

# Innovation.





## Putting people first.

‘We care for our patients, customers, suppliers, shareholders, the environment and each other and are committed to improving care and outcomes through inspired and world-leading healthcare solutions.’

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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 12 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.

We are a major employer, with our own people in 35 countries around the world. Due to our global reach, diversity is part of our DNA. We endeavour to always treat the people we employ, do business with and who are otherwise impacted by our work, with fairness and respect.

This year we adopted a new Code of Conduct. The Code covers areas such as health and safety, diversity and inclusion, responsible marketing practices and guidelines for working with customers, suppliers and healthcare professionals. This Code

applies to all of our people globally, with training conducted for New Zealand employees, and is currently being rolled out across our other offices.

We have also developed a Supplier Code of Conduct, which includes information on human rights, labour and employment, management systems and data protection. Both of these documents are available on our company website at [www.fphcare.co.nz/corporategovernance](http://www.fphcare.co.nz/corporategovernance)

We see corporate social responsibility and sustainability as inextricably linked to the way we do business. We know that 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 for our patients, customers, suppliers, shareholders, the environment and each other 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

 12M+

A MAJOR EMPLOYER, WITH PEOPLE  
BASED IN 35 COUNTRIES

 35

GROSS DIVIDENDS DISTRIBUTED TO  
OUR SHAREHOLDERS DURING FY17

 NZ  
\$153M

# 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\$894 million for the 2017 financial year. We sell into over 120 countries and employ more than 4,000 people worldwide. We estimate that during the year, over 12 million patients were treated using our medical devices.

In September 2017 we were selected as an index component of the Dow Jones Sustainability Indices for the second year running. This selection recognises our corporate sustainability leadership in the global healthcare equipment industry. This year, we achieved a silver recognition level in the EcoVadis supplier CSR evaluation programme, which places us within the top 30% of respondents.

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. This year, we have established a work plan to further integrate social responsibility within the company using the ISO26000 framework.



# 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.



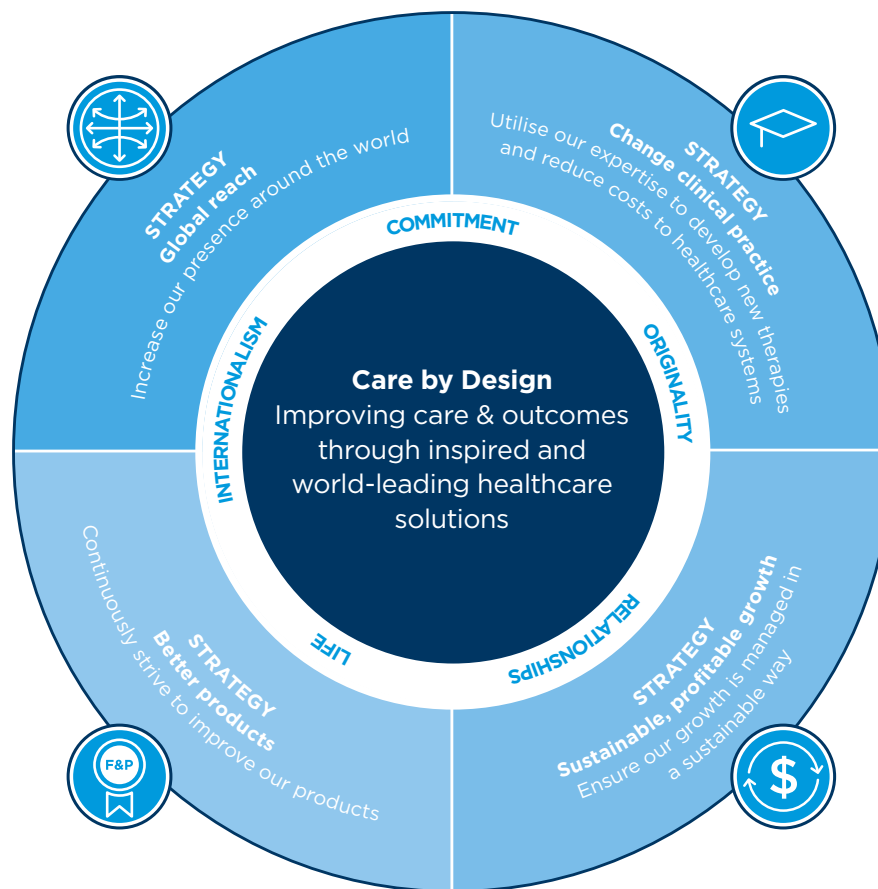
We believe that empathy, effectiveness and efficiency are essential to our success.



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

# How we deliver value

## Our inputs



## Our outputs



### MARKET CONTEXT

AGEING POPULATION | TECHNOLOGY ADVANCEMENT | HEALTHCARE COSTS INCREASING | OTHER EXTERNAL FACTORS



# Where we are in the world



## 35

Our people are located  
in 35 countries

## 1,231

People in North America

## 271

People in Europe

## 2,307

People in New Zealand

## 303

People in the rest  
of the world



# Full Year Results

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PROFIT AFTER TAX  
**NZ\$169.2M**

↑ 18%

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OPERATING PROFIT  
**NZ\$240.1M**

↑ 14%

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OPERATING REVENUE  
NZ\$894.4 MILLION

↑ 10%

---

TOTAL DIVIDEND FOR THE YEAR  
NZ 19.5CPS FULLY IMPUTED

↑ 17%

---

SPEND ON R&D  
9.6% OF OPERATING REVENUE

**NZ\$86M**

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GROSS MARGIN IMPROVEMENT

**205bps**

---

HOSPITAL REVENUE GROWTH  
NZ\$500.4 MILLION

↑ 15%

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NEW APPLICATIONS CONSUMABLES  
REVENUE GROWTH

↑ 24%

# About this report

Unless otherwise stated, the metrics provided in this report relate to the financial year ended 31 March 2017 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.

In 2015, the United Nations established the Sustainable Development Goals (SDGs) to encourage action to improve people's lives globally by building a sustainable future for our people and our planet. The 17 goals encompass targets that cover a broad range of sustainable development issues, such as ending poverty and hunger, improving health and education, making cities more sustainable and combating climate change.

We have taken inspiration from these goals, and have highlighted below the SDGs to which we can contribute the most:

**Better  
Care**



**Excellent  
People**



**Safely  
Home**



**Environmental  
Care**



**Stronger  
Communities**



# About this report (cont.)

## FURTHER INFORMATION

To find out more about our approach to sustainability, please visit [www.fphcare.co.nz/sustainability](http://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](http://www.fphcare.co.nz/investor).

Feedback on this sustainability report is welcomed, and can be directed to [rachel.reynolds@fphcare.co.nz](mailto:rachel.reynolds@fphcare.co.nz)

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: [www.fphcare.co.nz/corporategovernance](http://www.fphcare.co.nz/corporategovernance)

## KEY DOCUMENTS

Group Tax Strategy	<a href="http://www.fphcare.co.nz/corporategovernance">www.fphcare.co.nz/corporategovernance</a>
Code of Conduct	<a href="http://www.fphcare.co.nz/corporategovernance">www.fphcare.co.nz/corporategovernance</a>
Supplier Code of Conduct	<a href="http://www.fphcare.co.nz/corporategovernance">www.fphcare.co.nz/corporategovernance</a>
Corporate Governance Statement	<a href="http://www.fphcare.co.nz/investor/governance">www.fphcare.co.nz/investor/governance</a>
	<a href="http://www.fphcare.co.nz/corporategovernance">www.fphcare.co.nz/corporategovernance</a>
Risk Management	See also: 2017 Corporate Governance Statement pp. 5-6
Diversity Policy	<a href="http://www.fphcare.co.nz/corporategovernance">www.fphcare.co.nz/corporategovernance</a>
Environmental Policy	<a href="http://www.fphcare.co.nz/corporategovernance">www.fphcare.co.nz/corporategovernance</a>
ISO14001 certification	<a href="http://www.fphcare.co.nz/sustainability">www.fphcare.co.nz/sustainability</a>
CEMARS certification	<a href="http://www.fphcare.co.nz/sustainability">www.fphcare.co.nz/sustainability</a>
Carbon Disclosure Project response	<a href="https://www.cdp.net/en/responses/6432">https://www.cdp.net/en/responses/6432</a>

## SUSTAINABILITY HIGHLIGHTS



**ISO13485  
RECERTIFICATION FOR  
MANUFACTURING AND  
DESIGN PROCESSES**

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

**CERTIFICATION TO NEW  
ISO14001:2015 FOR OUR  
NEW ZEALAND AND  
MEXICO SITES**

**NEW SUPPLIER CODE OF  
CONDUCT RELEASED**



**AVERAGE ANNUAL  
TRAINING HOURS  
(INTERNAL ONLY, PER  
NZ AND MX EMPLOYEE):  
25.2**



**REDUCTION IN CARBON  
EMISSION INTENSITY:  
22% OVER PAST FIVE  
YEARS**

**REDUCTION IN  
AIRFREIGHT  
FROM 30+% TO <8%**

**RAINWATER  
COLLECTED (FY17):  
2,936M<sup>3</sup>**



**AVERAGE HOURS  
HEALTH & SAFETY  
TRAINING PER  
EMPLOYEE (NZ & MX):  
1.5**

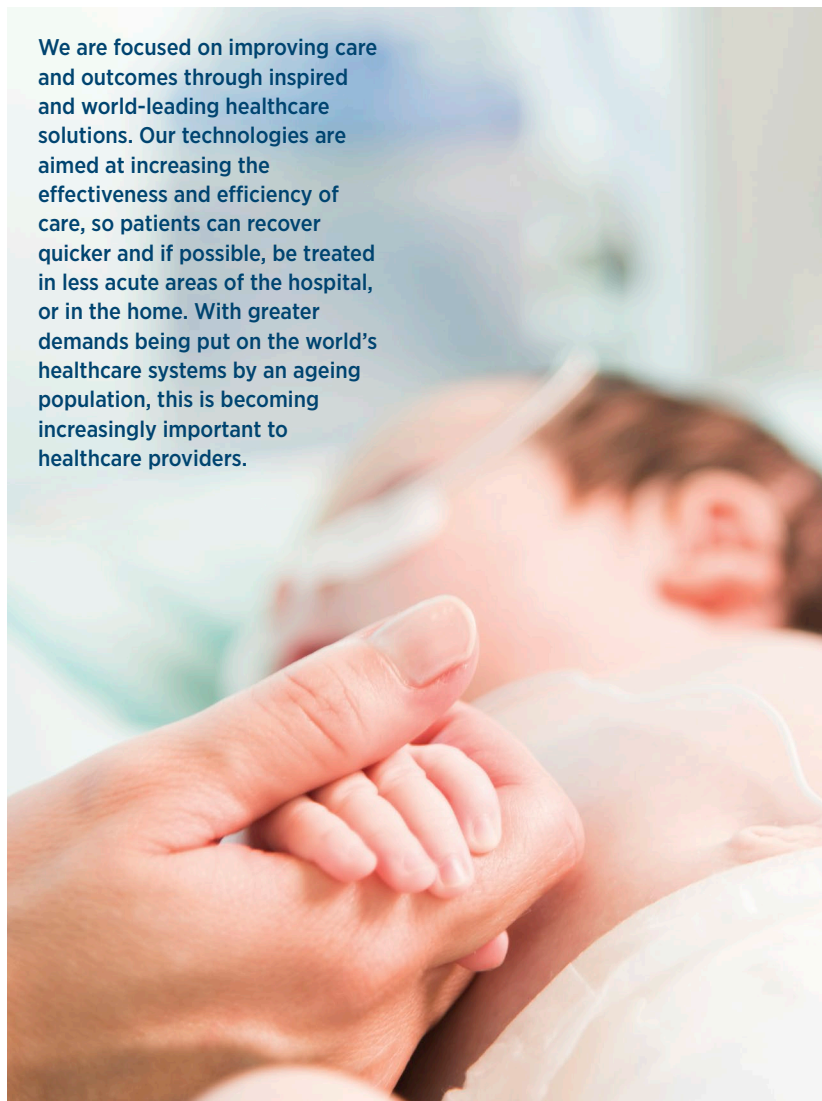
**GLOBAL LTIFR: 1.2**



UN Sustainable  
Development Goal

## 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 12 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 2017 financial year, we invested NZ\$86 million into research and development, which is approximately 10% of our operating revenue.

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

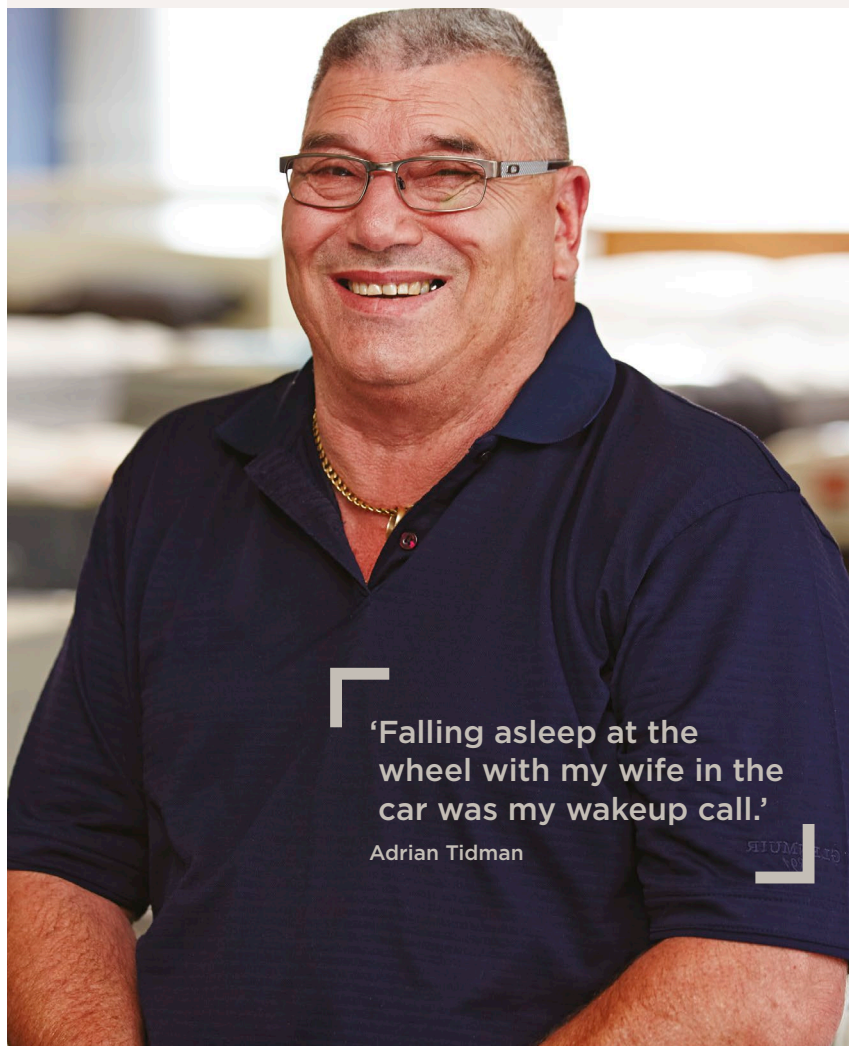
IN FY17, WE INVESTED  
NZ\$86 MILLION INTO R&D

NZ\$86M

NUMBER OF PATIENTS BENEFITING  
FROM OUR PRODUCTS IN FY17

12M+

## ADRIAN'S STORY



‘Falling asleep at the wheel with my wife in the car was my wakeup call.’

Adrian Tidman

When Adrian and his wife, Bev, set out to spend the weekend at their beach house they had no idea what impact the drive was to have on their lives. Adrian fell asleep at the wheel twice during the two-hour journey: the first instance, he drove off the road into a farmer's fence; the second, his wife told him to see his doctor.

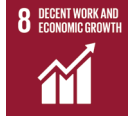
For years, Adrian experienced “falling asleep without knowing it” and also “loud snoring”. His work colleagues would laugh at him as he would fall asleep at his desk. Adrian felt aware of his colleagues around him but couldn't help drifting off to sleep. The tiredness was something that developed slowly for Adrian; he just assumed it was due to his busy lifestyle. However, when his wife and children started noticing his snoring turn into jerking movements he thought it could be something more serious.

The accidents on the way to the beach house were the “final straw” for Adrian and his wife, so he organized a visit to his doctor who told him to undergo a sleep study. At the sleep lab Adrian was told that he had obstructive sleep apnea (OSA). Between falling asleep and midnight he had unconsciously stopped breathing over 300 times as his airway was blocking. Adrian was then prescribed continuous positive airway pressure (CPAP) therapy by the sleep technicians.

‘You can tell which caravan is ours: you can hear Dad snoring!’

Adrian immediately felt relieved that his problem could be treated. The CPAP machine took him a “week or so” to get used to but now it has become a “very important” part of his life. Adrian described his brain as “raring to go again”; he felt like he could concentrate at work and his friends and family commented that it's great to see him not falling asleep every few minutes.

Adrian's advice for those thinking they may have OSA is to go see a doctor and if diagnosed, persevere with the treatment. He says to “think positive – anything you can do is worth it to improve your life.”

UN Sustainable  
Development Goal

# Excellent People

**Our people are our strength. Our ongoing success is a direct result of their skills and expertise. We have more than 4,000 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. 21% of our total number of global employees are covered by collective bargaining agreements. There is a collective agreement in place for the vast majority of our New Zealand-based manufacturing employees.



## 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:

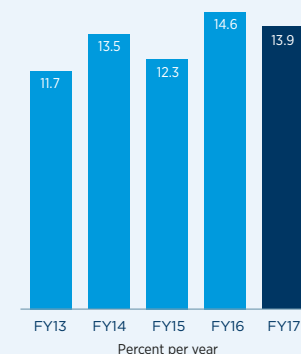
- » Ensuring internal promotions are made from a diverse pool of appropriately qualified candidates
  - » Ensuring our pay practices are free from any bias
  - » Creating deep talent pools to feed our succession plans
- Our employee turnover is typically higher in Mexico than in most other countries 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 last year.
- » 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

## Global Employee Turnover Rates

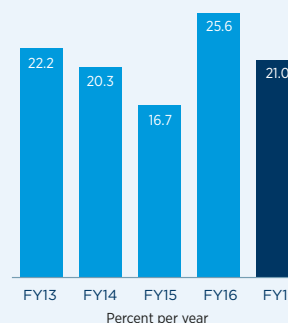
**NZ Employee Turnover Rates**



**Global Employee Turnover Rates**



**Rest of World Employee Turnover Rates**





## DIVERSITY AND EQUAL EMPLOYMENT

**Fisher & Paykel Healthcare and its Board are committed to providing equal employment opportunities and as such, have a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences.**

For us, a commitment to diversity means ensuring that no individual is excluded from a position, for which he or she is skilled and qualified, by inappropriate systems, practices and attitudes. It also means eliminating barriers to ensure that everyone is considered for the employment of their choice and that our people have the chance to perform to their full potential.

We will ensure our selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

We have fostered a culture where people are treated fairly and with respect and we are committed to ensuring an inclusive workplace. We will:

- » Promote awareness around the importance of a diverse and inclusive workforce;

- » Encourage employees to offer views and suggestions towards achieving organisational goals;
- » Review our systems, policies and practices to make sure an inclusive approach is taken; and
- » Ensure our built environment continues to support an inclusive workplace.

As a global company, we value the differences our people bring as we believe this creates a diversity of thinking that forms the foundations of our culture. We believe that these differences foster continuous questioning and continuous improvement which builds innovative and high performing teams.

We strive to provide an environment where all our people have the opportunity to reach their full potential. If we can achieve that, then we know we are doing the best we can for not only our people and our company, but also for our patients and our communities.

Our Code of Conduct states that no person is excluded from a position for which he or she is skilled and qualified, by inappropriate systems, practices and attitudes. We are a member of *Diversity Works* in New Zealand, a national group that supports organisations to promote diversity and inclusion in their businesses.

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.

Our CEO and Vice President – Human Resources are the company's Diversity Managers. The Remuneration and Human Resources Committee is responsible for overseeing the company's Diversity Policy. Each year the Remuneration and Human Resources Committee review and report to the Board on the company's

Diversity Policy, its diversity objectives and the company's achievement against its diversity objectives, including the representation of women at all levels of the organisation.

The table below 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 2016 and 31 March 2017. A 'senior executive' refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

### 2016

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

### 2017

	Women	Men	Women %	Men %
Board	1	7	13%	87%
Senior executives	1	8	11%	89%
All employees	1,851	2,135	46%	54%

## ETHICS

### BUSINESS ETHICS

We adopted a new Code of Conduct in January 2017. The Code sets out our expectations for conducting business in a legal, ethical and safe way. The Code applies to all directors, executives, employees and contractors of Fisher & Paykel Healthcare globally. The Code covers matters such as our commitment to diversity, preventing harassment, working safely, avoiding conflicts of interest, competing fairly, environmental responsibility and sustainability. Any failure to comply with the Code is treated seriously and may result in disciplinary action.

We also have formal mechanisms in place for employees to air grievances and to file complaints without fear of reprisal. The company has a whistleblower policy, which provides procedures and channels for disclosure of serious wrongdoing. We respect and support employees who in good faith exercise their rights under this policy.

### ANTI-BRIBERY AND CORRUPTION

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. The Code sets out our expectations in this regard.

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 follow all anti-bribery and corruption laws in the countries in which we operate and ensure our activities do not improperly influence the medical decisions of healthcare professionals or the purchasing decisions of entities that buy our products.

Most of the countries in which we operate have strict anti-bribery and corruption laws. 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.

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.

As disclosed on 22 March 2017, a former employee, Simon Hall, pleaded guilty to charges laid by the Serious Fraud Office (SFO), in relation to actions taken while an employee of Fisher & Paykel Healthcare. It is understood that Mr Hall received approximately \$213,000 in payments. When the company became aware in 2014 of issues relating to the management of two Middle East

distributors, the company commissioned a third party to conduct an internal investigation. Following the outcome of the investigation, Mr Hall was dismissed for misconduct and the matter was referred to the SFO. The company does not tolerate this type of behaviour and, following an independent review, we are confident in our systems to prevent a recurrence.

We never offer or accept (or ask a third party to offer or accept) bribes, 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.

### INTERACTIONS WITH HEALTHCARE PROFESSIONALS

The Code also requires us to comply with internal policies which are designed to ensure that our interactions with healthcare professionals are ethical, transparent and provide benefit to patients. These interactions must not have, or appear to have, an improper influence on clinical judgement.

We often interact with healthcare professionals in many different

countries. Collaborative relationships with healthcare professionals are important to us, and we are committed to maintaining the highest standards of integrity and transparency in all interactions with them.

### 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.

## AT A GLANCE

TURNOVER RATE FOR  
NEW ZEALAND EMPLOYEES

 8.2%

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

 82,000+

OUR PEOPLE IN  
NORTH AMERICA

 1,231 FY15: 751  
FY16: 922

OUR PEOPLE IN  
EUROPE

 271 FY15: 221  
FY16: 258

OUR PEOPLE IN THE REST  
OF THE WORLD

 303 FY15: 236  
FY16: 265

OUR PEOPLE IN  
NEW ZEALAND

 2,307 FY15: 1,943  
FY16: 2,142

OUR PEOPLE ARE LOCATED  
IN 35 COUNTRIES

 35

OUR PEOPLE SUPPORT  
120 COUNTRIES

 WE HAVE 17 DISTRIBUTION  
CENTRES AROUND THE  
WORLD

## Q+A WITH DEBRA LUMSDEN

Vice President - Human Resources

Q

### How does Fisher & Paykel Healthcare attract great talent?

Debra: Attracting great people is really important to us. As our organisation grows, we need to not only recruit excellent people from outside the organisation, but also be able to retain and develop our people to meet future critical functional and leadership roles.

In New Zealand, we work closely with universities to attract graduates into our roles, and we have also built proactive relationships with schools in order to support students into STEM\* subjects. More broadly, we also reach out to our international networks and have developed online tools to attract employees. We have a strong communications programme with alumni and are able to provide a range of international opportunities for our people. And of course our efforts are always measured so we can be sure that what we're doing is working.

Q

### How does the company help its people develop and progress?

Debra: We are continually looking at how we can develop our people. We have support processes for succession planning and also chess-boarding, which helps us understand the

implications of one move on another. This allows us to be deliberate in providing opportunities for people to develop the future skills they are going to need, through initiatives such as job enrichment and enlargement. We aim to develop people through work experience combined with coaching and learning. It's a very deliberate approach. Dynamic systems and processes are in place to help people identify career opportunities and how they can get there, and our leaders are also trained to help people develop.

Q

### What are your goals for our people?

Debra: It's important that we retain our culture as we grow, such as our innovation, commitment and collaboration. We want to continue to offer people fantastic development opportunities within a wonderful campus environment. This is a global view: we have a unique Fisher & Paykel Healthcare way that relates to all of our offices around the world. We aim to provide people with the opportunity to do interesting, challenging and motivating work in a positive environment.

\* Science, technology, engineering and mathematics





# Safely Home

UN Sustainable  
Development Goal



**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.**

As part of our global health and safety plan, we are in the process of implementing a global health and safety reporting programme. This system will enable all of our locations to report health and safety incidents, manage health and safety risks, and provide data that will allow us to identify and address trends, enable internal and external benchmarking and future proof the company's expansion from a health and safety perspective.

Our health and safety progress is reported monthly to the Board of Directors and to the Quality, Safety and Regulatory Committee of the Board three times a year.

Occupational health centres offer 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 and wellness 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. In FY16, it was 1.98 and in FY17 it was 1.22.

Our global total recordable injury frequency rate (TRIFR) was 4.49 in FY16 and 2.57 in FY17.

In the 2017 financial year we implemented regular health and safety leadership walks for the executive team on our New Zealand site. This initiative helps us demonstrate the importance of health and safety to the company. Walks take place in manufacturing areas, workshops, distribution centres and other general areas.

- » 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.



### HEALTH & SAFETY LEADERSHIP

- » Leadership accountabilities established with individual performance reviews
- » Reporting of Health & Safety activities to a subcommittee of our Board of Directors
- » Implemented Health & Safety leadership walks with the Executive Leadership team
- » Developed a global Health & Safety policy



### ENGAGEMENT

- » Health & Safety Committee under review to better align with Health & Safety direction.
- » Health & Safety improvements identified and presented by employees through weekly road shows and show and tell forums and monthly Health & Safety Committee.



### 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
- » Implementation of a new global drug and alcohol policy



### 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

- » Health and safety audit of Mexico site conducted by the Directorate of Social Welfare and Productivity. Our Mexico site achieved a score of 93% and is one of 170 companies participating in this programme across Mexico.
- » New Zealand site successfully completed the ACC Workplace Safety Management Practices and Hazardous Substances certification and retained the top level of 'Tertiary'.

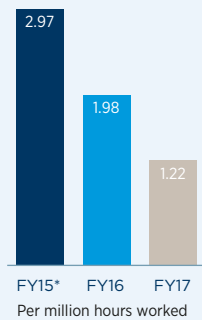
## At a glance

AVERAGE HOURS OF HEALTH & SAFETY TRAINING  
PER EMPLOYEE (NZ AND MX)

 **1.5** PER PERSON



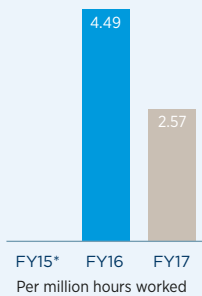
### Global LTIFR



\* NZ AND MX ONLY



### Global TRIFR



\* (NOT RECORDED)





UN Sustainable  
Development Goal

# 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 B, an increase from C in FY16. This is 'management' level, and is awarded for evidence of actions associated with good environmental management.

A large portion of our products are consumable in nature to avoid cross-infection between patients when used in a hospital setting. Once these consumable products have been used in the hospital, they are classified as medical waste and must be disposed of

in accordance with country-specific waste guidelines and regulations. We have begun exploring how we can support our customers to reduce the impact on the environment associated with the disposal of end of life products.

Our approach to sustainability 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

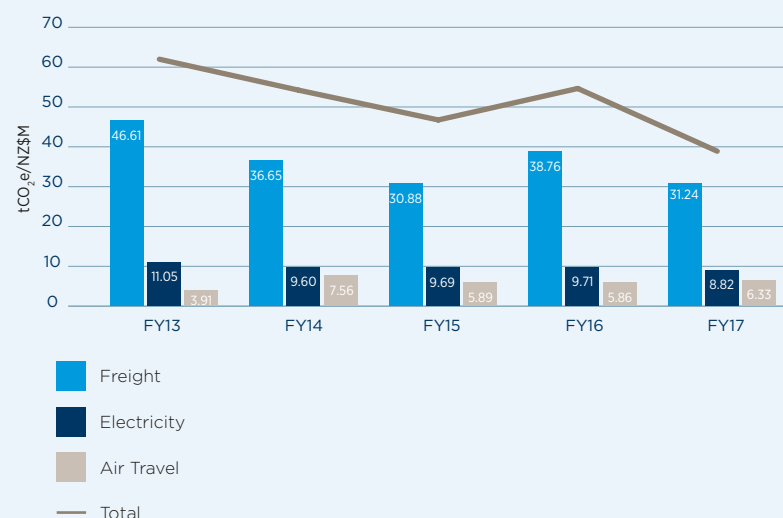
Fisher & Paykel Healthcare is committed to reducing carbon emission intensity. We have developed a Greenhouse Gas Emissions Management Plan and reduction targets, and have been reporting our estimated emissions under the Certified Emissions Measurement and Reduction Scheme (CEMARS) since 2012/13.

Over the five years since we started reporting under the CEMARS programme, we have achieved a 22% reduction in reported emission intensity and are on track to meet the targets set out in our Emissions Reductions Plan. Operational emissions intensity, expressed in tCO<sub>2</sub>e/NZ\$M, relates to our New Zealand and Mexico manufacturing facilities, as well as our US, Australia, Germany, France and UK distribution centres and our sales operations in India, China, Japan, Canada and Hong Kong. Freight emissions decreased during FY17 due to planning practices which saw preference of sea freight over air freight.

Our revenue is generated in a range of currencies, including US dollars and Euros. As a result, fluctuations in exchange rates can influence the emission intensity calculation.

### CARBON EMISSION INTENSITY

Carbon emission intensity target of 5% reduction pa.





## WASTE

We have a target of recycling 96% of our waste. In FY17, our waste to landfill from our NZ site increased by 63 tonnes due to continued disruption in recycling service provision and improvement of our reporting methods. Procedures have now been put in place to address this and we expect to optimise our recycling system in FY18.

We run an active eco-efficiency recycling programme in New Zealand and Mexico. This programme enables us to recycle up to 100 tonnes of material a month and includes set targets and detailed plans to design out waste from our operations. This programme is shared during new employee inductions, and we also actively engage with suppliers to support this initiative.

This financial year we measured waste outputs in China, Hong Kong and the UK for the first time. The data from these regions, combined with New Zealand, Australia and Mexico, equates to 0.33 tCO<sub>2</sub>e/NZ\$M. This accounts for 0.85% of our global emissions intensity.



## ENERGY USE

Emission intensity from electricity used at our New Zealand and Mexico sites reduced by 9% over the past financial year. This was a result of ongoing 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, Germany, Japan, India, China, Hong Kong and Canada was also calculated for FY17 and accounted for a combined 0.61 tCO<sub>2</sub>e/NZ\$M (1.3% of total emission intensity). Freight accounted for 65% of the global business emissions 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, which minimises water usage. 2936m<sup>3</sup> of rainwater was collected and utilised in this building.



## STORM WATER MANAGEMENT

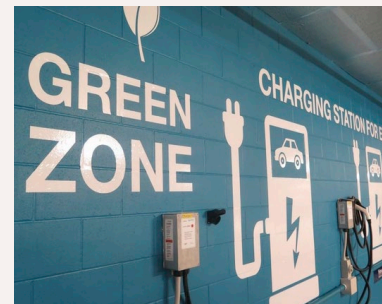
Our Auckland facilities have a campus-style layout, with storm water from the site diverted into a multi-staged sedimentation pond. Besides acting as a scenic centrepiece to the campus, the pond minimises our impact on downstream water quality by allowing sediment to settle prior to discharge into the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

## GREENING OUR CAMPUSES

This year we ran several environmental initiatives. In New Zealand, we partnered with Ecoware, a carbonZero certified packaging company, to supply employees with compostable coffee cups that are made from plant material, rather than polystyrene.

Within the first month, we were able to increase our volume of organic waste from an average of 3.6 tonnes to 5.5 tonnes, the equivalent of diverting 62,500 polystyrene cups from landfill. Supported by an internal communications campaign, we now collect around 7.2 tonnes of compostable waste each month.

Other exciting environmental initiatives include the installation of four electric vehicle charging stations in the company car park (Auckland site), battery recycling programmes, improved waste sorting and recycling signage, tree planting days in Auckland and beach clean ups in Tijuana.



## SUPPLY CHAIN AND SUSTAINABLE PROCUREMENT

**Fisher & Paykel Healthcare's supply chain comprises a network of suppliers, manufacturing sites and distribution centres strategically located around the globe to increase responsiveness, reduce risk and ensure consistent and optimal 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.

We are committed to building a supply chain structure that supports the business' approach to corporate social responsibility and sustainability. We strive to establish our company values and beliefs across the supply chain and have implemented policies that drive our purchasing decisions to consider a holistic approach across economic, environmental and social aspects. We are committed to influencing our existing supplier base to maintain our high quality standards and encourage sustainable business practice across the value chain.

We are developing our internal framework and systems in collaboration with our suppliers to perform a gap assessment and achieve our goal of implementing ISO 20400 sustainable procurement guidance within our supply chain.

Our procurement and sourcing staff are based in New Zealand, Mexico and Hong Kong. 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.

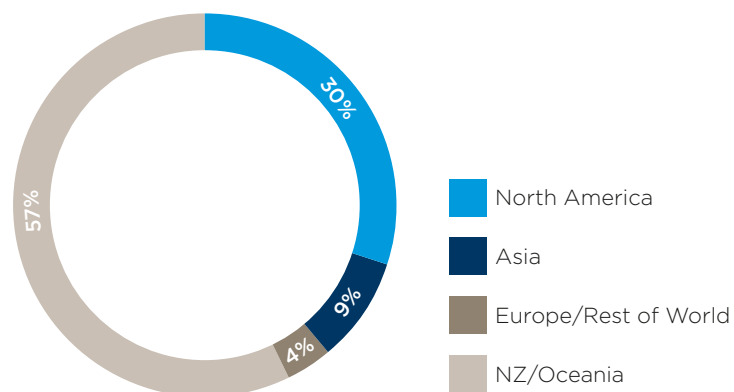
Our planning and manufacturing operations are based in Mexico and New Zealand. This means we are able to manufacture and dual source our supply and delivery to customers. In order to support the 120 countries that we deliver to, we use a combination of Fisher & Paykel Healthcare operated distribution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

### OUR APPROACH

We partner with over 2,200 suppliers based in more than 36 countries. We practise a category management philosophy and have grouped our global spend by the following areas across 30 different categories:

- » Supply chain materials and products
- » Research and development
- » Commercial service

### GLOBAL SPEND BY REGION FY17



### SUSTAINABILITY RISK ASSESSMENT PROCESS

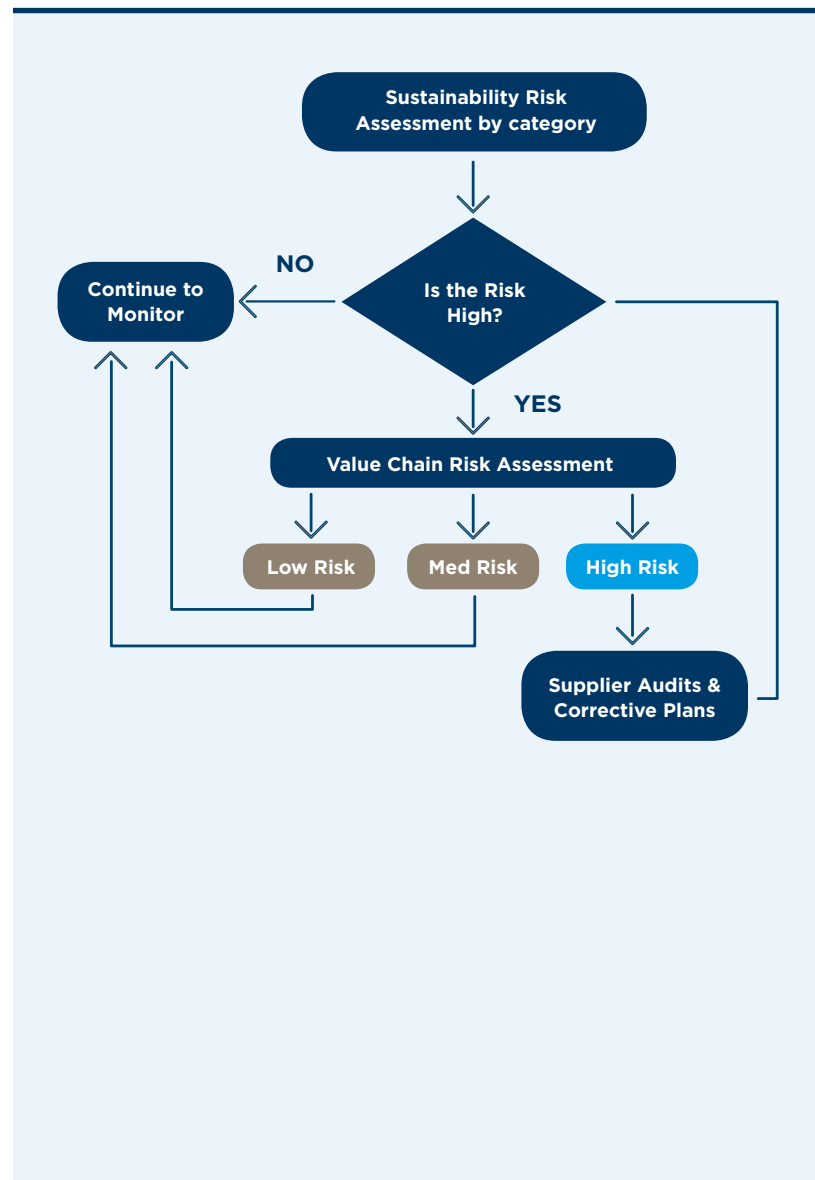
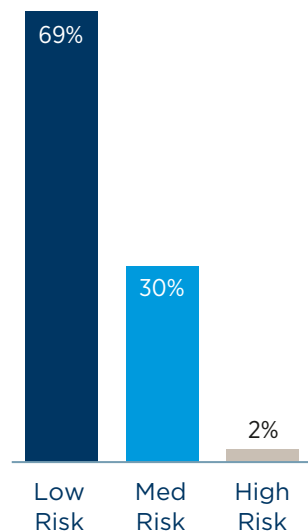
This year, we completed a global sustainability risk assessment based on our knowledge and understanding of sustainability impacts related to the categories we source, our supply chains and sourcing countries.

We apply our Value Chain Risk Assessment filters to any suppliers that are identified within the high risk category. These filters assist us to consider the impact on our business based on our category management plan and is audited from a sustainability risk perspective.

In the next financial year, we intend to continue to develop a framework to meet ISO 20400 standards, integrate quality management audits with sustainability audits, and provide further guidance to our small and medium enterprise vendors.

### SUSTAINABILITY & VALUE CHAIN RISK ASSESSMENT ACROSS OUR GLOBAL SUPPLIERS (FY17)

Percentage of suppliers scoring low, medium and high risk.





## KEY ACHIEVEMENTS

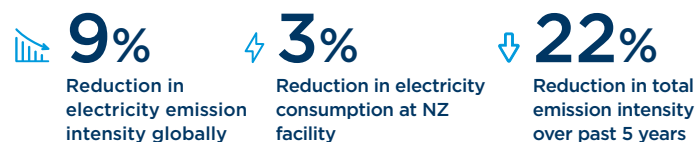
- » Completed social and ethical benchmarking report
- » Completed risk assessment across all categories for sustainability and business risk
- » Sustainable procurement practices implemented during vendor selections process
- » Continued with the global roll out of our new ERP system including advanced supply chain modules:
  - Advanced planning optimiser
  - Extended warehouse management
- » Development and release of Supplier Code of Conduct
- » Development of supplier risk management process
- » Development of product portfolio prioritisation (ABC) process
- » Reduction in air freight from 30+% to <8%
- » Consistently delivering +95% service level
- » Opening of new export global distribution centre in California, USA.
- » Selection and implementation of new UK distribution facility
- » Certification to new ISO14001:2015 environmental management standard for both New Zealand and Mexico sites.

## AT A GLANCE

### OPERATIONAL WASTE RECYCLING



### EMISSION INTENSITY



### RAINWATER COLLECTED



Certifications: ISO 14001:2015  
(New Zealand and Mexico sites)



# Stronger Communities

UN Sustainable  
Development Goal

**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 12 million and growing every year, and more than 4,000 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 run a comprehensive programme of educational events, where we visit local schools and universities to discuss career pathways in STEM. We also sponsor a range of events and organisations in the science and engineering fields. In the 2017

financial year, these included 'She Sharp', which encourages women to take up careers in ICT and other tech-related fields, 'Future in Tech', where we provided 13 ambassadors to help run visits to local schools to talk about STEM\* careers, and 'South Sci', mentoring of students undertaking scientific projects in local schools. In 2016, we supported one of our engineers through the 'Engineers without Borders' programme.

In the 2017 financial year, we made donations of NZ\$57k to not for profit organisations. We have a stance of only supporting non-political groups.

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 past five years, this has totalled more than NZ\$400M.

The company has also recently established a dedicated corporate social responsibility (CSR) group, which promotes and assists 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.

\*Science, Technology, Engineering, Mathematics

## At a glance

GROSS DIVIDENDS DISTRIBUTED  
SINCE FY13


NZ  
\$400M+

NUMBER OF PATIENTS TREATED  
BY OUR DEVICES IN FY17


12M+

IN NEW ZEALAND, COLLECTED  
AND PAID TAXES OF APPROX.


NZ  
\$110M



## SUSTAINABLE TAX STRATEGY

**Fisher & Paykel Healthcare understands that collecting and paying tax is an important contribution to the economies, societies and 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.**

Fisher & Paykel Healthcare makes a valuable contribution to the economies in which we operate through payment of corporate income taxes and remitting employment related taxes on behalf of our employees. 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 2016.

Our tax strategy sets out our approach to tax governance and tax management aligned to our conservative appetite for tax risk with the key purposes 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 the tax authorities.

The majority of our taxes are paid in New Zealand to the Inland Revenue Department. This is in line with Fisher & Paykel Healthcare's business model where the majority of manufacturing and R&D is performed in New Zealand and the majority of intellectual property is owned in New Zealand.



## HOW PEDAL POWER IS HELPING TO MAKE SURGERY SAFER

**Fisher & Paykel Healthcare has come together with clinicians in a joint effort to raise funds for Lifebox, which supports safer healthcare in developing countries.**

Lifebox is a non-government organisation dedicated to safer surgery and anaesthesia in low-resource settings and is closely associated with the Association of Anaesthetists for Great Britain and Ireland (AAGBI). It links professional, academic and commercial organisations in order to supply pulse oximeters into operating theatres in developing countries and a Surgical Safety Checklist education programme for clinicians.

Pulse oximeters are monitors that clip onto a patient's finger and track their oxygen level, and are recognised as a key safety tool during surgery. Patients who are left unmonitored can experience cardiac arrest from an undiagnosed lack of oxygen.

Comprising a joint team of Fisher & Paykel Healthcare team members and AAGBI members, the charity cycle ride took place from Fisher & Paykel Healthcare's UK office in Maidenhead to the CARE airway and respiratory convention at Warwick University in June 2017, raising funds for Lifebox.

The team of 15 took two days to complete the 220km journey.

"The trip took us through the beautiful but hilly Cotswolds. It was a challenging ride and the first long cycle for many of us," said Sophie Danks, Fisher & Paykel Healthcare Sales Manager, "But being able to support Lifebox in this way was something we're very proud of and fortunate to do."

This is the second charity cycle the team has been involved in, after cycling from Maidenhead to Paris in 2016 in support of BirthLink, a charity working to improve maternal and neonatal care in developing countries.



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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.