



APPROVED BY THE BOARD OF FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED ON 25 MAY 2018

The Board and management of Fisher & Paykel Healthcare Corporation Limited (the “company” or “Fisher & Paykel Healthcare”) are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses the company’s governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations, the NZX Main Board Listing Rules relating to corporate governance and the NZX Corporate Governance Code (collectively, the “Principles”). The Board considers that the company’s corporate governance practices and procedures substantially reflect the Principles.

The NZX Listing Rules require the company to report against the NZX Corporate Governance Code, which came into effect in October 2017. While the company is an ASX Foreign Exempt Listing and is no longer obliged to report against the ASX’s Corporate Governance Principles and Recommendations, these continue to inform the company’s approach to governance.

This statement was approved by the Board on 25 May 2018 and is accurate as at that date. The company’s annual report for the financial year ended 31 March 2018 (“Annual Report”) incorporates this corporate governance statement by cross-reference.

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 (the “Company’s Website”).

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

Codes of Conduct

The company expects its employees and directors to maintain high ethical standards. A Code of Conduct for the company and a separate Directors’ Code of Conduct set out these standards.

Both codes address, among other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- reporting issues regarding possible breaches of the codes, legal obligations and other policies of the company;
- managing breaches of the code; and
- obligations for a director to act in good faith and in what the director or employee believes to be the best interests of the company.

Copies of the company’s Code of Conduct and Code of Conduct for Directors can

be found on the Company’s Website. The Code of Conduct is also available on the company’s internal intranet. The company has developed e-training on the Code of Conduct, and in 2017 and 2018, this training was undertaken by existing company employees globally. The e-training is part of induction for new employees.

The company maintains a schedule for regularly reviewing and updating corporate governance policies and charters. The Code of Conduct was last reviewed on 21 November 2016.

In addition to the Code of Conduct, the company has policies to facilitate the disclosure and investigation of matters of serious wrongdoing within the company. The company also has a policy that it does not make corporate level political donations.

Securities Dealing Policy and Guidelines

The company is committed to complying with legal and statutory requirements with respect to ensuring directors, officers, contractors and employees do not trade company securities while in possession of material information. The Securities Dealing Policy and Guidelines identifies circumstances where directors, officers, contractors and employees are permitted to trade, or prohibited from trading, company securities. It describes insider trading laws and highlights the consequences an individual and the company may face as a result of breaching these laws.

A copy of the Securities Dealing Policy and Guidelines is available on the Company’s Website.

PRINCIPLE 2: BOARD COMPOSITION & PERFORMANCE

Board Charter

The business and affairs of the company are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

- establish the company’s objectives;
- manage risks;
- determine the overall policy framework within which the business of the company is conducted; and
- monitor management’s performance with respect to these matters.

The Board Charter regulates internal Board procedure and describes the Board’s specific roles and responsibilities. A copy of the Board Charter is available on the Company’s Website. The Board Charter is reviewed regularly, and was last updated on 27 September 2016.

The Board delegates management of the day-to-day affairs and responsibilities of the company to the Chief Executive Officer and the executive to deliver the strategic direction and goals set by the Board. The specific responsibilities delegated to management are recorded in the Board Charter and the Delegation Policy. A summary of the Delegation Policy is available on the Company’s Website.

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.

The Board has delegated to the People and Remuneration Committee the responsibility for recommending candidates to be nominated or re-elected as a director and candidates for the Board Committees. The People and Remuneration Committee's role and procedure is governed by the People and Remuneration Committee Charter, a copy of which is available on the Company's Website. The members of the People and Remuneration Committee are Pip Greenwood (Chair), Tony Carter, Donal O'Dwyer and Scott St John. All members of the People and Remuneration Committee are independent directors.

At Board level, diversity allows the company to benefit from a range of different perspectives, which leads to healthier debate and decision making. As the company operates 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 People and Remuneration Committee uses external search firms to assist with locating possible candidates and gathering relevant information. When searching for and nominating candidates to act as a director, the People and Remuneration Committee takes into account such factors as it deems appropriate, including diversity of gender, background, experience, and qualifications of the candidate, and the Board skills matrix.

The company undertakes a number of checks before appointing a director and putting forward to shareholders a candidate for election as a director, and provides shareholders with information in its possession relevant to a decision on whether or not to elect or re-elect a director.

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

Skills and experience	Tony Carter	Lewis Gradon	Michael Daniell	Pip Greenwood	Geraldine McBride	Arthur Morris	Donal O'Dwyer	Scott St John
Financial acumen	✓	✓	✓	✓	✓	✓	✓	✓
Sales/ Marketing	✓	✓	✓	✓	✓	✓	✓	✓
Engineering/ Science/ Technology/ Manufacturing	✓	✓	✓		✓		✓	
Medicine/ Medical Device		✓	✓			✓	✓	
Legal/ Regulatory		✓	✓	✓			✓	✓
Governance	✓	✓	✓	✓	✓	✓	✓	✓
International Business Experience	✓	✓	✓	✓	✓	✓	✓	✓
Tenure (years)	7.5	2	16.5*	1	4.5	10	5.5	2.5

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

Note that the Board considers that some directors will have greater expertise in certain areas than others, but have regarded directors who have at least the minimum required level of skill and experience in this area as the basis for the table above.

Further information about the company's policies for the appointment and selection of new directors is available on the Company's Website.

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:

- the role of a director;
- expected time commitments;
- term of appointment;
- remuneration entitlements;
- indemnity and insurance arrangements;
- disclosure of relevant interests;
- ability to seek independent professional advice regarding discharge of director's responsibilities; and
- access to company information.

A copy of the standard form of this letter is available on the Company's Website. The Chief Executive Officer has an employment agreement setting out his roles and conditions of employment.

Independence of directors

The Board currently comprises eight directors, being Tony Carter, Lewis Gradon, Michael Daniell, Pip Greenwood, Geraldine McBride, Arthur Morris, Donal O'Dwyer and Scott St John. Lewis Gradon is the only executive director on the Board, and the other seven directors are non-executive directors.

The Chair of the Board is Tony Carter. The roles of Chair of the Board and Chief Executive Officer are held by separate individuals. The Board's Charter provides that the Chair is required to be an independent director and may not be the Chief Executive Officer.

The factors that the company will take into account when assessing the independence of its directors are set out in its Board Charter, a copy of which is available on the Company's Website. No quantitative materiality thresholds have been adopted by the company because it was considered more appropriate to determine independence on a case by case basis.

After consideration of these factors, the company is of the view that:

1. No director is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
2. Michael Daniell and Lewis Gradon are directors who, within the last three years, have been employed in an executive capacity by the company or another group member, or have been a director after ceasing to hold any such employment.
3. No director has been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with such service provider, within the last three years.
4. No director is a material supplier or customer of the company or other group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
5. No director has a material contractual relationship with the company or another group member other than as a director of the company.
6. No director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
7. All directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Based on these assessments, the company considers that six of the directors are independent directors, namely Tony Carter (Chair), Pip Greenwood, Geraldine McBride, Arthur Morris, Donal O'Dwyer and Scott St John.

Information about the experience, length of service, independence, and relevant interests of each director is set out in the "Board of Directors" section of the Annual Report.

Diversity Policy

Diversity is recognised and respected at Fisher & Paykel Healthcare. The company has a Diversity Policy which provides that the Board will set measurable objectives for diversity.

The People and Remuneration Committee is responsible for setting diversity objectives and monitoring progress towards achieving these. The Committee's roles and responsibilities in this regard are set out in the People and Remuneration Committee Charter.

Information about diversity at Fisher & Paykel Healthcare, including progress towards achieving its objectives and the respective proportions of men and women across the company, can be found in the "Diversity" section of the Annual Report.

The Diversity Policy, People and Remuneration Committee Charter, and the Annual Report are available on the Company's Website.

Induction and continuing development of directors

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

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

Board performance

The Board has a Performance Evaluation Policy in place relating to the performance of the Board, the Board Committees and individual directors. A summary of the company's Performance Evaluation Policy is available on the Company's Website. The Performance Evaluation Policy, in accordance with the Board Charter, requires the Board to undertake a two-yearly performance evaluation of itself that:

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

The Board has engaged an external consulting company to facilitate the Board's performance evaluation during 2018.

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

Board meetings

Normally, the Board holds eight formal meetings a year. One of those meetings is typically focused on reviewing the company's 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.

Details of attendance at Board and Committee meetings during the year ended 31 March 2018 are contained in the Annual Report.

Role of the Company Secretary

The Company Secretary reports directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

PRINCIPLE 3: BOARD COMMITTEES

Responsibilities of Committees

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

- Audit & Risk Committee;
- People and Remuneration Committee; and
- Quality, Safety and Regulatory Committee.

The People and Remuneration Committee was formed in May 2018 as a result of the Board's decision to amalgamate the Remuneration and Human Resources Committee and the Nomination Committee.

Each of these Committees has a charter setting out the Committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's Website. The company reports on attendance at Committee meetings in the Annual Report.

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 Audit & Risk Committee has an annual work plan and monthly reporting to the Board which enables it to properly and regularly inform the Board monthly on significant financial matters relating to the company.

Under the Audit & Risk Committee Charter, the Committee must be made up of non-executive directors, the majority of whom must be independent. Further, the Chair of the Committee must be an independent director and cannot be the Chair of the Board. The current members of the Audit & Risk Committee are Scott St John (Chair), Tony Carter and Michael Daniell. All members of the Audit & Risk Committee are non-executive directors, and two of three (including the Chair) are independent directors.

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

The Audit & Risk Committee is responsible for recommending the appointment and removal of external financial auditors, reviewing the company's auditing practices, and communicating with internal and external auditors. It has adopted a policy in respect of the independence of the external financial auditor. This policy places limitations on the extent of non-audit work which can be carried out by the external financial auditors, and requires the external auditor or lead audit partner of the external financial auditors to change every five years. The External Financial Auditors Independence Policy can be found on the Company's Website.

The Audit & Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit & Risk 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 Chief Executive Officer and Chief Financial Officer 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.

Further details about the role and responsibilities of the Audit & Risk Committee are set out in the Audit & Risk Committee Charter available on the Company's Website.

People and Remuneration Committee

The People and Remuneration Committee's role is to oversee and regulate remuneration and organisation matters of the company, including recommending the company's human resources strategy for directors and senior executives, reviewing remuneration and benefits policies, monitoring company performance against the Diversity 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.

Under the People and Remuneration Committee Charter, the Chair must be an independent director and the majority of its members must be independent. The current members of the People and Remuneration Committee are Pip Greenwood (Chair), Tony Carter, Scott St John, and Donal O'Dwyer. All members of the People and Remuneration Committee are independent non-executive directors.

Further details about the role and responsibilities of the People and Remuneration Committee are set out in the People and Remuneration Committee Charter available on the Company's Website.

Quality, Safety and Regulatory Committee

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

Under the Quality, Safety and Regulatory Committee Charter, the Chair must be an independent director and the majority of its members must also be independent.

The current members of the Quality, Safety and Regulatory Committee are Arthur Morris (Chair), Tony Carter and Donal O'Dwyer. All members of the Quality, Safety and Regulatory Committee are independent non-executive directors.

Further details about the role and responsibilities of the Quality, Safety and Regulatory Committee are set out in the Quality, Safety and Regulatory Committee Charter available on the Company's Website.

Other Committees

The Board may from time-to-time establish other Committees for specific purposes.

Takeover Protocol

In 2018 the Board adopted a new Takeover Protocol to assist the directors and management with the response to unexpected takeover activity. The Protocol summarises key aspects of takeover preparation, and sets out governance, conflict and communications protocols for takeover response. This Protocol provides that in the event of a takeover offer, the Board would establish an Independent Takeover Response Committee to manage its takeover response obligations.

PRINCIPLE 4: REPORTING & DISCLOSURE

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

Continuous disclosure

The company's Market Disclosure Policy establishes the company's disclosure policies for meeting the company's continuous disclosure obligations. A summary of the Market Disclosure Policy is available on the Company's 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 Chief Executive Officer, the Chief Financial Officer, the General Manager Corporate and the General Counsel, is responsible for administering the company's compliance with its Market Disclosure Policy, including its continuous disclosure obligations. Market disclosure requires the approval of either the Board or the Disclosure Committee, depending on the circumstances.

Financial reporting

The company is committed to reporting its financial information in an objective, balanced, and clear manner. Financial results are reported in the Annual Report in accordance with the New Zealand equivalent of International Financial Reporting Standards. The Annual Report includes detailed financial commentary and notes to the financial statements which explain any changes to financial reporting.

The Annual Report also includes the Chair's comments on strategic progress and the Chief Executive Officer's report summarises the company's performance and progress towards its strategic objectives. It explains how the company delivers value for shareholders and key performance indicators such as revenue, profit, constancy currency information, dividend growth and gearing, are used to link results to the company's strategy.

The company ensures that financial information reported in investor material for road shows, company overviews, and other documents is portrayed in an accurate, fair, and understandable format.

Other reporting

The company is also committed to transparent reporting of non-financial objectives, such as environmental, social, and governance (ESG) factors. The company's Annual Report references the guidelines and principles set out by the Global Reporting Initiative (GRI), and a GRI referenced content index, based on the 2016 standards. It is anticipated that future annual reports will be in accordance with Global Reporting Initiative Standards (Core).

Company policies

Key governance documents including the company's Code of Conduct, Financial Product Dealing Policy, Board and Committee Charters, Diversity Policy, Remuneration Policy, and Market Disclosure Policy are available on the Company's Website.

PRINCIPLE 5: REMUNERATION

Director's remuneration

The People and Remuneration Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable the company to attract and retain directors who contribute to the successful governing of the company and create value for shareholders. The company also takes advice from independent consultants, and takes into account fees paid to directors of comparable companies in New Zealand and Australia as part of its assessment of the appropriate level of remuneration of directors.

The maximum total monetary sum payable by the company by way of directors' fees is NZ\$1,050,000 per annum as approved by shareholders at the 2017 annual shareholders' meeting. The total directors' fees received by non-executive directors in the year ended 31 March 2018, including a breakdown of Board fees and Committee fees, are set out in the Annual Report. 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 but directors may hold shares in the company, details of which are set out in the "Directors' Shareholdings" section of the Annual Report. It is the company's policy to encourage directors to acquire shares on-market.

No non-executive director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZX Main Board Listing Rules.

As approved at the 2004 Annual Shareholders' Meeting, the Board has resolved that it will not pay any future retirement benefits to non-executive directors other than, in accordance with the NZX Main Board Listing Rules and at the Board's discretion, a retirement allowance of one year's directors' fees to each non-executive director in office at the time of the 2004 meeting that has continued to hold office since that date, such amount being equal to the average of the annual fees paid to that director in any three years prior to that director's retirement or cessation of office, and payable on retirement or cessation of office.

The last director eligible for this allowance was Lindsay Gillanders, who received a retirement allowance of \$106,605 following his retirement in August 2017. No other non-executive director retirement allowances have been provided for.

Senior management remuneration

The People and Remuneration Committee is responsible for reviewing the remuneration of the company's senior management in consultation with the Managing Director of the company.

The remuneration policy for senior management is designed to attract, reward and retain high quality employees who will enable the company to achieve its short and long term objectives.

The remuneration packages of senior management consist of a combination of a fixed remuneration package, the company-wide profit sharing bonus, an annual variable remuneration (AVR) component and a long term variable remuneration (LTVR) component.

Annual Variable Remuneration

The AVR component is based 80% on financial measures and 20% on non-financial measures.

The weighting of the performance measures for financial AVR targets in the 2018 financial year, together with the results of performance against those targets during that financial year, is set out below:

Performance measure	Weighting	Amount of target achieved
Constant currency operating profit	45%	100.1%
Constant currency revenue	25%	97.7%
Constant currency pre-tax operating cash flow	10%	105.2%

Meeting both the financial and individual targets results in a payment of 100% of the AVR amount. The AVR payment amount is adjusted pro-rata, with each 1% above or below target resulting in a 2% increase or decrease in payment. The maximum payment is 140% of the AVR amount at 20% over achievement. Should the financial measures in aggregate be underachieved by more than 10%, no AVR is payable.

Long Term Variable Remuneration

The LTVR component consists of share options, performance share rights and participation in the company's employee share purchase plan. These long term plans are intended to encourage the retention of senior management and increase the commonality between the interests of management and shareholders. Further information on the company's LTVR arrangements can be found in the "Long Term Variable Remuneration" section of the Company's Website.

A general and wider disclosure of senior management remuneration is included in the "Employee Remuneration" section set out in the Corporate Governance and Statutory Information section of the Annual Report, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of annual employee remuneration exceeding \$100,000 received in the year ended 31 March 2018.

With respect to employee share purchase plans or equity-based remuneration schemes operating with respect to company securities, no director or employee is permitted to enter into financial products or arrangements which operate to limit the economic risk of their vested or unvested entitlements.

Chief Executive Officer remuneration

The remuneration arrangements for the Chief Executive Officer, including base salary, AVR and LTVR, and the performance criteria for performance based payments are disclosed in the Annual Report and are influenced by the New Zealand Shareholders' Association's Framework for Reporting of CEO Remuneration in NZ Companies.

PRINCIPLE 6: RISK MANAGEMENT

The company has a number of risk management policies for the oversight and management of financial and non-financial material business risks, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard the company's assets and maintain its reputation;
- improve the company's operating performance; and
- fulfil the company's strategic objectives.

Senior management and the Board take their responsibility to manage and oversee risk very seriously. The company assesses its approach to risk management against risk governance best practice with the goal of constantly improving the quality of information relating to key objectives.

The company has adopted an objective-centric approach to risk management and assurance that focuses on identifying risk to the most critical value creation and preservation objectives. Once identified, objectives are added to an objectives register and assigned specific management personnel in the company. These personnel are responsible for assessing and reporting upward to the Board on the state of retained and residual risk and engaging with senior management and the Board to determine which end-result objectives warrant formal risk assessments and the appropriate level of risk assessment rigour and independent assurance to be applied in light of cost/benefit considerations.

The benefit of this objective-centric approach is an improved understanding of how all the risks that impact upon the business directly affect our key objectives. As a result, the company seeks to improve the likelihood and extent of success by understanding what might happen, while striving to achieve our objectives.

A summary of the company's Risk Management Policy including a summary of material business risk and how we manage risk is available on the Company's Website. Although the Board ultimately has responsibility for internal compliance and control, the Audit & Risk Committee is responsible for oversight of the company's risk management and internal control framework, and regularly reviews this framework to ensure it is fit for purpose. Please see "Principle 3" for information regarding the composition of the Audit & Risk Committee.

The Audit & Risk Committee, in conjunction with management, reports to the Board on the effectiveness of the company's management of its material business risks

and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

The company has in place a number of mechanisms and internal controls intended to manage these areas of material business risk. These include:

- Board Committees, including the Audit & Risk Committee and Quality Safety and Regulatory Committee;
- a quality management system;
- intellectual property teams that conduct a thorough freedom to operate process before products are released to market, and monitor competitor product releases for breaches of our intellectual property;
- ICT risk management systems;
- detailed management and financial accounting reporting systems, controls and policies;
- delegated authorities;
- risk management and internal audit structures to assess and evaluate risk and controls;
- systems to ensure that capital expenditure and leasing commitments above a certain size obtain prior Board approval and that business transactions are properly authorised and executed;
- established organisational structures, setting out clear lines of responsibility for managers and staff;
- regular building services monitoring and maintenance;
- comprehensive human resources policies;
- environmental policies; and
- risk transfer mechanisms to financially mitigate major risks such as product liability claims and damage to manufacturing assets.

Health and safety

The company is focused on implementing and maintaining global health, safety and wellbeing standards that are aligned with ISO 45001 and places great emphasis on the effective management of critical risks. The company's internal health and safety team regularly reports to the Board as well as to the Quality, Safety and Regulatory Committee. The Quality, Safety and Regulatory Committee assists the Board in fulfilling its responsibilities relating to the company's health and safety risk management system. The Workplace Health and Safety Policy sets out the role of the Board in the governance of workplace health and safety, and is available on the Company's Website.

From May 2018, information on the company's health and safety performance and management will be available on the company's sustainability webpage <https://www.fphcare.co.nz/sustainability/>.

PRINCIPLE 7: AUDITORS

External audit

The Audit & Risk Committee has oversight responsibility for the company's external audit arrangements. The Board has adopted the External Financial Auditors Independence Policy which complements the Audit & Risk Committee Charter by

outlining the requirements for the provision of services by any external auditor engaged by the company. The purpose of the Policy is to ensure that the company's external auditor carries out its function independently and without impairment, safeguarding the reliability and credibility of the company's external financial reporting.

The External Financial Auditors Independence Policy establishes a framework for the selection and appointment of external auditors, outlines the services which may be ordinarily performed, may be performed with approval of the Audit & Risk Committee, or must not be performed by external auditors, and the responsibilities of external auditors. The Policy requires the Chief Financial Officer to report at each Audit & Risk Committee meeting any work (audit and non-audit) conducted by the external auditor, including the fees paid to the external auditors for non-audit services. Procedures for communication between the Audit & Risk Committee, Board, senior management, and the external auditors are set out in the Audit & Risk Committee Charter.

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

The Board requires the external financial auditors to attend the company's annual shareholders' meeting in order to answer any question from shareholders relating to the audit for that financial year.

The Audit & Risk Committee Charter and the External Financial Auditors Independence Policy can be found on the Company's Website.

Internal audit

Internal audit is a key component of the objective-centric risk management approach being implemented by the company. In addition to internal mechanisms, including self-assessments and internal reviews, the Board engages external advisors to carry out internal audit functions on various parts of the business on a rotation basis each year. The focus is to assist the business with the evaluation of the effectiveness of key risk management controls.

PRINCIPLE 8: SHAREHOLDER RIGHTS & RELATIONS

Shareholder communications

The aim of the company's communication arrangements is to provide shareholders with information about the company and to enable shareholders to actively engage with the company and exercise their rights as shareholders in an informed manner. The company's Shareholder Communication Policy facilitates communication with shareholders through written and electronic means, and by facilitating shareholder access to directors, management and the company's auditors. A copy of the Shareholder Communication Policy is available on the Company's Website.

The company provides shareholders with communication through the following channels:

- the investor section of the Company's Website;
- the Annual Report;
- the Interim Report;

- the annual shareholders' meeting;
- regular disclosures on company performance and news; and
- disclosure of presentations provided to analysts and investors during regular briefings.

Company's Website

The Company's Website is an important part of the company's communication with shareholders. Included on the website is a range of information relevant to shareholders and others concerning the operation of the company and its subsidiaries, including information about the company and its history, biographies of the company's directors and senior management, annual and interim reports, NZX announcements, notices and results of meetings, upcoming calendar dates, historical market data, media releases, downloadable forms for shareholders, the company's constitution, Board Charter (and the Charters of the various Committees), and other corporate governance policies of the company.

Shareholders may, at any time, direct questions or requests for information to directors or management through the Company's Website or by contacting the company's General Manager Corporate, the contact details for whom are available on the Company's Website.

The company provides shareholders with the option to receive communications from, and send communications to, the company and its share registrar electronically.

The company has in place an investor relations programme to facilitate effective two-way communication with investors. A summary of issues discussed at one-on-one or group meetings with investors and analysts, including a record of those present, time and venue of the meeting, is kept for internal reference only.

Shareholder meetings

The annual shareholders' meeting of the company ("ASM") is currently held in Auckland, New Zealand, as the Board believes this location best facilitates attendance by shareholders at the meeting. From 2018 onwards, the company will also offer shareholders the ability to attend the meeting digitally. Notice of the ASM is posted on the Company's Website as soon as possible and at least 28 days prior to the meeting.

The Board encourages active participation by shareholders at the annual shareholders' meeting and shareholders may present questions during the meeting. Use of a virtual tool will enable shareholders attending the ASM digitally to engage with the Board and executive leadership and ask questions.

Shareholders have the right to vote on major decisions which may change the nature of the company. Each shareholder has one vote per share they own in the company, equally with other shareholders. The company also offers an electronic voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.