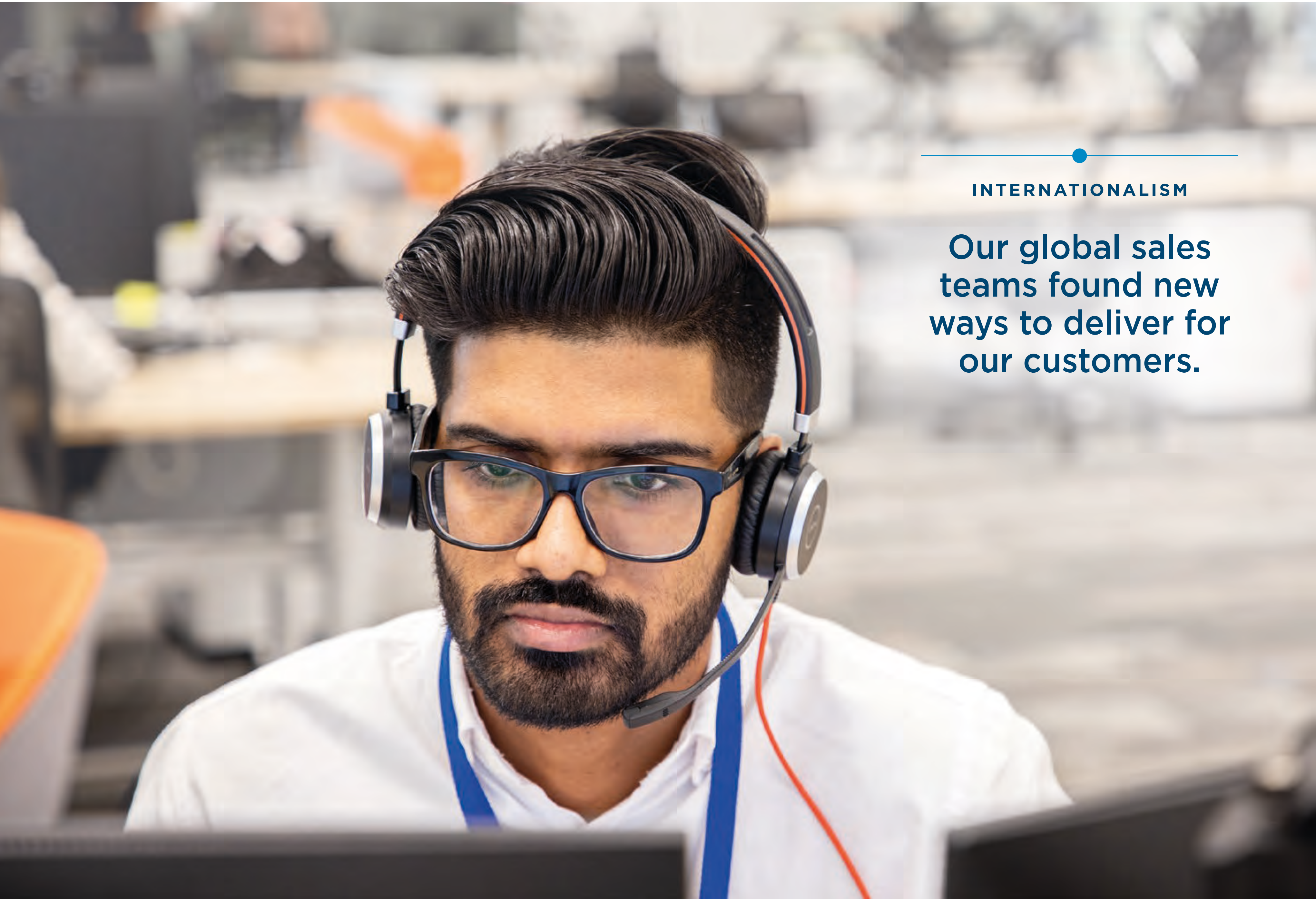
New Zealand

New Zealand's first lockdown was announced just as our fourth New Zealand manufacturing facility, the Daniell Building, was completed. Before the pandemic, the plan had been to move office teams into the building first, then fit-out the manufacturing areas the following year. That plan was brought forward by the need to increase production quickly on Airvos and consumables.

It took intense planning to complete validations for the new controlled work environment, disassemble and reassemble equipment, and relocate teams. Process development and moulding engineers went into overdrive to build tools, install machinery and wire equipment.

Within three months, the Daniell Building was the new home for several new manufacturing lines for OSA products and much-needed adult breathing circuits. Experienced team members were cross-trained, in the event a case of COVID-19 on site breached a production bubble.

Manufacturing team leader Seta Vaka said keeping people safe has been her priority as new people have been added and trained. "Even at break times we're checking to make sure people are keeping their distance while they're eating," she said.



INTERNATIONALISM

Our global sales teams found new ways to deliver for our customers.

WORKING IN MORE THAN 40 COUNTRIES, our sales representatives had to navigate lockdowns and personal challenges to get products to the people helping patients. Our humidification devices were delivered to hospitals in large numbers, and dozens were assembled at a time.

North America

"When COVID-19 hit, our two priorities were keeping our employees safe and then keeping our distribution channels open," said Justin Callaghan, president of North America operations.

The US team devised an allocation process to identify which hospitals needed products the most. Citing publicly available statistics and feedback from sales representatives, his team persuaded customers to accept two weeks of stock at a time when some wanted enough for six months.

"We were one of the few companies approaching it that way," said Callaghan. "But ultimately customers said it was fantastic. We managed to stay true to our approach, and it was successful."

Northeast regional manager Michael Krumholz said that when hospital supplies dwindled, he and his team delivered every product they had.

At our distribution centre in Kentucky, manager Nicholas Wade and his team worked overtime and weekends to sort stock and process orders. Everyone pitched in to support their work.

"At 5:30AM on a Saturday morning, car after car of warehouse and leadership team members were pulling up to work," said Wade. "We had the stock processed and ready for Monday morning to ship directly to hospitals with patients in critical care."

Europe

In June 2020, sales teams in Belgium and Luxembourg noticed a disturbing trend. While some hospitals had increased their use of Optiflow, others had decreased their use. They acted promptly to alert key opinion leaders, who influenced hospitals about the benefits of using nasal high flow therapy to treat patients with COVID-19.

When a second wave arrived in October, the Belgian government asked hospitals to urgently create 300 beds outside the ICU with access to Optiflow. As a result, in November we provided a large number of devices to local hospitals. The small team had to manage the ordering, follow up on deliveries and train users.

"Our amazing people, from the production lines, through to logistics, warehouse, sales and customer services teams – all played a major role in helping our clinical teams at the front line," said business manager Benoit Collet. ●

"At 5:30AM on a Saturday morning, car after car of warehouse and leadership team members were pulling up to work. We had the stock processed and ready for Monday morning to ship directly to hospitals with patients in critical care."

NICHOLAS WADE
Manager, Distribution Centre
Kentucky USA

ORIGINALITY

We relied on new approaches to inform healthcare providers and influence clinical practice.

IT CAN TAKE YEARS TO CREATE A NEW PRODUCT and decades more to help change clinical practice in the medical community. Sam Frame, marketing manager for the Airvo product team, said that many clinicians were already familiar with nasal high flow therapy, but many were hesitant to try it for treating COVID-19 patients. In part, this was because of misinformation circulating about how the virus spread.

"In some countries, health services wrote into policy that all patients with COVID-19 would be intubated, meaning placed on a mechanical ventilator," said Frame. "That's what some patients needed, but in many cases, it's not a good idea when you can give them noninvasive respiratory support."

Unlike mechanical ventilation, nasal high flow therapy delivers respiratory support through a nasal interface. For all but the sickest patients, it is more comfortable and less traumatic than intubation using a ventilator, which is an aggressive solution that requires sedation.

Lisa Henderson, sales and customer education manager, said the speed of the pandemic left clinicians with little time for researching patient treatments.

"Clinicians generally say that they practice evidence-based medicine, but during COVID-19 that term was thrown out the door a bit," she said. "Some treatments were in use because of perception, not data. Perception can only change through data and education."

Henderson and her team moved quickly to revamp the online education hub on the company website, adding links to research studies, courses and training videos. They identified key opinion leaders – who

Nurse Karin Kuperus at Nij Smellinghe Hospital in The Netherlands sets up an Airvo.

Photo: Annemarie Boonstra

understood the benefits of nasal high flow therapy and were powerful speakers – and featured them in a series of webinars. Our sales representatives were able to access these new resources and recommend them to customers.

As clinicians learned more about COVID-19 and how it spread, they pivoted toward using nasal high flow therapy as the first line of treatment. In March 2021, the European Respiratory Society released best-practice guidelines for treating hospitalised COVID-19 patients. These recommended that, wherever possible, doctors use alternatives to ventilators, such as nasal high flow oxygen or tight-fitting face masks.

THE BUSINESS YEAR Our business was positioned at the right place at the right time to respond to a global pandemic, resulting in a year like no other.

02

Results at a glance

OPERATING REVENUE

$1.97B

▲ **56%** | 2020 $1.26B

NET PROFIT AFTER TAX

$524.2M

▲ **82%** | 2020 $287.3M

GROSS MARGIN

63.2%

295 BASIS POINTS DECREASE

TOTAL DIVIDEND FOR YEAR
FULLY IMPUTED

38.0CPS

▲ **38%** | 2020 27.5CPS

SPEND ON R&D

$136.7M

7% OF OPERATING REVENUE

HOSPITAL REVENUE

$1.5B

▲ **87%** | 2020 $801.3M

HOSPITAL HARDWARE
REVENUE GROWTH

337%

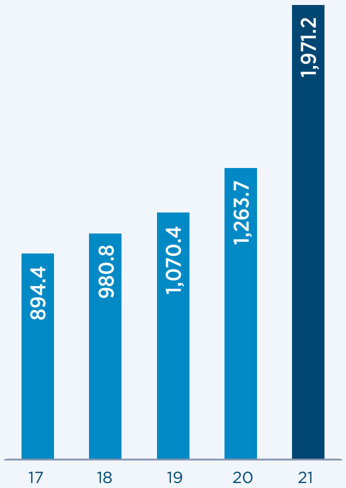
(CONSTANT CURRENCY)

NEW APPLICATIONS CONSUMABLES
REVENUE GROWTH

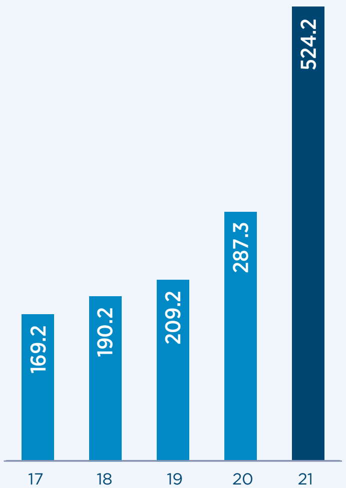
49%

(CONSTANT CURRENCY)

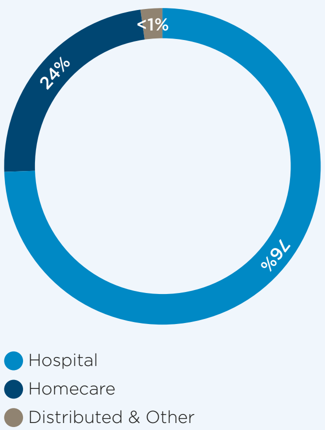
OPERATING REVENUE
NZ$ MILLIONS



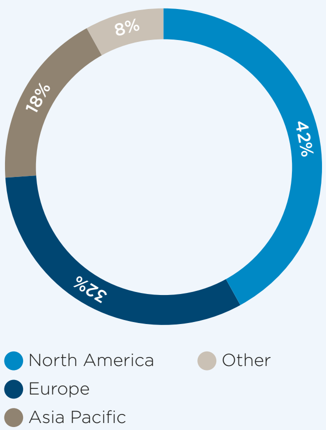
NET PROFIT AFTER TAX
NZ$ MILLIONS



REVENUE BY PRODUCT GROUP
12 MONTHS TO 31 MARCH 2021



REVENUE BY REGION
12 MONTHS TO 31 MARCH 2021



BUSINESS HIGHLIGHTS

IMPACTED the lives of approximately 20 million patients around the world, including millions treated for COVID-19.

LAUNCHED myAirvo 2 in China, along with Optiflow+ interfaces and AirSpiral tubes for home use.

RELEASED F&P 950 in Canada and South Africa.

COMMITTED $20 million to establish the Fisher & Paykel Healthcare Foundation.

PLACED sales representatives in a further five countries.

INCREASED manufacturing output by more than six times for some of our key hospital products.

RECOGNITION

American Association of Respiratory Care
ZENITH AWARD

American Chamber of Commerce DHL Express
SUCCESS & RESILIENCE AWARD

Auckland Transport
TRAVELWISE CHOICES AWARD

Deloitte New Zealand
2020 COMPANY OF THE YEAR

Deloitte New Zealand
2020 CEO OF THE YEAR

Designers Institute of NZ Best Awards
TWO GOLD PINS

INFINZ
MARKET LEADERS BEST INVESTOR RELATIONS AWARD 2020

Dow Jones Sustainability Index for 2020

FTSE4 Good Index 2020

Report from the Chair and CEO

We have been amazed by healthcare professionals around the world, who have responded with such incredible care and courage to the COVID-19 pandemic. Our thoughts are with them, the patients under their care, and the families of those who are impacted at this challenging time.

We would also like to express our thanks and admiration for the energy and dedication shown by our people during this tough year. Behind the scenes in every corner of our business, our people were doing their part to answer the global call for life-sustaining products.

For most of us, this meant juggling work, home and family responsibilities through upheavals and uncertainty. For some, it meant stepping into completely new roles, volunteering to get things done, and working day and night to meet the needs of our customers. Operating during a pandemic tested our resilience, but it also proved we can adapt to change.

RESPONSE TO COVID-19

Early in the pandemic, we formed a crisis response team drawn from all areas of the business. The goal – to protect everyone at our facilities and outline a plan to meet the global demand for products. We developed a strategy founded on three principles: keeping our people and workplace safe, keeping operations stable, and keeping processes sustainable. Our health and safety approach was – and remains – more conservative than local government recommendations. The strategy has served us well, and manufacturing operations in New Zealand and Mexico have continued with few disruptions.

As we mentioned in November, demand for some of our products increased by four or five times during COVID-19 surges. Increasing output on essential devices required a massive effort. We had to fast-track new facilities, work with new suppliers, qualify new parts and materials, add people and shifts, and connect with customers in new ways.

SCOTT ST JOHN
Board Chair

LEWIS GRADON
Managing Director
and Chief Executive Officer

STRONG RESULT FOR FY21

Working under the most challenging conditions, our people maintained their focus on improving care and outcomes for patients. It was a year like no other – and Fisher & Paykel Healthcare achieved an extraordinary result.

Operating revenue for the 2021 financial year was $1.97 billion, 56 per cent higher than the previous financial year, or 61 per cent in constant currency. Net profit after tax was $524.2 million, 82 per cent higher than the previous financial year, or 94 per cent in constant currency.

The unprecedented result was largely driven by the Hospital product group. This includes products for invasive ventilation, noninvasive ventilation and surgery, as well as the hardware and consumables used to deliver Optiflow nasal high flow therapy. Revenue for the Hospital product group was $1.5 billion, an increase of 87 per cent over the previous financial year, or 94 per cent in constant currency.

Although COVID-19 restrictions shut down sleep clinics and impacted OSA diagnosis rates, revenue for the Homecare product group increased by 2 per cent over the previous financial year, or 4 per cent in constant currency. Revenue for the full financial year was $465.6 million, assisted by continued strong growth in our products used for nasal high flow therapy in the home.

As expected, COVID-19 impacted our costs for the full financial year. Gross margin decreased by 295 basis points for the year to 63% or a 165 basis points decline in constant currency. This includes increased freight costs and high air freight utilisation which adversely impacted constant currency gross margin by approximately 230 basis points. Freight and additional COVID-19 related costs were offset by overhead efficiencies due to volume increases outpacing overhead cost growth during the year.

STRATEGIC PROGRESS

For the most part, COVID-19 was kept out of the community in New Zealand. This was a significant advantage for our business, because it meant our more than 650 engineers and clinical scientists could continue their everyday work at our Auckland campus. We were unwavering in our commitment to research and development during the 2021 financial year and invested $136.7 million for that purpose.

Our marketing and sales teams, many of whom were working remotely, continued to support the release of products into new markets.

During the second half of the year, we introduced myAirvo 2 in China, along with the consumables required to deliver Optiflow therapy at home. We also expanded the release of our Evora compact nasal mask for OSA into Brazil and Spain.

To extend our global reach, we placed our own sales representatives in a further five countries. A direct sales presence in these countries will help us focus on changing clinical practice through strong relationships with customers.

The pandemic strengthened our relationships with key opinion leaders, and many of them have spoken publicly about their success using nasal high flow therapy to treat COVID-19 patients. The increased focus on nasal high flow therapy has accelerated the adoption of Optiflow in a way we could not have predicted. In November 2020, the Intensive Care Medicine journal published a clinical practice guideline with a strong recommendation for using nasal high flow in cases of hypoxemic respiratory failure compared to conventional oxygen therapy.* We expect the body of evidence to multiply as retrospective studies are completed and patient data is analysed.

* Rochwerg B, et al. Intensive Care Medicine. 2020.

We have always taken a long-term view. COVID-19 may have changed the way we live, work and connect with each other, but it did not change our strategy. Our fundamental objective is to grow our business in a sustainable, profitable way by creating better products, extending our global reach and changing clinical practice.

LOOKING AHEAD

We have always taken a long-term view. COVID-19 may have changed the way we live, work and connect with each other, but it did not change our strategy. Our fundamental objective is to grow our business in a sustainable, profitable way by creating better products, extending our global reach and changing clinical practice.

Our business was positioned at the right place, at the right time, to respond to a global pandemic, and this was not down to chance. The work to research, develop and prove the benefits of our products and therapies started more than fifty years ago. It continues today, so that we will be ready to meet the needs of patients ten years and more from now.

Looking ahead, we remain confident about our long-term future. Hospitals worldwide have purchased Fisher & Paykel Healthcare hardware and consumable products, and their staff are now trained to administer nasal high flow therapy. While our hardware sales are unlikely to be repeated in the 2022 financial year, a change in clinical practice may have been accelerated.

Importantly, nasal high flow therapy is not only for treating COVID-19 patients – it has applications across a broad range of patients requiring respiratory support. Educating clinicians on its benefits for patients in hospitals and homes will be a key area of focus during the next few years.

The additional revenue generated in the 2021 financial year allows us to continue growing our investment in R&D and our sales teams as we bring forward some of our longer term projects and support the growing installed base of nasal high flow systems.

We also remain confident in our innovative product portfolio for treating patients with obstructive sleep apnea. When sleep clinics fully reopen and customers can see our new OSA masks in person, we expect these products to continue to perform well.

COMMUNITY

One of the hallmarks of a successful business is looking after the wider community. Through a combination of financial and in-kind support, we facilitate and sponsor various community programmes each year – from funding clinical research to supporting science, technology engineering and mathematics (STEM) programmes for young people.

In the 2021 financial year, we committed $20 million to establish the new Fisher & Paykel Healthcare Foundation. This charitable organisation has been established to enable a more sustainable model for funding of community and charitable activities. The Foundation's purposes include supporting and funding health research, programmes that improve access to healthcare, environmental protection initiatives and promoting awareness of opportunities in STEM.

BOARD UPDATE

During the year, Scott St John was appointed to chair the Board following Tony Carter's retirement and Neville Mitchell was appointed chair of the Audit & Risk Committee. We are progressing well in the process to find a replacement director with the necessary skills and experience to complement other members of the Board, and expect to provide an update later this year.

DIVIDEND

Our consistent practice has been to pay a dividend to shareholders. In light of this year's financial performance, the Board has approved a final dividend of 22 cents per share. This takes the total dividend for the full financial year to 38 cents per share. This is a 38 per cent increase on the total dividend for FY20 and enables us to continue making our accelerated investments in manufacturing capacity and buildings. The final dividend will be paid out on 7 July 2021.

THANK YOU

In closing, we want to thank our customers and clinical partners for giving their all to care for patients, often under the most gruelling conditions.

We also want to acknowledge the more than 6,000 people of Fisher & Paykel Healthcare, as well as their partners and families, because they all made this extraordinary year possible. Because of their efforts, our products were used to treat an estimated 20 million patients during the 2021 financial year. To recognise their contribution, the Board has approved for this year a profit-sharing bonus totalling $29 million for everyone who has worked with us for a qualifying period.

We appreciate our suppliers for providing the raw materials and components we so desperately needed to make our products, and the government officials who intervened when borders were closed and freight options limited.

As always, we are grateful to our shareholders for believing in our purpose, our strategy and our team.

SCOTT ST JOHN
Board Chair

LEWIS GRADON
Managing Director and Chief Executive Officer

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.

76%
OF OPERATING REVENUE

OPERATING REVENUE
$1.5B
↑87%

CONSTANT CURRENCY REVENUE FROM NEW APPLICATIONS CONSUMABLES
↑49%

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 noninvasive 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.

24%
OF OPERATING REVENUE

OPERATING REVENUE
$465.6M
↑2%

CONSTANT CURRENCY REVENUE
↑4%

THE COMPANY For many years, our strategy has been consistent, centred on our purpose of improving care and outcomes through inspired and world-leading healthcare solutions.

03

What we do

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

Our medical devices and technologies help clinicians 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 the 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.

45
Countries with F&P people

2,191
People in North America, including Mexico

350
People in Europe

3,932
People in New Zealand

424
People in the rest of the world

Note: people numbers are represented as full-time equivalents.

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.

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, providing them the products and tools to deliver the best possible care. Our largest markets by revenue are North America, Europe and Asia Pacific.

THERAPIES

The majority 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 the majority of our products in New Zealand and the balance in Mexico. 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.

The needs of our customers and their patients drive everything we do. We call this **Care by Design**.

How we deliver value

SUSTAINABLE, PROFITABLE GROWTH
We aim to grow our business in a way that is sustainable over the long term.

OUR INPUTS

- Our 6,000+ people
- 50+ years of trusted relationships
- Excellence in R&D
- Global supply networks
- Trusted brand

GLOBAL REACH
Increase our presence around the world

CHANGE CLINICAL PRACTICE
Utilise our expertise to develop new therapies and reduce costs to healthcare systems

OUR PURPOSE:
Improving care and outcomes through inspired and world-leading healthcare solutions.

Continuously strive to improve our products
BETTER PRODUCTS

OUR OUTPUTS

- Improved care and outcomes for patients
- Increased efficiency of care
- Increased shareholder value
- Benefits to our people
- Doubling our constant currency revenue every 5-6 years

MARKET CONTEXT

Ageing population | Technology advancement | Healthcare costs increasing | Other external factors

Our unique culture, values and beliefs

We have a unique culture of Care by Design, which is a simple way of expressing the care and intentionality we put into everything we do — our relationships, our decisions and our daily interactions with customers. We believe that if we focus on delivering what is best for the patient, we will be successful.

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.

What matters most

In the 2021 financial year, we conducted a materiality assessment to identify what is most important to our business and our stakeholders.

Investors and other stakeholders are increasingly using nonfinancial information on other material topics to make decisions. Those include trends and risks that could affect a company's long-term value, such as climate change, as well as the economic and social impacts of doing business.

This year, we worked with an independent consultant, thinkstep, to obtain feedback from multiple stakeholders. The result is an updated materiality assessment informed by the principles of the GRI Sustainability Reporting Standards. Within this framework, 'materiality' differs from financial and audit interpretations and NZX/ASX definitions of material information.

As we identified material issues, we also considered our unique business risks, the United Nations Sustainable Development Goals, and feedback we receive through regular interactions with customers, clinicians, suppliers and investors.

OUR STAKEHOLDERS

EMPLOYEES

CUSTOMERS

INVESTORS

CLINICIANS

SUPPLIERS

COMMUNITIES

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Fisher & Paykel Healthcare supports the United Nations Sustainable Development Goals. We have identified three goals where we believe we can make a positive difference in order to achieve a better and more sustainable future for all.

OUR PROCESS

01

INTERVIEWED a range of internal and external stakeholders to discuss emerging trends, concerns and themes.

02

ENGAGED executive management team to validate and prioritise new trends and themes.

03

CONDUCTED online survey of a broader group of internal and external stakeholders to rank topics.

04

ANALYSED ranking survey results to create materiality matrix reflecting new stakeholder priorities.

RESULTS OF MATERIALITY ASSESSMENT

Patient safety, product quality and the health, safety and wellbeing of our people are the top three topics of interest to our stakeholders, as shown in our materiality matrix on the following page. We have grouped these and the remaining top eight material matters into four areas of focus.

HEALTHCARE OUTCOMES

- Patient safety
- Product quality

STRATEGY AND GROWTH

- Innovation
- Customer experience
- Intellectual property
- Market access

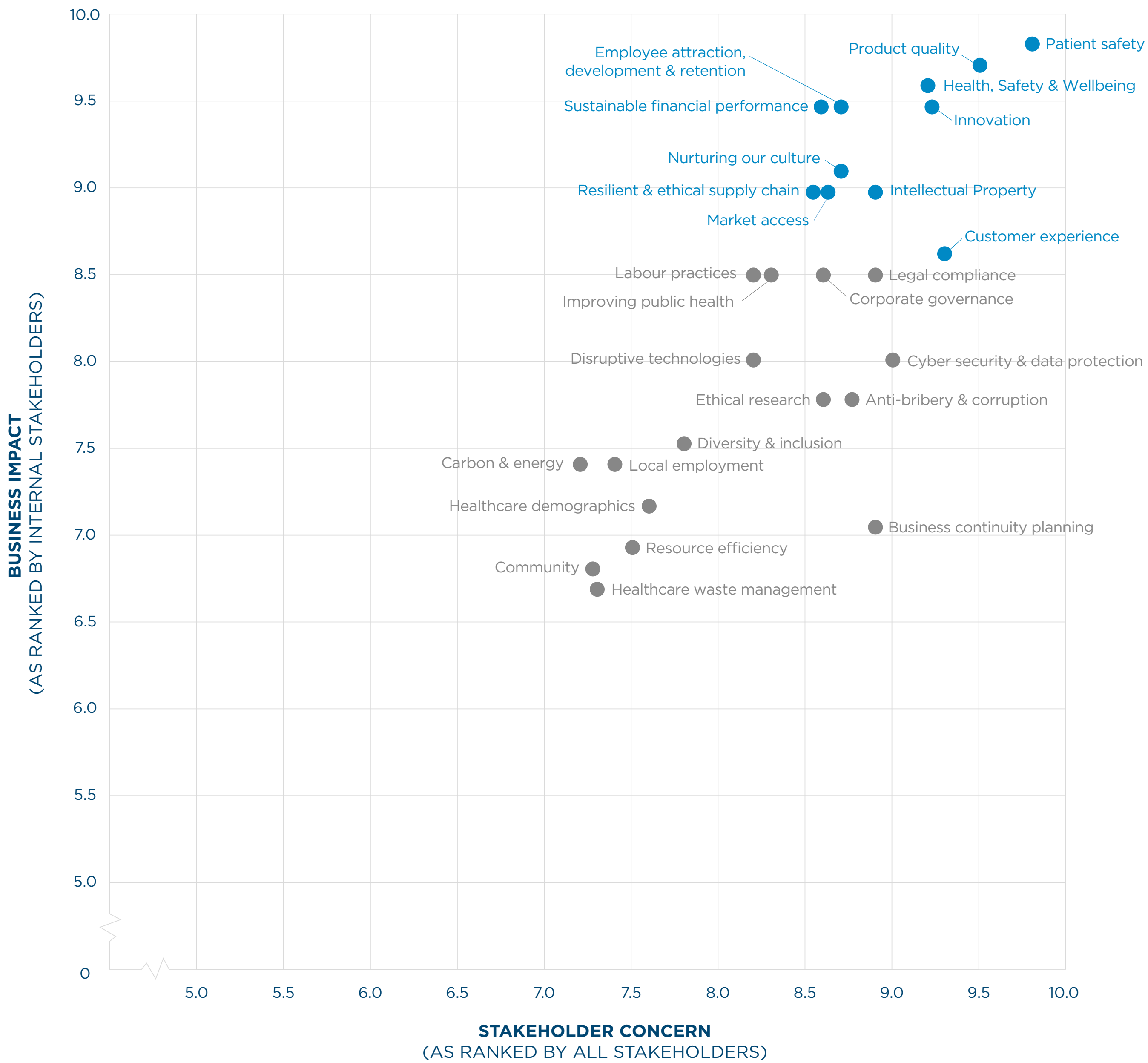
PEOPLE AND CULTURE

- Health, safety and wellbeing
- Employee attraction, development and retention

BUSINESS OPERATIONS

- Sustainable financial performance
- Resilient and ethical supply chain

MATERIALITY MATRIX



Our Board

Scott St John

Chair and non-executive director

TERM OF OFFICE:
Appointed October 2015, last re-elected 23 August 2018. Appointed Chair on 21 August 2020.

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. Scott is Chancellor of the University of Auckland and a director of Mercury Limited, the NEXT Foundation and Fonterra Cooperative Group Limited.

Bachelor of Commerce, Diploma in Business

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

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

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.

Pip Greenwood

Non-executive director

TERM OF OFFICE:
Appointed June 2017, last re-elected 21 August 2020.

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. She 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.

Bachelor of Laws

COMMITTEE RESPONSIBILITIES:
Chair People & Remuneration Committee.

Geraldine McBride

Non-executive director

TERM OF OFFICE:

Appointed August 2013, last re-elected 21 August 2020.

Geraldine has been involved in the technology industry for more than 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 Sky Network Television Ltd, and the founder and CEO of MyWave.

Bachelor of Science – Zoology

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.

Bachelor of Commerce

COMMITTEE RESPONSIBILITIES:

Chair Audit & Risk Committee.
Member Quality, Safety & Regulatory Committee.

Donal O'Dwyer

Non-executive director

TERM OF OFFICE:

Appointed December 2012, last re-elected 28 August 2019.

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

Bachelor of Engineering, Master of Business Administration

COMMITTEE RESPONSIBILITIES:

Chair Quality, Safety & Regulatory Committee.
Member People & Remuneration Committee.

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, overseeing the development of our range of products. He received his Bachelor of Science degree in physics 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 Accountants 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.

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.

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.

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.

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.

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.

Jonti Rhodes

General Manager – Supply Chain, Facilities & Sustainability

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.

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.

Nicola Talbot

Vice President
– Human Resources

Nicola was appointed VP Human Resources in October 2020. She has more than 20 years of experience with Fisher & Paykel Healthcare. She worked with our International Sales team for 14 years and was appointed to the role of General Manager – Human Resources (International Sales) in 2017. Nicola has been involved in the set-up, recruitment, development and support of our people in more than 40 countries. She holds a Bachelor of Management Studies with Honours in Human Resources and Marketing from the University of Waikato.

OPERATING SUSTAINABLY By looking after our people, local communities and the environment, we can be more innovative and successful in the long term.

04

People

Our people are energised by our core purpose, supported by our culture, guided by our values and strengthened by our trust.

Our people are our strength, as they have demonstrated on countless occasions during the 2021 financial year. Our global teams have united in the fight against COVID-19, and their efforts have been truly exceptional.

Our approach is to employ good people who contribute the most they can over the long term. In exchange, we support them with a positive, inclusive culture based on teamwork and great relationships, and a safe, healthy and enjoyable workplace.

The challenges of COVID-19 gave us opportunities to introduce new ways to recruit, train and develop our people at pace, to connect and collaborate in new ways, and to continue to create a place of belonging. We offered job security and a flexible environment so our people could contribute their best within their own unique circumstances.

SUPPORTING OUR PEOPLE DURING COVID-19

Keeping our people safe, both physically and mentally, was top of mind in every location. Some of our people worked from home, and some continued to support customers in hospitals as they were able. Others worked in the office, warehouse or production line. Our human resources teams and leadership teams worked together to support each location.

Our teams shared advice and solutions globally that could be adapted locally for their conditions. At our global locations, we adopted safety measures such as split shifts, wearing personal protective equipment and social distancing and developed guidance for our people to work safely in hospitals.

At our two largest facilities, in New Zealand and Mexico, our on-site clinics provided health care and advice and medically cleared people to return to work. We also implemented an in-house COVID-19 24/7 support call centre and Bluetooth contact tracing 'CareCard' in New Zealand.

We took a proactive approach to helping our people stay positive and motivated. Through an internal communications and social media campaign called Unite in the Fight, we reminded our people of the vital role their work was playing in the treatment of COVID-19 patients and the other patients who relied on our devices in the hospital and home. The campaign was extended to engage our people in Mexico under the banner Unidos en la Lucha.

Sharing stories from hospitals, patients and the media, including images of recovering patients, gave those who were working tirelessly a boost when they needed it. We have continued this campaign by collecting stories of the immense strength, bravery, creativity and commitment by our people in an employee yearbook called Pulse to commemorate this extraordinary year.

Communicating clearly and regularly helped provide reassurance to our people and their families, and we implemented a wide range of support measures to provide job security despite global economic uncertainty. This included details on leave, pay and travel, support for vulnerable workers, on-site clinics, counselling, wellbeing support, groceries and meals, essential worker letters and much more.

NEW ZEALAND

Bluetooth contact tracing 'CareCard' and an in-house COVID-19 24/7 support call centre

ON SITE CLINICS

On-site clinics in New Zealand and Mexico providing advice

People – Continued

ATTRACTING AND RETAINING NEW PEOPLE

Recruiting during the 2021 financial year was radically different to the previous year. The accelerated growth in demand for our products required rapid growth in the numbers of people, particularly on key manufacturing lines, which moved to 24 hours a day, seven days a week operations. These challenges, combined with border closures and routine turnover, meant we had to use new ways to find people.

To recruit waged people in New Zealand, we created assessment centres to evaluate a larger number of candidates each week. Each centre ran interviews, fine motor skills assessments and mock assembly line tests while maintaining social distancing throughout the process. Once recruited, new employees were inducted and onboarded in larger numbers. We also used recruitment partners to assist with temporary resources during peak production periods.

To recruit salaried people in New Zealand, we moved to a virtual end-to-end recruitment process. We utilised digital resourcing channels and added a human touch where possible. In the process, we brought more clarity to our talent data, reshaped our employer brand and fine-tuned our virtual hiring process. Candidate applications increased due to pandemic-related redundancies in the New Zealand market.

In Tijuana, Mexico, our focus was on maintaining a flow of candidates to sustain production, particularly to cover tasks when employees were unable to attend work due to COVID-19. Key sources of attraction were recruitment websites, internal references and promotions, and virtual job fairs. Again, the team tried to ensure a human touch where possible despite moving interviews online.

In our global sales offices, our recruiting efforts focussed on adding people to provide our customers with education and technical support and to process and deliver higher volumes of products.

DIGITAL RESOURCING

Increased use of recruitment agencies and a virtual end-to-end recruitment process. Improved talent data, employer brand and virtual hiring process.

DIVERSITY AND INCLUSION

We believe diverse teams deliver better results. Diversity of thought is the foundation of our culture, and it is essential for innovation. It is important to ensure that our culture is inclusive, so that diversity, in all spectrums of human difference, can thrive. This leads to better outcomes for our people, patients and communities. We use both quantitative and qualitative measures to review our diversity and inclusion performance and focus on continuous improvement. If we identify issues, we drill down to root cause and take corrective and preventative actions to address the root cause.
The Board is responsible for establishing measurable objectives for achieving a diverse and inclusive workforce. Our complete Diversity & Inclusion policy is available on our website.

Progress on FY21 diversity and inclusion objectives

We made good progress across some of our FY21 diversity and inclusion goals as shown in the table below. Two of our objectives were deprioritised due to the global impact of COVID-19. These activities will resume in the 2022 financial year.

FY21 objective	Progress
Understand and improve female representation in the R&D function.	Completed Phase 1 of project to research how gender impacts the experiences of our engineers and how this might contribute to our low female representation in R&D.
Pilot unconscious bias workshops in New Zealand.	Completed.
Extend gender diagnostic activities to global offices.	Not completed.
Complete ethnicity diagnostic.	Not completed.

FY22 diversity and inclusion objectives

Our diversity and inclusion priorities for the 2022 financial year are:

- Complete the gender representation diagnostic in our sales regions and Mexico manufacturing plant.
- Identify initiatives to improve gender representation in our global locations where required.
- Identify and commence implementation of two initiatives to improve female representation in the R&D function.
- Increase our focus on diversity beyond gender by completing an investigation into the impact of culture on New Zealand waged employees' career progression.

People – Continued

IDEA Council initiatives

Our IDEA Council (Inclusion, Diversity, Equality and Awareness Council) is made up of five employees to champion diversity and inclusion, act as spokespeople to the executive leadership team and Board and ensure sustainable outcomes from diversity and inclusion initiatives. Below are the current areas of focus for the IDEA Council.

R&Dversity Project	Cultural Values Project	Trusted Advisor Workshops
Project to research how gender impacts the experiences of our engineers and how this might contribute to our low female representation in R&D.	Project to investigate the impact of culture/ethnicity on waged employee's career goals and whether this contributes to under-representation of some ethnicities in technically skilled or higher paid roles.	Workshops in which IDEA Council members can provide their feedback on a range of diversity and inclusion initiatives, including indigenous leadership development, unconscious bias workshops, intern and graduate diversity, diversity in our marketing materials, and guidance on inclusive language.

Spectra

During the 2020 financial year, we welcomed the formation of a new employee-led group called Spectra. Spectra was established to enable the Rainbow (queer and gender diverse) community to be their full, authentic self at work.

Spectra now has a core committee made up of 10 members, supported by a wider group of 34 Rainbow employees and allies. Spectra's three strategic focus areas are increasing visibility of the Rainbow community, enhancing a welcoming and inclusive work environment and strengthening connections.

Spectra used Pride Week in February 2021 to provide education and visibility of the group. Their key achievements this year included rolling out an LGBTQIA+ learning session, advising on plans for gender-inclusive facilities and proving Rainbow health and wellbeing resources.

Spectra used Pride Week in February 2021 as a way to provide education and visibility of the group.

LEARNING AND DEVELOPMENT

The pandemic gave our people opportunities to step up, learn new skills, meet new people and develop in areas that were completely different to their usual roles. This ranged from salespeople switching to warehouse duties; engineers designing new 'distanced' desk layouts, writing return-to-work procedures and helping source raw materials; and lawyers writing media statements. Some of our people took up secondments, which then evolved into new permanent positions in different departments, while others grew their understanding of and connections within the business.

Pitching in with new roles and responsibilities

ANNABELLE CURTIS
Territory Manager, UK Surgical

Annabelle completed an intensive course in AIRVO training to help educate UK clinicians.

"After my one-day training, I was running a COVID-19 ward training session for six hours! A day I will never forget."

JAKE HOCKING
Senior Product Development Engineer, OSA

Jake led an army of company volunteers and took on 36 completely new tasks, including pitching isolation tents and distributing food boxes to our people so they could avoid supermarkets.

"If we can't keep our people safe on site and continue to make products, then it's bad news for patients worldwide. I have learned so much and met people I wouldn't normally interact with. It was a privilege to help."

STEPHANIE HAZARD
Project Manager, Supply Chain

Stephanie moved out of her role as an engineer to become a supply chain project manager, initially placing purchase orders for parts and managing parts shortages.

"The urgency and feedback is immediate. If we don't get the parts, the production line stops. While I miss the hands-on nature of engineering, there is much more exposure and interaction with business groups I had previously little to do with."

People – Continued

Manaaki Indigenous Leadership Programme

In partnership with New Zealand's Indigenous Growth Limited and Te Puni Kokiri (Ministry of Māori Development), we launched a pilot culturally-focussed programme to offer indigenous employees a unique learning opportunity to build their leadership skills to benefit themselves, their whānau (family), workplace and communities. This is one of the ways that Fisher & Paykel Healthcare supports Māori employees and local Māori communities, as part of our acknowledgement of Te Tiriti O Waitangi (the Treaty of Waitangi).

Manaaki

Called 'Manaaki', the programme provides a structure for participants to bring their cultural self and values to work, for their team and organisation to benefit. Manaaki literally translates to 'care', originating from 'mana', meaning 'strength', and 'aki', meaning 'to urge'.

Sixteen employees with New Zealand Māori heritage from waged and salaried areas took part in the successful six-month pilot programme, motivated by the range of opportunities to connect and learn different pathways to success. This group is now working on projects to resolve challenges identified within the business. We will look to further develop this style of learning in the year ahead.

"Manaaki is about connecting us to our culture and providing us with education to understand some of the barriers we've had as Māori in terms of progressing to leadership roles but also providing us with the tools and confidence to help us overcome those barriers."

KIRI HENARE
General Manager – Human Resources, New Zealand Operations

"Some parts of Manaaki are challenging because you're going deep within yourself and you may not have done that. Overall it's a great experience."

SAM BRACEY
Setter, OSA Moulding

"After two years of trying to connect with other Māori here, I've finally found them! It's been an emotional journey, but I can't wait to share what we've learned to help others."

VERONICA MATHESON
Senior Communications Specialist

Accelerate

Accelerate, our digital learning programme for new salespeople, has been used by our US team since August 2019. It has been a vital tool for onboarding new people virtually, and 133 people have now completed the programme. Its 120 e-learning modules focus on clinical education, sales strategy and fundamentals. Accelerate is now in use in New Zealand, Australia, Canada, the UK and India, and it is being translated into nine languages for Fisher & Paykel Healthcare distributors.

Intern and graduate programmes

We welcomed 101 interns and graduates across engineering, supply chain, marketing, ICT, intellectual property and finance this year. We focused on enhancing their experience right from induction, including a range of learning and experiential opportunities and ways to meet new people and build their community.

Our graduates completed a Karts for Hearts team-building activity to help them discover their strengths. They "earned" equipment and resources to build a billy cart, and once the cart was completed, they created a sales pitch to show why their cart was best. The carts were all presented to children and parents of a local heart charity.

Mexico education and development

Our team in our Mexican manufacturing facilities actively supports the education and development of employees by providing student scholarships and a grand graduation event every year. Due to COVID-19, this year's graduation ceremony took a completely different 'route'. Instead of in an auditorium, it was celebrated caravan-style outside the building, and our 30 graduates drove up in their cars to receive their diplomas.

> Education is very important to continue achieving my goals. Although the road isn't easy, it's worth the effort to get where I want to be.
>
> **JOSE CHAVEZ**
> Graduate

People by the numbers

TOTAL PEOPLE

The tables below show our total numbers of people by headcount as at 31 March 2021. We have recently added new gender categories to the data we collect upon hiring. Information gathered in previous years did not include these categories.

By region

	2020		2021	
Region	**Permanent**	**Temporary**	**Permanent**	**Temporary**
New Zealand	2,443	293	2,963	971
Mexico	1,294	28	1,774	97
Rest of World	1,014	17	1,096	15
Total	**4,751**	**338**	**5,833**	**1,083**

By gender

	2020		2021	
Gender	**Permanent**	**Temporary**	**Permanent**	**Temporary**
Women	2,386	239	2,967	680
Men	2,365	94	2,863	396
Non-binary/third gender	–	–	1	2
Not specified/ Prefer not to say	–	5	2	5
Total	**4,751**	**338**	**5,833**	**1,083**

Full-time and part-time*

	2020		2021	
Gender	**Full-time**	**Part-time**	**Full-time**	**Part-time**
Women	2,356	30	2,934	33
Men	2,354	11	2,850	13
Non-binary/third gender	–	–	1	–
Not specified/ Prefer not to say	–	–	2	–
Total[2]	**4,710**	**41**	**5,788**	**45**

* Does not included New Zealand temporary employees (casual, fixed term, temporary, temporary part time and contract temporary) due to the changing nature of their hours.

GENDER PAY RATIO

The table below shows our gender pay ratio, calculated within salary bands and functions using the average pay ratio between females and males as at 31 March 2021. The gender pay ratio, both in New Zealand and globally, remained relatively stable this year with no statistical difference in employees' pay for like-for-like roles based on gender.

	2020	2021
New Zealand (salaried and waged)	99.4%	100%
Outside of New Zealand (salaried only)	98.0%	96.5%
Total	**98.9%**	**98.8%**

LEADERSHIP BY GENDER

The table below shows the ratio of women to men among our Board members, senior executives, management and all employees as at 31 March 2021. This chart does not include our new gender categories, as this data has been collected only for new employees. It has not been collected in retrospect.

	2020				2021			
	Women	Men	Women %	Men %	Women	Men	Women %	Men %
Board	2	6	25%	75%	2	5	29%	71%
Senior executives[1]	2	8	20%	80%	2	8	20%	80%
Senior management[2]	14	36	28%	72%	16	40	29%	71%
All employees[3]	2,386	2,365	50%	50%	2,967	2,863	51%	49%

[1] The term "senior executive" refers to the Chief Executive Officer and executives reporting directly to the Chief Executive Officer.
[2] The term "senior management" refers to the Chief Executive Officer, Senior executives and employees reporting directly to Senior executives.
[3] Temporary staff are not included in these numbers.

LEADERSHIP BY AGE

The table below shows the age ranges of our people among our Board members, senior executives and all employees as at 31 March 2021.

	2020			2021		
	Board	Senior executives[1]	All employees[2]	Board	Senior executives[1]	All employees[2]
Under 30 years old	–	–	1,269	0	0	1,711
30 – 50 years old	–	8	2,694	0	8	3,223
Over 50 years old	8	2	788	7	2	899
% Under 30 years old	–	–	27%	–	–	30%
% 30 – 50 years old	–	80%	57%	–	80%	55%
% Over 50 years old	100%	20%	16%	100%	20%	15%

[1] The term "senior executive" refers to the Chief Executive Officer and executives reporting directly to the Chief Executive Officer.
[2] Temporary staff are not included in these numbers.

People – Continued

HIRE RATES

The tables below show our hire rates for the financial year ended 31 March 2021. Hire rate is the number of permanent employees hired divided by headcount in each region or category.

By region

	2020		2021	
Region	New employees	Hire rate	New employees	Hire rate
New Zealand	404	16%	644	21%
Mexico	401	31%	647	36%
Rest of World	192	19%	194	18%
Total	**997**	**21%**	**1,485**	**25%**

By gender

	2020		2021	
Gender	New employees	Hire rate	New employees	Hire rate
Women	625	26%	812	27%
Men	372	16%	670	23%
Non-binary/third gender	–	–	1	–
Not specified/ Prefer not to say	–	–	2	–
Total	**997**	**21%**	**1,485**	**25%**

By age group

	2020		2021	
Age group	New employees	Hire rate	New employees	Hire rate
Under 30 years old	521	41%	780	45%
30 – 50 years old	430	16%	648	20%
Over 50 years old	46	6%	57	6%
Total	**997**	**21%**	**1,485**	**25%**

EMPLOYEE RETENTION

The tables below show employee turnover rates for the financial year ended 31 March 2021. This data does not include the new gender categories, because information gathered from employees in previous years did not include these categories.

By region

	2020		2021	
Region	Number of leavers	Turnover rate	Number of leavers	Turnover rate
New Zealand	193	8%	127	4%
Mexico	273	21%	398	22%
Rest of World	138	14%	104	9%
Total	**604**	**13%**	**629**	**11%**

By age group

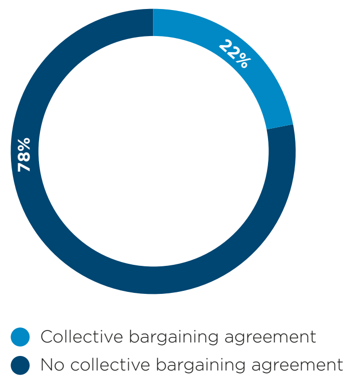
	2020		2021	
Age group	Number of leavers	Turnover rate	Number of leavers	Turnover rate
Under 30 years old	262	20%	293	17%
30 – 50 years old	288	11%	284	9%
Over 50 years old	54	7%	52	6%
Total	**604**	**13%**	**629**	**11%**

By gender

	2020		2021	
Gender	Number of leavers	Turnover rate	Number of leavers	Turnover rate
Female	338	14%	336	11%
Male	266	11%	293	10%
Total	**604**	**13%**	**629**	**11%**

COLLECTIVE BARGAINING AGREEMENTS

Of all permanent employees globally, 22% were covered by collective bargaining agreements in the 2021 financial year.



Community

We seek to build brighter and healthier communities through care and collaboration. We partner with like-minded organisations to identify and facilitate opportunities to create shared value.

Through a combination of financial and in-kind support, we facilitate and sponsor various community programmes each year. We focus primarily on funding clinical research, improving access to healthcare, promoting science education and supporting local environmental initiatives. This year, COVID-19 restricted some of our business-as-usual activities, and our efforts shifted to responding to immediate community needs in light of the pandemic.

URGENT HELP 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, those locations were the focus of our response.

At the beginning of the pandemic, there were global concerns about a possible shortage of ventilators for treating COVID-19 patients. Fisher & Paykel Healthcare does not produce ventilators; however, through our supplier relationships we were able to purchase 79 ventilators and donate them to the New Zealand Ministry of Health. This donation was valued at $5 million.

There was also concern about the availability of personal protective equipment (PPE), including masks, for healthcare workers. We mobilised a team of engineers to design an alternative mask that could be manufactured at our site in Auckland if needed. We produced and donated a small supply to the Ministry of Health. Fortunately, this risk did not materialise, and New Zealand has been able to meet the demand for personal protective equipment.

Mexico was more severely impacted by the coronavirus than New Zealand. As COVID-19 testing was limited in the public health system in Mexico, we provided our Tijuana employees with access to private healthcare for testing and treatment. 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 2 systems, along with 20 850 humidifiers and associated consumables to hospitals in Tijuana.

ABSORBING INCREASED AIRFREIGHT AND SUPPLY CHAIN COSTS

Because of challenges with global supply chains, we relied heavily on airfreight to bring in raw materials quickly and deliver product to customers. The cost of airfreight and expediting the supply of raw materials was significant; however, we have opted to absorb these cost increases instead of passing them on to our customers in the form of increased pricing.

FISHER & PAYKEL HEALTHCARE FOUNDATION

One of the hallmarks of a successful business is looking after the wider community.

At the end of the 2021 financial year, Fisher & Paykel Healthcare committed $20 million to establish the new Fisher & Paykel Healthcare Foundation. This charitable organisation has been established to enable a more sustainable model for funding of community and charitable activities. The Foundation's purposes include supporting and funding health research, programmes that improve access to healthcare, environmental protection initiatives and promoting awareness of opportunities in STEM. A board, consisting of independent trustees and representatives from Fisher & Paykel Healthcare, will provide oversight and make funding decisions. We look forward to reporting on the foundation's activities next year.

$20m

TO ESTABLISH THE NEW FISHER & PAYKEL HEALTHCARE FOUNDATION

Community – Continued

SOUTHSCI

This year our New Zealand team continued to support SouthSci, an organisation that helps enable education opportunities for kids in STEM (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.

During the months when Auckland was not subject to COVID-19 lockdowns, our volunteers participated in five SouthSci initiatives:

- The Gardens School – Minimising Carbon Footprint
- East Tamaki School – Guava Moth Traps
- Pasifika Early Learning – Le Malelega a le To'elau (Waste Minimisation),
- Pasifika Early Learning – Puna o le Atamai (Energy Production, Use and Sustainability)
- Southern Cross Campus – Weather Station Rollercoaster.

We also trialled mentor 'coaches' where a mentor from a previous year provides guidance for new mentors. Schools experienced challenges with lockdowns and variable student attendance due to COVID-19, and many project leaders expressed appreciation for our mentors' time and interest.

Photo: Courtesy of SouthSci 2020

I know how important STEM is for women and people of colour in New Zealand. They are not well represented in STEM careers and it starts when they are very little.

NIQI OGLETREE
Mentor and Process Development Engineer, Infant Care

COVID-19 CRITICAL CARE CONSORTIUM

Early on, as the COVID-19 pandemic spread from country to country, emergency room and ICU clinicians relied on disparate sources of treatment information, from spreadsheets to medical journals to online resources and conversations with colleagues.

In a fast-paced ICU environment, they did not have time to find specific information required for each patient case. Because of the novelty of COVID-19, treatment databases were often incomplete, and many were set up for academics working on a research schedule, not clinicians responding to the urgent needs of the ICU floor.

Professor John Fraser of the University of Queensland founded the COVID-19 Critical Care Consortium, a global alliance of healthcare professionals and researchers, to solve this problem. Led by a team based at Brisbane's Prince Charles Hospital, the consortium – also known as COVID Critical – sought to create an online registry of de-identified patients. Working in partnership with IBM, they designed a web-based app to facilitate the registry.

Clinicians in more than 400 hospitals around the world are now using the app to input data into the COVID Critical registry. They can compare their own patients in the ICU with patients around the world to see which treatments were successful with which patients.

The registry is the largest repository of COVID-19 ICU patient information in the world and it is now powering statistical analyses for researchers at Queensland University of Technology. Endorsed by the World Health Organization and the US Centers for Disease Control and Prevention, it already contains more than 3,600 de-identified patient cases. The registry and app will potentially provide doctors with the evidence and information they need to save lives in the future, particularly in middle-income countries with limited resources and support.

Fisher & Paykel Healthcare supported the project by providing $250,000 in funding to the COVID-19 Critical Care Consortium. These funds will cover the cost of hiring people to input de-identified patient data into the registry in Brazil, South Africa and Indonesia.

CLINICAL RESEARCH FOR COUNTIES MANUKAU HEALTH AND MIDDLEMORE HOSPITAL

We continued our ten-year, $1.5 million partnership agreement with Counties Manukau Health this year, donating $150,000 to fund clinical research. Middlemore Hospital will use the funds for research projects that benefit local communities in South Auckland. The partnership helps Counties Manukau Health attract and retain top clinicians and enables Middlemore Hospital to extend its research agenda. This is one of the ways that Fisher & Paykel Healthcare supports our local South Auckland community.

GLOBAL INITIATIVES

While a lot of our community giving is focussed on New Zealand and Mexico, teams at our global offices also select and sponsor community initiatives at their discretion which often link with employee engagement and our purpose. For example, in North America, the UK and Australia, our people participated in charity fundraising activities to support organisations that may have seen a decline in donations. This included raising money for cancer, sleep health and chronic obstructive pulmonary disease charities.

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 2020.

Our tax strategy sets out our approach to tax governance and tax management and is aligned to our conservative approach towards 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

Our environment refers to the natural resources required to design, produce, ship and use products and therapies.

We recognise we have a responsibility to care for the natural environment while we pursue our business goals. Climate change is a growing concern among our customers, investors, and our own people. Furthermore, environmental legislation is emerging in countries where we manufacture and sell our products, so it is important that we strive for continuous improvement in this area.

Our approach is to operate our business efficiently and responsibly while improving care and outcomes for patients. We measure key environmental metrics, including waste management, recycling and water usage, and publicly report on these metrics. As part of our eco-efficiency strategy, we have established collaborative teams to work on a range of topics, including sustainable packaging, bioplastics and 3D printing recycling. We believe that by investing in these initiatives, we can be more innovative and more successful in the long term.

CDP SCORES

Each year we participate in CDP and our scores have shown continuous improvement. We began disclosing on Water and Supplier Engagement in 2020 and on Forests in 2021. Below are our CDP scores for the past three financial years.

Topic	FY19	FY20	FY21
Climate	B	B	A-
Supplier Engagement	–	B-	A-
Water	–	C	B
Forests	–	–	C

KEY ENVIRONMENTAL METRICS

Below is a summary of our performance metrics for the past three years. As we signalled in last year's annual report, this year Scope 3 data includes carbon emissions from our supply chain. This helps us identify and prioritise areas for strategic carbon reduction.

Topic	FY19	FY20	FY21
Scope 1 emissions (tonnes Co_2e)	2,021	1,914	1,465
Scope 2 emissions (tonnes Co_2e)	9,094	8,814	11,050
Scope 3 supplier emissions (tonnes Co_2e)	21,931	650,000*	718,991
Water usage (cubic litres)	106,373	98,772	134,900
Landfill waste diverted (cubic metres)	–	1,032	1,630
Recycling efficiency (percentage waste recycled)	69%	66%	62%

* Estimate/forecast only.

CARBON COMMITMENTS

In New Zealand, we have been measuring our carbon footprint since 2012, and each year we engage Toitū Envirocare to conduct third-party carbon footprint audits. In 2019, we set science-based targets for Scope 1 and 2 carbon emissions, which are within our operational control, along with a Scope 3 supplier engagement target. Those targets were approved by the Science Based Targets Initiative as consistent with levels required to meet the goals of the Paris Agreement. Our target is to reduce our Scope 1 and 2 emissions by 4.2 per cent annually using the 2019 financial year as a baseline. During the 2021 financial year, we confirmed that 20 suppliers have also set Science Based Targets or equivalent targets for carbon reduction.

Scope 1 and 2 carbon targets in tonnes of CO_2	2024 Target	2029 Target	2034 Target
Direct emissions – fuels, refrigerants, electricity and heat.	8,846	6,494	4,143

CARBON EMISSIONS

As we signalled last year, FY21 is the first year that our carbon audit included Scope 3 emissions, which include freight and extend across our supply chain. Our carbon audit for the 2021 financial year shows a carbon footprint of 731,500 tonnes of CO_2e. This is in line with previous forecasts that take into account revenue growth.

Scope 1 and 2

During the COVID-19 pandemic, demand for some of our key products increased by four and five times during the 2021 financial year. We moved to 24/7 shifts in New Zealand and Mexico. The increase in operational activity resulted in higher electricity use and other direct emissions. In the long term, we remain committed to decoupling carbon emissions from production levels, as the impact of COVID-19 diminishes. We will be piloting an internal carbon price during FY22 so that the carbon impact can be factored into our business decisions.

Scope 3

The use of airfreight is one of our most significant sources of carbon emissions, and whenever possible, we ship our products by sea freight. During the COVID-19 pandemic, we had to rely more heavily on airfreight to import raw materials and ship finished goods. As a result, we reported a significant increase in Scope 3 emissions. We expect airfreight to return to normal levels over time as the impact of COVID-19 diminishes.

We remain committed to educating our suppliers about their responsibility to reduce carbon emissions and to set their own Science Based Targets. We have committed that 87 per cent of our upstream suppliers (by spend) will have set targets in line with the Science Based Targets Initiative by 2024. During the 2021 financial year, we began this education process and will continue those efforts during the next financial year.

Environment – Continued

WATER USAGE

We have established an absolute water reduction target of 2 per cent per year. During the 2020 financial year, we exceeded that target, reducing water usage by 7 per cent. In the 2021 financial year, we significantly increased production on key products for hospitals treating patients with COVID-19. As a result, water usage increased over the prior financial year.

GREEN TEAM

Our volunteer-led Green Team now includes more than 400 people promoting environmental sustainability on our Auckland campus and in the community. A highlight was the annual Sustainability Week in November. This included a presentation about internal carbon pricing, a tour of our newly opened Environmental Innovation Centre and a briefing on international climate negotiations from the New Zealand Ministry for Foreign Affairs & Trade. The week finished with a sustainable transport showcase featuring the latest electric vehicles, bikes, e-bikes, e-scooters, carpooling and public transport to encourage employees to move to alternative forms of commuting as a way of reducing greenhouse gas emissions and local air pollution.

TRAVELWISE CHOICES AWARD

Fisher & Paykel Healthcare was selected the winner in Auckland Transport's Travelwise Choices Awards in the category Excellence in Travel Choices, which recognise the commitment of businesses, individuals and community organisations to encourage staff, students, customers and volunteers to make fewer car journeys. Judges said Fisher & Paykel Healthcare "displays a strong commitment to sustainability, including promoting sustainable transport modes to staff as part of a wider initiative to reduce local air pollution and greenhouse gas emissions".

MEMBERSHIPS

Fisher & Paykel Healthcare is a member of the Climate Leaders Coalition (CLC) 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

Fisher & Paykel Healthcare is also a voluntary member of the Sustainable Business Council (SBC), 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

CASE STUDY

"Fern" and our recycling revolution

Fisher & Paykel Healthcare's Environmental Innovation Centre has been busier than usual, thanks to our first environmentally tasked robot.

Our Robotic Disassembly System for the Recycling of Humidification Chambers, or 'Fern' as it was named in a company competition, is hard at work disassembling unusable chambers into four pieces, so they can bypass the landfill and get recycled instead.

The robot project, which took about 14 months to complete and cost around $400,000, was conceived at an Ecodesign meeting and inspired a manual prototype crafted (in his spare time) by systems specialist Stewart Nankivell. Industrial robotic experts at Facteon then brought the concept to life.

Head of Sustainability and Environmental Innovation Nic Bishop explained that Fisher & Paykel Healthcare's humidification chambers are highly designed products, and it takes cutting-edge technology to dismantle them for recycling.

Fern therefore has three stations that perform four disassembly jobs, separating the chamber base and gasket, port cap, dome and float valve from each other and placing them in separate bins.

RECYCLING

Fern can dismantle 90 chambers at a time, which works out at about one every 19 seconds – or 1,000 in six hours. The environmental team estimates the robot has already recycled around 100,000 chambers. This equates to 330m^3 of landfill waste diverted.

The robot is proving to be up to the job. Fern can dismantle 90 chambers at a time, which works out at about one every 19 seconds – or 1,000 in six hours. The environmental team estimates the robot has already recycled around 100,000 chambers. This equates to 330m^3 of landfill waste diverted.

"These chambers generate a large amount of waste or are incinerated, which results in air pollution that directly impacts on respiratory health, so recycling them directly aligns with what we do," said Bishop.

The team hope that future miniaturised versions of the robot will someday enable environmentally minded hospitals worldwide to recycle their own Fisher & Paykel Healthcare chambers.

"Feedback from our international sales teams and others talking directly with customers is that they are concerned about plastics and sustainability of use. We know it's what they want, and there is a desire for recycling," said Bishop.

In the meantime, he and the Sustainability team are looking to deploy another 'Fern' to Mexico and are investigating ways to create a robot that will help recycle our breathing circuits.

"It comes down to doing the right thing," said Bishop.

Environment – Continued

INTERVIEW

ELLA MEISEL
ENVIRONMENTAL SPECIALIST
– ECODESIGN

Ella Meisel is a product development engineer and environmental specialist who works in our Sustainability team leading Ecodesign initiatives. We spoke with Ella about our Ecodesign programme.

What is the purpose of the Ecodesign programme?

Our company's core purpose is improving care and outcomes for patients. It's important to point out that the products and therapies we make already help patients to recover more quickly, saving on the high energy, water and medical gas consumption often needed to treat a patient in hospital. Our Ecodesign programme aims to innovate for improved outcomes for both patients and the environment.

Recently, our customers have been requesting information about the renewable content, packaging materials and recyclability of our products. Tenders and requests for information now regularly include questions about environmental issues and waste, often driven by commitments made by healthcare providers.

Two notable examples are the US Environmentally Preferable Purchasing policy and the UK National Health Services' target to reduce all carbon emissions that they can influence to net-zero by 2045. Governments and industry are making commitments to reduce emissions from the healthcare sector, and this has highlighted the importance of our internal efforts to decouple carbon from growth.

How are you making your products more sustainable?

Sustainability challenges are opportunities to innovate. We think about sustainability right from the start when we are designing a new product, because early design decisions can have a big impact over a product's lifetime.

We have more than 50 product development engineers across the company working on a range of Ecodesign projects, including sustainable packaging, bio-based plastic technology and sustainable procurement. One of the key tools we use is environmental lifecycle assessment software. This helps us better understand the sources of carbon emissions based on evidence, as the results are sometimes surprising.

For example, the main source of carbon emissions related to our products is the electricity used to power a device when it is in use, and this varies country by country. The total carbon footprint of a device used in the US over its lifetime is double that of a device used in New Zealand. This is because New Zealand has a renewable energy supply, while the grid mix in the US is far more carbon-intensive. The carbon emissions associated with the disposal of devices and consumables at the end of life are far smaller as a percentage of the total carbon footprint.

How do you reduce the impact of product packaging?

We apply circular-economy principles and use recyclable materials, such as cardboard and PET. For example, the clamshell packaging for our cannulas is made from recyclable PET, and we mainly use recyclable cardboard for our outer packaging. Instead of expanded polystyrene, we use cardboard structures to protect our devices during transport.

We also look for ways to reduce the weight and volume of our packaging and create space-efficient configurations. Often this is best achieved by using soft plastic bags. One of the challenges with soft plastic is recycling it in hospitals – soft plastic recycling is available in some markets, but not in others.

For plastics, we are actively exploring the use of bio-based plastic made from renewable sources. Using bio-based plastic could allow us to design products that utilise the technical benefits of plastic in healthcare applications while also lowering the carbon footprint associated with its production. This is rapidly progressing technology, and we are working with industry partners to trial new materials as they are developed.

We have more than 50 product development engineers across the company working on a range of Ecodesign projects, including sustainable packaging, bio-based plastic technology and sustainable procurement.

ELLA MEISEL
Environmental Specialist – Ecodesign

Image: F&P Optiflow Junior 2 cannula packaging is made from recyclable PET.

Risk management

Our approach to risk management is to identify and manage risks within acceptable levels. While no risk management system can ever be infallible, we seek to improve the quality of our business decisions by applying a best-practice framework and aligning with international standards.

GOVERNANCE OF RISK

Our Board is committed to its role of ensuring quality, safety, compliance and effective risk management. The Board provides oversight of senior leadership's management of risk. The Board 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 our business.

The Quality, Safety & Regulatory Committee reports to and assists the Board by reviewing our quality, health and safety and regulatory risk management approach. The Committee ensures effective mechanisms and internal controls are in place to identify and manage areas of material risk and maintain compliance with applicable regulations.

RISK MANAGEMENT FRAMEWORK

Our framework for managing risk is based on five steps:

This framework helps to ensure we resolve internally-identified risks in compliance with laws and regulations; plan, make decisions and prioritise opportunities and threats to strategic objectives and new product introductions; and respond in a prompt, efficient and effective manner to future events that create uncertainty or pose a significant risk.

INTERNATIONAL STANDARDS

The chart below identifies the international standards that guide us in three key areas.

Risk type	ISO Standard
Business risks	31000 – Risk Management Principles and Guidelines, with enhancements to focus on our key strategic objectives.
Product risks	14971 – Medical Devices Application of Risk Management, specific to medical device design and manufacturing.
Health and safety risks	45001 – Health and Safety, with greater emphasis on managing Critical Risks.

MATERIAL BUSINESS RISKS AND STRATEGIES TO MITIGATE

After completing our risk management processes, as well as the materiality assessment described in the Company section of this report, we have identified key areas of risk for our business and strategies to mitigate them.

Area	Risk	Strategies to mitigate
Health and safety	Work-related injuries or illnesses	Our global health, safety and wellbeing standards 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. We report our health and safety progress regularly to the Board of Directors and to the Quality, Safety & Regulatory Committee 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	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 framework, which has been important 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.

Risk management – Continued

PRODUCT QUALITY AND PATIENT SAFETY

Patient safety remains our highest priority, so our products have to meet the highest quality standards. We manage this risk through processes that drive continuous improvement in quality throughout the lifecycle of our products. These include:

- Proactive quality control mechanisms within our manufacturing operations
- Collecting and using data and statistical analysis to make improvements
- Interventions to correct a process before product quality is compromised.

These processes help to ensure that our customers and patients receive high-quality products that are safe and effective.

BUSINESS CONTINUITY PLANNING

Over the past several years, we have increased our focus on business continuity planning. Our goal is to anticipate and plan for potential crises that may cause a significant disruption to our business and subsequently impact customers, products and shareholders. We review our business continuity framework regularly to adapt to new and evolving threats, such as climate-related events, cybersecurity incidents, changes due to business growth, and increased customer demand for products. We also conduct simulations regularly to provide confidence that our framework is tested, embedded and continuously improved.

Before the COVID-19 pandemic emerged, we had already created a framework for crisis management and identified processes to drive the framework. We also had designed visual management and communication tools to support the framework.

The COVID-19 pandemic tested, and in many ways strengthened, our business continuity plans. Although it brought some unanticipated disruptions to our business, our risk framework, crisis simulations and previous experience managing other events served us well.

Early in the pandemic, we formed a crisis response team with people from across the business. Initially, the team was formed to handle some of the early challenges of acquiring raw materials, increasing capacity and managing hundreds of inquiries from the media, government officials, investors and hospitals.

Within weeks, the team had identified 13 different workstreams to focus on a crisis response within four broad categories.

- People, health and safety
- Manufacturing, distribution and capacity
- Social responsibility
- Communications

Each of these workstream teams had a designated leader empowered to make decisions. The teams met several times a day in order to evaluate rapidly changing conditions, inform executives and make decisions. We used this framework to respond to the COVID-19 pandemic at our facility in Mexico as well.

As we managed through the pandemic during the 2021 financial year, we kept detailed records of lessons learned and further developed our business continuity plans.

The experience of managing through a pandemic developed our people's 'muscle memory' and strengthened our ability to respond in a crisis. It created opportunities to identify subject-matter experts across the business, built relationships between people previously unconnected, and 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 before the crisis began.

HEALTH AND SAFETY

At Fisher & Paykel Healthcare, we are committed to ensuring the health, safety, and wellbeing of our people. During the 2021 financial year, keeping our people and products safe during the pandemic was one of our key priorities.

As an essential service, our operations have continued during COVID-19 lockdowns. Our health and safety approach was – and remains – to meet or exceed local government recommendations.

At our largest manufacturing facility in New Zealand, we implemented mandatory masks, social distancing, extra cleaning protocols and Bluetooth contact tracing cards. Gowning areas, production lines, and cafeterias were rearranged, physical barriers erected and desks moved to create more space between people. Occupancy in meeting rooms and work areas is limited. We have health professionals on site, along with a COVID-19 support team who assist with contact tracing efforts and answer questions 24/7.

At our Mexico site, we took preventative measures to protect our people before the pandemic arrived in Tijuana. Our Mexico leaders created a COVID-19 committee to monitor the pandemic's impact and implement safety measures across the facility. This included masks and goggles, sanitising mats and cleaning kits. Capacity limits were set for meeting rooms, and acrylic dividers were added in manufacturing areas and cafeterias. During the worst of the pandemic, employees received essential groceries.

Special leave entitlements have helped to ensure our people could take time off work if they needed to self-isolate, and we have provided discretionary COVID-19-related leave so that workers can make the right decision without fear of losing income. These changes will remain in place until vaccination programmes have been rolled out globally, and the threat of COVID-19 has diminished.

COVID-19-related health and safety measures will continue to be a priority during the 2022 financial year. In addition, we will continue our focus on aligning our operations with ISO 45001 and on managing Critical Risks across our global operations.

Image: We implemented Bluetooth contact tracing cards for all people working in New Zealand.

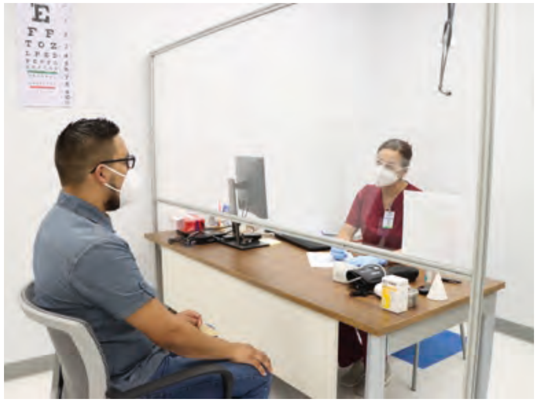


Photo: An employee at our Tijuana facility seeks advice from a medical professional on site.

Risk management – Continued

HEALTH AND SAFETY DATA

Injury rates by year

Injury rates	2019	2020	2021
TRIFR	2.33	2.29	1.12
LTIFR	0.47	1.09	0.64

Injury rates (per million hours worked) and severity

	New Zealand		Mexico		Rest of world	
	2020	2021	2020	2021	2020	2021
TRIFR	2.83	1.58	0.39	0.25	3.46	1.37
LTIFR	0.65	0.95	0.39	0.25	2.97	0.46
Fatality	0	0	0	0	0	0
Serious injury	0	0	0	1	2	0
Lost time injury	0	7	2	0	4	2
Medical treatment injury	4	0	0	0	1	1
Restricted work injury	6	5	0	0	0	1
First aid injury	163	223	32	3	7	11
Pain and discomfort	41	116	22	6	13	13

MENTAL HEALTH AND WELLBEING

The stress of the pandemic has impacted our people in different ways. Although COVID-19 was largely kept out of New Zealand, several of our people in other locations contracted the virus in their communities, and many lost a loved one to it. We have been promoting counselling services available through the Employee Assistance Programme (EAP), and the number of phone calls to these services has doubled. Through one-on-one wellbeing conversations, we learned some of our New Zealand people wanted counselling services but were not comfortable reaching out to EAP. As a solution, we arranged for a qualified counsellor to be available on site.

At the height of the pandemic, we formed a working group to research the impact of COVID-19 on our waged people's wellbeing. Based on their findings, we released training on wellbeing and fatigue management for all team leaders of waged people in New Zealand.

Risk management – Continued

CLIMATE-RELATED RISKS

Our processes for identifying and managing climate-related risks

We identify and assess climate-related risks as part of our overall sustainability strategy, which our Board and executive management review annually.

Our process includes identifying direct and indirect climate-related risks, as well as considering short, medium and long-term risk horizons. We also rely on input obtained from external stakeholders through our materiality assessment described in the Company section of this report.

We assess climate-related risks along a six-year-or more time horizon that considers severity, likelihood, geographical location, and local impact versus enterprise-wide impact. We define substantive financial impacts as those greater than $5 million.

How our processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management

We integrate our processes for identifying, assessing and managing climate-related risks by:

- Documenting, scoring and managing climate-related risks through our ISO14001 Environmental Management System process.
- Embedding climate-related risks into our group-wide risk management process, where they are reviewed by our risk management team.
- Reporting climate-related risks to the Board through the Audit & Risk Committee for consideration as part of our broader risk management framework.

The two most significant climate-related risks important to our stakeholders are carbon emissions and healthcare waste.

Metrics we use 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 and opportunities – and their impact on our business, strategy and financial planning

The chart below identifies the following climate-related risks with the potential to have a substantive financial or strategic impact on our business.

Type	Climate-related Risk	Potential impact	Strategies to mitigate through business and financial planning
Transition risk	Increased pricing of carbon	Higher operating costs • Fuel • Freight • Electricity • Insurance • Raw materials Higher compliance costs Estimated risk $600,000 to $1.5 million per year.	Committed to reduce Scope 1 & 2 carbon emissions by 67% by 2034 from a 2019 baseline. Use internal carbon prices to guide business decisions. Implement Ecodesign initiatives to assist in reducing our carbon footprint. Use renewable energy certificates to mitigate potential higher carbon costs for non-renewable energy in New Zealand. Install solar array options to provide power for Mexico operations.
Transition risk	Changes to climate-related international regulations	Impact on market access Higher operating costs	Monitor regulatory developments to assess risk of increased carbon costs to global operations. Develop capacity to use environmental lifecycle assessment and disclose product carbon-footprint data.
Short-term risk	Water scarcity	Direct impact on our operations in Mexico due to the requirement to have water-cooling capacity Estimated risk is $100,000 to $1,000,000 per year.	Prioritise water conservation at Mexico facility. Construction on facilities in Mexico takes into account the inclusion of water-efficient cooling equipment. Disclose water usage via CDP and verify water use as part of our sustainability programme.
Medium-term risk	Supply chain weather disruption	Reduced revenue from decreased production capacity Supply chain interruptions may impact our ability to deliver on time to global customers Reduced availability of insurance on assets in "high-risk" locations Estimated annual risk $100,000 to $1,000,000 per year.	Monitor changes in the physical climate to assess the impact on our business. Source from multiple raw material suppliers so that supply risk is not concentrated with one company or location. Update forecasts of sea-level rise and impacts on strategic supply chain locations each year.

Resilience of our strategy

Analysing the potential impacts of climate change on our operations is important to us. To assess risk, we have considered a range of climate-related scenarios. This includes a business-as-usual approach to decarbonisation (with global temperatures increasing by more than 3 degrees Celsius) and a rapid decarbonisation approach (with global temperatures increasing by less than 1.5 degrees Celsius).

Our analysis takes into account the following:

- The 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.
- The impact of regulatory controls related to climate-related issues.

Our strategy takes into account current and likely future climate-related risks. We acknowledge that the carbon and climate risk area will be an ever-changing environment, and our teams will continue to adapt our sustainability program and guidance to reflect this.

Governance

We are committed to ensuring that the company maintains a high standard of corporate governance and ethical conduct.

CORPORATE GOVERNANCE STATEMENT

The Board and management of Fisher & Paykel Healthcare are committed to ensuring that the company maintains a high standard of corporate governance and ethical conduct.

The Board regularly reviews and assesses the company's governance policies, practices and procedures against national and international standards.

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 Code of Conduct for Directors 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, combatting 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.

Training on our Code of Conduct is undertaken by employees globally, and is part of our induction process 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 enterprise resource planning 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.
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.

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. In addition to the Code of Conduct, the company also has a policy that it does not make corporate level political donations.

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 2021 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 AND CLINICAL TRIALS

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 TESTING

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

Our external test labs maintain accreditation to 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.

Governance – Continued

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.

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 the company's business strategies and objectives.
- oversee management in its implementation of the company's strategic objectives, instilling of the company's values and performance generally.
- identify and manage risks.
- review and approve budgets and business plans.
- adopt our remuneration policy and other policies governing the way we operate our business.
- 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 approved 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 24 November 2020.

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 three 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 & 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 & 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 annual shareholder meeting (ASM) on 21 August 2020, Pip Greenwood and Geraldine McBride retired by rotation and, being eligible, offered themselves for re-election and were re-elected to the Board.

Scott St John succeeded Tony Carter as Chairman with effect from the conclusion of the 2020 ASM.

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 table at right summarises the current key skills, experience and tenure of the Board.

Skills and experience	Scott St John	Lewis Gradon	Michael Daniell	Pip Greenwood	Geraldine McBride	Neville Mitchell	Donal O'Dwyer
Financial acumen	✓	✓	✓	✓	✓	✓	✓
Sales/Marketing	✓	✓	✓	✓	✓	✓	✓
Engineering/ Science/Technology/ Manufacturing		✓	✓		✓	✓	✓
Medicine/Medical Device		✓	✓			✓	✓
Legal/Regulatory	✓	✓	✓	✓		✓	✓
Governance	✓	✓	✓	✓	✓	✓	✓
International Business Experience	✓	✓	✓	✓	✓	✓	✓
Tenure (years)	5.5	5	19.5*	4	7.5	2.5	8.5

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

While some directors 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 Chief Executive Officer 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.

Governance – Continued

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 be seen to interfere, with their ability to bring independent judgement to the issues before the Board.

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 has a material contractual relationship with the company or another group member other than as a director of the company;
7. No director has close family ties with anyone in the categories listed above; and
8. Other than Michael Daniell, 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 2021 a majority (five) of the directors are independent, namely Scott St John (Chairman), Pip Greenwood, Geraldine McBride, Neville Mitchell and Donal O'Dwyer, 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.

During 2020, an external consulting company facilitated the Board's performance evaluation.

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.

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 2021 are:

- **Audit & Risk Committee**

  Members: Neville Mitchell (Chair), Scott St John and Michael Daniell

  All members are non-executive directors, and two of the three (including the Chair) are independent.

- **People & Remuneration Committee**

  Members: Pip Greenwood (Chair), Scott St John and Donal O'Dwyer

  All members are independent non-executive directors.

- **Quality, Safety & Regulatory Committee**

  Members: Donal O'Dwyer (Chair), Scott St John 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 below, and copies of these charters are available on our website. The Board may from time-to-time establish other committees for specific purposes.

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 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 & Remuneration Committee

The People & 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.

Governance – Continued

Quality, Safety & Regulatory Committee

The Quality, Safety & Regulatory Committee addresses characteristics specific to the company's business. The objective and purpose of the Quality, Safety & 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 and 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 virtual ASM held on 21 August 2020, all the then-serving directors attended the meeting by video link.

Committees generally meet three or four times per year, or as required to carry out their responsibilities, and report to the Board following each meeting. Details of attendance at Board and Committee meetings during the year ended 31 March 2021 are set out at right:

			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
Scott St John	8	8	4	4	4	4	2	2
Lewis Gradon	8	8						
Tony Carter*	3	3	2	1	2	2	1	0
Michael Daniell	8	8	4	4				
Pip Greenwood	8	8			4	4		
Geraldine McBride	8	8						
Neville Mitchell	8	8	2	2			3	3
Donal O'Dwyer	8	8			4	4	3	3

* Tony Carter retired on 21 August 2020

** The number of Board meetings listed above does not include unscheduled Board conference calls which were held throughout the year.

Takeover Protocol

The Board has adopted a 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.

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 2021:

Name	Ownership	Ordinary Shares
Scott St John	Beneficial	21,000
Lewis Gradon[1]	Beneficial	556,776
Michael Daniell	Beneficial	900,168
Pip Greenwood	Beneficial	3,800
Geraldine McBride	Beneficial	1,262
Neville Mitchell	Beneficial	7,200
Donal O'Dwyer	Beneficial	68,569

[1] Lewis Gradon also had a beneficial interest in 309,071 options issued under the company's share option plans and a beneficial interest in 98,492 performance share rights under the PSR 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 2020 and 31 March 2021, and details of those dealings were entered in the company's interests register.

Name	Transaction	Number of shares	Price per share	Date
Scott St John	Share purchases	1,500	$34.8867	1 July 2020
		1,500	$32.4700	27 November 2020
		500	$28.0500	04 March 2021
Lewis Gradon	Share issue for cancellation of 115,000 Options	86,147	$35.2803	2 July 2020
	Sale of Shares	136,000	$34.3071	2 July 2020
	Granted 69,931 Options	–	–	4 September 2020
	Granted 22,178 PSRs	–	–	4 September 2020
	Share issue for cancellation of 111,364 Options	73,529	$33.8000	8 September 2020
	Exercise of PSRs	64,598	$33.5685	10 September 2020
	Sale of Shares	135,000	$33.8217	8-10 September 2020
Michael Daniell	Sale of Shares	90,000	$34.2690	1 July 2020
	Share issue for cancellation of 20,000 Options	15,901	$35.2811	2 July 2020

Governance – Continued

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 2021 are as follows:

Name	Entity	Relationship
Scott St John	Fonterra Cooperative Group Limited	Director
	Mercury NZ Limited	
	NEXT Foundation	
	Council of the University of Auckland	Chancellor
	Butland Medical Foundation	Trustee
Lewis Gradon	Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	Director
	Other Group entities listed in the 'Subsidiary Company Directors' section of this Report	
Michael Daniell	Medical Technologies Centre of Research Excellence	Chair
	Cochlear Limited	Director
	MRCF IIF GP Pty Limited	
	MRCF Pty Limited	
	Tait International Limited	
	Tait Limited	
	Council of the University of Auckland	Member
Pip Greenwood	The a2 Milk Company Limited	Director
	Spark New Zealand Limited	
	Vulcan Steel Limited	
	Westpac New Zealand Limited	
	Auckland Writers Festival Trust	Trustee
Geraldine McBride	MyWave Holdings Limited	Director
	Sky Network Television Limited	

Name	Entity	Relationship
Neville Mitchell	Osprey Medical	Director
	Q'Biotics Limited	
	Sonic Healthcare Limited	
	Board of Taxation	Board Member
	South East Sydney Local Health District	
Donal O'Dwyer	Cordis Asset Management Pty Limited	Director
	Mesoblast Limited	
	NIB Holdings Limited	

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 New Zealand, 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 comments from the Chair and CEO on strategic progress, performance during the year 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, are used to link results to our strategy.

We ensure that financial information reported in investor presentations, 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 report also integrates content recommended by the Task Force for Climate-related Financial Disclosures (TCFD) content, and a TCFD content index can be found at the end of this report.

Governance – Continued

GOVERNANCE OF CLIMATE-RELATED ISSUES

Role of the Board

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 and principles across the company's global operations.

For our most significant risk – carbon emissions – we have modelled a range of climate-related scenarios. This includes a business-as-usual approach to decarbonisation (with global temperatures increasing by more than 3 degrees Celsius) and a rapid decarbonisation approach (with global temperatures increasing by less than 1.5 degrees Celsius). We will conduct further scenario analyses in the 2022 financial year.

Environmental sustainability risks are presented to the Board for their review and consideration. The company's largest environmental sustainability risk is our 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 the General Manager Supply Chain, Facilities & Sustainability. Our Sustainability team is responsible for our environmental sustainability strategy, policy development, long-term planning and the performance of our global environmental management system.

ECODESIGN ADVISORY BOARD MEMBERS

Role of management

Environmental sustainability (which includes climate-related risks) is integrated into our environmental management system, which is externally audited each year to the ISO14001 international standard. We follow formal environmental management processes to review and monitor environmental sustainability issues and risks, and these are embedded into our enterprise risk management systems.

We have identified carbon as our most significant risk. With involvement from executive management, we began to develop a long-term carbon reduction plan during the 2020 financial year, including a number of carbon reduction initiatives across a number of time horizons stretching to 2034. During the 2021 financial year, significant initiatives have included developing a plan for an internal carbon price and securing agreement to roll out large-scale solar arrays at our Mexico facilities.

The Board and executive management have set Science Based Targets and these targets were submitted and approved in April 2020. In the 2021 financial year, we verified that 20 of our suppliers had also set Science Based Targets or equivalent targets for carbon reduction.

Fisher & Paykel Healthcare is a member of the Climate Leaders Coalition and we continue to participate 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. This has included executive training on carbon issues and climate-risk.

Our Ecodesign Advisory Board

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

To further support good environmental sustainability governance, we have appointed an external Ecodesign Advisory Board made up of four independent subject matter experts. The Ecodesign Advisory Board provides external guidance and support of environmental sustainability and our Ecodesign initiatives. During the 2021 financial year, the Ecodesign Advisory Board provided guidance on our long-term carbon reduction plan and mentored key team members.

Governance – Continued

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, 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/FPH21 and in person at the Guineas Ballroom, Ellerslie Event Centre, Auckland, New Zealand on Wednesday, 18 August 2021 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 2021.

Neither the NZX nor the ASX has taken any disciplinary action against the company during the year ended 31 March 2021. 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 2021 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.

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.

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 2021 was 576,412,532 shares. The total number of ordinary shares of the company on issue at 27 April 2021 was 576,434,609 shares.

The distribution of shareholdings as at 27 April 2021 was as shown in the table below:

Size of shareholding	Number of holders	%	Number of ordinary shares	%
1 to 1,000	15,263	55.38	5,421,010	0.94
1,001 to 5,000	8,994	32.64	21,213,768	3.68
5,001 to 10,000	1,950	7.08	13,913,320	2.41
10,001 to 50,000	1,180	4.28	21,901,644	3.80
50,001 to 100,000	79	0.29	5,395,548	0.94
100,001 and over	92	0.33	508,589,319	88.23
Total	**27,558**	**100.00**	**576,434,609**	**100.00**

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 2021, 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
BlackRock, Inc and related bodies corporate	21-Mar-19	28,725,458	4.98%
The Vanguard Group, Inc	18-Dec-18	30,145,141	5.23%

Governance – Continued

Principal shareholders

The names and holdings of the 20 largest registered shareholders in the company as at 27 April 2021 were:

Investor Name	Total Units	% Issued Capital
HSBC Nominees (New Zealand) Limited	84,735,040	14.70%
HSBC Nominees (New Zealand) Limited	66,978,951	11.62%
JPMorgan Chase Bank	58,909,933	10.22%
Citibank Nominees (NZ) Ltd	41,810,783	7.25%
HSBC Custody Nominees (Australia) Limited	39,770,963	6.90%
JPMorgan Nominees Australia Pty Limited	21,751,016	3.77%
Citicorp Nominees Pty Limited	18,666,433	3.24%
Tea Custodians Limited	15,191,575	2.64%
New Zealand Superannuation Fund Nominees Limited	12,416,669	2.15%
National Nominees New Zealand Limited	11,789,542	2.05%
Accident Compensation Corporation	9,617,415	1.67%
BNP Paribas Nominees NZ Limited Bpss40	9,391,635	1.63%
Cogent Nominees Limited	8,845,907	1.53%
Custodial Services Limited	7,542,681	1.31%
BNP Paribas Noms Pty Ltd	6,724,163	1.17%
National Nominees Limited	6,379,451	1.11%
Premier Nominees Limited	6,339,895	1.10%
FNZ Custodians Limited	6,193,852	1.07%
Custodial Services Limited	5,953,253	1.03%
JBWere (NZ) Nominees Limited	4,596,927	0.80%

Other Group information

Principal activities

The company is a world-leading designer, manufacturer and marketer of products and systems for use in acute and chronic respiratory 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 2021.

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 2021.

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 2021.

Other subsidiary company information

No entries were made in the interests register of any subsidiary during the year ended 31 March 2021.

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 2021 are included in the relevant bandings for remuneration disclosed in the 'Remuneration' section of this report.

During the year ended 31 March 2021, all directors of subsidiaries were full-time employees of the Group, with the exception of:

(1) Scott St John 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).

Scott St John 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).

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 2021 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)	Scott St John, 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 MEA Limited (NZ)	Lewis Gradon, Paul Shearer, Andrew Somervell
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
Fisher & Paykel Healthcare Malaysia Sdn. Bhd.	Lewis Gradon, Paul Shearer, Bryan Peterson, Basyirah Anuar

*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 Bangladesh Limited	Lewis Gradon, Paul Shearer, David Boyle
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
Fisher & Paykel Healthcare MEA Limited (NZ) owns:	
Fisher & Paykel Healthcare MEA Investments Limited (NZ)	Lewis Gradon, Paul Shearer, Andrew Somervell

Remuneration

Our approach is to attract, reward and retain high-quality employees who will help us to achieve our short and long-term strategic objectives. This depends in large part upon the remuneration packages we offer.

EMPLOYEE REMUNERATION

It is our intention to pay our people fairly taking into account such factors as company performance, general economic conditions, marketplace remuneration trends and individual performance. We operate in a large number of countries and our remuneration practices reflect our culture, values and local market conditions.

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 superannuation, life insurance and the opportunity to purchase shares and/or receive long term variable remuneration in the form of share options, performance share rights or employee share rights (in certain countries).

Employees receive base remuneration packages that are generally benchmarked against similar positions in companies of comparable size and complexity. We use industry remuneration surveys conducted by outside consultants to determine remuneration levels. In general, remuneration is reviewed annually, and our process supports our intention to pay our people fairly.

Employee remuneration over $100,000

The tables opposite show the remuneration (inclusive of the value of other benefits) totalling NZ$100,000 or more received by employees or former employees in financial year 2021. This does not include the CEO, who is a director of the company. Offshore remuneration amounts have been converted into New Zealand dollars.

The tables include salary and wages, profit-sharing bonus and discretionary annual variable remuneration (DAVR) paid during the 2021 financial year. They also include the fair value of long term variable remuneration (LTVR) as expensed in the period.

Remuneration $	Number of employees
100,000 – 110,000	251
110,001 – 120,000	187
120,001 – 130,000	145
130,001 – 140,000	132
140,001 – 150,000	111
150,001 – 160,000	93
160,001 – 170,000	72
170,001 – 180,000	56
180,001 – 190,000	45
190,001 – 200,000	47
200,001 – 210,000	31
210,001 – 220,000	26
220,001 – 230,000	29
230,001 – 240,000	23
240,001 – 250,000	16
250,001 – 260,000	22
260,001 – 270,000	16
270,001 – 280,000	9
280,001 – 290,000	15
290,001 – 300,000	4
300,001 – 310,000	8
310,001 – 320,000	7
320,001 – 330,000	3
330,001 – 340,000	2
340,001 – 350,000	2
350,001 – 360,000	1
360,001 – 370,000	4
370,001 – 380,000	3

Remuneration $	Number of employees
380,001 – 390,000	2
390,001 – 400,000	2
400,001 – 410,000	1
410,001 – 420,000	2
420,001 – 430,000	1
430,001 – 440,000	2
440,001 – 450,000	1
460,001 – 470,000	1
470,001 – 480,000	2
480,001 – 490,000	2
490,001 – 500,000	1
500,001 – 510,000	1
510,001 – 520,000	1
530,001 – 540,000	2
620,001 – 630,000	1
680,001 – 690,000	1
700,001 – 710,000	1
710,001 – 720,000	1
720,001 – 730,000	1
730,001 – 740,000	1
750,001 – 760,000	1
830,001 – 840,000	1
900,001 – 910,000	1
920,001 – 930,000	2
1,090,001 – 1,100,000	1
1,180,001 – 1,190,000	1
1,330,001 – 1,340,000	1
2,080,001 – 2,090,000	1

Remuneration – Continued

EXECUTIVE MANAGEMENT REMUNERATION

The People & Remuneration Committee is responsible for reviewing the remuneration of executive management in consultation with the CEO. Executive management remuneration packages consist of a combination of a fixed remuneration package, a discretionary annual variable remuneration (DAVR) 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 based on the scale and complexity of the role, market relativities and experience, and performance. This also includes any KiwiSaver or other superannuation contribution.

Variable remuneration

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

Plan	Measures
Discretionary Annual Variable Remuneration (DAVR)	The DAVR 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 DAVR amount. The DAVR 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 DAVR amount at 20% over achievement. Should the financial measures in aggregate be underachieved by more than 10%, no DAVR is payable. The relative weighting of DAVR measures and the target achieved in 2021 is set out below.
Long Term Variable Remuneration (LTVR)	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 at 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 fully vest if the company's gross total shareholder return (TSR) exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMDQT) by 10% or more at any of the third, fourth or fifth anniversary of the grant date of the PSRs. PSRs partially vest on the fifth anniversary if the company's TSR exceeds the DJSMDQT by less than 10%.
	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 three years.

DAVR measures:

Measures	Weighting	% of Target Achieved
Constant currency operating profit	45%	120%
Constant currency revenue	25%	120%
Constant currency pre-tax operating cash flow	10%	120%
Non-financial measures	20%	100%

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

All our employees, including executive management, who have worked with us for more than six months are eligible to receive a profit-sharing bonus twice per year.

Five-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 5 September 2017 to 5 September 2020, our TSR performance exceeded that of the DJSMDQT, and PSRs on issue 100% vested.

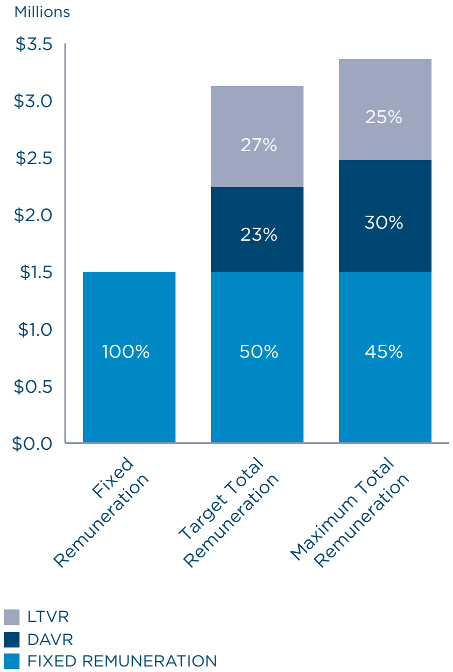
[1] To enable better comparability of the relative shareholder return performance, the Dow Jones U.S. Select Medical Equipment Index closing prices have been converted to NZD at the daily closing rate quoted by the Reserve Bank of New Zealand.

Remuneration – Continued

CEO REMUNERATION

Remuneration structure

The CEO remuneration structure is consistent with the executive management remuneration structure described previously. The CEO remuneration target and maximum total remuneration mix for the 2021 financial year is set out below.



CEO remuneration summary

	Salary $	Other[1] $	Fixed remuneration subtotal $	DAVR[2] $	LTVR awarded[3] $	Total remuneration $	% DAVR against maximum $
2021	1,676,071	121,928	1,797,999	1,195,408	1,000,010	3,993,417	100%
2020	1,340,971	109,327	1,450,298	865,581	885,723	3,201,602	83%

1 Other includes employee superannuation contribution and life insurance.
2 DAVR represents what was earned for the financial year. DAVR value includes the company-wide profit sharing bonus.
3 LTVR includes options and PSRs awarded during the financial year. In the 2021 financial year, Lewis Gradon was granted 22,178 PSRs and 69,931 share options (2020: 43,848 PSRs and 138,827 share options). Share options and PSRs granted in the 2020 and 2021 financial years will vest if the performance criteria are met in the 2023 to 2024 financial years respectively. Details of the plans and valuation methodology are set out in Note 18 to the financial statements.

DAVR achieved in 2021

The DAVR financial targets achieved are set out in the Executive Management section on the previous page. During the 2021 financial year, the CEO achieved 100 per cent of his non-financial measures. The DAVR earned in the 2021 financial year is 66 per cent of the fixed remuneration.

LTVR vested in 2021

The following long-term share option incentives vested in the 2021 financial year.

Grant year	Securities	Performance period	Performance measure	Vesting outcome	Shares vested	Value on vesting[1]
Financial year 2017	PSR	Sep 2016 to Sep 2020	Absolute TSR	100% vested	24,000	$823,200
Financial year 2018	Share Options	Sep 2017 to Sep 2020	Cost of capital escalated share price	100% vested	111,364	$2,504,576
Financial year 2018	PSR	Sep 2017 to Sep 2020	Absolute TSR	100% vested	40,598	$1,392,511

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.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Remuneration strategy

The People & 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 $1,455,000 per annum as approved by shareholders at the 2020 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 83 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 2021 financial year

The total directors' fees received by non-executive directors in 2021, 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	267,500	127,500
People & Remuneration Committee	25,000	17,608
Quality, Safety & Regulatory Committee	23,460	17,608
Audit & Risk Committee	32,500	17,608

Director remuneration received in the 2021 financial year

Director	Board Fees $	People & Remuneration Committee $	Quality, Safety & Regulatory Committee $	Audit & Risk Committee $	Overseas Director Allowance[1] $	Total $
Tony Carter[2]	91,994	–		–		91,994
Scott St John[3]	202,274	6,899		11,507[3]		220,680
Michael Daniell	117,417	–		17,608		135,025
Pip Greenwood	117,417	24,358^		–		141,775
Geraldine McBride	117,417	–		–		117,417
Neville Mitchell[4]	117,356	–	17,608	19,681^^	22,154	176,799
Donal O'Dwyer[4]	117,417	17,608	23,460^	–	22,154	180,639
	881,292	**48,865**	**41,068**	**48,796**	**44,308**	**1,064,329**

^ Designates Chair of Committee.

^^ Neville Mitchell took over as Chair of the Audit & Risk Committee from 22 August 2020.

1 Directors based outside New Zealand are paid an allowance associated with attendance at Board and Committee meetings in a different country or time zone and to reflect local pecuniary practices.

2 Tony Carter was the Board Chair to 21 August 2020. No additional fees are paid to the Board Chair for Committee roles.

3 Scott St John was appointed as the Board Chair from 22 August 2020. Prior to this he was the Chair of the Audit & Risk Committee. No additional fees are paid to the Board Chair for Committee roles.

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

FINANCIALS

05

FINANCIAL COMMENTARY

INCOME STATEMENTS

Year ended 31 March	2020 NZ$M	2021 NZ$M	Change Reported %	Change CC (1) %
Operating revenue	**1,263.7**	**1,971.2**	+56	+61
Gross profit	835.8	1,245.6	+49	+57
Gross margin	66.1%	63.2%	-295 bps	-165 bps
SG&A expenses	(338.0)	(396.6)	+17	+20
R&D expenses	(118.5)	(136.7)	+15	+15
Total operating expenses	(456.5)	(533.3)	+17	+19
Operating profit	**379.3**	**712.3**	+88	+104
Operating margin	**30.0%**	**36.1%**	612 bps	782 bps
Net financing (expense) income	(8.8)	5.9		
Profit before tax	**370.5**	**718.2**	+94	+104
Taxation	(83.2)	(194.0)	+133	+137
Profit after tax	**287.3**	**524.2**	+82	+94

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 103.

Total profit after tax for the year was up 82% to $524.2 million (94% in constant currency).

Revenue

Operating revenue was $1,971.2 million, which is 56% above last year or 61% in constant currency. Hospital revenue grew 94% in constant currency largely driven by demand for products used to treat COVID-19 patients. Homecare revenue grew 4% in constant currency.

Gross margin

Gross margin decreased by 295 basis points for the year to 63% or a 165 basis points decline in constant currency. This includes increased freight costs and high air freight utilisation which adversely impacted constant currency gross margin by approximately 230 basis points. Freight and additional COVID-19 related costs were offset by overhead efficiencies due to volume increases outpacing overhead cost growth during the year.

Operating expenses

Operating expenses increased 17% (19% in constant currency) to $533.3 million. Excluding the donation of $20 million to the Fisher & Paykel Healthcare Foundation, operating expense growth was 12% (15% in constant currency), reflecting ongoing expenditure to support global sales growth and development of our product pipeline.

R&D spend of $136.7 million grew 15% reflecting underlying growth and development of our product pipeline. Over the long term we plan for R&D spend to grow in line with constant currency revenue growth.

Financing expenses

Net financing income for the year was $5.9 million (2020: net financing expenses of $8.8 million). The change was driven by the gain on foreign currency interest-bearing liabilities, including lease liabilities. Excluding the impact of foreign currency movements, net financing expense increased by $1.8 million.

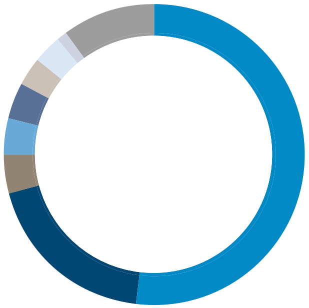
Tax

Our effective tax rate for the year was 27.0% up from 22.5% in the prior year. The prior year's rate included the reintroduction of commercial building depreciation for tax purposes of $5.3 million. The R&D tax credit reported this year of $13.2 million (2020: $13.4 million) represents the estimated eligible R&D expenditure incurred during the period. Excluding the benefit from the reintroduction of commercial building depreciation and the R&D tax credit, the effective tax rate was 28.8% for the year (2020: 27.5%).

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 60% of COGS and over 50% of operating expenses are in currencies other than NZD.

During the 2021 financial year, the NZD strengthened against all major currencies and reported net profit after tax has been unfavourably impacted by currency. The effect of balance sheet translations for the year resulted in a decrease in operating revenue of $21.3 million (2020: $14.7 million increase) and a decrease in profit after tax of $9.4 million (2020: $3.1 million increase). The hedging programme contributed a pre tax gain of $21.2 million in the current year (2020: $7.7 million loss).

The average daily spot rate and the average conversion exchange rate (i.e. the accounting rate, incorporating the benefit 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	2020	2021	2020	2021
USD	0.6477	0.6714	0.6671	0.6692
EUR	0.5828	0.5749	0.5760	0.5624

Net profit after tax was reduced by $38 million compared to the prior year due to a higher volume of foreign currency being dealt at spot rates where the NZD was strengthening. See further details on page 103.

Foreign exchange hedging position

In line with our hedging programme, additional hedges have been added for future years, in particular, USD for 2022 to 2023. The hedging position for our main currency exposures as at 12 May 2021 is:

Year to 31 March	2022	2023	2024	2025	2026-27
USD % cover of expected exposure	85%	55%	30%	30%	
USD average rate of cover	0.664	0.655	0.631	0.624	
EUR % cover of expected exposure	85%	50%	35%	30%	5%
EUR average rate of cover	0.551	0.523	0.513	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 107.

Year ended 31 March	2020 NZ$M	2021 NZ$M	Change NZ$M
Operating profit before financing costs	379.3	712.3	333.0
Plus depreciation and amortisation (including leased assets)	61.0	85.0	24.0
Change in working capital and other	(23.0)	(37.1)	(14.1)
Net interest paid (including lease interest)	(2.7)	(3.4)	(0.7)
Net income tax paid	(93.2)	(131.5)	(38.3)
Operating cash flows	**321.4**	**625.3**	**303.9**
Lease repayments+	(9.7)	(10.2)	(0.5)
Purchase of land and buildings	(81.8)	(37.2)	44.6
Purchase of plant and equipment	(63.5)	(123.0)	(59.5)
Purchase of intangible assets	(25.4)	(24.5)	0.9
Free cash flows	**141.0**	**430.4**	**289.4**
Dividends paid	(146.4)	(181.3)	(34.9)

+ 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 95% to $625.3 million. Working capital was impacted by a significant increase in inventory relating to building raw materials and replenishing finished goods to be able to meet potential surge demand.

FINANCIAL COMMENTARY CONTINUED

Capital expenditure

Property, plant and equipment purchases for the year were $160.2 million, an increase of $14.9 million from the prior year. The expenditure primarily related to production capacity increases and the completion of the Daniell building in NZ.

Dividends

Dividends paid of $181.3 million were 24% higher than prior year representing the payment of the final FY20 dividend and the interim FY21 dividend.

BALANCE SHEET

As at 31 March	2020 NZ$M	2021 NZ$M	Change NZ$M
Trade receivables	192.9	191.7	(1.2)
Inventories	146.5	270.6	124.1
Less trade and other payables+	(108.5)	(145.8)	(37.3)
Working capital	**230.9**	**316.5**	**85.6**
Property, plant and equipment++	735.3	882.1	146.8
Intangible assets	73.9	80.0	6.1
Lease liabilities	(33.6)	(43.7)	(10.1)
Other net assets (liabilities)	(74.9)	(16.9)	58.0
Net cash	42.2	302.9	260.7
Net assets	**973.8**	**1,520.9**	**547.1**

+ Trade and other payables excludes all non-current payables and all employee entitlements and provisions

++ Property, plant and equipment includes lease assets recognised

Trade receivables at 31 March 2021 reflected the strong sales in response to COVID-19 and strong collections, offset by unfavourable currency translation movements. Our debtor days were within the normal range at 43 days (2020: 45 days). Higher inventories reflect inventory build in raw materials with increased production capacity to meet potential surge demand and increased finished goods following lower levels in March 2020. Trade and other payables increase reflected the accrual of $20 million for the donation to the Fisher & Paykel Healthcare Foundation which will be paid in FY22 and employee benefit accruals.

The increase in property, plant and equipment included capital additions of $193.9 million, the majority of which related to production tooling and equipment additions and the finalisation of building projects in New Zealand. The increase included a $34.5 million revaluation of land in New Zealand and Mexico. These increases were offset by $68.4 million of depreciation.

Intangible assets increased by $6.1 million net, including patent acquisition costs and ERP implementation costs. The global SAP rollout will continue over the next two to three years.

Other net assets/liabilities movements included an increase in tax payable of $114.2 million as the final tax payments related to the current year are scheduled to be paid in FY22. This increase was offset by the significant increase in net derivative financial instrument assets of $222.5 million, partially offset by the associated deferred tax movements of $62.2 million. The NZD appreciated significantly from 31 March 2020 to 31 March 2021. This resulted in the majority of currency derivatives being in a liability position as at 31 March 2020 to now be in an asset position at 31 March 2021. All currency derivatives continued to be effective hedges.

Funding and short-term investment

	2020 NZ$M	2021 NZ$M	Change NZ$M
Loans and borrowings			
– Current	(49.9)	–	49.9
– Non-current	(22.0)	(62.8)	(40.8)
Bank overdrafts	(30.7)	(11.9)	18.8
Total interest-bearing liabilities+	**(102.6)**	**(74.7)**	**27.9**
Cash and cash equivalents	67.1	97.3	30.2
Short-term investments	77.7	280.3	202.6
Total cash and investments	**144.8**	**377.6**	**232.8**
Net cash	**42.2**	**302.9**	**(260.7)**
Gearing	-4.3%	-27.2%	
Undrawn term debt facilities	148.0	167.2	

+ Excluding lease liabilities

The average maturity of loans and borrowings of $62.8 million was 1.9 years and the currency split was 91% USD; 6% Australian dollars; and 3% Canadian dollars (with no NZD denominated debt). Interest-bearing debt decreased by $27.9 million, including the impact of favourable currency revaluations.

On 1 November 2020, a US$30 million facility expired and has been replaced with two new NZ$30 million multi-currency facilities that commenced on 14 October 2020 and will expire 30 September 2025.

Cash balances and short-term investments, mainly in NZD, were $377.6 million at 31 March 2021. This balance, and operating cash generated in 2022, will fund the payment of the final dividend, provisional tax and ongoing capital expenditure including manufacturing capacity expansion and building projects in Mexico and Auckland.

Gearing[1]

At 31 March 2021 the group had net cash of $302.9 million and gearing of -27.2%. Gearing was outside 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.

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	2020 NZ$M	2021 NZ$M	Change NZ$M
Profit after tax (constant currency)	**293.0**	**568.2**	**275.2**
Spot exchange rate effect	(3.2)	(49.8)	(46.6)
Foreign exchange hedging result	(5.6)	15.2	20.8
Balance sheet revaluation	3.1	(9.4)	(12.5)
Profit after tax (reported)	**287.3**	**524.2**	**236.9**

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2021, are USD 0.64, EUR 0.57, AUD 0.96, GBP 0.49, CAD 0.84, JPY 69 and MXN 12.30.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	Notes	2020 NZ$M	2021 NZ$M
Operating revenue	4	1,263.7	1,971.2
Cost of sales		(427.9)	(725.6)
Gross profit		**835.8**	**1,245.6**
Selling, general and administrative expenses		(338.0)	(396.6)
Research and development expenses		(118.5)	(136.7)
Total operating expenses		**(456.5)**	**(533.3)**
Operating profit		379.3	712.3
Financing income		2.2	1.5
Financing expense		(3.9)	(5.0)
Exchange (loss) gain on foreign currency interest-bearing liabilities		(7.1)	9.4
Net financing (expense) income		**(8.8)**	**5.9**
Profit before tax	5	370.5	718.2
Tax expense	11	(83.2)	(194.0)
Profit after tax		**287.3**	**524.2**
Basic earnings per share	16	50.0 cps	91.1 cps
Diluted earnings per share	16	49.6 cps	90.4 cps

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2020 NZ$M	2021 NZ$M
Profit after tax		**287.3**	**524.2**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		2.8	(5.8)
Hedging reserves			
Changes in fair value in hedging reserves		(147.0)	241.2
Transfers to profit before tax from cash flow hedge reserve		7.7	(20.1)
Tax on above reserve movements	11	39.0	(61.9)
Items that will not be reclassified to profit or loss			
Revaluation of land	9	–	34.5
Other comprehensive income, net of tax		**(97.5)**	**187.9**
Total comprehensive income		**189.8**	**712.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Notes	Share capital NZ$M	Retained earnings NZ$M	Reserves NZ$M	Total equity NZ$M
Balance at 31 March 2019		**219.2**	**549.2**	**144.8**	**913.2**
Adjustment on adoption of NZ IFRS 16 (net of tax)		–	(3.8)	–	(3.8)
Balance at 1 April 2020		**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**
Total comprehensive income		**–**	**524.2**	**187.9**	**712.1**
Dividends paid	17	–	(181.3)	–	(181.3)
Issue of share capital under employee share plans	15	22.3	–	–	22.3
Movement in share based payments reserve	17	–	–	(7.4)	(7.4)
Movement in treasury shares	15	1.4	–	–	1.4
Balance at 31 March 2021		**249.1**	**1,029.2**	**242.6**	**1,520.9**

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

	Notes	2020 NZ$M	2021 NZ$M
ASSETS			
Current assets			
Cash and cash equivalents		67.1	97.3
Short-term investments	12	77.7	280.3
Trade and other receivables	7	222.7	222.5
Inventories	8	146.5	270.6
Derivative financial instruments	6	4.1	42.9
Tax receivable		0.6	6.4
Total current assets		**518.7**	**920.0**
Non-current assets			
Derivative financial instruments	6	14.1	104.0
Other receivables		2.3	7.6
Property, plant and equipment	9	735.3	882.1
Intangible assets	10	73.9	80.0
Deferred tax assets	11	90.7	81.3
Total assets		**1,435.0**	**2,075.0**
LIABILITIES			
Current liabilities			
Borrowings	12	80.6	11.9
Lease liabilities	12	11.6	14.7
Trade and other payables	13	165.6	233.3
Provisions	14	5.0	15.6
Tax payable		35.4	149.6
Derivative financial instruments	6	36.4	2.4
Total current liabilities		**334.6**	**427.5**

	Notes	2020 NZ$M	2021 NZ$M
LIABILITIES			
Non-current liabilities			
Borrowings	12	22.0	62.8
Lease liabilities	12	22.0	29.0
Provisions	14	1.5	10.5
Other payables	13	19.8	22.8
Derivative financial instruments	6	61.3	1.5
Total liabilities		**461.2**	**554.1**
EQUITY			
Share capital	15	225.4	249.1
Retained earnings		686.3	1,029.2
Reserves	17	62.1	242.6
Total equity		**973.8**	**1,520.9**
Total liabilities and equity		**1,435.0**	**2,075.0**

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

On behalf of the Board
26 May 2021

Scott St John
Chairman

Lewis Gradon
Managing Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2020 NZ$M	2021 NZ$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,200.9	1,965.3
Grants received	1.6	–
Interest received	2.5	1.5
Payments to suppliers and employees	(785.2)	(1,205.1)
Tax paid	(93.2)	(131.5)
Interest paid	(3.4)	(3.3)
Lease interest paid	(1.8)	(1.6)
Net cash flows from operating activities	**321.4**	**625.3**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net short-term investments	15.0	(202.6)
Purchases of property, plant and equipment	(145.3)	(160.2)
Purchases of intangible assets	(25.4)	(24.5)
Net cash flows from investing activities	**(155.7)**	**(387.3)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital under employee share plans	2.3	3.5
New borrowings	15.0	45.3
Repayment of borrowings	(20.2)	(45.3)
Lease liability payments	(9.7)	(10.2)
Dividends paid	(146.4)	(181.3)
Net cash flows from financing activities	**(159.0)**	**(188.0)**
Net increase in cash	6.7	50.0
Opening cash	30.9	36.4
Effect of foreign exchange rates	(1.2)	(1.0)
Closing cash	**36.4**	**85.4**
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	67.1	97.3
Bank overdrafts	(30.7)	(11.9)
Closing cash	**36.4**	**85.4**

	2020 NZ$M	2021 NZ$M
CASH FLOW RECONCILIATION		
Profit after tax	**287.3**	**524.2**
Add (deduct) non-cash items:		
Depreciation – right-of-use assets	10.1	11.5
Depreciation and amortisation – other assets	50.9	73.5
Share based payments	6.1	7.7
Movement in provisions	(0.6)	19.6
Movement in deferred tax assets / liabilities	(24.0)	(59.0)
Movement in net tax payables	14.0	120.8
Foreign currency translation	7.9	(7.7)
Other non-cash items	(2.0)	(1.8)
	62.4	**164.6**
Net working capital movements:		
Trade and other receivables	(64.8)	(5.1)
Inventories	(10.4)	(124.1)
Trade and other payables	46.9	65.7
	(28.3)	(63.5)
Net cash flows from operating activities	**321.4**	**625.3**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 May 2021.

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 2021 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 2021

3. SIGNIFICANT TRANSACTIONS AND EVENTS IN THE FINANCIAL YEAR

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, while also ensuring continuing supply of its other products.

Management have assessed the impact of COVID-19 on all aspects of the balance sheet. Specifically, the carrying value of receivables, inventory and warranty exposure 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 Group's portfolio of derivatives has changed from being a net liability at 31 March 2020 to a net asset, with the corresponding offset in the cash flow hedge reserve.

COVID-19 impact on inventory counts – opening balances

As a result of COVID-19 and the prioritisation of operational distribution of products that are essential to patients, annual finished products inventory counts in the prior financial year were not performed in Japan, Australia and Europe (including UK, Germany, France and Sweden).

The Group operated 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, as reflected in the prior year's audit opinion. The current year's audit opinion is also qualified in relation to this matter because of the impact on opening inventory balances and consequently also the current year's result.

In the current year full and/or cycle count procedures were performed in these locations with no significant inventory adjustments.

Capital expenditure

In March 2021, building construction contracts were signed for a third building on our Tijuana, Mexico campus. Capital commitments at 31 March include $26.5 million related to this project. To date, spending on this project totals $14.4 million. The building is expected to be operational in 2023.

4. OPERATING REVENUE AND SEGMENTAL INFORMATION

	2020 NZ$M	2021 NZ$M
Sales revenue	1,273.4	1,948.2
Foreign exchange gain (loss) on hedged sales	(9.7)	23.0
Total operating revenue	**1,263.7**	**1,971.2**
Revenue by product group		
Hospital products	801.3	1,498.1
Homecare products	457.3	465.6
	1,258.6	1,963.7
Distributed and other products	5.1	7.5
Total operating revenue	**1,263.7**	**1,971.2**
Revenue after hedging by geographical location of customer:		
North America	571.2	825.7
Europe	365.4	633.8
Asia Pacific	273.3	348.4
Other[1]	53.8	163.3
Total operating revenue	**1,263.7**	**1,971.2**

1 Other includes New Zealand, Latin America (including Mexico), Africa and the Middle East.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. OPERATING REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

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.

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

	2020 NZ$M	2021 NZ$M
Profit before tax is after charging the following specific expenses:		
Donations	0.1	25.6
Inventory written down (net)	9.1	20.7

In March 2021, the Group committed to donate $20 million to the Fisher & Paykel Healthcare Foundation.

Fees paid to auditors

	2020 NZ$'000	2021 NZ$'000
Statutory audit and half year review (i)	953	1,203
Other assurance and audit related services (ii)	39	37
Total audit, other assurance services and audit-related services	992	1,240
Other services (iii)	163	40
Total fees paid to auditors	**1,155**	**1,280**

Other fees paid to auditors

(i) Statutory audit and half year review includes $433,400 (2020: $361,900) paid to other PwC network firms.

(ii) Other assurance and audit related services of $37,100 (2020: $38,700) include assurance procedures in relation to compliance with the constant currency framework. In 2020, other assurance and audit related services included this item as well as scrutineering the counting of votes at the Annual Shareholders' Meeting (ASM).

(iii) Other services in 2021 includes treasury related financial markets risk analysis and commentary, regulatory tax compliance procedures in Mexico and providing market survey data relating to executive remuneration levels. In 2020, other services included the treasury services, Mexico tax compliance, as well as remuneration benchmarking. PwC was also engaged after balance date to provide further market data relating to executive remuneration levels in 2022.

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.

	2020 NZ$'000	2021 NZ$'000
PwC New Zealand	793	847
PwC Overseas offices	362	433
	1,155	**1,280**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

6. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2021	
	Assets NZ$M	Liabilities NZ$M	Assets NZ$M	Liabilities NZ$M
CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	2.5	33.8	42.0	1.9
Foreign currency forward exchange contracts – not hedge accounted	–	1.4	0.1	–
Foreign currency option contracts – cash flow hedges	1.6	0.5	0.7	–
Foreign currency option contracts – time value	–	–	0.1	–
Interest rate swaps & options – cash flow hedges	–	0.7	–	0.5
	4.1	**36.4**	**42.9**	**2.4**
NON-CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	12.7	56.5	102.6	0.6
Foreign currency option contracts – cash flow hedges	1.4	3.2	1.1	–
Foreign currency option contracts – time value	–	–	0.3	–
Interest rate swaps & options – cash flow hedges	–	1.6	–	0.9
	14.1	**61.3**	**104.0**	**1.5**

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 their 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 2021

6. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Contractual amounts of derivative financial instruments were as follows:

	2020 NZ$M	2021 NZ$M
Foreign currency forward contracts and options		
Sale commitments forward exchange contracts	1,873.2	1,743.5
Purchase commitments forward exchange contracts	86.8	83.2
Foreign currency borrowing forward exchange contracts	16.9	36.1
NZD call option contracts purchased	38.0	–
Collar option contracts – NZD call options purchased (i)	70.9	31.9
Collar option contracts – NZD put options sold (i)	76.6	34.0
Interest rate derivatives		
Interest rate swaps	52.1	29.0
Interest rate options	12.5	10.7

(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	
	2020 M	2021 M
Sale commitments		
United States dollars	US$659.3	US$627.5
European Union euros	€322.3	€280.7
Japanese yen	¥11,075.0	¥8,485.0
Purchase commitments		
Mexican pesos	MXN$1,285.5	MXN$1,314.5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

7. TRADE AND OTHER RECEIVABLES

	2020 NZ$M	2021 NZ$M
CURRENT		
Trade receivables	195.9	197.0
Loss allowance for doubtful trade receivables	(3.0)	(5.3)
	192.9	191.7
Other receivables	29.8	30.8
	222.7	**222.5**

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 79% of trade receivables were current (2020: 88%) with less than 3% (2020: 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

	2020	2021
Five largest customers' proportion of the Group's:		
Operating revenue	17.7%	17.5%
Trade receivables	16.6%	15.4%

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

	2020 NZ$M	2021 NZ$M
Materials	50.3	97.7
Finished products	111.4	205.5
Provision for inventory write downs	(15.2)	(32.6)
	146.5	**270.6**

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 2021

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the year

	Land	Buildings			Plant & equipment		Capital projects		Total
	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 2019	180.0	116.9	141.4	–	318.8	–	62.6	54.8	874.5
Adjustment on adoption of NZ IFRS 16	–	–	–	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**
Revaluation recognised in asset revaluation reserve	34.5	–	–	–	–	–	–	–	34.5
Additions	0.3	3.8	9.8	24.0	35.9	3.7	23.5	92.9	193.9
Transfers	1.7	55.4	78.7	–	39.3	–	(134.9)	(40.2)	–
Disposals	–	–	(0.6)	(2.9)	(6.0)	(1.0)	–	–	(10.5)
Foreign exchange differences	(3.7)	(4.7)	(1.4)		–	–	–	–	(9.8)
Balance at 31 March 2021	**216.5**	**175.7**	**230.9**	**47.1**	**432.6**	**11.8**	**24.9**	**123.4**	**1,262.9**
Depreciation and impairment losses									
Balance at 31 March 2019	–	20.1	70.5	–	182.5	–	–	–	273.1
Adjustment on adoption of NZ IFRS 16	–	–	–	–	(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**
Depreciation charge for the year	–	4.1	9.5	7.8	43.3	3.7	–	–	68.4
Disposals	–	–	(0.3)	(0.1)	(5.7)	(0.9)	–	–	(7.0)
Foreign exchange differences	–	(0.1)	–	–	–	–	–	–	(0.1)
Balance at 31 March 2021	**–**	**26.6**	**86.0**	**14.5**	**247.3**	**6.4**	**–**	**–**	**380.8**
Carrying amounts									
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
At 31 March 2021	**216.5**	**149.1**	**144.9**	**32.6**	**185.3**	**5.4**	**24.9**	**123.4**	**882.1**

(i) No finance costs were capitalised during the year in relation to building additions (2020: $2.1 million, with an effective interest rate of 3.0%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

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:

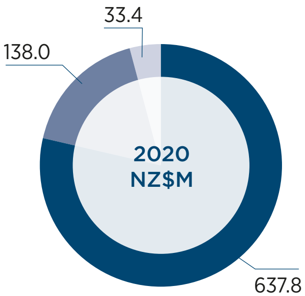
Buildings – structure	25 – 50 years
Buildings – fit-out and other	3 – 50 years
Plant and equipment	3 – 15 years

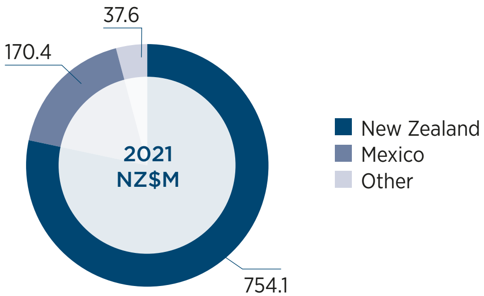
An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leased assets

The Group's leases predominantly relate to property or equipment outside New Zealand. All leases are included within property, plant and equipment. 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 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.

Property, plant and equipment (including leased assets) and intangible assets by geographical location:





AP

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.

E

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 2021 in accordance with the Australia and New Zealand Property Institute Valuation Standards. The valuation of land ranged from $480 psm for land with improvements to $365 psm for development land.

Mexico

The Mexico land holding was valued by Jones Lang LaSalle (JLL Mexico) as at 31 March 2021 in accordance with the International Valuation standards. The land was valued at US$18.3 million (NZ$25.7 million) representing US$116 psm (NZ$166 psm).

Carrying amounts of land if measured at historical cost

	New Zealand		Mexico	
	2020 NZ$M	2021 NZ$M	2020 US$M	2021 US$M
At historical cost	71.6	72.2	14.9	16.3
At fair value	157.7	191.0	15.7	18.3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 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**
Additions	2.5	16.5	–	4.9	23.9
Transfers	1.2	–	–	(1.2)	–
Disposals	(0.8)	(1.0)	–	–	(1.8)
Foreign exchange differences	–	–	–	(0.6)	(0.6)
Balance at 31 March 2021	**67.0**	**79.5**	**4.2**	**10.2**	**160.9**
Amortisation and impairment losses					
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**
Amortisation for the year	4.5	12.1	–	–	16.6
Disposals	(0.7)	(0.5)	–	–	(1.2)
Balance at 31 March 2021	**31.7**	**46.4**	**2.8**	**–**	**80.9**
Carrying amounts					
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
At 31 March 2021	**35.3**	**33.1**	**1.4**	**10.2**	**80.0**

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 of a patent being 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 2021

11. INCOME TAX

INCOME TAX EXPENSE

	2020 NZ$M	2021 NZ$M
Profit before tax	**370.5**	**718.2**
Tax expense at the New Zealand rate of 28%	103.7	201.0
Adjustments to tax:		
Non-assessable income	(0.1)	(1.7)
Non-deductible expenses	2.4	2.6
Foreign rates other than 28%	0.5	(1.2)
Effect of foreign currency translations	(4.5)	6.6
R&D tax credit	(13.4)	(13.2)
Re-introduction of building depreciation	(5.3)	–
Prior period over provision	(0.1)	(0.1)
Tax expense	**83.2**	**194.0**
This is represented by:		
Current tax	107.0	252.9
Deferred tax	(23.8)	(58.9)
Tax expense	**83.2**	**194.0**
Effective tax rate	22.5%	27.0%
Effective tax rate excluding R&D tax credit and re-introduction of building depreciation	27.5%	28.8%

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	2020 M	2021 M
New Zealand imputation credits available for use in subsequent reporting periods	NZ$143.0	NZ$310.4
Australian franking credits available for use in subsequent reporting periods	A$10.3	A$12.8

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 2019		50.8	–	(23.0)	(16.6)	3.6	0.8	15.6
Adjustment on adoption of NZ IFRS 16		–	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**
Amounts recognised in:								
Other comprehensive income		–	–	–	(61.9)	–	–	(61.9)
Directly in equity		–	–	–	–	(6.4)	–	(6.4)
In the Income Statement		58.0	(0.1)	1.5	(0.3)	1.0	(1.2)	58.9
Balance at 31 March 2021		**125.4**	**1.4**	**(16.1)**	**(40.1)**	**9.6**	**1.1**	**81.3**

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 2021

12. INTEREST-BEARING LIABILITIES

	2020		2021	
	Borrowings NZ$M	Leases NZ$M	Borrowings NZ$M	Leases NZ$M
CURRENT				
Bank overdrafts	30.7	–	11.9	–
Borrowings	49.9	–	–	–
Lease liabilities	–	11.6	–	14.7
	80.6	**11.6**	**11.9**	**14.7**
NON-CURRENT				
Borrowings expiring				
Between one and two years	–	–	25.1	–
Between two and three years	16.6	–	37.7	–
Between three and four years	5.4	–	–	–
Between four and five years	–	–	–	–
Lease liabilities	–	22.0	–	29.0
	22.0	**22.0**	**62.8**	**29.0**

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Borrowings

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

The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

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 4.1%. Leases that commenced after 1 April 2019 use an incremental borrowing rate that was applicable on commencement date.

Extension and termination 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. Low-value leases predominantly relate to computer equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 1.7% (2020: 2.6%).

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 principle 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.

The Company had total available committed debt funding of $230 million as at 31 March 2021, of which approximately $167 million was undrawn. As at 31 March 2021, the weighted average maturity of committed borrowing facilities was 2.5 years.

	2020 NZ$M	2021 NZ$M
Unused lines of credit		
Bank overdraft facilities	19.1	33.9
Borrowing facilities	148.0	167.2
	167.1	**201.1**

Short-term investments

As at 31 March 2021, the Group has invested available cash on hand of $280.3 million in short-term investments. These investments have maturities between 96 and 277 days with banking institutions that have a long term credit rating of Standard & Poors' A and above and are invested at average interest rates of 0.7%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

13. TRADE AND OTHER PAYABLES

	2020 NZ$M	2021 NZ$M
CURRENT		
Trade payables	69.3	56.7
Employee entitlements	57.1	87.5
Other payables and accruals	39.2	89.1
	165.6	**233.3**
NON-CURRENT		
Employee entitlements	16.6	20.6
Other payables and accruals	3.2	2.2
	19.8	**22.8**

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

	2020 NZ$M	2021 NZ$M
Warranty provision		
CURRENT		
Balance at beginning of the year	4.9	5.0
Current year provision	6.3	15.9
Warranty expenses incurred	(6.2)	(5.3)
Balance at end of the year	**5.0**	**15.6**
NON-CURRENT		
Balance at beginning of the year	2.2	1.5
Current year provision	(0.7)	9.0
Balance at end of the year	**1.5**	**10.5**

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 2021

15. SHARE CAPITAL

	2020 NZ$M	2021 NZ$M
Share capital at beginning of the year	221.0	229.0
Issue of share capital under employee share plans	8.0	22.3
Share capital at end of the year	229.0	251.3
Less treasury shares (i)	(3.6)	(2.2)
	225.4	**249.1**
Number of issued shares		
Number of shares on issue at beginning of the year	573,708,739	574,570,603
Shares issued:		
Employee share purchase schemes	167,316	79,889
Employee share based payments plans	694,548	1,762,040
Number of shares on issue at end of the year	574,570,603	576,412,532
Less treasury shares (i)	(290,103)	(137,720)
	574,280,500	**576,274,812**

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

16. EARNINGS PER SHARE

	2020 NZ$M	2021 NZ$M
Profit after tax	**287.3**	**524.2**
Weighted average number of ordinary shares	574,192,388	575,650,376
Adjustment for share options, PSRs and ESRs	4,857,255	3,937,886
Weighted average number of ordinary shares for diluted earnings per share	579,049,643	579,588,262
Basic earnings per share (cents per share)	50.0 cps	91.1 cps
Diluted earnings per share (cents per share)	49.6 cps	90.4 cps

AP

Basic earnings per share is calculated by dividing the profit after tax 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 2021

17. RESERVES AND DIVIDENDS

	2020 NZ$M	2021 NZ$M
Hedging reserve	(56.2)	103.0
Asset revaluation reserve	87.6	122.1
Employee share based payment reserve	27.7	20.3
Foreign currency translation reserve	3.0	(2.8)
Total reserves	**62.1**	**242.6**

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 $20.1 million were paid to non-resident shareholders (2020: $16.0 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		
2019 final	13.50	77.5
2020 interim	12.00	68.9
31 March 2020	**25.50**	**146.4**
2020 final	15.50	89.1
2021 interim	16.00	92.2
31 March 2021	**31.50**	**181.3**

Subsequent event – dividend declared

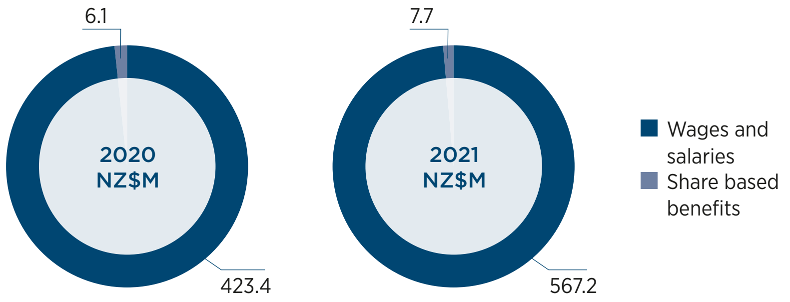
On 26 May 2021 the directors approved the payment of a fully imputed 2021 final dividend of $126.8 million (22.0 cents per share) to be paid on 7 July 2021. A supplementary dividend of 3.8824 cents per share was also approved for eligible non-resident shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. EMPLOYEE EXPENSES

Employee expenses total $574.9 million (2020: $429.5 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) Key management and director compensation

	2020 NZ$'000	2021 NZ$'000
Salary and other short-term benefits	7,887	10,053
Share based benefits	1,674	2,154
Directors fees	1,046	1,061
	10,607	**13,268**

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 2021

18. EMPLOYEE EXPENSES (CONTINUED)

b) 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 FPH'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. PSRs 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.

(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. The qualifying period between grant and vesting date is 3 years. At 31 March 2021 the total receivable owing from employees was $1.2 million (2020: $2.1 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 2021 totalled 79,889 shares (2020: 82,636).

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 on the following page.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. EMPLOYEE EXPENSES (CONTINUED)

Movements in the number of options, PSRs and ESRs outstanding and their exercise prices are as follows:

	2020			2021		
	Options	Performance Share Rights	Employee Share Rights	Options	Performance Share Rights	Employee Share Rights
Number outstanding						
As at beginning of the year	3,808,428	972,230	122,355	3,381,887	1,202,771	244,656
Granted during the year	815,732	257,701	127,713	412,417	130,857	62,227
Exercised during the year	(1,177,459)	–	–	(1,389,674)	(736,000)	–
Lapsed during the year	(64,814)	(27,160)	(5,412)	(8,505)	(3,596)	(3,553)
As at end of the year	**3,381,887**	**1,202,771**	**244,656**	**2,396,125**	**594,032**	**303,330**
Exercisable at year end	870,744	353,603	–	532,446	–	–
Number of employees holding employee share options, PSRs and ESRs	426	459	261	315	192	301
Weighted average exercise price	$12.98	–	–	$18.54	–	–
Weighted average remaining contractual life (months)	33	33	23	33	39	15
Fair value of share options or rights granted during the year (NZ$M)	2.6	2.6	2.0	2.9	3.0	2.2
Fair value of share options or rights granted during the year ($ per share)	$3.19	$10.11	$15.82	$7.15	$22.55	$35.53
Key inputs and assumptions used in fair value of grants during the year						
Share price at grant date	$16.90	$16.90	$16.90	$36.91	$36.91	$36.91
Contractual life (years)	5	5	3	5	5	3
Exercise price	$17.21	Nil	Nil	$36.54	Nil	Nil
Expected volatility (i)	25.5%	25.5%	n/a	27.3%	27.3%	n/a
Expected dividend yield	1.63%	1.63%	1.63%	1.10%	1.10%	1.10%
Cost of equity	7.6%	n/a	7.6%	7.7%	n/a	7.7%
5 year NZD risk free rate	1.24%	1.24%	n/a	0.24%	0.28%	n/a
5 year USD risk free rate	n/a	1.83%	n/a	n/a	0.28%	n/a
NZD/USD exchange rate of grant date	n/a	0.6400	n/a	n/a	0.6700	n/a
Expected NZD/USD volatility	n/a	10.30%	n/a	n/a	11.00%	n/a
Expected DJSMDQT index volatility	n/a	16.40%	n/a	n/a	19.00%	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 2021

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

	2020 NZ$M	2021 NZ$M
Capital expenditure commitments contracted for but not recognised as at the reporting date:		
Within one year	31.2	45.9
Between one and two years	0.3	9.2
Between two and five years	–	–
	31.5	**55.1**

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 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 2021

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
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**
2021										
Cash	60.0	10.0	5.5	–	1.2	2.2	2.9	5.1	10.4	97.3
Short-term investments	280.3	–	–	–	–	–	–	–	–	280.3
Trade receivables	1.5	83.5	55.7	18.5	4.5	7.2	5.7	3.2	17.2	197.0
Trade and other payables	(84.4)	(28.9)	(13.3)	(1.5)	(4.8)	(0.5)	(4.7)	(4.0)	(5.9)	(148.0)
Bank overdraft	–	–	(0.2)	(6.7)	(0.1)	–	(1.7)	–	(3.2)	(11.9)
Lease liabilities	(9.1)	(15.8)	(5.1)	(1.5)	(2.6)	(0.7)	(3.3)	(0.2)	(5.4)	(43.7)
Borrowings	–	(57.3)	–	–	(3.6)	(1.9)	–	–	–	(62.8)
	248.3	**(8.5)**	**42.6**	**8.8**	**(5.4)**	**6.3**	**(1.1)**	**4.1**	**13.1**	**308.2**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 (2020: +/-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 (2020: +/-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.

	2020		2021	
	NZ$M	NZ$M	NZ$M	NZ$M
	-1%	+ 1%	-1%	+ 1%
Interest rate change				
Impact on profit after tax	(0.3)	0.4	(2.4)	2.4
Impact on hedging reserves (within equity)	(1.6)	1.5	(1.0)	1.0
	(1.9)	**1.9**	**(3.4)**	**3.4**
	-10%	+ 10%	-10%	+ 10%
Foreign exchange rate change				
Impact on profit after tax	(0.2)	0.1	8.9	(8.2)
Impact on hedging reserves (within equity)	(152.5)	124.7	(121.5)	100.5
	(152.7)	**124.8**	**(112.6)**	**92.3**

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 (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. 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
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)**
2021						
Bank overdrafts	11.9	–	–	–	11.9	11.9
Trade and other payables	148.0	–	–	–	148.0	148.0
Borrowings	1.1	26.1	37.8	–	65.0	62.8
Lease liabilities	15.6	10.8	13.1	6.2	45.7	43.7
Total non-derivative financial liabilities	**176.6**	**36.9**	**50.9**	**6.2**	**270.6**	**266.4**
Foreign currency forward exchange contracts	40.3	35.0	67.6	1.1	144.0	142.2
Foreign currency option contracts	–	–	–	–	–	2.2
Interest rate derivative instruments net inflows (outflows) (i)	(0.5)	(0.5)	(0.4)	–	(1.4)	(1.4)
Total derivative financial instruments – assets	**39.8**	**34.5**	**67.2**	**1.1**	**142.6**	**143.0**

(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 2021

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. 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 96% of cash and short-term investments (2020: 93%) 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.

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

There have been no changes in accounting policies.

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b. 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).

c. 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.

AP

d. 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.

e. 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 less than 12 months.

f. 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.

g. 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.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fisher & Paykel Healthcare Corporation Limited

QUALIFIED OPINION

In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements of Fisher & Paykel Healthcare Corporation Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2021, 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).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2021;
- 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 consolidated financial statements, which include significant accounting policies and other explanatory information.

BASIS FOR QUALIFIED OPINION

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.

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. As a result, we did not observe the counting of certain physical inventories at 31 March 2020 and were unable to satisfy ourselves sufficiently by alternative means as to the quantities and condition of inventory held at that date. Consequently, we were unable to determine whether any adjustments to the materials balance and finished products balance at 31 March 2020 and to the results of operations for the year then ended were necessary. Our audit opinion on the consolidated financial statements for the year ended 31 March 2020 was modified accordingly.

Since opening inventories enter into the determination of the financial performance for the current year, our opinion on the current year's consolidated financial statements is also modified as we were unable to determine whether adjustments might have been necessary in respect of the profit for the year ended 31 March 2021 reported in the consolidated income statement and consolidated statement of comprehensive income, and the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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, regulatory tax compliance procedures in Mexico, providing market survey data relating to executive remuneration levels and other assurance services in relation to constant currency disclosures. Our firm was also engaged after the balance date to provide further market data relating to executive remuneration levels. The provision of these other services has not impaired our independence as auditor of the Group.

KEY AUDIT MATTERS

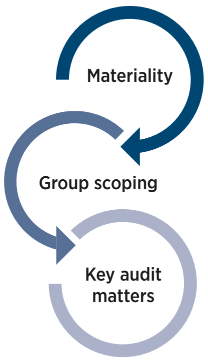
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our 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.

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group's revenue primarily consists of the sale of products which totalled $1,971.2 million in the year ended 31 March 2021 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 throughout the year compared to prior year as a result of COVID-19, we have given significant audit focus and attention to the recognition of revenue.	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, for a targeted operating subsidiary 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 revenue transactions in the other major operating subsidiaries we examined invoices issued to customers, shipping documentation and cash remittances, where paid; • for a sample of transactions within accounts receivable at balance date we obtained either 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 where we determined 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. We believe that the procedures performed responded to the heightened risk and no material exceptions were identified.

INDEPENDENT AUDITOR'S REPORT

OUR AUDIT APPROACH

Overview



Overall group materiality: $35.9 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.

Our Group audit scoping focussed on the major operating subsidiaries which were selected based on their contribution to the Group's revenue or profit before tax. We performed analytical procedures over the other subsidiaries.

As reported above, we have one key audit matter, being revenue recognition.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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.

How we tailored our group 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 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.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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.

INDEPENDENT AUDITOR'S REPORT

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/assurance-standards/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 May 2021 Auckland

APPENDICES

06

FIVE YEAR SUMMARY

For the years ended 31 March
All figures in NZ$M (except as otherwise stated)

		2017	2018	2019	2020	2021
FINANCIAL PERFORMANCE	Sales revenue	869.5	964.5	1,072.1	1,273.4	1,948.2
	Foreign exchange gain (loss) on hedged sales	24.9	16.3	(1.7)	(9.7)	23.0
	Total operating revenue	**894.4**	**980.8**	**1,070.4**	**1,263.7**	**1,971.2**
	Gross profit	590.4	650.4	715.8	835.8	1,245.6
	Gross margin	66.0%	66.3%	66.9%	66.1%	63.2%
	Other income	5.0	5.0	5.0	–	–
	SG&A expenses	(269.3)	(290.9)	(327.8)	(338.0)	(396.6)
	R&D expenses	(86.0)	(94.7)	(100.4)	(118.5)	(136.7)
	Total operating expenses	**(355.3)**	**(385.6)**	**(428.2)**	**(456.5)**	**(533.3)**
	Operating profit	240.1	269.8	292.6	379.3	712.3
	Operating margin	26.8%	27.5%	27.3%	30.0%	36.1%
	Net financing expense	(1.6)	(2.0)	(1.4)	(8.8)	5.9
	Tax expense	(69.3)	(77.6)	(82.0)	(83.2)	(194.0)
	Profit after tax	**169.2**	**190.2**	**209.2**	**287.3**	**524.2**
REVENUE By Region and Product Group	North America	433.0	458.5	501.5	571.2	825.7
	Europe	272.0	297.6	314.6	365.4	633.8
	Asia Pacific	154.8	181.0	208.1	273.3	348.4
	Other	34.6	43.7	46.2	53.8	163.3
	Hospital products	500.4	572.1	642.3	801.3	1,498.1
	Homecare products	381.5	398.1	421.4	457.3	465.6
	Core products subtotal	881.9	970.2	1,063.7	1,258.6	1,963.7
	Distributed and other products	12.5	10.6	6.7	5.1	7.5
	Total operating revenue	**894.4**	**980.8**	**1,070.4**	**1,263.7**	**1,971.2**
Growth Rates Reported	Revenue	9.7%	9.7%	9.1%	18.1%	56.0%
	Gross profit	13.2%	10.2%	10.1%	16.8%	49.0%
	R&D expenses	17.3%	10.1%	6.0%	18.0%	15.4%
	Profit before tax	18.8%	12.3%	8.7%	27.2%	93.8%
	Profit after tax	18.0%	12.4%	10.0%	37.3%	82.5%
Growth Rates in Constant Currency (1)	Revenue	14.0%	9.0%	8.0%	13.8%	61.4%
	Gross profit	17.0%	9.0%	9.0%	11.3%	57.4%
	R&D expenses	17.0%	10.0%	6.0%	18.0%	15.4%
	Profit before tax	21.0%	12.0%	9.0%	20.3%	103.6%

(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 103.

The 2017, 2018 and 2019 growth rates in constant currency have been sourced from the 2018 and 2019 annual reports respectively.

FIVE YEAR SUMMARY CONTINUED

For the years ended 31 March
All figures in NZ$M (except as otherwise stated)

		2017	2018	2019	2020	2021
FINANCIAL POSITION	Property, plant and equipment	425.2	476.4	601.4	735.3	882.1
	Total assets	878.2	1,025.1	1,206.7	1,435.0	2,075.0
	Total liabilities	(216.6)	(263.8)	(293.5)	(461.2)	(554.1)
	Shareholders' equity	661.6	761.3	913.2	973.8	1,520.9
	Return on assets (%)	29.0%	28.1%	26.1%	28.1%	40.9%
	Return on equity (%)	39.6%	37.6%	34.8%	39.3%	57.6%
	Net debt / (cash) (including short-term investments)	(0.2)	(49.9)	(54.4)	(42.2)	(302.9)
	Gearing Ratio[1]	0.0%	-7.3%	-6.7%	-4.3%	-27.2%
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)	Basic shares outstanding at 31 March	567,686,436	571,230,264	573,708,739	574,570,603	576,412,532
	Dividends declared					
	Interim	8.25	8.75	9.75	12.00	16.00
	Final[2]	11.25	12.50	13.50	15.50	22.00
	Total ordinary dividends	19.50	21.25	23.25	27.50	38.00
	Basic earnings per share	29.9	33.4	36.5	50.0	91.1
	Diluted earnings per share	29.5	33.0	36.2	49.6	90.4
CASH FLOWS	Net cash flow from operating activities	193.6	247.8	253.2	321.4	625.3
	Free cash flow[3]	130.6	149.3	119.9	141.0	430.4
	Dividends paid	(89.4)	(102.5)	(114.6)	(146.4)	(181.3)
CAPITAL EXPENDITURE	Plant and equipment	44.1	41.8	41.4	63.5	123.0
	Land and buildings	3.8	41.4	74.0	81.8	37.2
	Intangible assets	15.1	15.5	17.9	25.4	24.5
	Total	63.0	98.7	133.3	170.7	184.7
	Plant & equipment capex: depreciation ratio[4]	1.5	1.3	1.3	2.2	2.8

[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 NZ 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 NZ 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)

			2017	2018	2019	2020	2021
PATENT PORTFOLIO NUMBERS	US patents		161	186	222	302	381
	US patent applications (includes PCTs) (1)		357	385	427	430	454
	Non-US patents		714	870	988	1,236	1,508
	Non-US patent applications (excludes PCTs) (1)		732	912	1,080	1,228	1,345
PEOPLE NUMBERS	People numbers (2)		4,112	4,174	4,547	5,081	6,897
	By function:						
	Research and development		563	572	581	597	684
	Manufacturing and operations		2,405	2,386	2,680	3,098	4,685
	Sales, marketing and distribution		948	994	1,047	1,132	1,230
	Management and administration		196	222	239	254	298
	By region:						
	New Zealand		2,307	2,258	2,416	2,738	3,932
	North America		1,231	1,314	1,493	1,645	2,191
	Europe		271	294	303	333	350
	Rest of World		303	308	335	365	424
EXCHANGE RATES NZ$ 1 =	**AVERAGE DAILY SPOT RATES**	USD	0.7090	0.7148	0.6811	0.6477	0.6714
	AVERAGE CONVERSION RATES (3)	USD	0.6957	0.6823	0.6804	0.6671	0.6692
		EUR	0.5935	0.5999	0.6039	0.5760	0.5624
		GBP	0.4812	0.5018	0.5105	0.4921	0.5096
		AUD	0.9143	0.9246	0.9163	0.9235	0.9318
		CAD	0.8787	0.9218	0.8973	0.8748	0.8730
		JPY	69.67	72.34	73.21	72.44	69.70
		MXN	12.09	12.62	13.24	13.47	13.79

(1) PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.
(2) People numbers are represented as full time equivalents.
(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
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
DAVR	Discretionary Annual Variable Remuneration
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	Hospital 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. 26-27 and 30-33
102-3	Location of headquarters	Inside back cover
102-4	Location of operations	Annual Report: p. 31
102-5	Ownership and legal form	Annual Report: pp. 108 and 88-91
102-6	Markets served	Annual Report: p. 31
102-7	Scale of the organisation	Annual Report: pp. 22-25 and 138-140
102-8	Information on employees and other workers	Annual Report: pp. 44-55
102-9	Supply chain	Annual Report: pp. 75-76
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. 22-25
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. 78-84

GRI CONTENT INDEX CONTINUED

Disclosure	*Description*	*Location/Response*
Stakeholder engagement		
102-40	List of stakeholder groups	Annual Report: p. 35
102-41	Collective bargaining agreements	Annual Report: p. 55
102-42	Identifying and selecting stakeholders	Annual Report: p. 35
102-43	Approach to stakeholder engagement	Annual Report: p. 35
102-44	Key topics and concerns raised	Annual Report: pp. 35-37
Reporting practice		
102-45	Entities included in the consolidated financial statements	Annual Report: p. 91
102-46	Defining report content and topic boundaries	Annual Report: pp. 35-37
102-47	List of material topics	Annual Report: pp. 36-37
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. 142-143
102-56	External assurance	No external assurance for non-financial disclosures External assurance for financial statements (See Annual Report: pp. 132-135)

SPECIFIC STANDARD DISCLOSURES

Disclosure	*Description*	*Location/Response*
GRI 200 Economic standard series		
GRI 103	Management approach 2021	Annual Report: pp. 22-25
GRI 201: Economic performance		
201-1	Direct economic value generated and distributed	Annual Report: pp. 99-136
GRI 205: Anti-corruption		
GRI 103	Management approach 2021	Annual Report: p. 76
205-3	Confirmed incidents of corruption and actions taken	Annual Report: p. 76
GRI 400 Social standard series		
GRI 401: Employment		
GRI 103	Management approach 2021	Annual Report: pp. 44-45
401-1	New employee hires and employee turnover	Annual Report: pp. 54-55
GRI 403: Occupational health and safety		
GRI 103	Management approach 2021	Annual Report: pp. 69
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Annual Report: p. 70
GRI 404: Training and education		
GRI 103	Management approach 2021	Annual Report: p. 49
404-1	Average hours of training per year per employee	Did not report due to COVID-19 disruptions
GRI 416: Customer Health and Safety		
GRI 103	Management approach 2021	Annual Report: p. 68
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 2021	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 organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation 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. 72-73	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. pp. 72-73	a) Describe the organisation's processes for identifying and assessing climate-related risks. pp. 72-73	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. p. 73
b) Describe management's role in assessing and managing climate-related risks and opportunities. pp. 72-73	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. pp. 72-73	b) Describe the organisation's processes for managing climate-related risks. pp. 72-73	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. pp. 60-61
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. p. 73	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. pp. 72-73	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. pp. 60-61

DIRECTORY

DIRECTORY

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Physical address: 15 Maurice Paykel Place, East Tamaki, Auckland 2013, New Zealand

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