



「
Future.
」



Putting people first.

We understand that even the smallest of details can change someone's life for the better. The human touch of a researcher, a scientist, an engineer, an assembler – from concept to design, research, manufacture and supply – at each touch we are seeking to deliver our best for patients, caregivers and communities.

It is caring for their best interests and wellbeing, alongside that of our employees, shareholders and partners that inspires us to deliver outcomes that will have a positive impact on people's lives.

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Message from the CEO



Our primary focus is in ensuring we produce innovative healthcare devices that improve the health and quality of life for people all over the world.

Lewis Gradon
Managing Director and Chief Executive Officer

We are privileged to be in an industry where the work we do has a direct impact on improving people's lives, right around the world. Last year, we estimate that our products were used in the treatment of over 10 million patients. This means that our primary focus for sustainability is in ensuring we produce innovative healthcare devices that improve the health and quality of life for people all over the world.

We contribute to furthering medical knowledge by participating in clinical research and changing clinical practice; for example, there is a growing body of clinical research showing the significant improvements in medical outcomes that can be achieved by use of our Optiflow™ nasal high flow therapy. Some of this research is highlighted later in this report.

We are a major employer, with our own people in 36 countries around the world and selling into 120. Due to our global reach, diversity is part of our DNA. We

endeavor to always treat the people we employ, do business with and who are otherwise impacted by our work, with fairness and respect. Many of our expectations around this are outlined in our Code of Business Ethics, which all employees are required to abide by.

Linked to this care for people is the importance we place on health and safety (H&S). We focus on our vision of ensuring our people, contractors and visitors go "safely home every day". In order to make this happen, we have grown and strengthened our H&S team, established a senior management H&S role, aligned our occupational health clinic to the H&S team and created a dedicated role in environmental care. The team also reports health and safety activities to a subcommittee of our Board of Directors.

We see corporate social responsibility and sustainability as inextricably linked to the way we do business. We know that a strong financial performance cannot be achieved without looking after our people, suppliers and

customers. And being financially successful means we can continue to be a major contributor to medical care, to our communities and economies through areas such as tax and employment, and to return a portion of profits to our shareholders as dividends. Our awareness of the reciprocal nature of this is what we believe positions our company for long-term, sustainable and profitable growth.

We care about all our stakeholders – whether they be patients, employees, customers, suppliers or the environment, and are committed to improving care and outcomes through inspired and world-leading healthcare solutions.



LEWIS GRADON, MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

PATIENTS TREATED DURING THE
YEAR USING OUR MEDICAL DEVICES

 10M+

A MAJOR EMPLOYER, WITH PEOPLE
BASED IN 36 COUNTRIES

 36

GROSS DIVIDENDS DISTRIBUTED TO
OUR SHAREHOLDERS DURING FY16

 NZ\$130M

About Us



Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea. The company's world-leading healthcare products are used to improve health outcomes for millions of patients every year.

Our medical devices and technologies are designed to help patients get better faster, which can then allow clinicians to provide care for more patients.

We help patients transition to less acute care settings, help them recover quicker and provide solutions that can assist them to avoid more acute conditions. We also provide the ability for some patients to be treated in the home rather than the hospital. Our purpose is to improve care and outcomes through inspired and world-leading healthcare solutions.

We manufacture, assemble and test our range of products, including many components, in our facilities in New Zealand and Mexico. Our facilities incorporate controlled working environments and our manufacturing and design processes are certified to meet the international medical device quality standard ISO13485.

Operating revenue for the company was NZ\$815 million for the 2016 financial year. We operate in over 120 countries and employ more than 3,500 people worldwide. We estimate that during the year, over 10 million patients were treated using our medical devices.

Our supply chain is focused on excellent customer service, is managed on an end-to-end basis, and is adaptable and flexible to assist with a changing business environment. We are committed to building a dedicated supply chain structure that supports the business' approach to sustainability.

In September 2016 we were pleased to be selected as an index component of the Dow Jones Sustainability Indices. This selection recognises our corporate sustainability leadership in the global healthcare equipment industry.

We are a member of the New Zealand Sustainable Business Network and our GM - Facilities and Environmental Management is a member of the Environmental Committee of Plastics New Zealand.

Our Purpose

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

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 our people are our strength.



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



We believe lessons learned are the cornerstones of innovation.



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

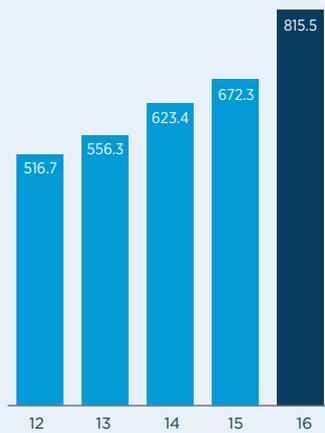


We believe in the need to be relentless in the pursuit of healthcare innovation.

Full Year Results

Our consistent long-term strategy has continued to deliver growth this year.

OPERATING REVENUE NZ\$ MILLIONS



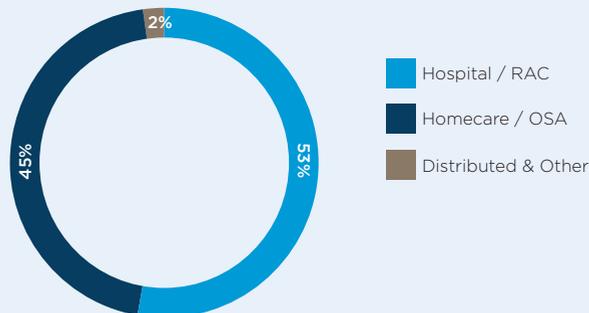
OPERATING PROFIT NZ\$ MILLIONS



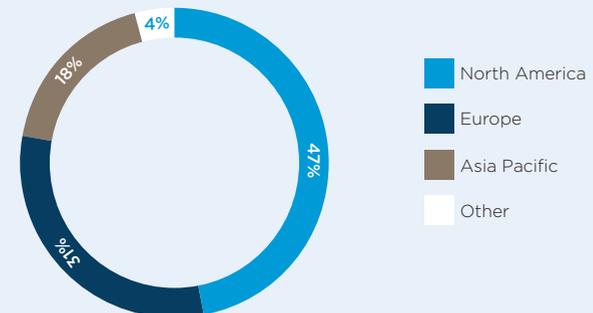
PROFIT AFTER TAX NZ\$ MILLIONS



REVENUE BY PRODUCT GROUP - 12 MONTHS TO 31 MARCH 2016



REVENUE BY REGION - 12 MONTHS TO 31 MARCH 2016



PROFIT AFTER TAX
NZ\$143.4m

↑ **27%**

OPERATING PROFIT
NZ\$211.1m

↑ **24%**

OPERATING REVENUE
NZ\$815.5m

↑ **21%**

TOTAL DIVIDEND FOR THE YEAR
NZ 16.7CPS FULLY IMPUTED

↑ **21%**

SPEND ON R&D
9% OF OPERATING REVENUE

NZ\$73M

GROSS MARGIN IMPROVEMENT

284bps

HOME CARE / OSA REVENUE GROWTH
NZ\$365.8 MILLION

↑ **21%**

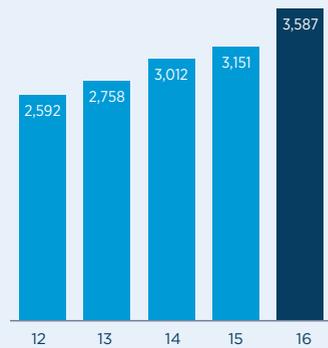
HOSPITAL / RAC REVENUE GROWTH
NZ\$436.3 MILLION

↑ **22%**

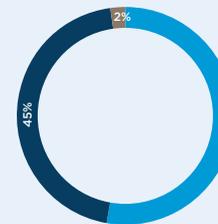
Our Business



OUR PEOPLE

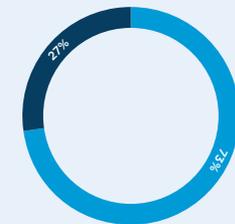


REVENUE BY PRODUCT GROUP 12 MONTHS TO 31 MARCH 2016



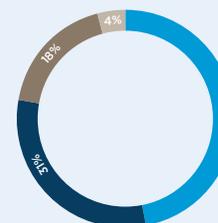
- Hospital / RAC
- Homecare / OSA
- Distributed & Other

MANUFACTURING OUTPUT BY REGION - 12 MONTHS TO 31 MARCH 2016



- New Zealand
- Mexico

OUR PRODUCTS ARE SOLD IN MORE THAN 120 COUNTRIES

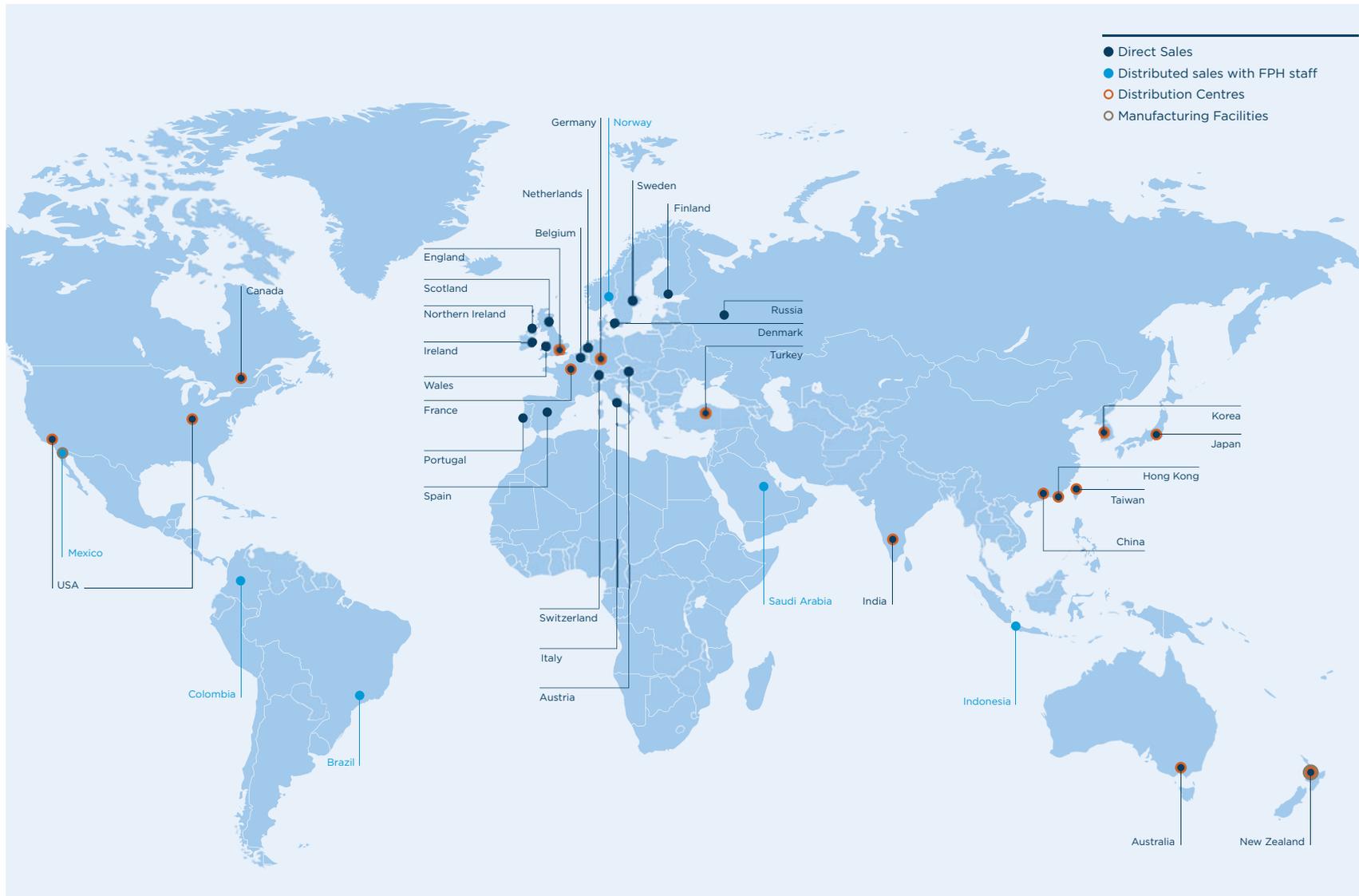


- North America
- Europe
- Asia Pacific
- Other

REVENUE FROM HARDWARE AND CONSUMABLES ACCESSORIES



- Hardware
- Consumables and accessories



36

Our people are located in 36 countries

922

of our people in North America

258

of our people in Europe

2,142

of our people in New Zealand

265

of our people in the rest of the world

About this Report

Unless otherwise stated, the metrics provided in this report relate to the financial year from 1 April 2015 to 31 March 2016 and apply to our New Zealand and Mexico sites, which together account for more than 70% of our people and all of our manufacturing activity. Financial data is in New Zealand dollars, unless otherwise indicated.

The report's purpose is to record some of the progress made over this period as we aim to improve our economic, environmental and social performance long-term.

This report is structured into the following five sections which address the areas of material opportunity and risk for the company's long term sustainable operations:

BETTER CARE

We recognise that to continue to fulfill our purpose we need to ensure we produce new, innovative and high quality healthcare devices that do a better job of improving patient care and outcomes.

EXCELLENT PEOPLE

Our ongoing success is a direct result of the skills and expertise of our people. Given the global competition for talent we recognise the importance of recruitment, training and retention as well as diversity and inclusion.

SAFELY HOME

Ensuring all of our people make it "safely home every day" is a priority.

ENVIRONMENTAL CARE

We recognise that the natural environment is of essential value.

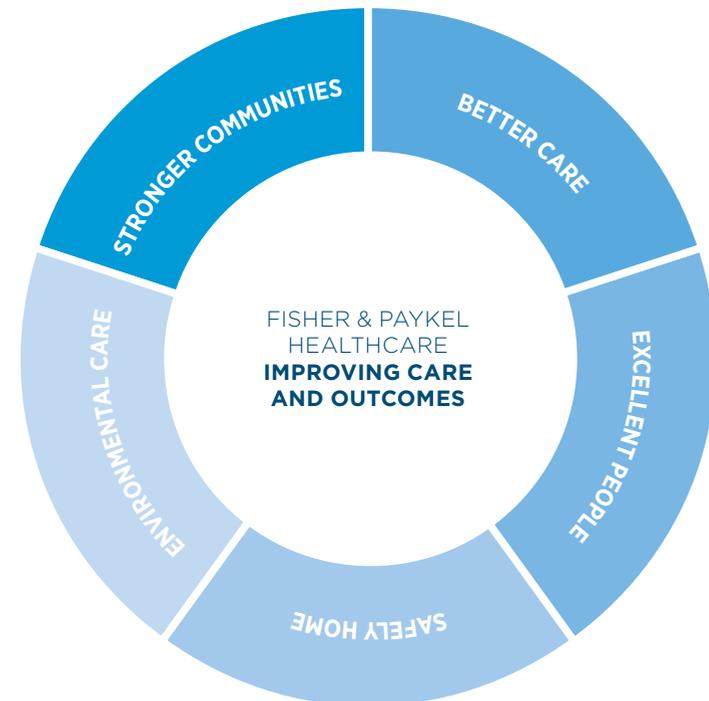
STRONGER COMMUNITIES

We strive to build and nurture strong, lasting partnerships with local communities and organisations relevant to our company and people. This is important to ensure a strong pipeline of future employees, the engagement and retention of our current employees and a healthy community.

FURTHER INFORMATION

To find out more about our approach to sustainability, please visit www.fphcare.co.nz/sustainability. Financial performance for Fisher & Paykel Healthcare can be found in the company's annual reports, available online at www.fphcare.co.nz/investor.

The Board and management are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The company publishes a separate Corporate Governance Statement containing its corporate governance disclosures which is available online at: fphcare.co.nz/corporategovernance



SUSTAINABILITY HIGHLIGHTS



**ISO13485
RECERTIFICATION FOR
MANUFACTURING AND
DESIGN PROCESSES**

**SELECTED AS AN
INDEX COMPONENT
OF THE DOW JONES
SUSTAINABILITY
INDICES.**



**AVERAGE ANNUAL
TRAINING HOURS
(INTERNAL ONLY, PER
NZ AND MX EMPLOYEE):
12.2**



**REDUCTION IN EMISSION
INTENSITY:
12% OVER PAST FOUR
YEARS**

**RAINWATER COLLECTED
IN FY16: 2,818m³**



**AVERAGE HOURS
HEALTH & SAFETY
TRAINING PER
EMPLOYEE (NZ & MX):
3.2**

GLOBAL LTIFR: 1.98

Better Care

We are focused on improving care and outcomes through inspired and world-leading healthcare solutions. Our technologies are aimed at increasing the effectiveness and efficiency of care, so patients can recover quicker and if possible, be treated in less acute areas of the hospital, or in the home. With greater demands being put on the world's healthcare systems by an ageing population, this is becoming increasingly important to healthcare providers.

More clinicians are choosing to use our products and technologies as clinical evidence of the potential improvements in effectiveness, efficiency and patient outcomes grows. This has been an important contributor to the increase in the number of patients benefiting from our products over the last year, which we estimate was over 10 million.

Our manufacturing sites are certified to the ISO 13485 Medical Devices – Quality Management Systems standard, which is provided through routine external audits. Our products are thoroughly tested to ensure a high degree of quality before being released to the market. Product inspections are conducted either during production or as a finished good by dedicated inspection teams. Robust procedures are in place to manage any product recalls that may be required.

We are relentlessly committed to product improvement, and this drives our investment in innovation. In the 2016 financial year, we invested over NZ\$73 million into research and development, which is approximately 9% of our operating revenue.

The overarching principle of our product innovation rests on doing what is best for the patient.

IN 2016, WE INVESTED OVER
NZ\$73 MILLION INTO R&D

 NZ\$73M+

SUPPORTED 47 CLINICAL TRIALS
IN 2016

 47



SPOTLIGHT ON OPTIFLOW™

Optiflow nasal high flow is a therapy that offers the ability to comfortably deliver a range of oxygen concentrations and flows to extend the traditional boundaries of oxygen therapy.

This is achieved through the integration of heated humidification and a precise blend of air and oxygen delivered through an innovative nasal cannula.

Frat et al. 2015

The New England Journal of Medicine

↓ REDUCES ESCALATION OF CARE

↓ REDUCES MORTALITY RATE

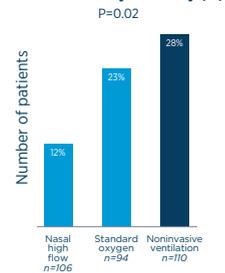
STUDY

A 23-centre study compared nasal high flow (NHF) therapy to use of a non-rebreather mask and NIV as a primary treatment (pre-intubation).

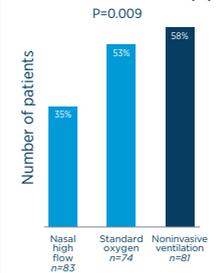
METHOD

- » 310 patients in acute hypoxemic respiratory failure ($\text{PaO}_2/\text{FiO}_2 \leq 300$ mmHg) were randomised to receive NHF, non-rebreather mask or NIV.
- » Primary outcome: number of patients intubated at day 28 – not attained.

Reduced 90 day mortality (%)



Reduced intubation rate (%)*



* Patients with $\text{PaO}_2/\text{FiO}_2 \leq 200$ mmHg

RESULTS

- » NHF significantly reduced ICU mortality: NHF 11% standard O_2 therapy 19% NIV 25% and 90-day mortality: NHF 12%, standard O_2 therapy 23%, NIV 28%
- » NHF significantly reduced need for incubation in more acute patients ($\text{PaO}_2/\text{FiO}_2 \leq 200$ mmHg)
- » Significant increase in ventilator-free days on NHF
- » NHF significantly reduced intensity of respiratory discomfort and dyspnea

Frat et al, N Engl J Med, 2015.

Hernández et al. 2016

Journal of the American Medical Association

↓ REDUCES ESCALATION OF CARE

STUDY

A 7-centre study compared the efficacy of nasal high flow (NHF) to use of conventional oxygen therapy (COT) post-extubation.

METHOD

- » 527 patients at low risk of reintubation (defined as age <65; APACHE score <12; BMI <30 etc) were randomised to receive NHF or COT (via nasal prongs or a non-rebreather).
- » Primary outcome: reintubation within 72 hours.

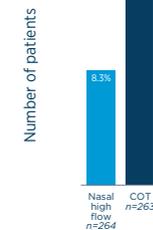
Reduced intubation (%)

P=0.004; 95% CI, 2.5% to 12.2%



Reduced respiratory failure (%)

P=0.03; 95% CI, 0.7% to 11.6%



RESULTS

- » NHF significantly reduced reintubation: 4.9% (13/264) NHF patients vs. 12.2% (32/263) COT patients.
- » NHF significantly reduced post-extubation respiratory failure: 8.3% (22/264) NHF patients vs. 14.4% (38/263) COT patients.
- » Successfully extubated patients had a shorter:
 - Duration of mechanical ventilation (1 vs. 3 days)
 - ICU stay (2 vs. 11 days)
 - Hospital stay (9 vs. 13 days)
- » NHF did not delay reintubation compared to COT

Hernández et al, JAMA, 2016.

Excellent People



Our people are our strength. Our ongoing success is a direct result of their skills and expertise. We have more than 3,500 people working in, or supporting, over 120 countries around the globe.

We value self-motivation, the drive to make a real contribution and innovative thinking. In return, we offer our people the opportunity to work for a world class, successful company where each person is valued and respected. We operate profit sharing bonus schemes for all qualifying employees around the world.

Fisher & Paykel Healthcare fully supports the principles in the United Nation's Declaration on Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, including non-discrimination, freedom of association and collective bargaining, and freedom from forced and child labour. We seek to uphold human rights in all business activities.

RECRUITMENT AND RETENTION

Worldwide, more than half of our people are engaged in manufacturing and operations roles, with the remainder in sales, marketing, distribution and product, clinical and process development.

We operate employee health clinics and confidential health assessments for permanent and fixed term employees when commencing employment at our New Zealand and Mexico sites. This enables a nurse and an employee to meet and discuss any specific needs relating to the employee's ability to perform their role.

A professional development programme called Engage and Develop runs in New Zealand, the US and Mexico to assist in career planning and progression.

We continue to develop and implement a range of strategies to assist with:

- » Attracting diverse talent into the company
- » Profiling our talent to ensure our training and development initiatives are targeted and in support of our growth strategies
- » Ensuring internal promotions are made from a diverse pool of appropriately qualified candidates

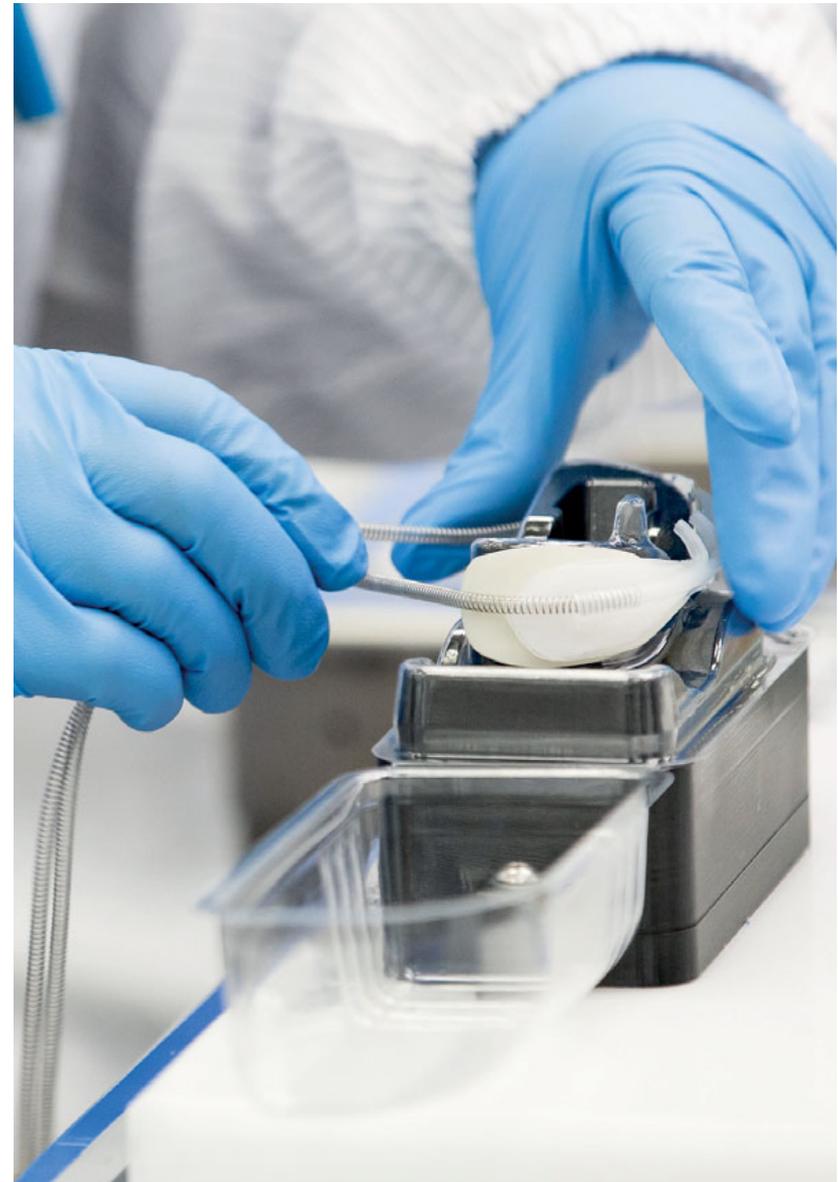
- » Ensuring our pay practices are free from any bias
- » Creating deep talent pools to feed our succession plans

GLOBAL EMPLOYEE TURNOVER RATES



Our employee turnover is typically higher in Mexico than in most other countries where we have employees. Although our turnover rate in Mexico is generally lower than comparable companies with maquiladora manufacturing facilities in Mexico, we have made changes to our recruitment practices, training initiatives and reward systems which we believe will lower this rate in future years, and have already seen a reduction in Mexican employee turnover in the first half of the 2017 financial year.

Given the relatively large growth in the number of our Mexican employees compared to all other countries in which we operate, our global employee turnover rate increased from 12.3% to 14.6% from 2015 to 2016.



DIVERSITY AND EQUAL EMPLOYMENT

We are committed to providing equal employment opportunities and our people reflect diverse skills, values, backgrounds, ethnicities and experiences. We have policies to ensure that our recruitment and employee development opportunities are free from bias and based on merit.

We reject unfair discrimination or harassment on the grounds of gender, marital status, religious belief, colour, race, ethnic or national origins, disability, age, political opinion, employment status, family status or sexual orientation.

The company considers diversity in the workforce a positive factor and is committed to providing an environment in which every individual is treated fairly and with respect.

Our manufacturing sites pay above any applicable minimum wage levels for our employees. Duration of service, development and training allow waged employees to progress through remuneration scales.

Fisher & Paykel Healthcare considers pay equity on the basis of gender as part of its annual diversity review with the Human Resource and Remuneration subcommittee of the Board. This review involves consideration of internal remuneration relativities based on job size, contribution and experience in a role. At the last review, the committee concluded that the Diversity Policy and processes including pay equity of women and men across the group was effective.

The table opposite shows the respective proportions of men and women on the company's Board, in senior executive positions and across the whole organisation as at 31 March 2015 and 31 March 2016. A 'senior executive' refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

2015

	Women	Men	Women %	Men %
Board	1	6	14%	86%
Senior executives	1	5	17%	83%
All employees	1,343	1,718	44%	56%

2016

	Women	Men	Women %	Men %
Board	1	6	14%	86%
Senior executives	1	5	17%	83%
All employees	1,546	1,924	45%	55%

ETHICS

BUSINESS ETHICS

All employees are required to understand and comply with the company's Code of Business Ethics, in addition to compliance with laws, regulations and policies that affect each employee's job. The Code prohibits discrimination and harassment of any kind and sets out the company's core ethical principles. Each employee shares the responsibility of observing this Code to help strengthen our ethical beliefs and the values on which the company is founded.

In accordance with laws and regulations, we have formal mechanisms for employees to air grievances and to file complaints without fear of reprisal. The company has implemented a protected disclosures policy, which provides procedures and channels for disclosure of serious wrongdoing. Fisher & Paykel Healthcare respects and supports the rights of an employee who exercises his or her rights under this policy.

We also have guidelines for our relationships with healthcare professionals to ensure that all of our interactions with them do not have, or appear to have, an improper influence on medical judgement.

ANIMAL ETHICS

Regulatory bodies occasionally require biocompatibility testing of our medical device materials. This testing follows a risk management approach based on ISO 10993-1, Biological Evaluation of Medical Devices. ISO 10993-1 includes requirements for the wellbeing of animals and for minimising the number of animals involved, and tests are conducted in laboratories accredited to international standards (ISO 17025).

We may sometimes participate, observe or otherwise be involved in clinical studies which include animal testing. We minimise this impact by ensuring these activities are approved by the relevant animal ethics committees and comply with applicable legislation. We support efforts to further reduce animal testing by funding and supporting research in sophisticated physiological computer models.

ANTI-BRIBERY AND CORRUPTION

The company's Code of Business Ethics also sets out our expectations in regards to the prevention of bribery and improper inducements.

Employees must not accept or offer bribes or improper inducements from or to anyone. This includes not providing any benefit to a third party which may influence that party's decision on whether to purchase or recommend for purchase the company's products, provide a concession or provide favourable treatment to the company.

Improper inducements can include commissions and facilitation or other payments which could be seen as unduly influencing an employee's business judgement/decisions or that of a third party.

Bribery is a serious offence and can result in criminal consequences for both the employee and the company. In some cases, this can include criminal charges for the employee in both their home country and the country in which the bribery occurred.

It is expected that employees conduct themselves in a way that demonstrates their honesty is beyond question. Employees should never behave in a way that has the potential to bring the company's image into disrepute.

In the 2016 financial year Deloitte conducted a global bribery and corruption risk assessment. The assessment reviewed the bribery and corruption risks faced by Fisher & Paykel Healthcare and enabled us to evaluate and prioritise the risks identified and to map them against existing controls.

AT A GLANCE

TURNOVER RATE FOR
NEW ZEALAND EMPLOYEES

 9.6%

HOURS SPENT ON EMPLOYEE INTERNAL
DEVELOPMENT TRAINING (NZ & MEXICO)

 34,000+

PERMANENT EMPLOYEES

 99.1%

TEMPORARY EMPLOYEES*

 0.9%

* Temporary staff refers to people who are on fixed term or short term contracts. We also occasionally engage temporary seasonal workers when required.

OUR PEOPLE IN
NORTH AMERICA

 922 FY14: 681
FY15: 751

OUR PEOPLE IN
EUROPE

 258 FY14: 217
FY15: 221

OUR PEOPLE IN THE REST
OF THE WORLD

 265 FY14: 210
FY15: 236

OUR PEOPLE IN
NEW ZEALAND

 2,142 FY14: 1,904
FY15: 1,943

OUR PEOPLE ARE LOCATED
IN 36 COUNTRIES

 36

OUR PEOPLE SUPPORT
120 COUNTRIES

WE HAVE 15 DISTRIBUTION
CENTRES AROUND THE WORLD

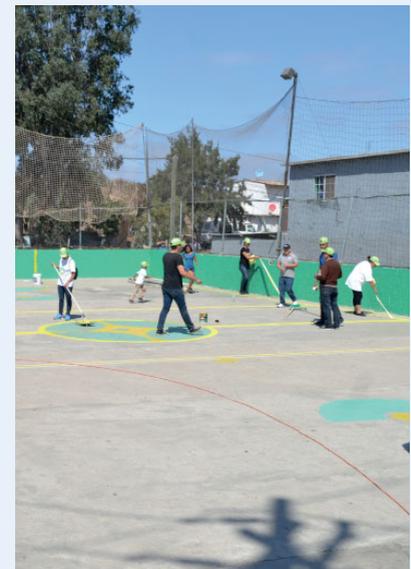
SPOTLIGHT ON MEXICO

At our manufacturing site in Mexico, employees whose children have school rank scores above 9 GPA were recently rewarded with a company donation for school stationery supplies and invited on to the Fisher & Paykel campus for a family day event. The children were able to meet members of the senior management team and tour their parent's working environment.

The Mexico team has also been involved in a beach clean-up and tree planting at a local school and health awareness campaigns, with free dental and vision check-ups for employees.

Says Raul Sanchez, General Director of Mexico Operations: "We see the link between our employees, their families and communities as that of an extended

family. We are a company that promotes health and wants our employees to have access to healthcare support. We will continue to run these types of activities as part of our vision to make Fisher & Paykel Healthcare the best place to work in Mexico, where people are comfortable, supported and feel fulfilled in their work."



Safely Home



Fisher & Paykel Healthcare is committed to excellence in health and safety and to maintaining a safe and healthy workplace for our employees, contractors, visitors and community.

We have a clear strategic direction, which is reviewed and approved by our Quality, Safety and Regulatory Committee, chaired by a member of our Board of Directors.

Our vision is 'safely home, every day'. We have a strategic framework in order to direct our priorities and assist us in developing a clear direction for the company as we work to deliver on this commitment.

This framework rests on five pillars: health and safety leadership, engagement, hazard management, learning from incidents and others, and systems and compliance. We seek continuous improvement in our performance within these five pillars, globally.

On-site clinics offer health services for New Zealand and Mexico employees. Services vary, but in New Zealand include, for example, a smoking cessation programme, injury management, rehabilitation and return to work programmes, first aid, emergency medical response assistance, workplace assessments, travel and influenza vaccinations, and other targeted health promotions.

Our Lost Time Injury Frequency Rate (LTIFR) per million exposure hours at our manufacturing sites was 2.77 in FY14 and 2.97 in FY15. We now record this number for all our global sites, and in FY16, it was 1.98.

- » Fisher & Paykel Healthcare is committed to providing a workplace that minimises health and safety risk to our employees.
- » Globally, employees are required to acquaint themselves with all applicable health and safety policies of the company.
- » The company has procedures in place for the reporting of health and safety incidents at our sales, distribution and manufacturing sites around the world.

STRATEGIC PILLARS



HEALTH & SAFETY LEADERSHIP

- » Developed a new H&S strategic framework which has been included into the annual business plans
- » Leadership accountabilities established with individual performance reviews
- » Reporting of H&S activities to a subcommittee of our Board of Directors
- » Establishment of a senior management health & safety role
- » Expanded the health & safety team and aligned it with our occupational health clinic



ENGAGEMENT

- » Continued development of H&S representatives to raise knowledge and awareness
- » Reviewed and restructured health & safety forum to improve effectiveness and participation



HAZARD MANAGEMENT FOCUS

- » Focus on high risk within the business
 - Machine Safety
 - Contractor Management
 - Electrical Safety
 - Chemicals
- » Health and Occupational Monitoring
 - Noise
 - Manual handling
 - Chemicals
- » Training our people
 - Work at height
 - Gantry operations
 - Stress and fatigue
 - Manual handling
- » Reviewing and updating health & safety policies
- » Planning and development of a new drug & alcohol policy, ready for implementation in FY17.



LEARNING FROM INCIDENTS AND OTHERS

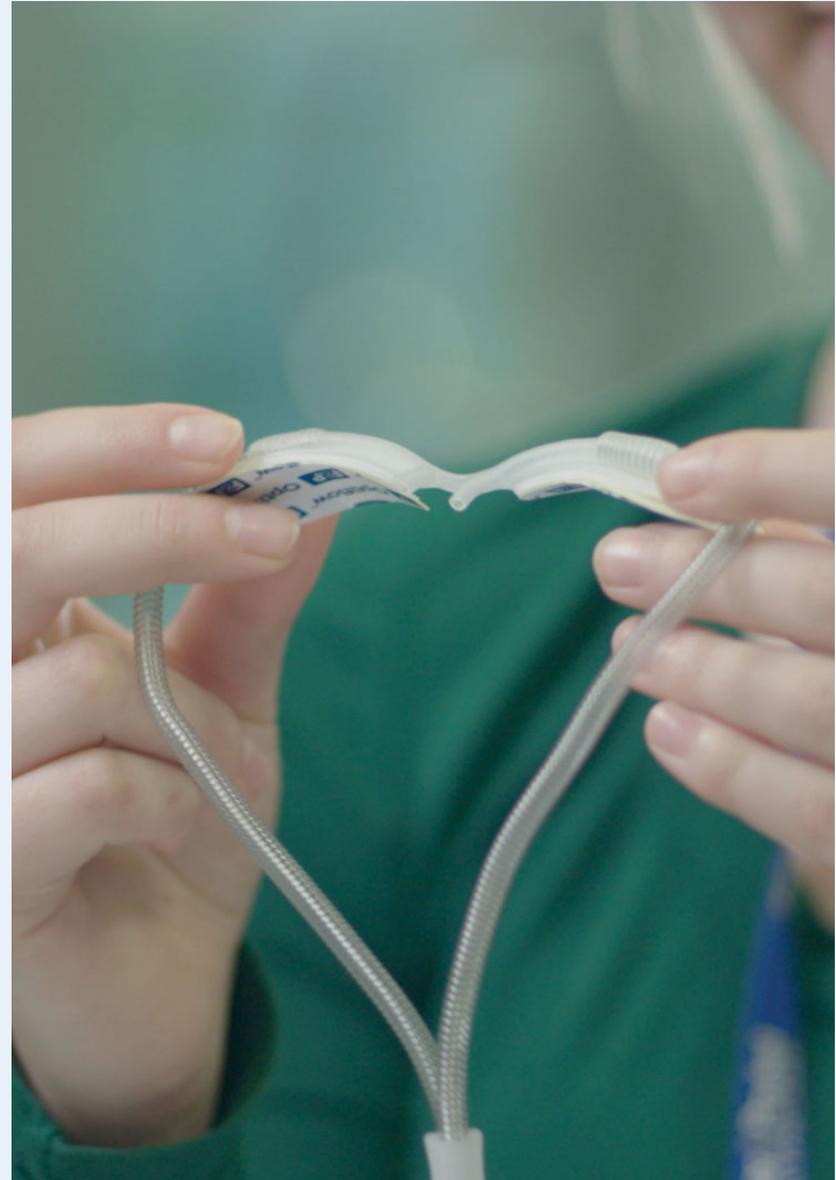
- » Benchmarked our health & safety performance
- » Robust event investigations to identify root cause
- » Safety Awareness Alerts – shared learnings from incidents



SYSTEMS AND COMPLIANCE

- » Configuration and implementation of a new event reporting system, with a view to it being implemented globally
- » External review of a health and safety management system – Hazard Management, Contractor Management & Emergency Management
- » Mexico site gained safety certification
- » New Zealand site successfully completed the ACC Workplace Safety Management Practices and Hazardous Substances certification

At a glance



Environmental Care



Fisher & Paykel Healthcare recognises that the natural environment is of essential value. To reflect our commitment, the company is dedicated to implementing sustainable business practices and maintaining an on-going carbon emission measurement and reporting scheme.

Carbon emission reduction management projects are monitored quarterly and reported annually within the Group Facilities and Environmental Business Plan, which is presented to senior management and approved by the company's Board of Directors.

We participate in the Carbon Disclosure Project, which requires us to report on estimated greenhouse gas emissions, energy use and the risks and opportunities from climate change. In the most recent reporting period, we achieved a Carbon Disclosure Project score of C.

Broadly, our approach is to measure or estimate current use across a range of parameters, and to put strategies in place to improve our performance. Over the past few years, our initiatives have driven significant improvements in manufacturing sustainability, carbon management, waste and energy management and water use.

MANUFACTURING SUSTAINABILITY

We are striving to achieve operational excellence through a commitment to lean manufacturing. One of our key initiatives is a mature and ongoing Kaizen culture.

The Kaizen process is about making small, regular improvements in the way we work, which over time add up to significant change. The process is aligned with continuous improvement philosophies which supports both business growth and each individual's development within Fisher & Paykel Healthcare.

Our approach to Kaizen covers the six areas of safety, quality, delivery, cost, people and environment. Progress is monitored monthly against four key metrics: suggestions per employee, implementation trends, conversion ratio, and participation level.

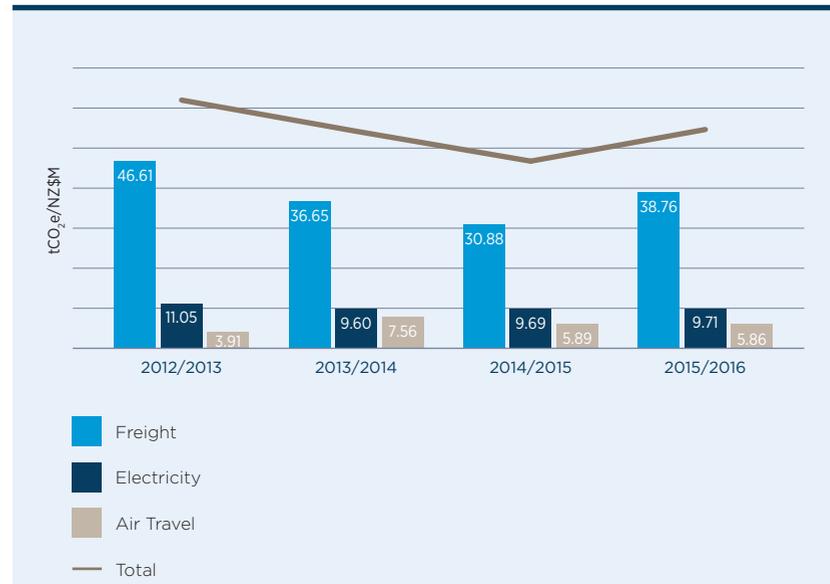
We have found that Kaizen promotes motivation and engagement in our employees as we collectively strive for continuous improvement. We support this with a tiered recognition process, where the most innovative improvements are shared with peers and recognised by the company's executive management team and Board.

Kaizen is a way of life for us on our manufacturing sites.

CARBON EMISSIONS

Fisher & Paykel Healthcare is committed to reducing carbon emission intensity. We have developed a Greenhouse Gas Emissions Management Plan and reduction targets, and have been reporting our estimated emissions under the Certified Emissions Measurement and Reduction Scheme (CEMARS) since 2012/13.

Over the four years since we started reporting under the CEMARS programme, we have achieved a 12% reduction in reported emission intensity and are on track to meet the targets set out in the Emissions Reductions Plan. Operational emissions intensity, expressed in tCO₂e/NZ\$M, relates to our New Zealand and Mexico manufacturing facilities, as well as our US, Australia, Germany, France and UK distribution centres, including inbound and outbound freight. Our revenue is generated in a range of currencies, including US dollars and Euros. As a result, fluctuations in exchange rates can influence emission intensity.



Freight emissions increased during FY16 due to additional inventory being air freighted as we implemented a new enterprise resource planning system, and also as we made changes to our sales model in the US. Next year, we expect emission levels to be less than 30tCO₂e/NZ\$M as we return to the emission level of the FY14/15 year.



WASTE

We have a recycling/waste landfill target of 96%. In FY16, our waste to landfill from our NZ site increased by 29 tonnes due to a contractor being unable to provide its usual recycling service during September and October 2015. Procedures have now been put in place to address this and we expect to meet our 96% target in the coming year.

This financial year, we also measured waste outputs in Australia and Mexico for the first time. Waste in Australia was (0.03 tCO₂e/NZ\$M) and Mexico was (0.11 tCO₂e/NZ\$M), accounting for a combined 0.14 tCO₂e/NZ\$M, which is 0.3% of total emission intensity.

We are commencing recycling projects in Mexico in FY17 to begin reducing volumes to landfill.



ENERGY USE

Emission intensity from electricity used at our New Zealand and Mexico sites reduced by 6% over the past financial year. This was a result of on-going energy reduction projects such as the installation of LED lighting and other process improvements. Emission intensity resulting from electricity use in the UK, US, Australia, France and Germany was also calculated for FY16 and accounted for a combined 0.6 tCO₂e/NZ\$M (1% of total emission intensity).



WATER

Our most recently constructed building is located in Auckland, New Zealand, and operates a rainwater collection system where rainwater is recycled for toilet flushing. We have also installed constant pressure toilet flushing, which minimises water usage. 2,818m³ of rainwater was collected and utilised in this building.



STORM WATER MANAGEMENT

Our Auckland facilities have a campus-style layout, with storm water from the site diverted into a multi-staged sedimentation pond. Besides acting as a scenic centrepiece to the campus, the pond minimises our impact on downstream water quality by allowing sediment to settle prior to discharge into the nearby Tamaki River.

SOLAR PANELS

This year, we began generating renewable energy through solar power. Installed on the roof of one of our Auckland buildings, the new 20kW solar PV system is made up of 80 solar panels installed in 4 arrays. The location was chosen for its high level of sun exposure throughout the day for maximum electricity generation.

The panels will generate between 25000kWh and 30000kWh per year. This power is directly fed into the same building where it is collected, helping to reduce demand for electricity from the grid.

This addition of renewable energy is a significant and positive step towards reducing our carbon footprint and reinforcing our commitment to the environment.



THE PANELS WILL GENERATE BETWEEN

25000kWh to 30000kWh per year

THE EQUIVALENT OF RUNNING UP TO 4 NZ HOUSEHOLDS ANNUALLY



SUPPLY CHAIN

Fisher & Paykel Healthcare’s supply chain comprises a network of suppliers, manufacturing sites and distribution centers located around the globe to reduce risk and ensure consistency of delivery to both internal and external customers.

At the heart of our supply chain operations is the enterprise resource planning (ERP) system, supported by our internal quality management system and internal analytics and solutions division.

Our procurement and sourcing staff are based in New Zealand, Mexico and Asia. Utilising our quality management system and category management programmes, the teams work to reduce supplier risk through creating an environment of transparency. They also focus on partnering with suppliers that can support our growth and are committed to sustainable practices.

Our planning and manufacturing operations are based in Mexico and New Zealand. This means we are able to manufacture and dual source our supply to customers. In order to support the 120 countries that we deliver to, we use a combination of Fisher & Paykel Healthcare operated distribution centers and third party distributors.

Supply Chain – key achievements

- ① **ADOPTION OF NEW ERP SYSTEM INCLUDING ADVANCED SUPPLY CHAIN MODULES:**
 - ADVANCED PLANNING OPTIMISER
 - EXTENDED WAREHOUSE MANAGEMENT
- ② **ASIAN SOURCING OFFICE OPENED**
- ③ **APPOINTMENT OF GM SUPPLY CHAIN, FACILITIES & ENVIRONMENT TO EXECUTIVE LEADERSHIP TEAM**
- ④ **OPENING OF DIRECT DISTRIBUTION IN BRAZIL**
- ⑤ **DEVELOPMENT OF CATEGORY MANAGEMENT PROGRAMME FOR SUPPLIERS**
- ⑥ **PROCUREMENT OF NEW DISTRIBUTION CENTER IN CALIFORNIA, UNITED STATES**

At a glance

OPERATIONAL WASTE RECYCLING



EMISSION INTENSITY



RAINWATER COLLECTED



Stronger Communities

Our primary contribution to the community is in the nature of the work that we do – as a medical device designer, manufacturer and marketer, we employ an increasing number of people who work to provide innovative technologies that help improve care and outcomes around the world. With the number of patients treated by our devices estimated to be over 10 million and growing every year, and more than 3500 people employed, the impact on our communities is considerable.

We seek to build and nurture strong, lasting partnerships with local communities and organisations relevant to our company and people.

Through a combination of financial and in-kind support, we have implemented and sponsored various community development programmes, particularly in the areas of science and technology. As we continue to grow, our capacity to expand and enhance these important programmes will also increase.

We provide financial sponsorship of the Auckland-based Middlemore Foundation, Auckland City Hospital, and the Intensive Care Foundation in Australia. Each year, we employ a large number of university students at our New Zealand manufacturing and R&D site. We also support the New Zealand Robotics Charitable Trust (Kiwibots), which is a programme aimed at encouraging school aged children to take an interest in science, technology, engineering and mathematical subjects. In the 2016 financial year, we made donations of NZ\$54k to not for profit organisations.

We support local suppliers where appropriate. Currently, just over half of our supply chain spend is with local companies, and contractors in areas such as freight, injection moulding and labour are also sourced locally. We own a three building 40 hectare site in East Tamaki, Auckland, and all infrastructure developments have so far been awarded to local companies.

We are listed on the New Zealand and Australian stock exchanges. We value the support and confidence of our shareholders and our Board seeks to achieve the highest standards of corporate governance and investor relations best practice. We return a large proportion of our profit to shareholders as dividends.

Over the next financial year, the company plans to establish a dedicated corporate social responsibility (CSR) group, which will be tasked with developing a programme and assisting in the coordination of CSR initiatives across the company.

Clinical studies are an important element in building confidence in the efficacy of our products, particularly in new clinical settings. We support clinical research that validates improvements in patient outcomes that our products can deliver, and we work closely with clinicians and healthcare organisations to support these studies and identify ways in which our products can help them provide better healthcare solutions.

At a glance



SOUTHSCI

A group of engineers from Fisher & Paykel Healthcare is involved with SouthSci, a participatory science platform aimed at engaging youth with science. The project encourages community groups to put forward science topics of interest to them, and if accepted, provides funding and support to enable investigation of the project. The programme aims to spark students' interest in science related fields and to build relationships between local businesses, researchers, schools and youth.

We have a number of scientists and engineers involved in the programme. In its pilot year, several employees were involved in the steering committee, and assisted with assessments of the community applications and providing advice on how project plans could be developed and budgeted.

We also supported a project led by the National Institute of Water and Atmospheric Research (a Crown Research Institute of New Zealand), which aimed to engage students with scientific concepts through investigating air quality. We assisted in the development of a sensor box that monitored temperature, humidity, CO₂ and dust components of air quality.

The team has now recruited mentors from the company, who will support new projects in the next financial year. It is hoped that our involvement in the programme will encourage local youth to engage with science and consider careers in science related fields.

The Auckland STEM Alliance and COMET Auckland (COMmunity Education Trust) are the joint hosts for the Science in Society: Participatory Science Platform project in South Auckland. The project is funded by the New Zealand Government's Ministry of Business, Innovation and Employment.



Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and in the treatment of obstructive sleep apnea.