
Annual Report 2022

Fisher & Paykel
HEALTHCARE

# FORWARD

As the pandemic enters its third year, the extraordinary resilience of healthcare providers and clinicians remains on display—their continued efforts to treat patients deserve our gratitude. This kind of resilience can be found here in our business as well. Our people acted decisively at the outset of the pandemic to respond and have not let up since. Every day, F&P teams across the globe get to work to deliver for our customers, ensuring they have what they need to treat patients.

# TOGETHER

All the while, we haven't let the extraordinary events of the past two years divert us from our long-term course. We remain focused on sustainable, profitable growth, and our resolve to improve patient care and outcomes has only been strengthened. We're energised for what's ahead, and we're determined to continue innovating and building upon our relationships. **TOGETHER**, we are **LOOKING FORWARD**.

## ABOUT THIS REPORT

**Welcome to our 2022 Annual Report – Looking Forward.** This report highlights the work we have done this year to help to improve patient care and outcomes across the globe and the financial results we achieved while doing so.

Our people, investors and customers can also read about our track record with regard to non-financial matters, including environment, social and governance (ESG) topics. Our ESG commitments and metrics are contained in Section 3 of this report, called 'Operating Sustainably'.

This report aligns 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).

We welcome your feedback and suggestions for improvement. Please send any questions or comments to **investor@fphcare.co.nz**. A digital version of this report, along with all previous annual and interim reports are available at **www.fphcare.com/investor-reports**.

This report covers the financial year ended 31 March 2022 and is dated 24 May 2022. 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 spot financial currency fluctuations and hedging results, and has been prepared on a consistent basis each financial year. A reconciliation between reported results and constant currency results is available on page 101 of this report. The company's constant currency framework can be found on our website at www.fphcare.com/ccf.

# 01

### The Business Year



# 02

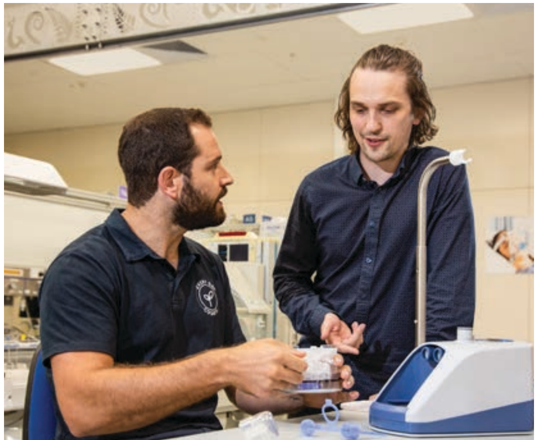
### The Company

# 03

## Operating sustainably



# 04



## Financials



# 05

## Appendices

**THE BUSINESS YEAR** Together, we continued to respond to strong global demand amid the pandemic while maintaining a view on the long term.

# 01

# RESULTS AT A GLANCE

OPERATING REVENUE

$1.68B

▼ 15% | 2021 $1.97B

NET PROFIT AFTER TAX

$376.9M

▼ 28% | 2021 $524.2M

GROSS MARGIN

62.6%

59 BASIS POINTS DECREASE

TOTAL DIVIDEND FOR YEAR
FULLY IMPUTED

39.5CPS

▲ 4% | 2021 38.0 CPS

SPEND ON R&D

$154.0M

9% OF OPERATING REVENUE

HOSPITAL REVENUE

$1.2B

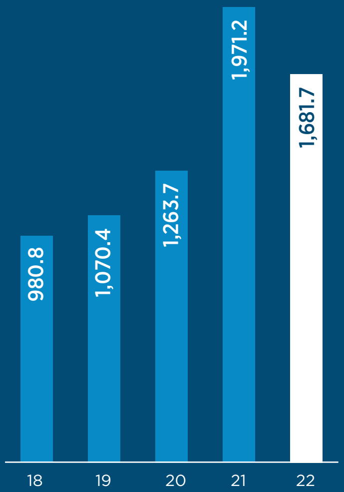
▼ 19% | 2021 $1.5B

HOMECARE REVENUE

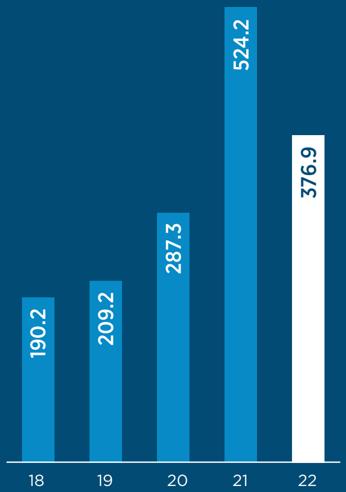
$469.5M

▲ 1% | 2021 $465.6M

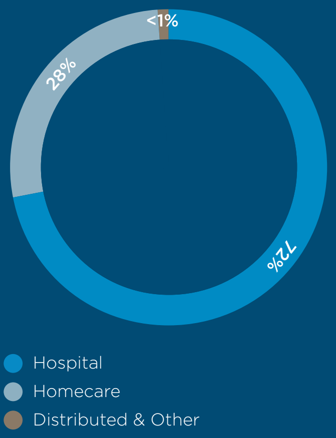
**OPERATING REVENUE**
NZ$ MILLIONS



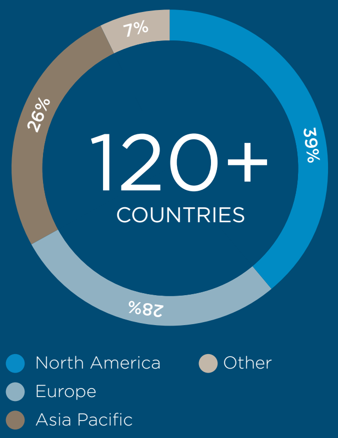

**NET PROFIT AFTER TAX**
NZ$ MILLIONS




**REVENUE BY PRODUCT GROUP**
12 MONTHS TO 31 MARCH 2022




**REVENUE BY REGION**
12 MONTHS TO 31 MARCH 2022




## BUSINESS HIGHLIGHTS

**IMPACTED** the lives of approximately 20 million patients around the world.

**UNVEILED** the Airvo™ 3, our new high-flow device set to build upon the success of the Airvo 2.

**LAUNCHED** the Optiflow Switch™ and Optiflow Trace™ interfaces for use in anesthesia.

**SECURED** regulatory clearance in the United States for our new Evora™ Full OSA mask.

**PROGRESSED** the construction of our third manufacturing facility in Tijuana and fifth R&D and manufacturing facility in Auckland.

**CONTINUED** to expand our global reach by placing sales representatives into additional countries.

# Report from the Chair

**SCOTT ST JOHN**
Board Chair

In 2019, Fisher & Paykel Healthcare celebrated its 50th anniversary as a business. Little did we know that right around the corner lay a pandemic that would significantly impact clinical practice and accelerate our path to growth. We had no way of knowing that 'nasal high flow therapy' – a treatment our sales teams were working so hard to promote – would become part of clinicians' everyday vocabulary and a phrase that journalists used daily in their stories about COVID-19.

For a long time into the future, we will remember 'the COVID years'. No doubt, they have been transformative. In addition to F&P products helping millions of patients, the adaptations required to meet surges in demand have moved us closer to our long-term growth aspirations. That transformation is accelerated by the boost in our installed base of hospital hardware that we achieved.

To put revenue in perspective, full-year operating revenue for the 2019 financial year was just over $1 billion – for the first time ever. For the 2020 financial year, it was over $1.2 billion and increased to nearly $2 billion for the 2021 financial year. Now, it appears the need for hospital respiratory support for COVID-19 may have peaked in many parts of the world for the time being. For the 2022 financial year, full-year operating revenue was $1.68 billion.

We had been planning for growth long before COVID-19. The unanticipated increases in earnings opened up some remarkable strategic opportunities – to bring forward new product development opportunities, build facilities faster, invest more in clinical research, and expand into new markets sooner than we expected. We are looking forward to these opportunities with excitement.

## STRATEGIC PROGRESS

As a Board, we maintained a focus on reviewing and validating the company's strategy for delivering sustainable profitable growth over the long term and ensuring that we are investing appropriately to achieve our objectives.

Research and development work carried on throughout the pandemic at our Auckland campus. As a result, the company has announced a number of game-changing new products: the Airvo 3 device for delivering respiratory therapies, as well as Optiflow Switch and Optiflow Trace, two new products designed to facilitate the expanded use of Optiflow for patients undergoing anesthetic procedures.

We continue to invest heavily into research and development. In the 2022 financial year, we spent $154 million, which was 9% of our operating revenue.

The company is also continuing to develop innovative products for obstructive sleep apnea, launching the F&P Evora Full compact full-face mask earlier in the financial year. The mask recently received 510(k) regulatory clearance from the FDA, and it is now being marketed in the United States.

Consistent with our strategy to expand into international markets, we now have sales representatives located in 53 countries. We are investing in hiring additional sales representatives in new and existing markets to ensure clinicians are educated about the benefits of nasal high flow therapy for all types of respiratory distress – beyond COVID-19.

We have made progress on adding facilities that are important to our plans for growth. Construction of our third building in Tijuana, Mexico is almost complete, and earthworks have started on the fifth building on our Auckland campus. These buildings will further expand our manufacturing space. Work is progressing well on identifying and acquiring a second campus in New Zealand, as well as a new offshore manufacturing location. We will announce those locations as soon as we can.

## BOARD UPDATE

As we announced previously, Lisa McIntyre joined the Board in October 2021 as an independent director, adding a wealth of experience in health and technology. Succession planning remains one of our priorities, and we are well advanced in our process to appoint a further independent director with the necessary skills and experience to complement other members of our Board. We expect to provide an update on an appointment in the coming weeks. Fisher & Paykel Healthcare continues to support the Institute of Directors' New Zealand Future Directors' programme, with Toni Moyes completing her tenure in October 2021, and we look forward to appointing another participant in this programme.

## DIVIDEND

Our consistent practice has been to pay a dividend to shareholders. In light of our continued strong performance, the Board has approved an increased final dividend of 22.5 cents per share. This takes the total dividend for the 2022 financial year to 39.5 cents per share, an increase of 4 per cent from 2021. The dividend will be paid on 6 July 2022.

## ENVIRONMENTAL & SOCIAL RESPONSIBILITY

We recognise the responsibility we have to a broad set of stakeholders – not only to the patients that use our products every day, but also to our shareholders, employees, customers, suppliers, and communities. To that end, I'm pleased to report progress on a range of environmental and social responsibility initiatives in the past year.

We have articulated our intention in a new Environmental & Social Responsibility policy and formed a governance group with representatives from across the business. This group will help provide long-term strategic direction on how we continue to make progress on our most material areas as identified on page 25 of this annual report. We are taking a broad view to assess not only our own practices but also those of our suppliers – the new 'Suppliers' section on page 54 of this report details the work underway in this area. We continue to make progress towards our science-based targets for climate impact and have again achieved inclusion in the Dow Jones Sustainability Indices for Asia Pacific and Australia.

With respect to our local communities, the work of the Fisher & Paykel Healthcare Foundation is picking up pace, having contributed to a range of initiatives during its first year. For more details on all of these efforts, please refer to the 'Operating Sustainably' section on page 33 of this report.

## PROFIT SHARE

On behalf of the Board, I want to thank the employees of Fisher & Paykel Healthcare for their adaptability and commitment. During the 2022 financial year, they continued to overcome difficult supply chain issues, challenging operational schedules, and spikes in absenteeism related to COVID-19. Despite all this, they demonstrated to customers that Fisher & Paykel Healthcare is a company they can count on. To recognise their efforts, the Board has approved for this year a discretionary profit-sharing payment of $19 million for employees who have worked for the company for a qualifying period.

## LOOKING AHEAD

While COVID-19 cases remain high in some parts of the world, global hospitalisations requiring respiratory support are currently declining, and this is welcome and hopeful news. It means sales representatives and product teams can get back into hospitals to meet with customers, and patients can get back into sleep clinics. Surgical procedures can proceed, and clinical trials can move ahead. It means Fisher & Paykel Healthcare's suppliers and employees can get back to more normal routines and a sustainable work-life balance. We look forward to what's in store for the years ahead.

**Scott St John**
Board Chair

# Report from the Managing Director & Chief Executive Officer

**LEWIS GRADON**
Managing Director and Chief Executive Officer

The world appears to be in a much different place to where we were 12 months ago and it has been encouraging to see our people begin to reconnect with each other, our customers, and our partners in recent months. We hope that conditions continue to improve from here.

Getting to this point has not been straightforward. For Fisher & Paykel Healthcare, the past year was again marked by challenges which tested us. We continued to respond to waves of demand across the globe for our life-preserving products, managed through operational disruption caused by lockdowns and Omicron-related absenteeism, and navigated a host of global supply chain issues. This required our people to plan and adapt, and my sincere thanks go to our employees across all our locations for their commitment to get the job done under trying circumstances.

We again witnessed the resolve of our customers, clinical partners and suppliers who have been relentless in their efforts to respond to COVID-19. As a company, we feel enormous gratitude for this response – it has played a major part in helping to reconnect the world and restore some sense of normality in many countries.

## OUR NEAR-TERM OPPORTUNITY

We've now marked more than two years since we first saw the initial demand signals out of Wuhan for our respiratory products. With the most acute phase of the pandemic behind us, there are two key observations. First, we have a unique opportunity to reach more patients as we continue to demonstrate the broad utility of our products in the hospital setting. The pandemic resulted in a significant increase in our installed base of Airvos and humidifiers in hospitals across the globe – we effectively sold 10 years' worth of hospital hardware in two. Many of these products were sold to new users and we have welcomed the opportunity to form relationships with new customers and clinicians.

To achieve our long-term growth aspirations, our focus for the near term is to build on our enlarged footprint by educating users on the wide-ranging benefits of Optiflow nasal high flow therapy and our respiratory products. We firmly believe that our products have a clear role to play in improving care and outcomes as we look beyond the pandemic. Our track record before the onset of COVID-19, and the growing body of clinical evidence that supports the use of nasal high flow and our other respiratory therapies, underline this.

Building close relationships – something that has always been at the core of our business – is vital to this process. To that end, we are continuing to grow our sales footprint in both new and existing markets, and it's great to see more of our teams out in the market as travel restrictions ease.

## OUR LONG-TERM RUNWAY

The second observation is that we did not let this once-in-a-generation event divert us from our long-term course. Our teams have remained focused on the long view and have continued to innovate across our product groups. The new devices and applications that we are bringing to market, detailed below and in the coming pages, demonstrate this.

We have launched two new products to facilitate the use of Optiflow in anesthesia applications – Optiflow Switch and Optiflow Trace. These applications expand the market opportunity within our hospital respiratory support segment. Based on the existing clinical evidence and our experience to date, we estimate that the number of patients annually that could benefit from Optiflow nasal high flow during anesthesia is similar to the annual number of general respiratory patients that could benefit from Optiflow.

We are excited to announce the Airvo 3 following more than five years of research and development. This is a revolutionary new product which builds on the market-leading Airvo 2 with even more advanced technology. The Airvo 3 incorporates our Opti$O_2$™ closed loop system for targeted oxygen delivery and an integrated battery to enable therapy while a patient moves through different areas of the hospital. It is now available in New Zealand and will be launched more widely as we receive the relevant regulatory clearances.

We are continuing to expand our obstructive sleep apnea (OSA) offering with the Evora Full mask, having recently secured 510(k) regulatory clearance. This clears the way for its sale in the United States after having earlier been launched into New Zealand, Australia, Europe and Canada. Our team worked hard to optimise for both comfort and performance on this mask and we look forward to getting it into the hands of patients in the U.S.

Taken together, these developments demonstrate our focus on the future and our determination to keep innovating for patients. Our team is excited about the long-term runway that these provide us. For more detail on these new products and others, please refer to pages 16 and 17 of this report.

We are excited to announce the Airvo 3 following more than five years of research and development. This is a revolutionary new product which builds on the market-leading Airvo 2 with even more advanced technology.

> I'm pleased to report another strong performance, one that was significantly stronger than pre-pandemic levels.

## 2022 FINANCIAL RESULT

Coming into the 2022 financial year, we knew that we were lapping a truly unique year in 2021, making for a challenging comparison. However, I'm pleased to report another strong performance, one that was significantly stronger than pre-pandemic levels.

Operating revenue for the 2022 financial year was $1.68 billion, 15 per cent lower than the previous financial year, or 14 per cent lower in constant currency. This marks a 57 per cent increase compared to the 2019 financial year (before the pandemic).

Net profit after tax was $376.9 million, 28 per cent lower than the previous year, or 30 per cent lower in constant currency. Compared with the 2019 financial year, it was up 80 per cent.

Our Hospital product group remained the major driver – this segment includes products for invasive ventilation, noninvasive ventilation and surgery, in addition to the hardware and consumables used for Optiflow nasal high flow. Revenue for the Hospital product group was $1.20 billion, a 19 per cent decrease compared to the previous year and also 19 per cent lower in constant currency. Compared with the 2019 financial year, it was up 88 per cent. Hospital hardware sales were down 41 per cent constant currency compared to the 2021 financial year, and hospital consumables sales declined 5 per cent.

Our Homecare product group generated revenue of $469.5 million, 1 per cent higher than the previous year, and 2 per cent higher in constant currency. Despite diagnosis rates continuing to be hampered by COVID-19 during the year, and patient treatment still being constrained by the supply of OSA flow generators, our OSA mask revenue increased 4 per cent for the year in constant currency terms.

Gross margin for the year was 62.6 per cent, or a 147 basis point decrease in constant currency. High airfreight utilisation and elevated freight rates continued to weigh overall, impacting constant currency gross margin by approximately 240 basis points compared to pre-pandemic levels.

## LOOKING FORWARD

Our experience over the last two years has reinforced the importance of investing for the future and having the ability to scale up on short notice. The fact that we had recently finished construction of our fourth building on our Auckland campus at the outset of the pandemic contributed to our ability to respond as orders began flooding in. This approach to future-proofing our business is continuing. If we are to deliver the runway of growth and opportunity mentioned earlier, we can't afford to stand still.

Over the last two financial years we have sold $880 million of hospital hardware, the equivalent of approximately 10 years' hardware sales prior to COVID-19. Our role now is to help our customers change their clinical practice so that this hardware will be used on an increasing proportion of respiratory-compromised patients throughout the hospital. We are not yet able to forecast the pace of this change, although the increasing body of clinical evidence and clinical practice guidelines developed independently of COVID-19 will be very beneficial. We expect that increasing utilisation of this hospital hardware over a number of years will be one driver of strong growth for the company in the future.

To ensure we are well-positioned to meet demand for the ongoing use of this installed base of hardware and accommodate our strong new product pipeline, we are continuing to invest in our infrastructure to ensure it supports our long-term growth.

We will be investing $700 million in land and buildings over approximately five years. This includes the fifth building which will complete our Auckland campus, a second New Zealand site, and a new offshore manufacturing facility. Earthworks are progressing steadily for the fifth building – the plans are coming to life and we look forward to seeing structures go into place over time. For both the second New Zealand site and the new offshore manufacturing location, our work to identify and acquire new sites is progressing well, and we will provide market updates on each development as soon as we are able.

## THANK YOU

The last two years have been remarkable for our company. What's certain is that this journey has made us more attuned to our purpose of improving care and outcomes. It was an important reminder of the responsibility we have to ensure we're doing all we can as a company to create the best-possible products for patients. We carry that responsibility with us now as we move forward, and we are as determined and as energised as ever to keep delivering.

I want to again thank our customers, suppliers and clinical partners for their support. And to our shareholders: thank you, as always, for your support. We are looking forward to all that's ahead, and we're glad you are on board with us.

L Gradon

**Lewis Gradon**
Managing Director and
Chief Executive Officer

# Hospital

Our Hospital product group includes products used in invasive ventilation, noninvasive ventilation, nasal high flow therapy, and laparoscopic and open surgery. Not only do these products help healthcare providers improve patient outcomes, they often deliver economic benefits as well, by reducing the need to escalate care and shortening patient stays in hospital.


**72%**
OF OPERATING REVENUE

OPERATING REVENUE
▼ 19%
**$1.2B**

CONSTANT CURRENCY REVENUE FROM NEW APPLICATIONS CONSUMABLES
**↑3%**

# Homecare

The Homecare product group includes devices and systems used to treat obstructive sleep apnea (OSA) and provide respiratory support in the home. These include our CPAP therapy masks as well as flow generators, interfaces, and data management technologies.


**28%**

OF OPERATING REVENUE

OPERATING REVENUE
▲ 1%

**$469.5M**

OSA MASKS CONSTANT CURRENCY REVENUE

**↑4%**

# New products

We have maintained our long-term focus despite the pressures of the pandemic, and our teams continued to innovate. We have brought a number of new products to the market, including the Airvo 3, Optiflow Switch and Optiflow Trace for use in anesthesia applications, our Evora Full mask for OSA, our surgical diffuser for open surgery, the AirSpiral™ heated breathing tube with nebulizer port, and AirSpiral NIV and NHF circuit kit for the F&P 850.

## F&P AIRVO™ 3


We are excited to release the Airvo™ 3 following several years of research and development. It is now available in New Zealand and Australia, with additional markets to follow once we receive regulatory clearance.

"Airvo 3 is designed to more easily allow treatment of more patients in more parts of the hospital. This is a revolutionary new product which builds on the market-leading Airvo 2 with even more advanced technology."

**LEWIS GRADON**
Managing Director and Chief Executive Officer

### Key features of the Airvo 3:

- OptiO$_2$™ closed loop system for targeted oxygen delivery
- Flow range extension (2 – 70 litres per minute)
- Expanded use for pediatric and neonatal patients
- Large touchscreen interface to input and view settings/data
- Integrated battery
- Protocol suggested therapy settings

## OPTIFLOW™ ANESTHESIA – SWITCH & TRACE

We have launched two products developed specifically for use in anesthesia applications. These applications expand the market opportunity for Optiflow nasal high flow within our hospital respiratory support segment.

"With these new products, we are able to offer solutions to anesthesiologists right across the anesthesia care continuum. We have received positive feedback from medical professionals and we look forward to placing them in more markets."

**WINSTON FONG**
VP – Surgical Technologies

F&P Optiflow SWITCH

### Key features of Optiflow Switch:

- Enables delivery of humidified oxygen in peri-anesthesia environment
- User can switch between bag mask ventilation and THRIVE without needing to remove the interface
- Reduces the number of steps required≈to bag mask ventilate a patient vs. standard Optiflow nasal high flow interfaces

F&P Optiflow TRACE

### Key features of Optiflow Trace:

- Sampling of exhaled gas from either nose or mouth
- Secure connection with standard $CO_2$ sampling lines
- Continuous sampling of exhaled $CO_2$ while using Optiflow nasal high flow for oxygenation

## OTHER NEW RELEASES

F&P HumiGard

### Launch of the SI400 Humidified Gas Diffuser

We have launched the SI400 gas diffuser, which is designed to deliver warm and humidified $CO_2$ into the surgical cavity during open surgery. This complements our HumiGard(TM) offering, and works with the SH870 Humidifier and ST320 Humidified Installation Kit. The product is now available in New Zealand, Australia and the United Kingdom.

F&P Evora Full

### 510(k) clearance for the Evora™ Full

Our latest compact full-face mask for obstructive sleep apnea (OSA) treatment has received FDA 510(k) clearance. This paves the way for its sale into the United States following its launch in Australia, New Zealand, Europe and Canada.


MODEL
FIRST

**THE COMPANY** Together, we work to improve care and outcomes through inspired and world-leading healthcare solutions.

# 02

# Who we are

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.

# Where we operate


**53**
Countries with F&P people

**2,608**
People in North America, including Mexico

**380**
People in Europe

**3,927**
People in New Zealand

**460**
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, nurses and other clinicians, 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 and profitable over the long term.

### OUR INPUTS

- Our 7,000+ 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

## Investors and other stakeholders are increasingly using non financial 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.

We worked with an independent consultant, to obtain feedback from multiple stakeholders. The result is a 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.
For more information on the Sustainable Development Goals that we contribute towards, please refer to Section 3 of this report, Operating Sustainably.

### OUR STAKEHOLDERS


EMPLOYEES


CUSTOMERS


INVESTORS


CLINICIANS

SUPPLIERS


COMMUNITIES

## OUR PROCESS

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

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

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

4. **ANALYSED** ranking survey results to create materiality matrix reflecting 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 PROCESS

# Our Board

## Scott St John

Chair and non-executive director

TERM OF OFFICE:
Appointed October 2015, last re-elected 18 August 2021. Appointed Chair on 21 August 2020.

Scott is director of ANZ New Zealand Bank Limited, Mercury Limited, the NEXT Foundation and Fonterra Cooperative Group Limited. Scott was Chief Executive Officer of First NZ Capital from 2002 to 2017. Scott previously served as the Chancellor of the University of Auckland, Chairman of the Securities Industries Association and was a member of the Financial Markets Authority Establishment Board.

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 38-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 18 August 2021.

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 director of Cochlear Limited, Tait Limited, the Medical Research Commercialisation Fund, and Chair of Te Titoki Mataora – MedTech Research Translator. Michael was named a Knight Companion of the New Zealand Order of Merit in June 2021.

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

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 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

## Lisa McIntyre

Non-executive director

**TERM OF OFFICE:**

Appointed October 2021.

Lisa is a director of HCF Group, The University of Sydney, Studiosity, and Nanosonics. In addition to her current directorships, Lisa has previously been a director of a range of health entities, including those in healthcare insurance, clinical service delivery and medical research and innovation. Lisa spent 20 years as a senior strategy partner with LEK Consulting providing advice to companies in North America, Asia and Australia.

PhD Physical Chemistry, Bachelor of Science – Biochemistry and Pure Maths

**COMMITTEE RESPONSIBILITIES:**

Member Quality, Safety & Regulatory Committee.

## 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 a non-executive director of Sonic Healthcare and Q'Biotics Group and a former director of The Board of Tax, South East Sydney Local Health District, Osprey Medical and Sirtex Limited. Previously, he served on the New South Wales Medical Devices Fund, was Chairman of the Group of 100, and Chairman, Standing Committee (Accounting and Auditing), for the Australian Securities and Investments Commission.

Bachelor of Commerce

**COMMITTEE RESPONSIBILITIES:**

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.

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

Bachelor of Engineering, Master of Business Administration

**COMMITTEE RESPONSIBILITIES:**

Chair Quality, Safety & Regulatory Committee.

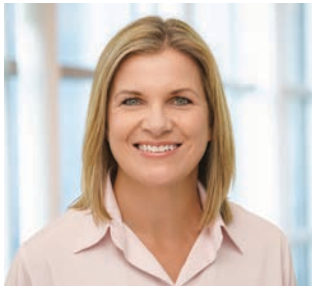
Member People & Remuneration Committee.

# 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, New Zealand.



## Lyndal York

Chief Financial Officer

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

## 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, New Zealand.

## 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, New Zealand, and holds a doctorate in physics from the same university.

## Winston Fong

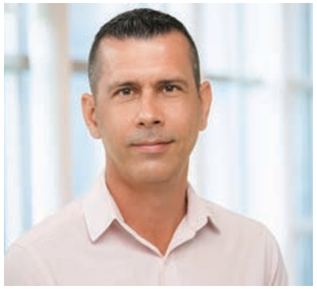
Vice President
– Surgical Technologies

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, New Zealand.

## 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, United States.



## 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

Vice President – Supply Chain, Facilities & Sustainability

Jonti was appointed Vice President – Supply Chain, Facilities & Sustainability in 2022, having served on the Executive Management Team since 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. 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 Vice President - 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. She holds a Bachelor of Management Studies with Honours in Human Resources and Marketing from the University of Waikato.

# OPERATING SUSTAINABLY

Together, we are working to create a positive lasting impact on society and the environment.

03

# People

Creating an environment where our people feel a connection with our business is something we strongly believe in. Our intention is to have good people who contribute the most they can over the long term and to create a positive lasting impact on society.

## DIVERSITY, EQUITY AND INCLUSION

Our company culture guides us to do the right thing, and we know our words and actions today will impact future generations. We focus on nurturing a positive and inclusive culture based on trust and respect, that encourages our people to speak openly and is free from bias, discrimination, harassment or bullying. We strive to provide a high quality of life for our employees and support our suppliers to do the same for their people. We use data and insight to identify bias, drill down to the root cause and take action to address it.

Harnessing the diverse skills of our people and the unique lens that each person brings, combined with strong support from managers and leaders, is a powerful union that we believe provides the pathway to belonging, and connection to our business and each other.

A strong example of this is in the growth and empowerment of our employee groups, formed around shared identities and experiences. They form a central part of our diversity ecosystem and one of the ways we find insight into equity and inclusion issues affecting our people. This year, we enabled the Spectra, Manaaki and Women in Engineering groups to be part of key business projects to incorporate inclusive design solutions in our diversity infrastructure and built environment.

These groups and individuals across the business also worked to support our cultural intelligence with significant contributions to our pandemic response, Māori cultural awareness and the preservation of te reo and tikanga Māori, and learning opportunities for women in technical roles.

In March 2022, we appointed a Diversity and Inclusion Manager, a newly created role demonstrating our continuing commitment to diversity, equity and inclusion.

RACHEL MILLER (SHE/THEY)
Our new Diversity and Inclusion Manager.

## IDEA Council (Inclusion, Diversity, Equity and Awareness Council)

The IDEA Council is made up of seven volunteers who champion diversity and inclusion, act as trusted advisors to the executive management team and Board and help ensure sustainable, equitable outcomes from diversity and inclusion initiatives.

The council grew to include more people and created an online community to encourage others to share their history and experiences and discuss diversity and inclusion topics.

It also continued to build on focus areas around gender and ethnicity – see the table below.

While the demands of the pandemic restricted the capacity for employees in our manufacturing and operations teams to participate in council projects, work has begun to restructure and develop further governance around the council to enable them to participate. More opportunities to meet and work alongside employee groups has strengthened the council's connections in this area of the business.

In partnership with Diversity Works New Zealand, the council has begun to develop a long-term, global approach to diversity and inclusion which will be completed in the 2023 financial year.

## Focus areas – 2022 Financial Year

| R&Dversity Project | Cultural Values Project | Unconscious Bias Training |
|---|---|---|
| Volunteers began work to identify solutions to address issues engineers experienced based on their gender and improve low female representation in R&D at senior levels. Priority areas are making meetings and model shops more inclusive and improving visibility and accessibility of female role models. | The root causes of under-representation of some ethnicities in technical or higher paid roles were identified this year. Recommendations to improve recruitment and learning and development practices are key objectives for the 2023 financial year. These include improving the visibility of job opportunities and available courses, seeing our products in action and addressing bias in recruitment. | A three-part series of unconscious bias workshops was rolled out to senior leaders, HR practitioners and diversity champions. This programme will be incorporated into the learning and development catalogue for all people managers to undertake. An awareness campaign on bias and inclusion to support the learning featured in these workshops will begin in the 2023 financial year. |

# People – Continued

## Progress on FY22 diversity and inclusion objectives

The pandemic continued to impede progress on some of our global diversity and inclusion initiatives, with some of these being carried over into the 2023 financial year.

| FY22 Objective | Progress |
|---|---|
| Complete the gender representation diagnostic in our sales regions and Mexico manufacturing plant. | Not complete. |
| Identify initiatives to improve gender representation in our global locations where required. | Not complete. |
| Identify and commence implementation of two initiatives to improve female representation in the R&D function. | Complete. |
| Increase our focus on diversity beyond gender by completing an investigation into the impact of culture on New Zealand waged employees' career progression. | Complete. |

## FY23 diversity and inclusion objectives

Our diversity and inclusion priorities for the 2023 financial year are:

- Complete the gender representation diagnostic in our sales regions and Mexico manufacturing plant (carried over from FY22).
- Identify initiatives to improve gender representation in our global locations where required (carried over from FY22).
- Complete implementation of two initiatives to improve female representation in the R&D function.
- Identify and commence implementation of two initiatives to improve waged employee progression.

The Spectra panel featuring members of the executive management team.

## Spectra

Creating a welcoming and inclusive workplace was at the centre of Spectra's activities this year.

The group, who celebrate and enable the queer and gender-diverse community, worked on gender-inclusive data collection, developed gender-affirmation guidelines and ensured more gender-neutral facilities were adopted in the design of our fifth building in New Zealand.

Spectra adapted gender identity data fields in the new HR system to ensure users were provided with two options: either selection from a wide range of choices, or to describe their identity in their own words. The system also allows for changes to gender identity at any time, recognising that this can change over time.

ONLINE PANEL DISCUSSION

## Enabling everyone to be authentically themselves

Pride Month gave Spectra an opportunity to fulfil their goals to increase visibility of the Rainbow community and strengthen connections. 'Authenticity' was the theme of this year's events. This included a morning tea, a visit from drag star Kita Mean demonstrating courage, fun and authenticity, an ice cream fundraiser securing $2,000 for Outline Aotearoa (a support and counselling hotline), and a Rainbow trivia quiz.

The most impactful event was an online panel discussion entitled 'Enabling everyone to be authentically themselves'. It featured our CEO and two other members of the executive team. The discussion sparked meaningful conversation and reminded people that everyone has a voice.

Our Manaaki group presenting to members of the wider team.


### Manaaki

Manaaki, our indigenous leadership group, continues to grow and support our people with Māori heritage to develop their leadership skills and connection to their Māoritanga (culture and traditions). Manaaki also played a significant role to improve our cultural awareness with language courses and kapa haka, event celebrations and business engagement throughout the year.

A collaboration with indigenous coaches, Rise2025, provided members with a further opportunity to expand their skill set through the creation of a committee governance structure, purpose, values, strategy and objectives, which can be transferred to new employee groups as they form.

In 2021, Manaaki launched 'Kimiora', a six-month learning and communications programme aimed at helping our people improve their wellbeing. Kimi means "to seek", and ora means "life or wellbeing". Based on the Te Whare Tapa Wha model of health, Kimiora

# People – Continued

showcased key messages around mental, physical, spiritual and social health through our digital communication channels. This was reinforced with events including yoga classes, a panel discussion with sleep experts, financial wellbeing courses and a comedy event for friends and whānau to enjoy together in their own homes.

'Creating a workplace where it is wonderful to be Māori' is the group's vision, and signature events for Matariki (recently designated a national holiday in New Zealand) and Te Wiki o Te Reo Māori (Māori language week) are planned. Developing partnerships with iwi and assisting with the design of a multidimensional cultural hub on our New Zealand site will be key projects moving forward.

Since the first Manaaki group graduated in March 2021, many have moved into roles or taken up opportunities to put their new skills and confidence into practice.

**KIT MCARTHUR**
Product Development Engineer
(Ngāti Kahungunu, American)

"The indigenous leadership course gave me confidence not only in my identity as Māori, but also in my work as a product development engineer. Shortly after, I was made permanent in my team. The principles I learned enabled me to communicate more effectively with my co-workers, managers, and project stakeholders. I learned frameworks that have helped me to foster my relationships and daily mindset. The course has had an incredibly significant effect on me, and I'm grateful that more individuals in the company will be able to experience that for themselves."

## Women in Engineering

Providing a community and a platform for women in technical roles at F&P to support each other and provide the necessary tools to enable their professional and personal growth is the purpose of our Women in Engineering group.

The group has developed a vision where every woman in a technical role at F&P feels empowered and is enabled to fulfil their professional and personal potential and succeed in their roles.

During 2021, the group ran workshops on the Imposter Syndrome, Growth Mindset and Mentorships. They have also developed an active and supportive online community.

Our 'Breaking the Bias' workshop held on our New Zealand campus in March 2022.

For International Women's Day in March 2022, Women in Engineering hosted a 'Breaking the Bias' workshop for over 40 people from across the business.

Objectives for 2023 include increasing technical confidence, reaching more people and strengthening the community. This will be achieved through facilitating workshops, developing communications, continuing to develop support forums and hosting social events. The group are also actively involved in R&Dversity, our project focused on improving female representation in R&D roles.

## ATTRACTING TALENT

Continuing to meet global demand for our product, and ensuring we have enough people in the right roles to deliver on this, required substantial efforts from our recruitment team in the 2022 financial year. This process was once more disrupted by COVID-19-related containment measures and border closures.

We continued with initiatives implemented in the 2021 financial year, using an end-to-end virtual recruitment process for New Zealand salaried workers when lockdown measures prohibited on-site visitors. In both New Zealand and Mexico, we used recruitment partners to assist with temporary and permanent resources during peak production periods, particularly in the early months of 2022 when Omicron-related absenteeism created staffing pressures.

Adding people to our global sales offices in order to provide our customers with the necessary education and technical support continued to be a major focus for the year and will remain so during the 2023 financial year.

We welcomed fresh cohorts of graduates and interns into our team over the course of the year.

# People – Continued

## LIVING AND WORKING WITH COVID-19

To ensure we could continue to keep our people safe while fulfilling our global responsibility to provide our products, we introduced a range of safety initiatives on our large manufacturing sites in New Zealand and Mexico. This included encouraging as many of our people as possible to get vaccinated, as research showed it is the best way to protect ourselves and others.

We are proud of our people who attended learning sessions, got vaccinated, tested for COVID-19, organised and volunteered for clinics and events, supported their teammates and colleagues through their fears, and spoke to and for their families and communities so we could understand each other better.

Members of our Mexico team who supported our vaccination efforts.

### Mexico

T-shirts with "I got vaccinated!" printed on them were a highlight in Mexico, where buses were arranged to take people to local vaccination points.

A wide range of other measures to protect our people in Mexico was implemented, some mirroring the medical, HR and communication support available in New Zealand, while others were unique to the Mexico team.

These included drinking water with vitamin C, outdoor hand basins, footwear sanitation mats, temperature-monitoring cameras at entries and exits and daily desk sanitising.

Our New Zealand team set up a drive-through vaccination centre on our site in September 2021 for employees and their family members.

### New Zealand

Vaccine booths and leaflets in multiple languages kick-started the new wave of safety measures in New Zealand. This was followed by on-site saliva testing, vaccination clinics and a vaccine drive-through for family and friends. Later in the year, we stepped up our education campaign through Talanoa+ and 'Experts Live', two events designed to help our people understand the benefits of being vaccinated and to dispel myths and disinformation.

### Vaccinations on-site

Over 1,400 people were vaccinated on site within seven days during a strict regional lockdown through our clinics and "home bubble" drive-through. Twenty health professionals took an average of four minutes to vaccinate our people and their families. Those who took part enjoyed tunes from our own radio station, and ice creams while in observation.

## Talanoa+

There are many people with Pasifika heritage at our New Zealand site and there was particular concern about the virus and disinformation spreading amongst the South Auckland, Pasifika and Māori communities. To support our people from these communities, we developed Talanoa+ sessions. Talanoa is a form of dialogue from the Pacific Islands, and ours were designed to share information about COVID-19 that was personable, relevant, and culturally appropriate. Six sessions featured guest speakers including a COVID-19 survivor, a doctor, and spokespeople from the travel industry who could talk about the reality of travelling during the pandemic. The response was hugely positive and, at times, deeply emotional.

Our Talanoa+ sessions created space for discussion around the vaccine.

"I wasn't expecting to see Pacific people facilitating this Talanoa+ but when I walked in and saw them dressed in their Pacific attire and speaking my language, I was instantly connected and very excited."

"I think the information delivered was very good. The speakers were very encouraging, and it felt like a safe place to share and gather information. The opportunity to be here was great."

## Experts Live

The 'Experts Live' educational session featured a well-respected, independent panel (in-person and online) to share their insights and experience on all things COVID-19, the vaccine and managing well-being. More than 600 people attended.

## Re-establishing connections in the U.S.

COVID-19's impact in the U.S. and its effect on people and the workplace has been well-documented throughout the pandemic. Following public health guidance and our own safety precautions, the California-based U.S. team worked remotely from March 2020 through March 2022.

In April 2022, the team moved into a new office and service centre after several delays caused by new COVID-19 variants.

Mirroring the style of the New Zealand campus, it offers ergonomic furniture, quiet zones and collaboration space, and amenities to support wellbeing. This will also serve to attract new people as we grow.

Our new office in Irvine, California.

# People by the numbers

## TOTAL PEOPLE

The tables below show our total numbers of people by headcount as at 31 March 2022. We have recently added new gender categories.

### By region

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| **Region** | **Permanent** | **Temporary** | **Permanent** | **Temporary** |
| New Zealand | 2,963 | 971 | 3,444 | 633 |
| Mexico | 1,774 | 97 | 2,190 | 88 |
| Rest of World | 1,096 | 15 | 1,173 | 11 |
| **Total** | **5,833** | **1,083** | **6,807** | **732** |

### By gender

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| **Gender** | **Permanent** | **Temporary** | **Permanent** | **Temporary** |
| Women | 2,967 | 680 | 3,578 | 550 |
| Men | 2,863 | 396 | 3,215 | 181 |
| Gender diverse* | 1 | 2 | 4 | 0 |
| Not specified / Prefer not to say | 2 | 5 | 10 | 1 |
| **Total** | **5,833** | **1,083** | **6,807** | **732** |

*Gender diverse is an umbrella term for a range of gender identities beyond the binary framework.

### Full-time and part-time*

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| **Gender** | **Full-time** | **Part-time** | **Full-time** | **Part-time** |
| Women | 2,935 | 33 | 3,552 | 26 |
| Men | 2,850 | 13 | 3,204 | 11 |
| Gender diverse | 1 | 0 | 4 | 0 |
| Not specified / Prefer not to say | 1 | 0 | 9 | 1 |
| **Total** | **5,787** | **45** | **6,769** | **38** |

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

## 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 2022. This chart does not include our new gender categories.

| | FY2021 | | | | FY2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Women | Men | Women % | Men % | Women | Men | Women % | Men % |
| Board | 2 | 5 | 29% | 71% | 3 | 5 | 38% | 62% |
| Senior executives[1] | 2 | 8 | 20% | 80% | 3 | 8 | 27% | 73% |
| Senior management[2] | 16 | 40 | 29% | 71% | 20 | 47 | 30% | 70% |
| All employees[3] | 2,967 | 2,863 | 51% | 49% | 3,578 | 3,215 | 53% | 47% |

1 The term "senior executive" refers to the Chief Executive Officer, executives reporting directly to the Chief Executive Officer and the General Counsel and Company Secretary who reports directly to the Board.
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

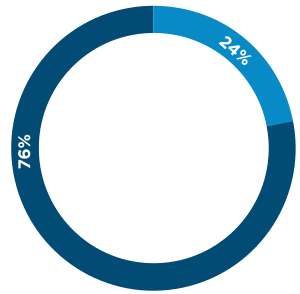
The table below shows the age ranges of our people among our Board members, senior executives and all employees as at 31 March 2022.

| | FY2021 | | | FY2022 | | |
|---|---|---|---|---|---|---|
| | Board | Senior executives[1] | All employees[2] | Board | Senior executives[1] | All employees[2] |
| Under 30 years old | 0 | 0 | 1,711 | 0 | 0 | 2,026 |
| 30 – 50 years old | 0 | 8 | 3,223 | 0 | 8 | 3,735 |
| Over 50 years old | 7 | 2 | 899 | 8 | 3 | 1,046 |
| % Under 30 years old | – | – | 30% | – | – | 30% |
| % 30 – 50 years old | – | 80% | 55% | – | 73% | 55% |
| % Over 50 years old | 100% | 20% | 15% | 100% | 27% | 15% |

1 The term "senior executive" refers to the Chief Executive Officer, executives reporting directly to the Chief Executive Officer and the General Counsel and Company Secretary who reports directly to the Board.
2 Temporary staff are not included in the above numbers.

## COLLECTIVE BARGAINING AGREEMENTS

Of all permanent employees globally, 24% were covered by collective bargaining agreements in the 2022 financial year.




Collective bargaining agreement
No collective bargaining agreement

# People – Continued

## HIRE RATES

The tables below show our hire rates for the financial year ended 31 March 2022. Hire rate is the number of permanent employees hired divided by headcount in each region or category.

### By region

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| Region | New employees | Hire rate | New employees | Hire rate |
| New Zealand | 644 | 21% | 837 | 39% |
| Mexico | 647 | 36% | 717 | 19% |
| Rest of World | 194 | 18% | 81 | 8% |
| **Total** | **1,485** | **25%** | **1,635** | **24%** |

### By age group

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| Age group | New employees | Hire rate | New employees | Hire rate |
| Under 30 years old | 780 | 45% | 653 | 19% |
| 30 – 50 years old | 648 | 20% | 735 | 34% |
| Over 50 years old | 57 | 6% | 247 | 21% |
| **Total** | **1,485** | **25%** | **1,635** | **24%** |

### By gender

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| Gender | New employees | Hire rate | New employees | Hire rate |
| Women | 812 | 27% | 939 | 26% |
| Men | 670 | 23% | 689 | 21% |
| Gender diverse | 1 | – | 1 | |
| Not specified/ Prefer not to say | 2 | – | 6 | |
| **Total** | **1,485** | **25%** | **1,485** | **24%** |

## EMPLOYEE TURNOVER

The tables below show employee turnover rates for the financial year ended 31 March 2022.

### By region

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| Region | Number of leavers | Turnover rate | Number of leavers | Turnover rate |
| New Zealand | 127 | 4% | 346 | 10% |
| Mexico | 398 | 22% | 617 | 28% |
| Rest of World | 104 | 9% | 178 | 15% |
| **Total** | **629** | **11%** | **1,141** | **17%** |

### By gender

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| Gender | Number of leavers | Turnover rate | Number of leavers | Turnover rate |
| Women | 336 | 11% | 595 | 16% |
| Men | 293 | 10% | 545 | 17% |
| Gender diverse | – | – | – | – |
| Not specified / Prefer not to say | – | – | 1 | – |
| **Total** | **629** | **11%** | **1,141** | **17%** |

### By age group

| | FY2021 | | FY2022 | |
|---|---|---|---|---|
| Age group | Number of leavers | Turnover rate | Number of leavers | Turnover rate |
| Under 30 years old | 293 | 17% | 532 | 25% |
| 30 – 50 years old | 284 | 9% | 526 | 14% |
| Over 50 years old | 52 | 6% | 83 | 8% |
| **Total** | **629** | **11%** | **1,141** | **17%** |

## GENDER PAY RATIO

The table below shows our gender pay ratio, calculated within salary bands and functions using the average pay ratio between women and men as at 31 March 2022.

| | FY2021 | FY2022 |
|---|---|---|
| New Zealand (salaried and waged) | 100% | 99.7% |
| Outside of New Zealand (salaried only) | 96.5% | 96.0% |
| **Total** | **98.8%** | **98.5%** |

# Community

One of the hallmarks of a successful business is looking after the wider community. We partner with like-minded organisations to identify and facilitate opportunities to create shared value.

## FISHER & PAYKEL HEALTHCARE FOUNDATION

On 22 March 2021, the Fisher & Paykel Healthcare Foundation was officially registered as a charitable entity, with the company committing $20 million as part of its establishment. The Foundation's purpose is supporting healthier communities with a focus on three key areas: health, education and environment, partnering with individuals and organisations that help those who are underserved and underrepresented. Neerali Parbhu was appointed to the role of Foundation Lead in September 2021.

### Neerali Parbhu, Foundation Lead

Neerali has spent seven years at Fisher & Paykel Healthcare, working in research and development as a Senior Product Development Engineer, followed by a year in international sales as an OEM Product Manager before accepting her current role. Neerali sits on the board of trustees for Kiwibots and the management committee for Camp Quality Auckland/Northland. She has spent years volunteering for non-profit organisations in New Zealand and overseas. She holds a Bachelor of Art and Design, Product Design (Honours) and a Masters of Philosophy.

## Supporting initiatives

The Foundation's community initiatives during the past year included:

### An eight-year commitment to Middlemore Clinical Trials, donating $150,000 per year.

This funding supports research targeted at addressing inequities in healthcare for Māori and Pasifika children and summer studentships for Māori medical students.

### Support for the 'Lungs4Life' campaign.

A new model of care that has been established in the four Northern District Hospital Boards in New Zealand for children less than two years of age with repeated hospital admissions for lower respiratory tract infections.

### A $30,000 contribution to Kiwibots.

Helping build awareness of robotics for children across New Zealand with outreach work targeting remote areas and young women across New Zealand through workshops and competitions.

## The establishment of an agreement with First Foundation to support four students with scholarships valued at $22,000 each.

First Foundation provides scholarships to students recognised as high achievers though lack the resources to attend tertiary education. Scholarships cover tuition fees, mentors and university supplies required over their four years of study.

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## The Foundation is gearing up to launch a funding round in the 2023 financial year to build further partnerships in the community to support healthier communities.

### Meet the Foundation Trustees

**LINDSAY GILLANDERS**
Independent Chair

**DR DAVID GALLER**
Independent Trustee

**TONI MOYES**
Independent Trustee

**MARCUS DRILLER**
VP Corporate,
Fisher & Paykel Healthcare

**KIRI HENARE**
GM HR NZ,
Fisher & Paykel Healthcare

**KEVIN PEARSON**
GM Product Group Operations,
Fisher & Paykel Healthcare

**JAMES TUCK**
GM International Sales Operations,
Fisher & Paykel Healthcare

# Community – Continued


## BBM Christmas Appeal

Fundamental to the Foundation's activities is to connect Fisher & Paykel Healthcare employees with work that the Foundation is supporting in the community.

An organisation close to our people's hearts is Dave Letele's Brown Buttabean Motivation (BBM) which has worked throughout the pandemic to support South Auckland families.

During the 2022 financial year Fisher & Paykel Healthcare employees raised around $7,000 and the Foundation contributed an additional $25,000 towards BBM's Drive-Thru Christmas Appeal. This money went towards the purchase of around 800 presents, gift-wrapped and delivered by our volunteers, and BBM's ongoing operations. We were pleased to see Dave be presented with the Kiwibank New Zealand Local Hero of the Year award in late March, recognising the impact of his efforts in the Auckland community.

### CONSULTING MANA WHENUA ON TE MĀRA PĀTENGI O TE WAI O URU

Shortly after the Daniell Building opening in July 2020, we began to plan our fifth building to support our continued growth. Building 5 will house research and development, manufacturing and distribution facilities to support over 1,000 additional employees.

One of the key lessons from the Daniell Building construction process was the importance of inviting and considering the voices of mana whenua from the outset, particularly after the discovery of an ancient shell midden area on that building's site. Mana whenua means the indigenous people (Māori) who have historic and territorial rights over the land and a special cultural and spiritual relationship with the environment – a matter of national importance under New Zealand's Resource Management Act.

In preparation for Building 5 groundworks, we engaged three iwi who declared an interest in the site: Ngāi Tai Ki Tāmaki, Ngāti Whanaunga and Te Ākitai Waiohua, as well as archaeologists. Key to the success of the project moving forward was to prioritise iwi protocols and consultations and develop cultural monitoring methods. The site was named Te Māra Pātengi o Te Wai o Uru by mana whenua. Enabling works to prepare the ground for Building 5 began in October 2021.

The building's theme, 'New Zealand Grown', is inspired by the area's rich cultural history. The theme will inform the colour palette and interior design themes throughout the building. It is currently expected to be completed in 2025.

## A cultural history of the site

Archaeological surveys of the Building 5 site indicated large-scale gardening by Māori around the 18th century. Seventeen rua (storage pits) of various sizes and with complex drainage channels were found. A shell midden site also indicated where people were likely to have lived next to the rua, used to store kūmara (sweet potato) crops.

Fisher & Paykel Healthcare's full site is believed to have had many successive occupations and uses over the centuries including a small fishing camp, gardens and a papakainga (village) outside the Daniell building footprint. After the Land Wars, the area was used by a European landowner for grazing. His farmstead was erected on top of the former papakainga and its well is still visible today.

Archaeological work being performed on the Building 5 site before the commencement of earthworks.

## GLOBAL INITIATIVES

In addition to the Fisher & Paykel Healthcare Foundation-led initiatives in New Zealand, our teams across our global sites select and sponsor community initiatives which connect to our purpose. In North America, the UK and Australia, our people have again participated in a range of fundraising activities and donations to support charitable organisations. This included raising money for 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 2021.

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. Our intention is to create a positive lasting impact on society and the environment.

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 ecodesign, sustainable packaging, biobased and circular materials, and environmental life cycle assessment. We believe that by investing in these initiatives, we can be more innovative and successful in the long term.

## CDP SCORES

| Topic | FY20 | FY21 | FY22 |
|---|---|---|---|
| Climate | B | A- | B |
| Supplier engagement | B- | A- | A |
| Water | C | B | B |
| Forests | - | C | C |

## KEY ENVIRONMENTAL METRICS

| Topic | FY20 | FY21 | FY22 |
|---|---|---|---|
| Scope 1 emissions (tonnes $CO_2e$) | 1,914 | 1,465 | 1,777 |
| Scope 2 emissions (tonnes $CO_2e$) | 8,814 | 11,050 | 10,309 |
| Scope 3 emissions (tonnes $CO_2e$) | 650,000 | 718,991 | 457,112 |
| Total emissions (tonnes $CO_2e$) | 660,728 | 734,452 | 469,198 |
| Water usage (cubic metres) | 98,772 | 134,900 | 184,171 |
| Landfill waste diverted (cubic metres) | 1,032 | 1,630 | 2,035 |
| NZ recycling efficiency (percentage of waste diverted from landfill) | 66% | 62% | 68% |
| Global recycling efficiency (percentage of waste diverted from landfill) | 58% | 29% | 52% |

## 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.

| Scope 1 and 2 carbon targets in tonnes of $CO_2$ equivalent | FY2024 Target | FY2029 Target | FY2034 Target |
|---|---|---|---|
| Direct emissions – fuels, refrigerants, electricity and heat. | 8,846 | 6,494 | 4,143 |

TOITŪ

ENVIROCARE

## CARBON EMISSIONS

Our carbon audit for the 2022 financial year shows a carbon footprint of 469,198 tonnes of $CO_2$e, representing a reduction from previous years as the proportion of airfreight was reduced.

### 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, and this increase in operational activity resulted in higher electricity use and other direct emissions. In the 2022 financial year, we saw Scope 2 emissions decrease, while Scope 1 emissions were elevated compared to 2021 levels amid a heavier travel footprint for our sales teams with COVID-19 travel restrictions easing in major offshore markets. In the long term, we remain committed to decoupling carbon emissions from production levels, as the impact of COVID-19 diminishes. We have been piloting an internal carbon price during FY22 to factor carbon impact 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 during the FY20 and FY21 periods. We have since seen a reduction of airfreight throughout FY22.

We remain committed to educating and encouraging our suppliers to reduce their carbon emissions and 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. We confirmed during the 2022 financial year that 20 suppliers have also set Science Based Targets or equivalent targets for carbon reduction.

# 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 hospital treating patients with COVID-19. In the 2021 financial year, water usage increased as we boosted production on key products for hospital treating patients with COVID-19. Water usage remained elevated during the 2022 financial year amid construction projects and as staff returned to office spaces.

## GREEN TEAM

Our volunteer-led Green Team now includes more than 450 people promoting environmental sustainability on our Auckland campus and in the community. A highlight was our annual Sustainability Week in November, which took place across multiple global locations. In New Zealand, this included onsite recycling centre tours, a sustainable transport showcase with our cycling and electric vehicle communities, and a quiz covering a range of topics from our carbon footprint to the UN Sustainable Development Goals. Our UK team held a sustainable healthcare discussion, a clean-up event and made environment pledges for the coming year, while our events in Mexico covered a range of themes including water conservation, fast fashion, and sustainable living.

## ISCC PLUS CERTIFICATION

In October 2021, Fisher & Paykel Healthcare New Zealand became International Sustainability and Carbon Certification (ISCC) PLUS certified for the first time. ISCC's goals are to provide certification solutions for fully traceable and environmentally, socially and economically sustainable supply chains. ISCC PLUS is a voluntary sustainability certification which has allowed our company to source and trial a range of sustainable materials that are ISCC PLUS certified using a mass balancing approach. This is an important step towards reducing the carbon embodied in the materials that our products are made from and reducing our Scope 3 emissions.

## MEXICO SOLAR ARRAY

The first phase of our solar installation project at our Tijuana, Mexico site is now on the roof of our second building, with an array of 1,300 solar panels installed and commissioned on the roof of our third building. This is the first of three phases that will see solar panels cover the roof space on our second and third manufacturing buildings on the site. Once the entire array is operational, we expect that it will fulfil 40 per cent of the overall site's electricity requirements. This array complements our existing solar installation on the roof of our Stewart Building in New Zealand, comprised of 270 panels installed and commissioned in 2017.

**TOTAL PANELS**

**1,300**

**INSTALLED** ON BUILDING TWO

**FULLY OPERATIONAL –** WILL FULFIL

**40%**

OF THE SITE'S ELECTRICITY REQUIREMENTS

## 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.

Fisher & Paykel Healthcare is also a voluntary member of the Sustainable Business Network, which is New Zealand's largest and longest-standing sustainable business organisation. The network describes itself as a social enterprise, a community and a movement, designed to enable change in the areas of climate, waste and nature.

Our Board Chair Scott St John is a member of the steering committee for Chapter Zero New Zealand, a newly formed climate governance group hosted by the Institute of Directors. This is a chapter of the global Climate Governance Initiative (CGI) which was established to support the World Economic Forum's Climate Governance Principles for boards of directors. The intent is to provide directors with climate awareness and skills, and bring climate considerations to the fore in boards' decision-making processes.

CLIMATE LEADERS COALITION
ON A MISSION TO REDUCE EMISSIONS IN NEW ZEALAND

Chapter Zero
The Directors' Climate Forum

Sustainable Business Network

# Suppliers

MESSAGE FROM OUR MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, LEWIS GRADON

Our firm belief in doing the right thing and creating a lasting positive impact goes beyond our commitment to patients – it also applies to our supply chain.

We are focused on building trusted long-term relationships with our suppliers across the globe to maximise opportunities for companies and communities to thrive, all while promoting safe working environments and sustainable outcomes.

As part of our efforts to source responsibly and uphold human rights in our supply chain, we select and collaborate with suppliers that align with our values, and provide education and support on relevant standards. This is all anchored in our view that corporate social responsibility and sustainability are inextricably linked to the way we do business.

The past two years have been enormously difficult for global supply chains, and as we write this, we are still managing through logistical challenges caused by ongoing lockdowns and the shock of a major conflict in Ukraine. Despite this, we are determined not to lose sight of the responsibility we have to do the right thing and to keep the focus on long-term outcomes.

Our intention with this new 'Suppliers' section in our annual report is to begin disclosing more of our efforts in the area of sustainable procurement. We acknowledge that there is much work to be done, but we want to ensure that as we scale, we do so sustainably.

**LEWIS GRADON**
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

**SUSTAINABLE PROCUREMENT: FY22 HIGHLIGHTS**

- **ARTICULATED** a new Environmental & Social Responsibility Policy.
- **ESTABLISHED** a focused sustainable procurement team, with clear roles and responsibilities.
- **COMMENCED** supplier engagement on modern slavery (covering ~35% of our overall supplier spend).
- **HOSTED** and attended knowledge-sharing workshops.
- **INITIATED** modern slavery observations as part of supplier site visits.

## RESPONSIBLE SOURCING OF MINERALS

We are committed to the responsible sourcing of minerals, ensuring that our procurement is undertaken in an ethical and sustainable manner that safeguards the human rights of everyone in our global supply chain, preserves the environment and mitigates other risks.

'Conflict minerals' is a term used to define minerals mined in conditions where armed conflict and human rights abuses may occur, in locations identified as Conflict-Affected and High-Risk Areas (CAHRAs) under Regulation (EU) 2017/821. Of particular concern are tin, tantalum, tungsten, and gold (minerals commonly referred to as "3TG"). We recognise the importance of actively mitigating human rights abuses and other risks related to the extraction of 3TG and other minerals.

To ensure Fisher & Paykel Healthcare is aware of the indirect raw material sources within our supply chain, specific questions related to the use of conflict minerals are included within our selection process. For existing suppliers, we actively review, assess and mitigate any risks, which includes assessing annually updated information from the Responsible Minerals Assurance Process (RMAP), an approach created by the Responsible Minerals Initiative (RMI) to help companies make better decisions about mineral sourcing.

## ERADICATING MODERN SLAVERY

As part of our commitment to do the right thing, we recognise that we have a role to play in guarding against and eradicating modern slavery. We have processes in place that identify and address modern slavery risks within our supply chain and aid our procurement decisions.

These processes include our Code of Conduct and our Supplier Code of Conduct (outlined above), and we have evolved our procedures over the 2022 financial year to include specific modern slavery observations in our supplier site visits. We have begun surveying suppliers to understand their risk profile, have commenced the hiring process for a sustainable procurement specialist to be based in Asia and are in the process of contracting a third party to assist with a deep-dive assessment on certain aspects of our supply chain.

We fully support the principles in the United Nations Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, including non-discrimination, freedom of association and collective bargaining, and freedom from forced and child labour.

## FOCUS AREAS FOR FY23 AND FY24

- **LAUNCH** our new Sustainable Procurement Framework to suppliers
- **COMPLETE** recruitment of sustainable procurement specialist to cover the Asia region
- **SELECT** third-party specialist for deep dive of high-risk areas of our supply chain
- **IMPROVE** internal and external reporting and disclosure
- **CONTINUE DEVELOPING** and measuring key performance indicators to monitor effectiveness of our initiatives
- **CONTINUE TO EDUCATE** suppliers on our sustainability goals (i.e. Science Based Targets)
- **EXTEND** our Ecodesign programme to suppliers

# Suppliers – Continued

## SUPPLIER CODE OF CONDUCT

We are committed to building a supply chain aligned with our approach to corporate social responsibility and sustainability. We use an integrated enterprise resource planning system and a strong quality management system to ensure that our supply chain is transparent and coordinated across our wider supply chain network.

Our Supplier Code of Conduct reflects our values and expectations for all suppliers, contractors and consultants who provide goods or services to our group of companies, as well as their affiliates.

We will continue to verify and validate our environmental, social and ethical performance and that of our suppliers, and work to continuously improve this performance.

We seek relationships with suppliers who share a common commitment to:

1. Incorporate quality business processes within their day-to-day operations.
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.

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, our local teams personally interact with and visit our suppliers' operations on a regular basis.

## 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. Our practices are based on and aligned with ISO20400 for Sustainable Procurement.

## SUPPLY CHAIN GOVERNANCE

### Fisher & Paykel Healthcare Board

The Fisher & Paykel Healthcare Board of Directors is responsible for providing overall governance and oversight of the company's environmental and social responsibility practices, including supply chain and sustainable procurement.

### Audit & Risk Committee

The Audit & Risk Committee assists the Board in fulfilling its responsibilities relating to risk management, financial reporting and auditing activity. Risks within our supply chain falls within this remit.

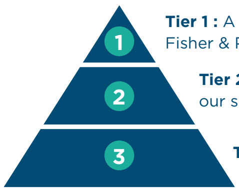
### Executive Management Team

The Executive Management Team is answerable to the Audit & Risk Committee and the wider Board for progress on Environmental & Social Responsibility initiatives, and three executives act as sponsors for the Environmental & Social Responsibility Governance Group: Jonti Rhodes – VP Supply Chain, Facilities & Sustainability, Marcus Driller – VP Corporate, and Nicola Talbot – VP Human Resources.

### Environmental & Social Responsibility Governance Group

The newly formed Environmental & Social Responsibility Governance group, comprised of stakeholders from across the business, is tasked with overseeing a range of related workstreams and initiatives, including those related to supply chain and sustainable procurement.

## OVERVIEW OF OUR SUPPLY CHAIN


**Tier 1 :** A direct supplier to Fisher & Paykel Healthcare

**Tier 2 :** A supplier to one or our suppliers (sub-supplier)

**Tier 3 :** A sub-sub supplier

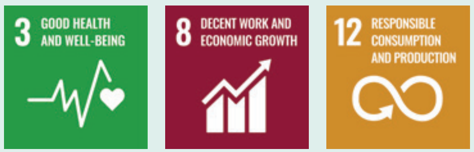
**2,000+** Tier 1 suppliers to New Zealand and Mexico manufacturing sites

Based in **20+** countries **4** continents

# 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 more sustainable future for all. The goals we are most closely aligned with are Goal 3, Goal 8 and Goal 12, and our contributions are outlined on the following pages.

**UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS: F&P FOCUS AREAS**




## GOAL 3:

# Ensure healthy lives and promote wellbeing for all at all ages

| UN SDG target | UN key indicators | Our contribution |
|---|---|---|
| **3.4**<br>**By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and wellbeing.** | Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease. | Our Optiflow™ nasal high flow therapy is a first-line treatment for patients suffering for respiratory disease, used both pre-intubation and post-extubation. An estimated seven million patients were treated with our Optiflow therapy over the past year. |
| **3.6**<br>**By 2020*, halve the number of global deaths and injuries from road traffic accidents.** | Death rate due to road traffic injuries. | Hundreds of millions of people suffer from obstructive sleep apnea (OSA) globally, and the associated daytime fatigue creates significant risk for drivers—there are clinically proven links between these conditions and traffic accidents. Our range of CPAP machines and masks are used by millions of patients around the world for a better night's sleep. |
| **3.8**<br>**Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.** | Coverage of essential health services (defined as the average coverage of essential services based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, non-communicable diseases and service capacity and access, among the general and the most disadvantaged population). | The use of our Optiflow™ nasal high-flow therapy has been shown to reduce the escalation of patient care, resulting in not only better outcomes for the patient but also reducing cost and capacity constraints for healthcare providers. |

* This target has not yet been extended by the United Nations.

# Sustainable Development Goals – Continued

**GOAL 8:**

## Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

| UN SDG target | UN key indicators: | Our contribution: |
|---|---|---|
| **8.2**<br>**Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.** | Annual growth rate of real GDP per employer person. | We are a major proponent of research and development and invested 9% of revenue into R&D during the 2022 financial year. We have more than 700 people engaged in clinical research and product and process development—they are primarily engineers, scientists and physiologists. |
| **8.3**<br>**Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.** | Proportion of informal employment in non-agriculture employment, by sex. | We are a significant non-agricultural employer, with a team of 6,807 permanent and 732 temporary employees as at 31 March 2022. We are an equal opportunity employer that values workplace diversity. Of our full-time permanent employees, 53% are women and 47% are men, and our total gender pay ratio is 98.5%. |

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

## GOAL 12:
# Ensure sustainable consumption and production patterns

| UN SDG target | UN key indicators: | Our contribution: |
|---|---|---|
| **12.2** **By 2030, achieve the sustainable management and efficient use of natural resources.** | Material footprint, material footprint per capita, and material footprint per GDP. Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP. | We are committed to reducing our carbon footprint in line with the 2015 Paris Agreement (1.5 degrees celsius) science-based reduction targets. We aim to reduce carbon emissions within our operational control by 4.2 per cent annually (using the 2019 financial year as a base), and we are working with our suppliers to set their own targets. We have also established an absolute water reduction target of 2 per cent per year. |
| **12.5** **By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.** | National recycling rate, tons of material recycled. | We actively reduce waste and recycle materials. In the 2022 financial year, we diverted 2,035 cubic metres of waste from landfill, up 24.8% on the prior year. Our recycling efficiency rate in New Zealand was 68%. We also have more than 50 product development engineers across the company working on our Ecodesign initiative, which is focused on sustainable packaging, bio-based plastic technology and sustainable procurement. |

# 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 business risk management framework aligned 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 business 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.

## BUSINESS RISK MANAGEMENT FRAMEWORK

We have made significant progress in aligning our risk management approach to the latest updates to the ISO3100 Risk Management standard. Our approach to integrating quantitative risk analysis into day-to-day management and business operations continues to be developed. 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.

## RISK ANALYSIS

We carry out risk analysis to support material business decisions. The relevant stakeholders are involved in such evaluations, and findings are communicated to key decision-makers and management. When making a decision, carrying out a business activity or approving an initiative, we apply a range of quantitative risk management techniques to measure uncertainty.

## 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.

The experience of managing through the COVID-19 pandemic has 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 COVID-19 pandemic began.

## 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. |
| 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 |
|---|---|---|
| Product quality and patient safety | Patients are harmed as a result of using our products. This may result in product recalls and potentially product liability litigation. | 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. |
| 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.<br>We design and implement preventative and recovery risk controls for critical health and safety risks across our global business.<br>We report our health and safety progress regularly to the Board of Directors and to the Quality, Safety & Regulatory Committee three times a year. |
| 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.<br>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 procedure. The hedging procedure 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. |
| 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 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.

### HEALTH AND SAFETY

At Fisher & Paykel Healthcare, we are committed to ensuring the health, safety, and wellbeing of our people. As is the case each year, keeping our people and products safe has been our highest priority.

Operating safely during a COVID-19 environment was again a major feature during the financial year. In New Zealand, the Auckland region was placed into lockdown in August 2021 and then an Omicron surge began to take hold in the early stages of 2022. As an essential service, our site was able to continue operating throughout this period. We continued with our safety approach introduced in the 2021 financial year, including mandatory masks, social distancing, extra cleaning protocols and Bluetooth contact tracing cards.

We also ran an on-site vaccination program for employees and their families, provided on-site testing, and continued our special leave entitlements to ensure people could take time off work if they needed to self-isolate without having to worry about losing income.

At our Mexico site, we continued the preventative measures introduced during the prior year. These included the wearing of masks and goggles, and the use of sanitising mats and cleaning kits. Capacity limits were set for meeting rooms, and acrylic dividers were added in manufacturing areas and cafeterias.

Another major theme for the year was the future-proofing of our New Zealand and Mexico sites and ensuring the ongoing expansion work underway across the business was being performed in the safest-possible manner.

Our New Zealand health, safety and wellbeing team supported the ongoing construction of our fifth building site, have overseen a raft of safety improvements around the wider site including a new heavy-vehicle ring road, pick-up and drop-off zones and other pedestrian safety measures.

In order to maximise our site capacity amid growing demand for our products, we also assisted with the safe relocation of a major raw materials inwards goods facility on our New Zealand site to a new space to allow for more manufacturing floor space.

In Mexico, our health, safety and wellbeing team has been closely involved in the construction of our third building on our Tijuana site, providing services such as safety analysis, training and traffic management all while working to mitigate the spread of COVID-19.

Looking ahead to the 2023 financial year, our priority will be continuing our efforts to align with ISO 45001 and supporting the business's ongoing expansion.

## HEALTH AND SAFETY DATA

### Injury rates by year

| Injury rates | 2020 | 2021 | 2022 |
|---|---|---|---|
| TRIFR[1] | 2.29 | 1.20 | 1.40 |
| LTIFR[2] | 1.09 | 0.72 | 0.70 |

1 TRIFR: Total recordable injury frequency rate
2 LTIFR: Lost time injury frequency rate

### Injury rates (per million hours worked)

| | New Zealand | | Mexico | | Rest of world | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| TRIFR | 1.58 | 2.47 | 0.50 | 0 | 1.37 | 0.86 |
| LTIFR | 0.95 | 1.08 | 0.50 | 0 | 0.46 | 0.86 |

### Injury count

| | New Zealand | | Mexico | | Rest of world | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Fatality | 0 | 0 | 0 | 0 | 0 | 0 |
| Serious injury | 0 | 0 | 1 | 0 | 0 | 0 |
| Lost time injury | 7 | 8 | 1 | 0 | 2 | 2 |
| Medical treatment injury | 0 | 4 | 1 | 0 | 1 | 0 |
| Restricted work injury | 5 | 5 | 0 | 0 | 1 | 0 |
| First aid injury | 223 | 181 | 14 | 12 | 11 | 7 |
| Pain and discomfort | 116 | 106 | 11 | 1 | 13 | 19 |

## MENTAL HEALTH AND WELLBEING

The pandemic has continued to impact our people in different ways. With Auckland in lockdown for several months in 2021, and the Omicron outbreak causing widespread disruption and uncertainty in the early part of 2022, we promoted counselling through the Employee Assistance Programme (EAP) and continued to make a qualified counsellor available to our people on site.

Manaaki, our indigenous leadership group, launched 'Kimiora', a six-month learning and communications programme to highlight the importance of wellbeing. A range of events were held throughout the year, including yoga sessions, an expert panel on sleep and rest, and financial wellbeing courses.

# 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 '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.

### 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.
- Developing climate-related scenarios relevant to Fisher & Paykel Healthcare as part of our TCFD climate-related due diligence and disclosures.

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 table on the right identifies the climate-related risks with the potential to have a substantive financial or strategic impact on our business. Our risk analysis includes analyses of climate-related risk for the next six years. Future analyses will be refined as additional information becomes available.

| Type | Climate-related risk | Potential impact | Strategies to mitigate through business and financial planning |
|---|---|---|---|
| Transition risk | Increased pricing of carbon | Higher operating costs:<br>• Fuel<br>• Freight<br>• Electricity<br>• Insurance<br>• Raw materials<br>• Higher compliance costs<br>Financial impacts are unlikely over the next six years as implementation and enforcement of country/region-level legislation is considered an important pre-requisite.<br>If this implementation and enforcement occurs faster than expected, there is a 50% probability that the financial impact could amount to $4.5 million per year, and a 5% probability that the impact could amount to $26.5 million per year. | Committed to reduce Scope 1 & 2 carbon emissions by 67% by 2034 from a 2019 baseline.<br>Use internal carbon prices to guide business decisions.<br>Implement Ecodesign initiatives to assist in reducing our carbon footprint.<br>Use renewable energy certificates to mitigate potential higher carbon costs for non-renewable energy in New Zealand.<br>Install solar array options to provide power for Mexico operations. |
| Transition risk | Changes to climate-related international regulations regarding disclosure and reporting | Impact on market access.<br>Higher operating costs.<br>There is a 50% probability that the financial impact could amount to $78,000 per year, and a 5% probability that the impact could amount to $651,000 per year. | Monitor regulatory developments to assess risk of increased carbon costs to global operations.<br>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.<br>There is a 99% probability that there will be no financial impact and a 1% probability that the impact could amount to $126,000 per year. | Prioritise water conservation at Mexico facility.<br>Construction on facilities in Mexico takes into account the inclusion of water-efficient cooling equipment.<br>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.<br>Supply chain interruptions may impact our ability to deliver on time to global customers.<br>Climate-related risk assessments are based on the Representative Climate Pathways. The time horizons for this span decades. Our supplier risk analysis is currently focused on assessing our suppliers' vulnerability to nearer term weather disruptions. | Monitor changes in the physical climate to assess the impact on our business.<br>Source from multiple raw material suppliers so that supply risk is not concentrated with one company or location.<br>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).

We have started to develop our own climate scenarios as part of our TCFD climate-related due diligence and disclosures. We have selected four Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) scenarios (8.5, 6.0, 2.6 and 1.9) along with two International Energy Agency (IEA) transition scenarios (the Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 (NZE) scenario as inputs to our Global Enabling Sustainability Initiative-CDP climate modelling approach. Climate-related impact to global healthcare systems is being considered as part of each scenario.

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. We also note the significant amount of uncertainty that comes with climate change and have taken an approach that identifies vulnerability and raises awareness of worst-case scenarios to aid in planning and development of contingencies.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# Governance

Our Board and management 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 and procedures to ensure that they provide the direction and controls which enable us to achieve sustainable, profitable growth and the trust of our customers, shareholders, regulators, suppliers and communities.

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. While the company has Foreign Exempt Listing on the ASX and is not required to comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles), 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 and procedures are available on our website, and summary information with respect to a number of our policies and procedures can also be found throughout this section.

### 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. Our Speak Up Policy was launched globally in October 2021.

Training on our Code of Conduct is undertaken by employees globally, and is part of our induction process for new employees. It has been translated into a number of different languages for our local offices. 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 2022. The Code of Conduct for Directors was last reviewed in August 2020.

## 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 2022 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 Procedure on Interacting 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 procedure.

## 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. This testing is conducted 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 overseeing our strategic direction. 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 section, "Our Board".

### 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.
- approve our Remuneration Procedure and other procedures 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 meet all legal requirements and ensure we maintain the trust of our customers, suppliers and communities. 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. The committee 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. We ensure shareholders are provided with all relevant information to inform their decision on whether to elect or re-elect a director.

At the annual shareholder meeting (ASM) on 18 August 2021, Scott St John and Michael Daniell retired by rotation and, being eligible, offered themselves for re-election and were re-elected to the Board.

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

A diverse Board 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 below 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 | Lisa McIntyre | Neville Mitchell | Donal O'Dwyer |
|---|---|---|---|---|---|---|---|---|
| Financial acumen | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sales/Marketing | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Engineering/ Science/Technology/ Manufacturing | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Medicine/Medical Device | | ✓ | ✓ | | | ✓ | ✓ | ✓ |
| Legal/Regulatory | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Governance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| International Business Experience | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tenure (years) | 6.5 | 6 | 20.5* | 5 | 8.5 | 0.5 | 3.5 | 9.5 |

* 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 2022 a majority (six) of the directors are independent, namely Scott St John (Board Chair), Pip Greenwood, Geraldine McBride, Lisa McIntyre, 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. Due to COVID-19 travel restrictions, the induction for Australia-based director Lisa McIntyre was conducted virtually and included a virtual site tour of our New Zealand facility. The company plans to host her on site in New Zealand when travel restrictions ease. 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 which relates 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.

An external consulting company facilitated the Board's performance evaluation in 2020 and the 2022 performance evaluation is currently in progress.

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 report back to the Board. These Committees and their members as at 31 March 2022 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, Lisa McIntyre 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. At least once per year, the Committee 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.

# Governance – Continued

### 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 procedures, monitoring company performance against the Diversity & Inclusion Policy, and reviewing performance objectives and remuneration of the company's Chief Executive Officer and senior executives. It also seeks advice on and recommends director remuneration structure and recommends director appointments to the Board.

### Quality, Safety & Regulatory Committee

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 18 August 2021, 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 2022 are set out as follows:

| | | | 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 | 5 | 5 | 3 | 3 |
| Lewis Gradon | 8 | 8 | | | | | | |
| Michael Daniell | 8 | 8 | 4 | 4 | | | | |
| Pip Greenwood | 8 | 8 | | | 5 | 5 | | |
| Geraldine McBride | 8 | 8 | | | | | | |
| Lisa McIntyre* | 4 | 4 | | | | | 2 | 2 |
| Neville Mitchell | 8 | 8 | 4 | 4 | | | 3 | 3 |
| Donal O'Dwyer | 8 | 8 | | | 5 | 5 | 3 | 3 |

*Lisa McIntyre joined the Board partway through the financial year in October 2021.
**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 a 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 Raelene Leonard, General Counsel. 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 2022:

| Name | Ownership | Ordinary Shares |
|---|---|---|
| Scott St John | Beneficial | 21,000 |
| Lewis Gradon[1] | Beneficial | 562,351 |
| Michael Daniell | Beneficial | 900,168 |
| Pip Greenwood | Beneficial | 3,800 |
| Geraldine McBride | Beneficial | 1,262 |
| Lisa McIntyre | Beneficial | 4,400 |
| Neville Mitchell | Beneficial | 7,200 |
| Donal O'Dwyer | Beneficial | 68,569 |

[1] Lewis Gradon also had a beneficial interest in 282,391 options issued under the 2019 Share Option Plan and a beneficial interest in 91,787 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 2021 and 31 March 2022, and details of those dealings were entered in the company's interests register.

| Name | Transaction | Number of shares | Price per share | Date |
|---|---|---|---|---|
| Lewis Gradon | Granted 73,633 options | – | – | 1 September 2021 |
| | Granted 25,761 PSRs | – | – | 1 September 2021 |
| | Sale of shares | 80,000 | $31.2149 | 16 September 2021 |
| | Share issue for cancellation of 100,313 options | 53,038 | $31.6384 | 16 September 2021 |
| | Exercise of PSRs | 32,466 | $31.9768 | 16 September 2021 |
| | Employee share scheme offer | 71 | $21.0693 | 28 February 2022 |
| Lisa McIntyre | Purchase of shares | 4,400 | $32.4523 | 6 December 2021 |

# 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 2022 are as follows:

| Name | Entity | Relationship |
|---|---|---|
| Scott St John | ANZ Bank New Zealand Limited<br>Captain Cook Nominees Limited<br>Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited<br>Fonterra Cooperative Group Limited<br>Hutton Wilson Nominees Limited<br>Mercury NZ Limited<br>NEXT Foundation | Director |
| Lewis Gradon | Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited<br>Other Group entities listed in the 'Subsidiary Company Directors' section of this Report | Director |
| Michael Daniell | Te Tītoki Mataora – MedTech Research Translator | Chair |
| | Cochlear Limited<br>MRCF IIF GP Pty Limited<br>MRCF Pty Limited<br>Tait International Limited<br>Tait Limited | Director |
| Pip Greenwood | Westpac New Zealand Limited | Chair |
| | a2 Milk Company Limited<br>Vulcan Steel Limited | Director |
| | Auckland Writers Festival Trust | Trustee |
| Geraldine McBride | MyWave Holdings Limited<br>Sky Network Television Limited | Director |
| Lisa McIntyre | LEK Consulting ANZ Advisory Board | Chair |
| | HCF Group<br>Insurance and Care NSW<br>Nanosonics<br>Studiosity<br>University of Sydney | Director |
| Neville Mitchell | Osprey Medical<br>Q'Biotics Limited<br>Sonic Healthcare Limited | Director |
| Donal O'Dwyer | Cordis Asset Management Pty Limited<br>nib Holdings Limited | Director |

## 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 Procedure establishes our disclosure procedures for meeting our continuous disclosure obligations. The Market Disclosure Procedure 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, VP Corporate, and General Counsel) and the Disclosure Officer (being the VP Corporate or alternatively the General Counsel) are responsible for administering compliance with our Market Disclosure Procedure, including continuous disclosure obligations. Market disclosure requires the approval of either the Board or the Disclosure Committee, depending on the circumstances. The Market Disclosure Procedure was last updated on 29 March 2022.

### 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 Corporate Governance Policy, Codes of Conduct, Securities Trading Procedure, Board and Committee Charters, Diversity & Inclusion Policy, Remuneration Procedure, and Market Disclosure Procedure 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

We are 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 and sustainable procurement. 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 have started to develop our own climate scenarios as part of our TCFD climate-related due diligence and disclosures. We have selected four Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) scenarios (8.5, 6.0, 2.6 and 1.9) along with two International Energy Agency (IEA) transition scenarios (the Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 (NZE) scenario as inputs to our GeSI-CDP climate modelling approach. Climate-related impact to global healthcare systems is being considered as part of each scenario.

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 Vice President - 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 2022 financial year, significant initiatives have included trialling an internal carbon price and beginning the installation of large-scale solar arrays at our Mexico site.

The Board and executive management have set Science Based Targets and these targets were submitted and approved in April 2020. In the 2022 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 Sustainable Business Network. 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 2022 financial year, the Ecodesign Advisory Board provided guidance on our long-term Ecodesign plan, met with our internal carbon committee 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 Procedure 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 Procedure 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 Procedure. 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 through our website or by contacting the relevant officer in charge of investor relations. These contact details are available on our website.

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/FPH22 and in person at the Guineas Ballroom, Ellerslie Event Centre, Auckland, New Zealand on Wednesday, 24 August 2022 commencing at 2.00pm (NZST).

In the event of increased COVID-19 protection measures, 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 continues to comply with the NZX listing rules.

Neither the NZX nor the ASX has taken any disciplinary action against the company during the year ended 31 March 2022. 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 2022 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.

*Current NZX waivers*

During the 12 months to 31 March 2022, the company relied upon a waiver from NZX Main Board Listing Rule 3.13.1 granted on 7 August 2019, allowing the company to aggregate issues of company shares under the company's employee share plans over a 10 business day period for the purposes of market notifications. The company relies on this waiver in respect of the issue of company shares under its share option plans, its performance share rights (PSR) plans, its employee share rights (ESR) plan and its share purchase plans.

*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 2022 was 576,412,532 shares.

The distribution of shareholdings as at 31 March 2022 was as shown in the table below:

| Size of shareholding | Number of holders | % | Number of ordinary shares | % |
|---|---|---|---|---|
| 1 to 1,000 | 15,814 | 56.53% | 5,652,366 | 0.98% |
| 1,001 to 5,000 | 8,996 | 32.15% | 21,256,137 | 3.68% |
| 5,001 to 10,000 | 1,898 | 6.78% | 13,609,452 | 2.36% |
| 10,001 to 50,000 | 1,116 | 3.99% | 20,597,729 | 3.57% |
| 50,001 to 100,000 | 65 | 0.23% | 4,481,301 | 0.78% |
| 100,001 and over | 87 | 0.31% | 511,808,893 | 88.64% |
| **Total** | **27,976** | **100.00** | **577,405,878** | **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.

# Governance – Continued

*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 2022, 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 |
|---|---|---|---|
| Mitsubishi UFJ Financial Group, Inc. and related bodies corporate | 27-Sep-21 | 35,213,089 | 6.1% |
| BlackRock, Inc. and related bodies corporate | 13-Jul-21 | 37,908,016 | 6.6% |

*Principal shareholders*

The names and holdings of the 20 largest registered shareholders in the company as at 31 March 2022 were:

| Investor Name | Total Units | % Issued Capital |
|---|---|---|
| HSBC Nominees (New Zealand) Limited | 86,829,223 | 15.04% |
| HSBC Nominees (New Zealand) Limited | 62,962,474 | 10.90% |
| JPMorgan Chase Bank | 45,632,917 | 7.90% |
| HSBC Custody Nominees (Australia) Limited | 35,903,950 | 6.22% |
| Citibank Nominees (NZ) Ltd | 35,592,530 | 6.16% |
| Citicorp Nominees Pty Limited | 30,979,653 | 5.37% |
| JPMorgan Nominees Australia Pty Limited | 22,113,072 | 3.83% |
| Custodial Services Limited | 21,711,197 | 3.76% |
| BNP Paribas Nominees NZ Limited Bpss40 | 16,388,355 | 2.84% |
| Tea Custodians Limited | 15,304,488 | 2.65% |
| New Zealand Superannuation Fund Nominees Limited | 13,554,912 | 2.35% |
| Accident Compensation Corporation | 10,290,860 | 1.78% |
| National Nominees New Zealand Limited | 9,933,255 | 1.72% |
| BNP Paribas Noms Pty Ltd | 7,657,125 | 1.33% |
| Premier Nominees Limited | 7,502,780 | 1.30% |
| BNP Paribas Nominees NZ Limited | 7,381,347 | 1.28% |
| National Nominees Limited | 6,681,350 | 1.16% |
| FNZ Custodians Limited | 6,668,772 | 1.15% |
| JBWere (NZ) Nominees Limited | 5,124,038 | 0.89% |
| New Zealand Depository Nominee | 4,958,781 | 0.86% |

## 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 2022.

*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 2022.

*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 2022.

*Other subsidiary company information*

No entries were made in the interests register of any subsidiary during the year ended 31 March 2022.

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 2022 are included in the relevant bandings for remuneration disclosed in the 'Remuneration' section of this report.

During the year ended 31 March 2022, 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).
4. Basyirah Anuar who is a director of Fisher & Paykel Healthcare Malaysia Sdn. Bhd. (Malaysia).
5. Muhammad Irawan who is a director of PT Fisher and Paykel Healthcare Indonesia (Indonesia).

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, Basyirah Anuar and Muhammad Irawan also do not receive any remuneration personally for their respective roles as directors as described above; however, a management fee is paid to their respective employers (Marsh Singapore Ltd, Zico Corporate Services Sdn. Bhd and PT TMF Indonesia).

# Governance – Continued

*Group structure*

All subsidiary companies in the Group are ultimately 100% owned by the Company. The Group structure and the persons who held office as directors of subsidiary companies at 31 March 2022 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. Ltd. (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) | 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 (Sri Lanka) | Lewis Gradon, Paul Shearer, David Boyle |
| Fisher & Paykel Healthcare Bangladesh Limited | Lewis Gradon, Paul Shearer, David Boyle |
| PT Fisher and Paykel Healthcare Indonesia | Lewis Gradon, Paul Shearer, Bryan Peterson, Muhammad Irawan |
| *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. | Legal Representatives: Bryan Peterson, James Tuck |
| Fisher & Paykel Healthcare Mexico S.A. de C.V. | 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 | No directors. Bryan Peterson and James Tuck are delegates for the shareholder of the Company (with the power to act individually). |
| Fisher & Paykel Healthcare Peru S.A.C. | Lewis Gradon, Paul Shearer, Bryan Peterson |
| Fisher & Paykel Healthcare Costa Rica, S.R.L. | Lewis Gradon, Paul Shearer, Bryan Peterson |
| *Fisher & Paykel Healthcare Limited (UK) owns:* | |
| Fisher & Paykel Healthcare SAS (France) | Lewis Gradon, Paul Shearer, Patrick McSweeny, Philippe Berardi |
| Fisher & Paykel Holdings GmbH (Germany) | Philippe Berardi, Patrick McSweeny, Kerstin Bille |
| Fisher & Paykel Healthcare AB (Sweden) | Lewis Gradon, Paul Shearer, Patrick McSweeny, Philippe Berardi |
| 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 |

| Entities | Directors |
|---|---|
| *Fisher & Paykel Holdings, Inc. (USA) owns:* | |
| Fisher & Paykel Healthcare, Inc. (USA) | Lewis Gradon, Paul Shearer, Justin Callahan |
| Fisher & Paykel Healthcare Distribution Inc. (USA) | Lewis Gradon |
| *Fisher & Paykel Healthcare SAS (France) owns:* | |
| Fisher & Paykel Healthcare Romania S.R.L. | Lewis Gradon, Paul Shearer, Patrick McSweeny, Bryan Peterson |
| *Fisher & Paykel Holdings GmbH (Germany) owns:* | |
| Fisher & Paykel Healthcare (Czech Republic) s.r.o. | Lewis Gradon, Paul Shearer, Bryan Peterson |
| Fisher & Paykel Heathcare Poland spółka z ograniczoną odpowiedzialnością | Lewis Gradon, Paul Shearer, Bryan Peterson |
| *Fisher & Paykel Healthcare MEA Limited (NZ) owns:* | |
| Fisher & Paykel Healthcare MEA Investments Limited (NZ) | Lewis Gradon, Paul Shearer, Andrew Somervell |
| *Fisher & Paykel Healthcare MEA Investments Limited (NZ) owns:* | |
| Fisher and Paykel Healthcare Tunisia SARL | Lewis Gradon, Paul Shearer, Bryan Peterson |

# 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 factors such 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 profit sharing payment 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 2022. 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 payment and discretionary annual variable remuneration (DAVR) paid during the 2022 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 | 268 |
| 110,001 – 120,000 | 202 |
| 120,001 – 130,000 | 179 |
| 130,001 – 140,000 | 126 |
| 140,001 – 150,000 | 117 |
| 150,001 – 160,000 | 94 |
| 160,001 – 170,000 | 84 |
| 170,001 – 180,000 | 66 |
| 180,001 – 190,000 | 42 |
| 190,001 – 200,000 | 41 |
| 200,001 – 210,000 | 38 |
| 210,001 – 220,000 | 42 |
| 220,001 – 230,000 | 23 |
| 230,001 – 240,000 | 20 |
| 240,001 – 250,000 | 26 |
| 250,001 – 260,000 | 19 |
| 260,001 – 270,000 | 13 |
| 270,001 – 280,000 | 12 |
| 280,001 – 290,000 | 15 |
| 290,001 – 300,000 | 16 |
| 300,001 – 310,000 | 9 |
| 310,001 – 320,000 | 10 |
| 320,001 – 330,000 | 6 |
| 330,001 – 340,000 | 9 |
| 340,001 – 350,000 | 6 |
| 350,001 – 360,000 | 2 |
| 360,001 – 370,000 | 2 |
| 370,001 – 380,000 | 2 |

| Remuneration $ | Number of employees |
|---|---|
| 380,001 – 390,000 | 1 |
| 390,001 – 400,000 | 2 |
| 400,001 – 410,000 | 4 |
| 410,001 – 420,000 | 3 |
| 420,001 – 430,000 | 3 |
| 430,001 – 440,000 | 1 |
| 440,001 – 450,000 | 1 |
| 450,001 – 460,000 | 2 |
| 460,001 – 470,000 | 1 |
| 470,001 – 480,000 | 2 |
| 550,001 – 560,000 | 1 |
| 560,001 – 570,000 | 1 |
| 580,001 – 590,000 | 4 |
| 590,001 – 600,000 | 2 |
| 600,001 – 610,000 | 1 |
| 680,001 – 690,000 | 1 |
| 800,001 – 810,000 | 1 |
| 830,001 – 840,000 | 1 |
| 850,001 – 860,000 | 1 |
| 860,001 – 870,000 | 1 |
| 940,001 – 950,000 | 1 |
| 990,001 – 1,000,000 | 1 |
| 1,120,001 – 1,130,000 | 1 |
| 1,440,001 – 1,450,000 | 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 payment, 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 financial and strategic performance each financial year. The table below shows how variable remuneration is calculated.

### Discretionary Annual Variable Remuneration (DAVR)

Discretionary annual variable remuneration (DAVR) is designed to remunerate executive management relative to the company's financial performance and non-financial measures which are the annual implementation of our long-term plan for sustainable profitable growth. Details of our plan are shown on the right.

| | | |
|---|---|---|
| **Performance period** | Paid annually and aligned with financial year (1 April 2021 to 31 March 2022) | |
| **Measures** | **Financial (80%)** | |
| | | **Weighting** |
| | Constant currency operating profit | 45% |
| | Constant currency revenue | 25% |
| | Constant currency pre-tax operating cash flow | 10% |
| | **Non-financial (20%)**<br>Measures relating to the strategic direction of the company and environmental and social responsibility initiatives. Non-financial measures are shared across all members of the executive management team as the measures involve collaboration and commitment. | |
| **Payment calculation method** | Meeting 100% of both the financial and non-financial measures results in payment of 100% of the DAVR amount.<br>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. | |
| **Performance hurdle** | Should the financial measures in aggregate be underachieved by more than 10%, no DAVR is payable. | |
| **Target payments** | Up to 50% of fixed annual remuneration for the CEO/Managing Director. | |
| **Maximum payment** | The maximum achievable DAVR which may be awarded is 132% of the target DAVR at 20% or more over achievement of the financial measures and achievement of all non-financial measures. | |
| **Approval process** | The Board (administered through the People & Remuneration Committee) has the discretion to alter, amend, replace or withdraw the DAVR scheme at any time without notice (including during a financial year).<br>The Board also retains the ultimate discretion in assessing and determining any payments under the scheme. As part of that, the Board has the right to exercise its discretion not to make any payments or to pay a reduced amount, regardless of whether the measures have been met. | |
| **Termination of employment** | Participants will not be entitled to be considered for a DAVR payment if they cease to be employed by the Company prior to the end of the DAVR year and/or in circumstances where they are under notice of termination of employment when the DAVR award is under consideration or paid.<br>Should a participant leave the company (i.e. due to death, permanent disability, redundancy or on medical grounds) before they are due to be considered for a DAVR award, the Board will have discretion as to whether to pay any DAVR award. | |

The relative weighting of DAVR measures and the target achieved in 2022 is set out below.

| Measures | Weighting | % of Target Achieved |
|---|---|---|
| **Constant currency operating profit** | 45% | Minimum 90% · Target 100% · Maximum 120%<br>**Achieved 129% ($449.7m)** |
| **Constant currency revenue** | 25% | Minimum 90% · Target 100% · Maximum 120%<br>**Achieved 111% ($1.61b)** |
| **Constant currency pre-tax operating cash flow** | 10% | Minimum 90% · Target 100% · Maximum 120%<br>**Achieved 159% ($522.1m)** |
| **Non-financial measures** | 20% | **Measure**<br>Health and safety (x1)<br>Quality (x1)<br>Long-term sales strategies (x5)<br>Environmental (x2)<br>Diversity and inclusion (x1) |
| **Total** | | Minimum 90% · Target 100% · Maximum 120%<br>**Achieved 128%** |

# Remuneration – Continued

## 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.

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

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

## Five-year summary of TSR performance

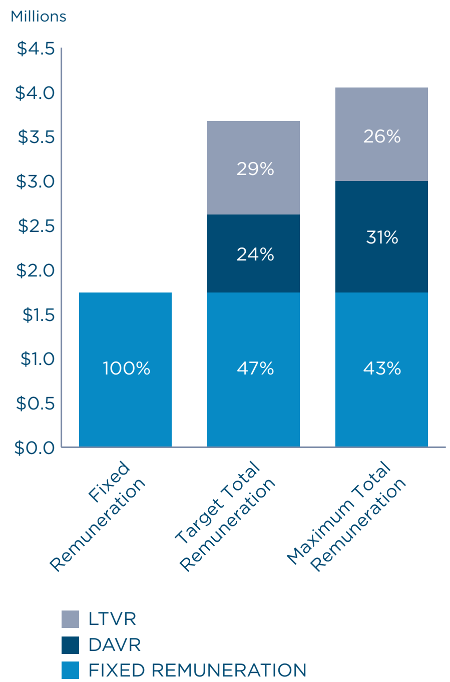
The chart below shows our total shareholder return (TSR) compared with the performance of DJSMDQT and the S&P NZX50 index over the previous five years.


[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.

From 13 September 2018 to 13 September 2021 our TSR performance exceeded that of the DJSMDQT, and PSRs on issue 100% vested.

## 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 2022 financial year is set out below.



# Remuneration – Continued

## CEO remuneration summary

| | Salary $ | Other[1] $ | Fixed Remuneration subtotal $ | DAVR[2] $ | LTVR awarded[3] $ | Total remuneration $ | % DAVR against maximum $ |
|---|---|---|---|---|---|---|---|
| 2022 | 1,612,462 | 132,693 | 1,745,155 | 1,203,320 | 1,050,012 | 3,998,488 | 96% |
| 2021[4] | 1,515,410 | 121,928 | 1,637,338 | 1,195,408 | 1,000,010 | 3,832,756 | 100% |

1 Other includes superannuation contribution and life insurance.
2 DAVR represents what was earned for the financial year. DAVR value includes the company-wide profit-sharing payment.
3 LTVR includes options and PSRs awarded during the financial year. In 2022, Lewis Gradon was granted 25,761 PSRs and 73,633 share options (2021: 22,178 PSRs and 69,931 share options). Share options and PSRs granted in the 2021 and 2022 financial years will vest if the performance criteria are met in the 2024 and 2025 financial years respectively. Details of the plans and valuation methodology are set out in Note 18 to the financial statements.
4 The CEO's salary and fixed remuneration subtotal for the 2021 financial year was overstated in last year's annual report by $160,661, due to an inadvertent duplication of the employee superannuation contribution. The correct remuneration for the 2021 financial year is outlined in the table above.

## DAVR achieved in 2022

The DAVR financial targets achieved are set out in the 'Executive Management' section on page 91. During the 2022 financial year, the CEO achieved 100% of his non-financial measures. The DAVR earned in the 2022 financial year is 69% of the fixed remuneration.

## LTVR vested in 2022

The following long-term share option incentives vested in the 2022 financial year.

| Grant Year | Securities | Performance period | Performance measure | Vesting outcome | Shares vested | Value on vesting |
|---|---|---|---|---|---|---|
| Financial year 2019 | Share Options | September 2018 to September 2021 | Cost of capital escalated share price | 100% vested | 100,313 | 1,783,565[1] |
| Financial year 2019 | PSR | September 2018 to September 2021 | Absolute TSR | 100% vested | 32,466 | 1,061,314 |

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 exercised.

## 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.

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 77 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

The current non-executive directors' fees and the fees received by non-executive directors in the 2022 financial year, including a breakdown of Board fees and Committee fees, are set out in the tables below. The fees payable are determined based on the time commitment and responsibilities of each role.

| Fees per annum | Chair $ | Member $ |
|---|---|---|
| Board of Directors | 280,875 | 133,875 |
| People & Remuneration Committee | 26,250 | 18,488 |
| Quality, Safety & Regulatory Committee | 24,633 | 18,488 |
| Audit & Risk Committee | 34,125 | 18,488 |

### Director remuneration received in the 2022 financial year

| Director | Board Fees $ | People and Remuneration Committee $ | Quality, Safety and Regulatory Committee $ | Audit and Risk Committee $ | Overseas Director Allowance[2] $ | Total Remuneration $ |
|---|---|---|---|---|---|---|
| Scott St John | 275,302 | – | – | – | – | 275,302 |
| Michael Daniell | 131,219 | | | 18,121 | | 149,340 |
| Pip Greenwood[1] | 131,219 | 25,729 | | – | | 156,948 |
| Lisa McIntyre[3 & 4] | 66,938 | | 12,317 | | 11,631 | 90,886 |
| Geraldine McBride | 131,219 | | | | | 131,219 |
| Neville Mitchell[1 & 4] | 131,219 | | 18,121 | 33,448 | 22,800 | 205,588 |
| Donal O'Dwyer[1 & 4] | 131,219 | 18,121 | 24,144 | | 22,800 | 196,284 |
| | **998,335** | **43,850** | **54,582** | **51,569** | **57,231** | **1,205,567** |

1 Designates Chair of Committee.

2 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.

3 Lisa McIntyre was appointed with effect from 1 October 2021 and replaced Tony Carter who retired in August 2020.

4 Remuneration for Neville Mitchell, Donal O'Dwyer and Lisa Mclyntyre is set in NZD but paid in AUD at the prevailing exchange rate at the date of payment.


EVERY DAY COUNTS

# FINANCIALS

04

# FINANCIAL COMMENTARY

## INCOME STATEMENTS

| Year ended 31 March | 2021 NZ$M | 2022 NZ$M | Change Reported % | Change CC (1) % |
|---|---|---|---|---|
| **Operating revenue** | **1,971.2** | **1,681.7** | -15 | -14 |
| Gross profit | 1,245.6 | 1,052.7 | -15 | -16 |
| **Gross margin** | 63.2% | 62.6% | -59 bps | -147 bps |
| SG&A expenses | (396.6) | (393.1) | -1 | +1 |
| R&D expenses | (136.7) | (154.0) | +13 | +13 |
| Total operating expenses | (533.3) | (547.1) | +3 | +4 |
| **Operating profit** | **712.3** | **505.6** | -29 | -31 |
| **Operating margin** | **36.1%** | **30.1%** | -607 bps | -719 bps |
| Financing income/(expenses) net | 5.9 | (1.4) | | |
| **Profit before tax** | **718.2** | **504.2** | -30 | -31 |
| Taxation | (194.0) | (127.3) | -34 | -35 |
| **Profit after tax** | **524.2** | **376.9** | -28 | -30 |

1 Constant currency (CC) removes the impact of exchange rate movements. This approach is used to assess the Group's underlying comparative financial performance without any impact from changes in foreign exchange rates. See further details on page 101.

Total profit after tax for the year was down 28% to $376.9 million (30% in constant currency).

### Revenue

Operating revenue was $1,681.7 million, which is 15% below last year or 14% in constant currency. The previous financial year was a period of extraordinary demand during the initial surges of the COVID-19 pandemic and the current year's financial results continued to be strong. Total hospital revenue declined 19% in constant currency this year as we lapped the extraordinary demand in the initial COVID-19 surges. Compared with the 2019 financial year, it was up 88%. The decline against last year is primarily due to hospital hardware declining 41% in constant currency. Homecare revenue grew 2% in constant currency.

### Gross margin

Gross margin was 62.6% and decreased by 147 basis points in constant currency. The proportion of airfreight and the cost of freight remained elevated compared to pre-COVID-19 levels, impacting the constant currency gross margin by approximately 240 basis points.

### Operating expenses

Operating expenses increased 3% (4% in constant currency) to $547.1 million. Excluding donations in 2021 of $25.6 million, operating expense growth was 8% (9% in constant currency), with ongoing expenditure to support global sales growth and development of our product pipeline.

R&D spend of $154.0 million grew 13% reflecting underlying growth and acceleration 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

Total net financing expense increase reflected the gain on foreign exchange revaluations on foreign currency interest-bearing liabilities in the prior year not repeating this year. Excluding the impact of foreign currency movements, net financing expense reduced by $1.0 million, with increased net cash on hand during the year.

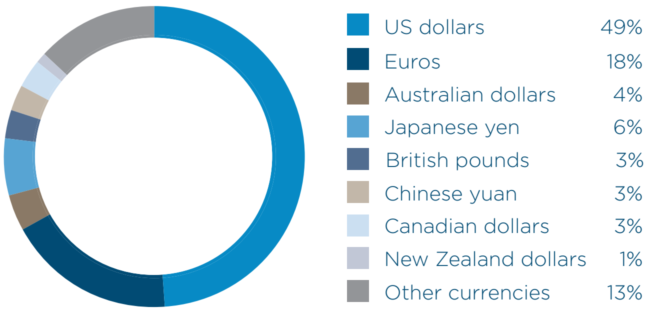
### Tax

Our effective tax rate for the year was 25.2%, down from 27.0% in the prior year. The R&D tax credit this year of $15.1 million (2021: $13.2 million) represents the estimated eligible R&D expenditure incurred during the period. Excluding the R&D tax credit, the effective tax rate was 28.2% for the year (2021: 28.8%).

## 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 50% of operating expenses are in currencies other than NZD.

During the 2022 financial year, the NZD strengthened against most 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 $5.3 million (2021: $21.3 million decrease) and a decrease in profit after tax of $2.1 million (2021: $9.4 million decrease). The hedging programme contributed a pre-tax gain of $41.5 million in the current year (2021: $21.2 million gain).

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 | 2021 | 2022 | 2021 | 2022 |
| USD | 0.671 | 0.697 | 0.669 | 0.673 |
| EUR | 0.575 | 0.600 | 0.562 | 0.557 |

### Foreign exchange hedging position

In line with our hedging programme, additional hedges have been added for future years, in particular USD for financial years 2023 to 2024. The hedging position for our main currency exposures as at 17 May 2022 is:

| Year to 31 March | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|
| USD % cover of expected exposure | 90% | 75% | 50% | 40% | 35% | 5% |
| USD average rate of cover | 0.667 | 0.658 | 0.628 | 0.611 | 0.598 | 0.593 |
| EUR % cover of expected exposure | 75% | 55% | 40% | 30% | 20% | 5% |
| EUR average rate of cover | 0.540 | 0.532 | 0.511 | 0.526 | 0.513 | 0.519 |

Hedging cover has been rounded to the nearest 5%.

### CASH FLOWS

The full statement of cash flows is provided on page 105.

| Year ended 31 March | 2021 NZ$M | 2022 NZ$M | Change NZ$M |
|---|---|---|---|
| Operating profit before financing costs | 712.3 | 505.6 | (206.7) |
| Plus depreciation and amortisation (including leased assets) | 85.0 | 96.0 | 11.0 |
| Change in working capital and other | (37.1) | (24.9) | 12.2 |
| Net interest paid (including lease interest) | (3.4) | (2.7) | 0.7 |
| Net income tax paid | (131.5) | (249.7) | (118.2) |
| **Operating cash flows** | **625.3** | **324.3** | **(301.0)** |
| Lease repayments+ | (10.2) | (14.0) | (3.8) |
| Purchase of land and buildings | (37.2) | (41.0) | (3.8) |
| Purchase of plant and equipment | (123.0) | (97.4) | 25.6 |
| Purchase of intangible assets | (24.5) | (31.4) | (6.9) |
| **Free cash flows** | **430.4** | **140.5** | **(289.9)** |
| Dividends paid | (181.3) | (224.9) | 43.6 |

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

### Operating cash flows

Cash flows from operations for the year decreased 48% to $324.3 million. Working capital was impacted by a significant increase in inventory of raw materials and finished goods to be able to meet potential surge demand and supply chain disruption.

## FINANCIAL COMMENTARY CONTINUED

### Capital expenditure

Property, plant and equipment purchases for the year were $138.4 million, a decrease of $21.8 million from the prior year. The expenditure primarily related to production capacity increases, a third building in Tijuana, Mexico and the start of earthworks for a fifth building to complete our Auckland campus.

### Dividends

Dividends paid of $224.9 million were 24% higher than prior year representing the payment of the final FY21 dividend and the interim FY22 dividend.

### BALANCE SHEET

| As at 31 March | 2021 NZ$M | 2022 NZ$M | Change NZ$M |
|---|---|---|---|
| Trade receivables | 191.7 | 142.8 | (48.9) |
| Inventories | 270.6 | 358.9 | 88.3 |
| Less trade and other payables+ | (145.8) | (132.4) | 13.4 |
| **Working capital** | **316.5** | **369.3** | **52.8** |
| Property, plant and equipment++ | 882.1 | 957.8 | 75.7 |
| Intangible assets | 80.0 | 86.8 | 6.8 |
| Lease liabilities | (43.7) | (36.0) | 7.7 |
| Other net assets (liabilities) | (16.9) | 80.2 | 97.1 |
| Net cash | 302.9 | 221.6 | (81.3) |
| **Net assets** | **1,520.9** | **1,679.7** | **158.8** |

+ 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 2022 reflected strong collection and the level of sales in the second half of the year compared to the prior year COVID-19 surge demand. Our debtor days were within the normal range at 41 days (2021: 43 days). Higher inventories reflect increased raw materials and finished goods to enable the supply of products in the event of any surges in demand and supply chain disruption. The decrease in trade and other payables reflected the payment of the $20 million for the donation to the Fisher & Paykel Healthcare Foundation during 2022.

The increase in property, plant and equipment included capital expenditure of $138.4 million, the majority of which related to production tooling and equipment additions and the substantial completion of the second purpose-built manufacturing property at our Tijuana campus. We also commenced earthworks for our fifth manufacturing building in New Zealand on our East Tamaki campus. These increases were offset by $71 million of depreciation.

Intangible assets increased by $6.8 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 a decrease in tax payable of $117.7 million as the final FY21 tax payments were paid in the current year.

As at 31 March 2022, net currency derivative assets were $140.7 million (2021: $143 million). All currency derivatives continued to be effective hedges.

### Funding and short-term investment

| | 2021 NZ$M | 2022 NZ$M | Change NZ$M |
|---|---|---|---|
| Loans and borrowings | | | |
| – Current | – | – | – |
| – Non-current | (62.8) | (63.0) | (0.2) |
| Bank overdrafts | (11.9) | (5.3) | 6.6 |
| **Total interest-bearing liabilities+** | **(74.7)** | **(68.3)** | **6.4** |
| Cash and cash equivalents | 97.3 | 89.9 | (7.4) |
| Short-term investments | 280.3 | 200.0 | (80.3) |
| **Total cash and investments** | **377.6** | **289.9** | **(87.7)** |
| **Net cash** | **302.9** | **221.6** | **(81.3)** |
| Gearing | -27.2% | -16.3% | |
| Undrawn term debt facilities | 167.2 | 184.5 | |

+ Excluding lease liabilities

The average maturity of loans and borrowings of $63.0 million was 2.5 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 $6.5 million, including the impact of favourable currency revaluations.

On 30 September 2021, a NZ$40 million facility expired and has been replaced with a new US$40 million facility that commenced on 22 September 2021 and will expire 31 October 2024.

Cash balances and short-term investments, mainly in NZD, were $289.9 million at 31 March 2022. This balance, and operating cash generated in 2022, will help to fund the payment of the final dividend, provisional tax and ongoing operational capital expenditure including building projects in Mexico and Auckland.

### Gearing[1]

At 31 March 2022 the group had net cash of $221.6 million and gearing of -16.3%. Gearing was outside the target range of -5% to +5%. Following the significant investment in land and buildings which will take place over the next five years, this is expected to track above +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 | 2021 NZ$M | 2022 NZ$M | Change NZ$M |
|---|---|---|---|
| **Profit after tax (constant currency)** | **482.3** | **337.1** | **(145.2)** |
| Spot exchange rate effect | 36.1 | 12.0 | (24.1) |
| Foreign exchange hedging result | 15.2 | 29.9 | 14.7 |
| Balance sheet revaluation | (9.4) | (2.1) | 7.3 |
| **Profit after tax (reported)** | **524.2** | **376.9** | **(147.3)** |

The significant exchange rates used in the constant currency analysis, being the budget exchange rates used during the year ended 31 March 2022, are USD 0.72, EUR 0.60, AUD 0.93, GBP 0.52, CAD 0.92, JPY 78 and MXN 15.20.

# FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

| | Notes | 2021 NZ$M | 2022 NZ$M |
|---|---|---|---|
| Operating revenue | 4 | 1,971.2 | 1,681.7 |
| Cost of sales | | (725.6) | (629.0) |
| **Gross profit** | | **1,245.6** | **1,052.7** |
| Selling, general and administrative expenses | | (396.6) | (393.1) |
| Research and development expenses | | (136.7) | (154.0) |
| **Total operating expenses** | | **(533.3)** | **(547.1)** |
| Operating profit | | 712.3 | 505.6 |
| Financing income | | 1.5 | 2.6 |
| Financing expense | | (5.0) | (4.9) |
| Exchange gain (loss) on foreign currency interest-bearing liabilities | | 9.4 | 0.9 |
| **Net financing income (expense)** | | **5.9** | **(1.4)** |
| Profit before tax | 5 | 718.2 | 504.2 |
| Tax expense | 11 | (194.0) | (127.3) |
| **Profit after tax** | | **524.2** | **376.9** |
| Basic earnings per share | 16 | 91.1 cps | 65.3 cps |
| Diluted earnings per share | 16 | 90.4 cps | 65.0 cps |

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | Notes | 2021 NZ$M | 2022 NZ$M |
|---|---|---|---|
| **Profit after tax** | | **524.2** | **376.9** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| **Foreign currency translation reserve** | | | |
| Exchange differences on translation of foreign operations | | (5.8) | 0.1 |
| **Hedging reserves** | | | |
| Changes in fair value in hedging reserves | | 241.2 | 37.7 |
| Transfers to profit before tax from cash flow hedge reserve | | (20.1) | (41.0) |
| Tax on above reserve movements | 11 | (61.9) | 0.9 |
| *Items that will not be reclassified to profit or loss* | | | |
| Revaluation of land | 9 | 34.5 | – |
| **Other comprehensive income, net of tax** | | **187.9** | **(2.3)** |
| **Total comprehensive income** | | **712.1** | **374.6** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

| | Notes | Share capital NZ$M | Retained earnings NZ$M | Reserves NZ$M | Total equity NZ$M |
|---|---|---|---|---|---|
| **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** |
| **Total comprehensive income** | | **–** | **376.9** | **(2.3)** | **374.6** |
| Dividends paid | 17 | – | (224.9) | – | (224.9) |
| Issue of share capital under employee share plans | 15 | 15.0 | – | – | 15.0 |
| Movement in share based payments reserve | 17 | – | – | (3.0) | (3.0) |
| Movement in treasury shares | 15 | (2.9) | – | – | (2.9) |
| **Balance at 31 March 2022** | | **261.2** | **1,181.2** | **237.3** | **1,679.7** |

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED BALANCE SHEET

As at 31 March 2022

| | Notes | 2021 NZ$M | 2022 NZ$M |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 97.3 | 89.9 |
| Short-term investments | 12 | 280.3 | 200.0 |
| Trade and other receivables | 7 | 222.5 | 174.4 |
| Inventories | 8 | 270.6 | 358.9 |
| Derivative financial instruments | 6 | 42.9 | 56.4 |
| Tax receivable | | 6.4 | 8.3 |
| **Total current assets** | | **920.0** | **887.9** |
| **Non-current assets** | | | |
| Derivative financial instruments | 6 | 104.0 | 87.7 |
| Other receivables | | 7.6 | 3.2 |
| Property, plant and equipment | 9 | 882.1 | 957.8 |
| Intangible assets | 10 | 80.0 | 86.8 |
| Deferred tax assets | 11 | 81.3 | 83.6 |
| **Total assets** | | **2,075.0** | **2,107.0** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Borrowings | 12 | 11.9 | 5.3 |
| Lease liabilities | 12 | 14.7 | 11.7 |
| Trade and other payables | 13 | 233.3 | 226.2 |
| Provisions | 14 | 15.6 | 26.3 |
| Tax payable | | 149.6 | 31.9 |
| Derivative financial instruments | 6 | 2.4 | 2.5 |
| **Total current liabilities** | | **427.5** | **303.9** |

| | Notes | 2021 NZ$M | 2022 NZ$M |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 12 | 62.8 | 63.0 |
| Lease liabilities | 12 | 29.0 | 24.3 |
| Provisions | 14 | 10.5 | 11.1 |
| Other payables | 13 | 22.8 | 24.1 |
| Derivative financial instruments | 6 | 1.5 | 0.9 |
| **Total liabilities** | | **554.1** | **427.3** |
| **EQUITY** | | | |
| Share capital | 15 | 249.1 | 261.2 |
| Retained earnings | | 1,029.2 | 1,181.2 |
| Reserves | 17 | 242.6 | 237.3 |
| **Total equity** | | **1,520.9** | **1,679.7** |
| **Total liabilities and equity** | | **2,075.0** | **2,107.0** |

The accompanying notes form an integral part of the financial statements.

On behalf of the Board
24 May 2022

**Scott St John**
Board Chair

**Lewis Gradon**
Managing Director and
Chief Executive Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | 1,965.3 | 1,732.4 |
| Interest received | 1.5 | 2.1 |
| Payments to suppliers and employees | (1,205.1) | (1,155.7) |
| Tax paid | (131.5) | (249.7) |
| Interest paid | (3.3) | (3.2) |
| Lease interest paid | (1.6) | (1.6) |
| **Net cash flows from operating activities** | **625.3** | **324.3** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Net short-term investments | (202.6) | 80.3 |
| Purchases of property, plant and equipment | (160.2) | (138.4) |
| Purchases of intangible assets | (24.5) | (31.4) |
| **Net cash flows from investing activities** | **(387.3)** | **(89.5)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issue of share capital under employee share plans | 3.5 | 3.2 |
| New borrowings | 45.3 | 7.5 |
| Repayment of borrowings | (45.3) | (7.6) |
| Lease liability payments | (10.2) | (14.0) |
| Dividends paid | (181.3) | (224.9) |
| **Net cash flows from financing activities** | **(188.0)** | **(235.8)** |
| Net increase (decrease) in cash | 50.0 | (1.0) |
| Opening cash | 36.4 | 85.4 |
| Effect of foreign exchange rates | (1.0) | 0.2 |
| **Closing cash** | **85.4** | **84.6** |
| **RECONCILIATION OF CLOSING CASH** | | |
| Cash and cash equivalents | 97.3 | 89.9 |
| Bank overdrafts | (11.9) | (5.3) |
| **Closing cash** | **85.4** | **84.6** |

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **CASH FLOW RECONCILIATION** | | |
| **Profit after tax** | **524.2** | **376.9** |
| Add (deduct) non-cash items: | | |
| Depreciation - right-of-use assets | 11.5 | 13.8 |
| Depreciation and amortisation - other assets | 73.5 | 82.2 |
| Share based payments | 7.7 | 8.1 |
| Movement in provisions | 19.6 | 11.3 |
| Movement in deferred tax assets / liabilities | (59.0) | (6.8) |
| Movement in net tax payables | 120.8 | (116.3) |
| Foreign currency translation | (7.7) | (1.3) |
| Other non-cash items | (1.8) | (2.1) |
| | **164.6** | **(11.1)** |
| Net working capital movements: | | |
| Trade and other receivables | (5.1) | 52.5 |
| Inventories | (124.1) | (88.3) |
| Trade and other payables | 65.7 | (5.7) |
| | (63.5) | (41.5) |
| **Net cash flows from operating activities** | **625.3** | **324.3** |

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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 24 May 2022.

## 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 2022 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.

In April 2021 the International Financial Reporting Interpretations Committee ("IFRIC") issued an agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38). This interpretation clarifies the accounting treatment in respect of the cost of configuring or customising a supplier's application software in a Software as a Service ("SaaS") arrangement. While such costs may be able to continue to be capitalised in limited circumstances, in many cases the costs are now recognised as an operating expense. The clarification has not had a material impact on the financial statements.

There have been no other changes in accounting policies.

### 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 2022

## 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.

### Capital expenditure

During the year, the construction of the third manufacturing facility on our Tijuana, Mexico campus has substantially completed. To date, spending on this project totals $32.4 million. The building is expected to be operational in 2023.

Earthworks preparation has also commenced for the construction of a fifth building in New Zealand.

## 4. OPERATING REVENUE AND SEGMENTAL INFORMATION

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| Sales revenue | 1,948.2 | 1,642.4 |
| Foreign exchange gain on hedged sales | 23.0 | 39.3 |
| **Total operating revenue** | **1,971.2** | **1,681.7** |
| **Revenue by product group** | | |
| Hospital products | 1,498.1 | 1,207.1 |
| Homecare products | 465.6 | 469.5 |
| | 1,963.7 | 1,676.6 |
| Distributed and other products | 7.5 | 5.1 |
| **Total operating revenue** | **1,971.2** | **1,681.7** |
| **Revenue after hedging by geographical location of customer:** | | |
| North America | 825.7 | 665.1 |
| Europe | 633.8 | 468.1 |
| Asia Pacific | 348.4 | 438.8 |
| Other[1] | 163.3 | 109.7 |
| **Total operating revenue** | **1,971.2** | **1,681.7** |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **Profit before tax is after charging the following specific expenses:** | | |
| Donations | 25.6 | 0.7 |
| Inventory written down (net) | 20.7 | 11.5 |

Donations in 2021 include $20 million committed to the Fisher & Paykel Healthcare Foundation. This was paid during 2022.

**Fees paid to auditors**

| | 2021 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Statutory audit and half year review (i) | 1,203 | 1,290 |
| Other assurance and audit related services (ii) | 37 | 39 |
| Total audit, other assurance services and audit-related services | 1,240 | 1,329 |
| Other services (iii) | 40 | 58 |
| **Total fees paid to auditors** | **1,280** | 1,387 |

### Other fees paid to auditors

(i) Statutory audit and half year review includes $442,013 (2021: $433,400) paid to other PwC network firms.

(ii) Other assurance and audit related services of $39,100 (2021: $37,100) include assurance procedures in relation to compliance with the constant currency framework.

(iii) Other services in 2022 include executive remuneration benchmarking, providing market survey data relating to executive remuneration levels and regulatory tax compliance procedures in Mexico. In 2021, other service included treasury related financial markets risk analysis and commentary, regulatory tax compliance procedures in Mexico and providing market survey data relating to executive remuneration levels.

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

| | 2021 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| PwC New Zealand | 847 | 945 |
| PwC Overseas offices | 433 | 442 |
| | **1,280** | 1,387 |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 6. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Assets NZ$M | Liabilities NZ$M | Assets NZ$M | Liabilities NZ$M |
| **CURRENT** | | | | |
| Foreign currency forward exchange contracts – cash flow hedges | 42.0 | 1.9 | 54.0 | 2.4 |
| Foreign currency forward exchange contracts – not hedge accounted | 0.1 | – | 1.1 | 0.1 |
| Foreign currency option contracts – cash flow hedges | 0.7 | – | 1.1 | – |
| Foreign currency option contracts – time value | 0.1 | – | 0.1 | – |
| Interest rate swaps & options – cash flow hedges | – | 0.5 | 0.1 | – |
| | **42.9** | **2.4** | **56.4** | **2.5** |
| **NON-CURRENT** | | | | |
| Foreign currency forward exchange contracts – cash flow hedges | 102.6 | 0.6 | 87.6 | 0.9 |
| Foreign currency option contracts – cash flow hedges | 1.1 | – | – | – |
| Foreign currency option contracts – time value | 0.3 | – | – | – |
| Interest rate swaps & options – cash flow hedges | – | 0.9 | 0.1 | – |
| | **104.0** | **1.5** | **87.7** | **0.9** |

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 2022

## 6. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Contractual amounts of derivative financial instruments were as follows:

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **Foreign currency forward contracts and options** | | |
| Sale commitments forward exchange contracts | 1,743.5 | 1,860.5 |
| Purchase commitments forward exchange contracts | 83.2 | 97.5 |
| Foreign currency borrowing forward exchange contracts | 36.1 | 49.7 |
| NZD call option contracts purchased | – | 5.9 |
| Collar option contracts – NZD call options purchased (i) | 31.9 | 18.2 |
| Collar option contracts – NZD put options sold (i) | 34.0 | 19.4 |
| **Interest rate derivatives** | | |
| Interest rate swaps | 29.0 | 32.7 |
| Interest rate options | 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 | |
|---|---|---|
| | 2021 M | 2022 M |
| **Sale commitments** | | |
| United States dollars | US$627.5 | US$663.3 |
| European Union euros | €280.7 | €318.2 |
| Japanese yen | ¥8,485.0 | ¥9,945.0 |
| **Purchase commitments** | | |
| Mexican pesos | MX$1,314.5 | MX$1,577.0 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 7. TRADE AND OTHER RECEIVABLES

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **CURRENT** | | |
| Trade receivables | 197.0 | 147.8 |
| Loss allowance for doubtful trade receivables | (5.3) | (5.0) |
| | 191.7 | 142.8 |
| Other receivables | 30.8 | 31.6 |
| | **222.5** | **174.4** |

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 provision 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 91% of trade receivables were current (2021: 79%) with less than 3% (2021: 3%) 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

| | 2021 | 2022 |
|---|---|---|
| Five largest customers' proportion of the Group's: | | |
| Operating revenue | 17.5% | 19.7% |
| Trade receivables | 15.4% | 21.6% |

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

## 8. INVENTORIES

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| Materials | 97.7 | 121.1 |
| Finished products | 205.5 | 278.1 |
| Provision for inventory write downs | (32.6) | (40.3) |
| | **270.6** | **358.9** |

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 2022

### 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 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** |
| Additions | 3.1 | 0.3 | 3.5 | 5.9 | 18.7 | 2.3 | 35.1 | 79.3 | 148.2 |
| Transfers | – | 4.4 | 4.7 | – | 44.9 | – | (9.4) | (44.6) | – |
| Disposals | – | – | (0.3) | (2.4) | (15.0) | (2.9) | – | – | (20.6) |
| Foreign exchange differences | 0.1 | 0.1 | – | – | – | – | 0.1 | – | 0.3 |
| **Balance at 31 March 2022** | **219.7** | **180.5** | **238.8** | **50.6** | **481.2** | **11.2** | **50.7** | **158.1** | **1,390.8** |
| **Depreciation and impairment losses** | | | | | | | | | |
| 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** |
| Depreciation charge for the year | – | 4.4 | 10.8 | 10.0 | 42.2 | 3.6 | – | – | 71.0 |
| Disposals | – | – | – | (1.7) | (14.4) | (2.8) | – | – | (18.9) |
| Foreign exchange differences | – | 0.1 | – | – | – | – | – | – | 0.1 |
| **Balance at 31 March 2022** | **–** | **31.1** | **96.8** | **22.8** | **275.1** | **7.2** | **–** | **–** | **433.0** |
| **Carrying amounts** | | | | | | | | | |
| 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 |
| **At 31 March 2022** | **219.7** | **149.4** | **142.0** | **27.8** | **206.1** | **4.0** | **50.7** | **158.1** | **957.8** |

(i) $0.4M of finance costs were capitalised during the year in relation to building additions (2021: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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:

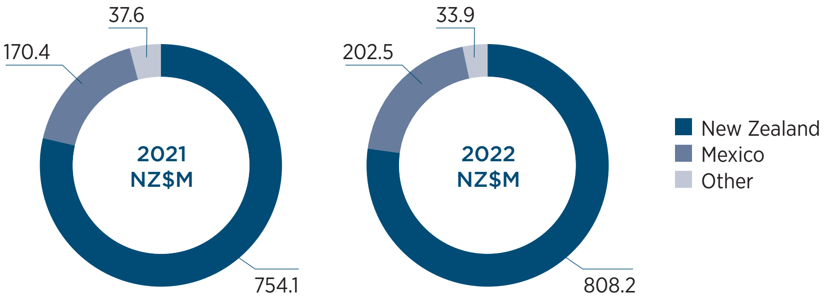
| | |
|---|---|
| Buildings – structure | 25 – 50 years |
| Buildings – fit-out and other | 3 – 50 years |
| Plant and equipment | 3 – 15 years |

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:**

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### 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.

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### Land revaluation

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

*New Zealand*

The New Zealand land holding was valued by Jones Lang LaSalle (JLL NZ), with an effective date of 31 March 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).

The Directors consider the carrying value of land at 31 March 2022 remains an appropriate fair value.

**Carrying amounts of land if measured at historical cost**

| | New Zealand | | Mexico | |
|---|---|---|---|---|
| | 2021 NZ$M | 2022 NZ$M | 2021 US$M | 2022 US$M |
| At historical cost | 72.2 | 75.3 | 16.3 | 16.3 |
| At fair value | 191.0 | 194.1 | 18.3 | 18.3 |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 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 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** |
| Additions | 1.5 | 27.1 | 0.1 | 2.9 | 31.6 |
| Transfers | 2.0 | – | 3.4 | (5.4) | – |
| Disposals | (8.1) | (1.3) | – | – | (9.4) |
| Foreign exchange differences | – | – | 0.1 | 0.2 | 0.3 |
| **Balance at 31 March 2022** | **62.4** | **105.3** | **7.8** | **7.9** | **183.4** |
| **Amortisation and impairment losses** | | | | | |
| 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** |
| Amortisation for the year | 9.3 | 15.5 | 0.2 | – | 25.0 |
| Disposals | (8.0) | (1.3) | – | – | (9.3) |
| Foreign exchange differences | – | – | – | – | – |
| **Balance at 31 March 2022** | **33.0** | **60.6** | **3.0** | **–** | **96.6** |
| **Carrying amounts** | | | | | |
| 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** |
| **At 31 March 2022** | **29.4** | **44.7** | **4.8** | **7.9** | **86.8** |

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**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. The project costs (including the ERP implementation) are transferred from Capital projects in progress to Software, as each stage is completed. These software costs are amortised over their useful economic life of 3 to 15 years.

The costs of configuring or customising, and the ongoing fees to obtain access to an application software in a cloud computing Software-as-a-Service agreement are recognised as expenses when the services are received.

**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 2022

## 11. INCOME TAX

### INCOME TAX EXPENSE

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **Profit before tax** | **718.2** | **504.2** |
| Tax expense at the New Zealand rate of 28% | 201.0 | 141.2 |
| Adjustments to tax: | | |
| Non-assessable income | (1.7) | (0.7) |
| Non-deductible expenses | 2.6 | 4.9 |
| Foreign rates other than 28% | (1.2) | (1.0) |
| Effect of foreign currency translations | 6.6 | 2.0 |
| R&D tax credit | (13.2) | (15.1) |
| Prior period over provision | (0.1) | (4.0) |
| **Tax expense** | **194.0** | **127.3** |
| This is represented by: | | |
| Current tax | 252.9 | 133.8 |
| Deferred tax | (58.9) | (6.5) |
| **Tax expense** | **194.0** | **127.3** |
| Effective tax rate | 27.0% | 25.2% |
| Effective tax rate excluding R&D tax credit | 28.8% | 28.2% |

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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 | 2021 M | 2022 M |
|---|---|---|
| New Zealand imputation credits available for use in subsequent reporting periods | NZ$310.4 | NZ$322.7 |
| Australian franking credits available for use in subsequent reporting periods | A$12.8 | A$14.7 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 11. INCOME TAX (CONTINUED)

### DEFERRED TAX ASSETS/(LIABILITIES)

| | 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 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** |
| Amounts recognised in: | | | | | | | |
| Other comprehensive income | – | – | – | 0.9 | – | – | 0.9 |
| Directly in equity | – | – | – | – | (5.1) | – | (5.1) |
| In the Income Statement | 6.2 | (0.2) | 1.6 | – | (0.4) | (0.7) | 6.5 |
| **Balance at 31 March 2022** | **131.6** | **1.2** | **(14.5)** | **(39.2)** | **4.1** | **0.4** | **83.6** |

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 2022

## 12. INTEREST-BEARING LIABILITIES

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Borrowings NZ$M | Leases NZ$M | Borrowings NZ$M | Leases NZ$M |
| **CURRENT** | | | | |
| Bank overdrafts | 11.9 | – | 5.3 | – |
| Borrowings | – | – | – | – |
| Lease liabilities | – | 14.7 | – | 11.7 |
| | **11.9** | **14.7** | **5.3** | **11.7** |
| **NON-CURRENT** | | | | |
| Borrowings expiring | | | | |
| Between one and two years | 25.1 | – | 5.5 | – |
| Between two and three years | 37.7 | – | 57.5 | – |
| Between three and four years | – | – | – | – |
| Between four and five years | – | – | – | – |
| Lease liabilities | – | 29.0 | – | 24.3 |
| | **62.8** | **29.0** | **63.0** | **24.3** |

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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 5.3%. 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 2022

### 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 for borrowings is 1.8% (2021: 1.7%).

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

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

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

The 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 $247.5 million as at 31 March 2022, of which approximately $184.5 million was undrawn. As at 31 March 2022, the weighted average maturity of committed borrowing facilities was 2.1 years.

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **Unused lines of credit** | | |
| Bank overdraft facilities | 33.9 | 38.3 |
| Borrowing facilities | 167.2 | 184.5 |
| | **201.1** | **222.8** |

### Short-term investments

As at 31 March 2022, the Group has invested available cash on hand of $200 million in short-term investments. These investments have maturities between 91 and 182 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 1.7%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 13. TRADE AND OTHER PAYABLES

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **CURRENT** | | |
| Trade payables | 56.7 | 53.8 |
| Employee entitlements | 87.5 | 93.8 |
| Other payables and accruals | 89.1 | 78.6 |
| | **233.3** | **226.2** |
| **NON-CURRENT** | | |
| Employee entitlements | 20.6 | 20.7 |
| Other payables and accruals | 2.2 | 3.4 |
| | **22.8** | **24.1** |

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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

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **Warranty provision** | | |
| **CURRENT** | | |
| Balance at beginning of the year | 5.0 | 15.6 |
| Current year provision | 15.9 | 14.9 |
| Warranty expenses incurred | (5.3) | (4.2) |
| **Balance at end of the year** | **15.6** | **26.3** |
| **NON-CURRENT** | | |
| Balance at beginning of the year | 1.5 | 10.5 |
| Current year provision | 9.0 | 0.6 |
| **Balance at end of the year** | **10.5** | **11.1** |

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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 2022

## 15. SHARE CAPITAL

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| Share capital at beginning of the year | 229.0 | 251.3 |
| Issue of share capital under employee share plans | 22.3 | 15.0 |
| Share capital at end of the year | 251.3 | 266.3 |
| Less treasury shares (i) | (2.2) | (5.1) |
| | **249.1** | **261.2** |
| **Number of issued shares** | | |
| Number of shares on issue at beginning of the year | 574,570,603 | 576,412,532 |
| Shares issued: | | |
| Employee share purchase schemes | 79,889 | 201,596 |
| Employee share based payments plans | 1,762,040 | 791,750 |
| Number of shares on issue at end of the year | 576,412,532 | 577,405,878 |
| Less treasury shares (i) | (137,720) | (276,061) |
| | **576,274,812** | **577,129,817** |

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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

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| **Profit after tax** | **524.2** | **376.9** |
| Weighted average number of ordinary shares | 575,650,376 | 576,949,087 |
| Adjustment for share options, PSRs and ESRs | 3,937,886 | 3,043,534 |
| Weighted average number of ordinary shares for diluted earnings per share | 579,588,262 | 579,992,621 |
| Basic earnings per share (cents per share) | 91.1 cps | 65.3 cps |
| Diluted earnings per share (cents per share) | 90.4 cps | 65.0 cps |

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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 2022

## 17. RESERVES AND DIVIDENDS

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| Hedging reserve | 103.0 | 100.6 |
| Asset revaluation reserve | 122.1 | 122.1 |
| Employee share based payment reserve | 20.3 | 17.3 |
| Foreign currency translation reserve | (2.8) | (2.7) |
| **Total reserves** | **242.6** | **237.3** |

### 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 $24.4 million were paid to non-resident shareholders (2021: $20.1 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.

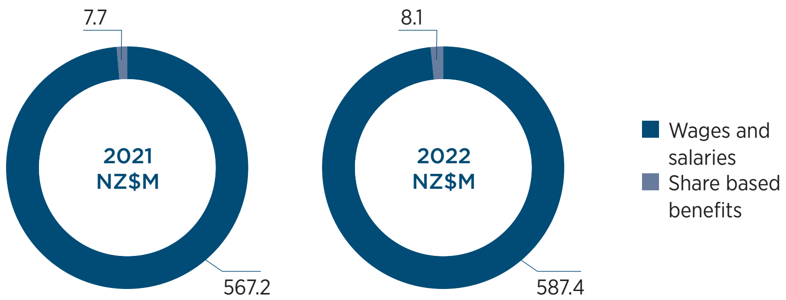
| | Cents per share | NZ$M |
|---|---|---|
| **Dividends** | | |
| 2020 final | 15.50 | 89.1 |
| 2021 interim | 16.00 | 92.2 |
| **31 March 2021** | **31.50** | **181.3** |
| 2021 final | 22.00 | 126.8 |
| 2022 interim | 17.00 | 98.1 |
| **31 March 2022** | **39.00** | **224.9** |

### Subsequent event – dividend declared

On 24 May 2022 the directors approved the payment of a fully imputed 2022 final dividend of $129.9 million (22.5 cents per share) to be paid on 6 July 2022. A supplementary dividend of 3.9706 cents per share was also approved for eligible non-resident shareholders.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

## 18. EMPLOYEE EXPENSES
Employee expenses total $595.5 million (2021: $574.9 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 liabilities, 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

| | 2021 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Salary and other short-term benefits | 10,053 | 9,771 |
| Share based benefits | 2,154 | 2,498 |
| Directors fees | 1,061 | 1,207 |
| | **13,268** | **13,476** |

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 2022

## 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*

The 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 2022 the total receivable owing from employees was $3.5 million (2021: $1.2 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 2022 totalled 62,555 shares (2021: 79,889).

### 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 2022

### 18. EMPLOYEE EXPENSES (CONTINUED)

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

| | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Options | Performance Share Rights | Employee Share Rights | Options | Performance Share Rights | Employee Share Rights |
| **Number outstanding** | | | | | | |
| As at beginning of the year | 3,381,887 | 1,202,771 | 244,656 | 2,396,125 | 594,032 | 303,330 |
| Granted during the year | 412,417 | 130,857 | 62,227 | 462,365 | 161,819 | 81,398 |
| Exercised during the year | (1,389,674) | (736,000) | – | (742,604) | (207,546) | (116,515) |
| Lapsed during the year | (8,505) | (3,596) | (3,553) | (24,112) | (5,466) | (13,295) |
| **As at end of the year** | **2,396,125** | **594,032** | **303,330** | **2,091,774** | **542,839** | **254,918** |
| Exercisable at year end | 532,446 | – | – | 424,847 | – | – |
| Number of employees holding employee share options, PSRs and ESRs | 315 | 192 | 301 | 267 | 205 | 344 |
| Weighted average exercise price | $18.54 | – | – | $23.61 | – | – |
| Weighted average remaining contractual life (months) | 33 | 39 | 15 | 33 | 39 | 15 |
| Fair value of share options or rights granted during the year (NZ$M) | 2.9 | 3.0 | 2.2 | 3.3 | 3.3 | 2.6 |
| Fair value of share options or rights granted during the year ($ per share) | $7.15 | $22.55 | $35.53 | $7.13 | $20.38 | $31.88 |
| **Key inputs and assumptions used in fair value of grants during the year** | | | | | | |
| Share price at grant date | $36.91 | $36.91 | $36.91 | $32.81 | $32.81 | $32.81 |
| Contractual life (years) | 5 | 5 | 3 | 5 | 5 | 3 |
| Exercise price | $36.54 | Nil | Nil | $32.69 | Nil | Nil |
| Expected volatility (i) | 27.3% | 27.3% | n/a | 28.1% | 28.1% | n/a |
| Expected dividend yield | 1.10% | 1.10% | 1.10% | 1.19% | 1.19% | 1.19% |
| Cost of equity | 7.7% | n/a | 7.7% | 7.5% | n/a | 7.5% |
| 5 year NZD risk free rate | 0.24% | 0.28% | n/a | 1.35% | 1.35% | n/a |
| 5 year USD risk free rate | n/a | 0.28% | n/a | n/a | 0.84% | n/a |
| NZD/USD exchange rate of grant date | n/a | 0.6700 | n/a | n/a | 0.6900 | n/a |
| Expected NZD/USD volatility | n/a | 11.00% | n/a | n/a | 11.20% | n/a |
| Expected DJSMDQT index volatility | n/a | 19.00% | n/a | n/a | 17.50% | 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 2022

## 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

| | 2021 NZ$M | 2022 NZ$M |
|---|---|---|
| Capital expenditure commitments contracted for but not recognised as at the reporting date: | | |
| Within one year | 45.9 | 56.9 |
| Between one and two years | 9.2 | 6.1 |
| Between two and five years | – | – |
| | **55.1** | **63.0** |

## 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 procedures and guidelines that identify and evaluate risks and authorise various financial instruments to manage financial risks. These procedures 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 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 procedures.

*(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 procedures.

The Group enters into foreign currency option contracts and forward foreign currency contracts within procedure 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, options and forward 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 procedure parameters. Interest rate swaps and options are accounted for as cash flow hedges.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **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** |
| **2022** | | | | | | | | | | |
| Cash | 40.0 | 12.4 | 3.4 | – | 1.1 | 1.2 | 2.2 | 5.0 | 24.6 | 89.9 |
| Short-term investments | 200.0 | – | – | – | – | – | – | – | – | 200.0 |
| Trade receivables | 1.7 | 59.3 | 39.0 | 16.7 | 4.0 | 5.2 | 4.2 | 0.4 | 17.3 | 147.8 |
| Trade and other payables | (67.7) | (34.4) | (11.6) | (2.1) | (3.1) | (0.8) | (3.0) | (4.7) | (8.4) | (135.8) |
| Bank overdraft | (0.4) | – | (2.5) | (1.2) | – | – | – | – | (1.2) | (5.3) |
| Lease liabilities | (7.1) | (12.0) | (7.2) | (0.7) | (3.1) | (0.7) | (2.4) | (0.2) | (2.6) | (36.0) |
| Borrowings | – | (57.4) | – | – | (3.6) | (2.0) | – | – | – | (63.0) |
| | **166.5** | **(32.1)** | **21.1** | **12.7** | **(4.7)** | **2.9** | **1.0** | **0.5** | **29.7** | **197.6** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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 (2021: +/-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 (2021: +/-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.

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | NZ$M | NZ$M | NZ$M | NZ$M |
| **Interest rate change** | -1% | + 1% | -1% | +1% |
| Impact on profit after tax | (2.4) | 2.4 | (1.7) | 1.7 |
| Impact on hedging reserves (within equity) | (1.0) | 1.0 | (0.7) | 0.7 |
| | **(3.4)** | **3.4** | **(2.4)** | **2.4** |
| **Foreign exchange rate change** | -10% | + 10% | -10% | +10% |
| Impact on profit after tax | 8.9 | (8.2) | 5.9 | (5.6) |
| Impact on hedging reserves (within equity) | (121.5) | 100.5 | (126.1) | 102.6 |
| | **(112.6)** | **92.3** | **(120.2)** | **97.0** |

*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 (2021: 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 2022

## 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 |
|---|---|---|---|---|---|---|
| **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 – (liabilities)** | **39.8** | **34.5** | **67.2** | **1.1** | **142.6** | **143.0** |
| **2022** | | | | | | |
| Bank overdrafts | 5.3 | – | – | – | 5.3 | 5.3 |
| Trade and other payables | 135.8 | – | – | – | 135.8 | 135.8 |
| Borrowings | 1.1 | 6.5 | 58.1 | – | 65.7 | 63.0 |
| Lease liabilities | 11.0 | 7.5 | 14.1 | 4.0 | 36.6 | 36.0 |
| **Total non-derivative financial liabilities** | **153.2** | **14.0** | **72.2** | **4.0** | **243.4** | **240.1** |
| Foreign currency forward exchange contracts | 52.3 | 43.0 | 50.2 | – | 145.5 | 139.3 |
| Foreign currency option contracts | – | – | – | – | – | 1.2 |
| Interest rate derivative instruments net inflows (outflows) (i) | (0.1) | 0.2 | 0.1 | – | 0.2 | 0.2 |
| **Total derivative financial instruments – assets** | **52.2** | **43.2** | **50.3** | **–** | **145.7** | **140.7** |

(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 2022

## 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 procedures 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 92% of cash and short-term investments (2021: 96%) is held with counterparties with credit rating of Standard and Poors' A- and above.

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

## 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.

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### 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.

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

### OUR OPINION

In our opinion, 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 2022, 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 2022;
- 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 executive remuneration benchmarking, providing market survey data relating to executive remuneration levels, regulatory tax compliance procedures in Mexico, and other assurance services in relation to constant currency disclosures. The provision of these other services has not impaired our independence as auditor of the Group.

## KEY AUDIT MATTERS

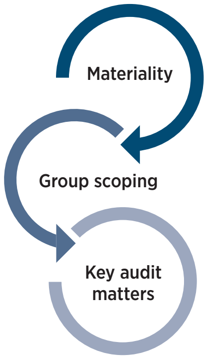
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition**<br>The Group's revenue primarily consists of the sale of products. Operating revenue totalled $1,681.7 million in the year ended 31 March 2022 as outlined in Note 4. In determining the appropriate recognition of revenue, management has considered the following characteristics of the sale of products:<br>• products are sold to customers in multiple territories with varying sales contract terms and conditions; and<br>• in certain markets, sales are made to distributors and include rebate arrangement.<br>Management has concluded that:<br>• revenue is primarily derived from the satisfaction of a single performance obligation for each contract which is the sale of products; and<br>• control of product transfers to the customer/distributor at the same time as legal title passes.<br>Given the above, we have given significant audit focus and attention to the recognition of revenue. | On a sample basis for each major operating subsidiary:<br>• we examined contracts with customers to validate that management's conclusion in relation to the determination of performance obligations and when control transfers was appropriate; and<br>• validated that the rebate, payment and pricing arrangements supported the recognition of a sale on transfer of control to the distributor.<br>We completed detailed audit procedures over revenue including:<br>• obtaining an understanding of systems, processes and controls and evaluating and testing key controls in place over the recording of revenue;<br>• 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;<br>• 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;<br>• 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<br>• 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.<br>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: $25.2 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 audit procedures contributed 87% of the Group's revenue and 92% 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
24 May 2022 Auckland

# APPENDICES

05

## FIVE YEAR SUMMARY

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

| | | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| **FINANCIAL PERFORMANCE** | Sales revenue | 964.5 | 1,072.1 | 1,273.4 | 1,948.2 | 1,642.4 |
| | Foreign exchange gain (loss) on hedged sales | 16.3 | (1.7) | (9.7) | 23.0 | 39.3 |
| | **Total operating revenue** | **980.8** | **1,070.4** | **1,263.7** | **1,971.2** | **1,681.7** |
| | Gross profit | 650.4 | 715.8 | 835.8 | 1,245.6 | 1,052.7 |
| | Gross margin | 66.3% | 66.9% | 66.1% | 63.2% | 62.6% |
| | Other income | 5.0 | 5.0 | – | – | – |
| | SG&A expenses | (290.9) | (327.8) | (338.0) | (396.6) | (393.1) |
| | R&D expenses | (94.7) | (100.4) | (118.5) | (136.7) | (154.0) |
| | **Total operating expenses** | **(385.6)** | **(428.2)** | **(456.5)** | **(533.3)** | **(547.1)** |
| | Operating profit | 269.8 | 292.6 | 379.3 | 712.3 | 505.6 |
| | Operating margin | 27.5% | 27.3% | 30.0% | 36.1% | 30.1% |
| | Net financing (expense) income | (2.0) | (1.4) | (8.8) | 5.9 | (1.4) |
| | Tax expense | (77.6) | (82.0) | (83.2) | (194.0) | (127.3) |
| | **Profit after tax** | **190.2** | **209.2** | **287.3** | **524.2** | **376.9** |
| **REVENUE** | North America | 458.5 | 501.5 | 571.2 | 825.7 | 665.1 |
| **By Region and Product Group** | Europe | 297.6 | 314.6 | 365.4 | 633.8 | 468.1 |
| | Asia Pacific | 181.0 | 208.1 | 273.3 | 348.4 | 438.8 |
| | Other | 43.7 | 46.2 | 53.8 | 163.3 | 109.7 |
| | Hospital products | 572.1 | 642.3 | 801.3 | 1,498.1 | 1,207.1 |
| | Homecare products | 398.1 | 421.4 | 457.3 | 465.6 | 469.5 |
| | Core products subtotal | 970.2 | 1,063.7 | 1,258.6 | 1,963.7 | 1,676.6 |
| | Distributed and other products | 10.6 | 6.7 | 5.1 | 7.5 | 5.1 |
| | **Total operating revenue** | **980.8** | **1,070.4** | **1,263.7** | **1,971.2** | **1,681.7** |
| **Growth Rates Reported** | Revenue | 9.7% | 9.1% | 18.1% | 56.0% | -14.7% |
| | Gross profit | 10.2% | 10.1% | 16.8% | 49.0% | -15.5% |
| | R&D expenses | 10.1% | 6.0% | 18.0% | 15.4% | 12.7% |
| | Profit before tax | 12.3% | 8.7% | 27.2% | 93.8% | -29.8% |
| | Profit after tax | 12.4% | 10.0% | 37.3% | 82.5% | -28.1% |
| **Growth Rates in Constant Currency[1]** | Revenue | 9.0% | 8.0% | 13.8% | 61.4% | -13.7% |
| | Gross profit | 9.0% | 9.0% | 11.3% | 57.4% | -15.8% |
| | R&D expenses | 10.0% | 6.0% | 18.0% | 15.4% | 12.7% |
| | Profit before tax | 12.0% | 9.0% | 20.3% | 103.6% | -31.4% |

[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 101.
The 2018, 2019, 2020 and 2021 growth rates in constant currency have been sourced from the 2021 annual report.

## FIVE YEAR SUMMARY (CONTINUED)

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

| | | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| **FINANCIAL POSITION** | Property, plant and equipment | 476.4 | 601.4 | 735.3 | 882.1 | 957.8 |
| | Total assets | 1,025.1 | 1,206.7 | 1,435.0 | 2,075.0 | 2,107.0 |
| | Total liabilities | (263.8) | (293.5) | (461.2) | (554.1) | (427.3) |
| | Shareholders' equity | 761.3 | 913.2 | 973.8 | 1,520.9 | 1,679.7 |
| | Return on assets (%) | 28.1% | 26.1% | 28.1% | 40.9% | 24.1% |
| | Return on equity (%) | 37.6% | 34.8% | 39.3% | 57.6% | 31.5% |
| | Net debt / (cash) (including short-term investments) | (49.9) | (54.4) | (42.2) | (302.9) | (221.6) |
| | Gearing Ratio[1] | –7.3% | –6.7% | –4.3% | –27.2% | -16.3% |
| **DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)** | Basic shares outstanding at 31 March | 571,230,264 | 573,708,739 | 574,570,603 | 576,412,532 | 577,405,878 |
| | Dividends declared | | | | | |
| | Interim | 8.75 | 9.75 | 12.00 | 16.00 | 17.00 |
| | Final[2] | 12.50 | 13.50 | 15.50 | 22.00 | 22.50 |
| | Total ordinary dividends | 21.25 | 23.25 | 27.50 | 38.00 | 39.50 |
| | Basic earnings per share | 33.4 | 36.5 | 50.0 | 91.1 | 65.3 |
| | Diluted earnings per share | 33.0 | 36.2 | 49.6 | 90.4 | 65.0 |
| **CASH FLOWS** | Net cash flow from operating activities | 247.8 | 253.2 | 321.4 | 625.3 | 324.3 |
| | Free cash flow[3] | 149.3 | 119.9 | 141.0 | 430.4 | 140.5 |
| | Dividends paid | (102.5) | (114.6) | (146.4) | (181.3) | (224.9) |
| **CAPITAL EXPENDITURE** | Plant and equipment | 41.8 | 41.4 | 63.5 | 123.0 | 97.4 |
| | Land and buildings | 41.4 | 74.0 | 81.8 | 37.2 | 41.0 |
| | Intangible assets | 15.5 | 17.9 | 25.4 | 24.5 | 31.4 |
| | Total | 98.7 | 133.3 | 170.7 | 184.7 | 169.8 |
| | Plant & equipment capex: depreciation ratio[4] | 1.3 | 1.3 | 2.2 | 2.8 | 2.3 |

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

[2] Final dividend is paid in the following financial year.

[3] Free cash flow represents net cash flows from operating activities less capital expenditure - including lease liability repayments following the adoption of IFRS 16 - Leases

[4] Depreciation excludes leased asset depreciation

## FIVE YEAR SUMMARY (CONTINUED)

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

| | | | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| **PATENT PORTFOLIO NUMBERS** | US patents | | 186 | 222 | 302 | 381 | 454 |
| | US patent applications (includes PCTs)[1] | | 385 | 427 | 430 | 454 | 504 |
| | Non-US patents | | 870 | 988 | 1,236 | 1,508 | 1,947 |
| | Non-US patent applications (excludes PCTs)[1] | | 912 | 1,080 | 1,228 | 1,345 | 1,491 |
| **PEOPLE NUMBERS** | People numbers[2] | | 4,174 | 4,547 | 5,081 | 6,897 | 7,375 |
| | By function: | | | | | | |
| | Research and development | | 572 | 581 | 597 | 684 | 765 |
| | Manufacturing and operations | | 2,386 | 2,680 | 3,098 | 4,685 | 4,989 |
| | Sales, marketing and distribution | | 994 | 1,047 | 1,132 | 1,230 | 1,311 |
| | Management and administration | | 222 | 239 | 254 | 298 | 310 |
| | By region: | | | | | | |
| | New Zealand | | 2,258 | 2,416 | 2,738 | 3,932 | 3,927 |
| | North America | | 1,314 | 1,493 | 1,645 | 2,191 | 2,608 |
| | Europe | | 294 | 303 | 333 | 350 | 380 |
| | Rest of World | | 308 | 335 | 365 | 424 | 460 |
| **EXCHANGE RATES NZ$ 1 =** | **AVERAGE DAILY SPOT RATES** | USD | 0.7148 | 0.6811 | 0.6477 | 0.6714 | 0.6969 |
| | **AVERAGE CONVERSION RATES[3]** | USD | 0.6823 | 0.6804 | 0.6671 | 0.6692 | 0.6734 |
| | | EUR | 0.5999 | 0.6039 | 0.5760 | 0.5624 | 0.5571 |
| | | GBP | 0.5018 | 0.5105 | 0.4921 | 0.5096 | 0.4980 |
| | | AUD | 0.9246 | 0.9163 | 0.9235 | 0.9318 | 0.9255 |
| | | CAD | 0.9218 | 0.8973 | 0.8748 | 0.8730 | 0.8696 |
| | | JPY | 72.34 | 73.21 | 72.44 | 69.70 | 71.80 |
| | | MXN | 12.62 | 13.24 | 13.47 | 13.79 | 14.97 |

[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

| | |
|---|---|
| AAALAC | Association for Assessment and Accreditation of Laboratory Animal Care |
| ASM | Annual Shareholders' Meeting |
| ASX | Australian Stock Exchange |
| AUD | Australian Dollar |
| BIAC | The OECD's Business and Industry Advisory Committee |
| CAHRAs | Conflict-Affected and High-Risk Areas |
| CDP | The name of the not-for-profit that facilitates environmental disclosures. Formerly known as the Carbon Disclosure Project |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CGI | Climate Governance Initiative |
| CLC | Climate Leaders Coalition |
| 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 |
| DAVR | Discretionary Annual Variable Remuneration |
| DJSMDQT | Dow Jones US Select Medical Equipment Total Return Index |
| EAP | Employee Assistance Programme |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| ERP | Enterprise Resource Planning |
| 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 |
| FIFO | first in/first out |
| FMA | Financial Markets Authority |
| FTE | Full Time Equivalent |
| FY | Financial Year |
| GeSI | Global Enabling Sustainability Initiative |
| GHG | Greenhouse gas |
| GRI | Global Reporting Initiative |
| Group | means Fisher & Paykel Healthcare Corporation Limited together with its subsidiaries |
| GST | Goods and Services Tax |
| IEA | International Energy Agency |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| IP | Intellectual Property |
| IPCC | Intergovernmental Panel on Climate Change |
| ISDA | International Swaps and Derivatives Association |
| ISO | International Organisation for Standardisation |
| LTIFR | Lost Time Injury Frequency Rate |
| LTVR | Long Term Variable Remuneration |
| 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 |
| NZE | Net Zero Emissions by 2050 |
| OECD | Organisation for Economic Cooperation and Development |
| PCT | Patent Cooperation Treaty |
| PSR | Performance Share Right |
| R&D | Research and Development |
| RCP | Representative Concentration Pathway |
| RMAP | Responsible Minerals Assurance Process |
| SASB | Sustainability Accounting Standards Board |
| SBTi | Science Based Targets initiative |
| SDG | Sustainable Development Goals |
| SG&A | Sales, General and Administrative |
| STEM | Science, Technology, Engineering and Mathematics |
| STEPS | Stated Policies Scenario |
| 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 |
| NHF | Nasal High Flow |
| NICU | Neonatal Intensive Care Unit |
| NIV | Noninvasive Ventilation |
| 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. 14-15 and 20-23 |
| 102-3 | Location of headquarters | Inside back cover |
| 102-4 | Location of operations | Annual Report: p. 21 |
| 102-5 | Ownership and legal form | Annual Report: pp. 106 and 82-87 |
| 102-6 | Markets served | Annual Report: p. 21 |
| 102-7 | Scale of the organisation | Annual Report: pp. 8-13 and 138-140 |
| 102-8 | Information on employees and other workers | Annual Report: pp. 34-45 |
| 102-9 | Supply chain | Annual Report: pp. 54-57 |
| 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<br>• ILO Declaration on Fundamental Principles and Rights at Work |
| 102-13 | Membership of associations | • American Association of Homecare<br>• American Association of Respiratory Care<br>• American Chamber of Commerce<br>• Association for Anaesthetic and Respiratory Device Suppliers<br>• Association of Anaesthetists |

| *Disclosure* | *Description* | *Location/Response* |
|---|---|---|
| 102-13 | Membership of associations | • Association for Respiratory Technology & Physiology<br>• Australasian Investor Relations Association<br>• Australasian Sleep Association<br>• Australian College of Critical Care Nurses<br>• Austrian Chamber of Commerce<br>• British Anaesthetic & Respiratory Equipment Manufacturers Association<br>• British Thoracic Society<br>• Business New Zealand<br>• Colorectal Society of Australia and New Zealand<br>• Diversity Works<br>• Employers and Manufacturers Association<br>• German Chamber of Commerce<br>• Guangdong Investment Promotion Association in China<br>• International Electrotechnical Commission / Technical Committee 62<br>• International Organisation for Standardisation / Technical Committee 121<br>• Japan Association of Health Industry Distributors<br>• Japan Association of Medical Devices Industries<br>• Latin America New Zealand Business Council<br>• Medical Technology Association New Zealand<br>• National Association for Medical Direction of<br>• Respiratory Care<br>• Sleep Health Foundation<br>• Sustainable Business Council<br>• Taipei Medical Instruments Commercial Association<br>• The Japan Fair Trade Council of the Medical Devices Industry |
| *Strategy* | | |
| 102-14 | Statement from senior decision maker | Annual Report: pp. 8-13 |
| *Ethics and integrity* | | |
| 102-16 | Values, principles, standards, and norms of behaviour | Code of Conduct available online at www.fphcare.co.nz/corporategovernance |
| *Governance* | | |
| 102-18 | Governance structure | Annual Report: pp. 72-78 |

## GRI CONTENT INDEX (CONTINUED)

| *Disclosure* | *Description* | *Location/Response* |
|---|---|---|
| *Stakeholder engagement* | | |
| 102-40 | List of stakeholder groups | Annual Report: p. 25 |
| 102-41 | Collective bargaining agreements | Annual Report: p. 43 |
| 102-42 | Identifying and selecting stakeholders | Annual Report: p. 25 |
| 102-43 | Approach to stakeholder engagement | Annual Report: p. 25 |
| 102-44 | Key topics and concerns raised | Annual Report: pp. 25-27 |
| *Reporting practice* | | |
| 102-45 | Entities included in the consolidated financial statements | Annual Report: pp. 86-87 |
| 102-46 | Defining report content and topic boundaries | Annual Report: pp. 25-27 |
| 102-47 | List of material topics | Annual Report: pp. 25-27 |
| 102-48 | Re-statements of information | Annual Report: p. 94<br>The CEO's salary and fixed remuneration subtotal for the 2021 financial year was overstated in last year's annual report by $160,661, due to an inadvertent duplication of the employee superannuation contribution. |
| 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. 140-141 |
| 102-56 | External assurance | External assurance for environmental disclosures (Toitu Envirocare; see Annual Report pp. 50-51<br>No external assurance for other non-financial disclosures<br>External assurance for financial statements (PwC; see Annual Report: pp. 130-133) |

### SPECIFIC STANDARD DISCLOSURES

| *Disclosure* | *Description* | *Location/Response* |
|---|---|---|
| **GRI 200 Economic standard series** | | |
| GRI 103 | Management approach 2022 | Annual Report: pp. 8-13 |
| GRI 201: Economic performance | | |
| 201-1 | Direct economic value generated and distributed | Annual Report: pp. 97-133 |
| **GRI 205: Anti-corruption** | | |
| GRI 103 | Management approach 2022 | Annual Report: p. 71 |
| 205-3 | Confirmed incidents of corruption and actions taken | Annual Report: p. 71<br>During the year ended 31 March 2022 the company is not aware of any instances of corruption or of incidents in which employees were dismissed or disciplined for corruption. |
| **GRI 400 Social standard series** | | |
| **GRI 401: Employment** | | |
| GRI 103 | Management approach 2022 | Annual Report: pp. 34-41 |
| 401-1 | New employee hires and employee turnover | Annual Report: pp. 44-45 |
| **GRI 403: Occupational health and safety** | | |
| GRI 103 | Management approach 2022 | Annual Report: p. 64 |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Annual Report: p. 65 |
| **GRI 404: Training and education** | | |
| GRI 103 | Management approach 2022 | Annual Report: p. 35 (Unconscious bias training)<br>Annual Report: p. 38 (Indigenous leadership course) |
| 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 2022 | Annual Report: p. 64 |
| 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 2022 | 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. 80-81 | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. pp. 66-68 | a) Describe the organisation's processes for identifying and assessing climate-related risks. pp. 66-68 | 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. 66 |
| b) Describe management's role in assessing and managing climate-related risks and opportunities. pp. 80-81 | b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. pp. 66-68 | b) Describe the organisation's processes for managing climate-related risks. pp. 66-68 | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. pp. 50-51 |
| | c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. p. 68 | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. pp. 66-68 | c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. pp. 50-51 |

# DIRECTORY

## DIRECTORY

### In New Zealand:

The details of the company's principal administrative and registered office are:

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

Telephone: +64 9 574 0100

Facsimile: +64 9 574 0158

Postal address: PO Box 14348, Panmure,
Auckland 1741, New Zealand

Internet address: www.fphcare.com

Email: investor@fphcare.co.nz

### In Australia:

The details of the company's registered office are:

Physical address: 19-31 King Street, Nunawading,
Melbourne, Victoria 3131, Australia

Telephone: +61 3 9871 4900

Postal address: PO Box 159, Mitcham,
Victoria 3132, Australia

## SHARE REGISTER

### In New Zealand:

Link Market Services Limited

Physical address: Level 30, PwC Commercial Bay,
15 Customs Street West, Auckland 1010, New Zealand

Postal address: PO Box 91976,
Auckland 1142, New Zealand

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Investor enquiries: +64 9 375 5998

Internet address: www.linkmarketservices.co.nz

Email: enquiries@linkmarketservices.co.nz

### In Australia:

Link Market Services Limited

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Facsimile: +61 2 9287 0303

Investor enquiries: +61 2 8280 7111

Internet address: www.linkmarketservices.com.au

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