ResMed

ResMed

Sustainability Report

June 2020

Report scope and reference

This Sustainability Report focuses on Economic, Environmental, and Social Governance (ESG) issues that encompass our global operations, including those of our international subsidiaries. Our approach is to include standards where applicable to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

Any gaps in the data are noted in the relevant section.

The report focuses on the three financial years ended 30 June 2017–2019. This report also provides background to issues relevant to these periods.

This report should be read with documents filed with the US Securities Exchange Commission, in particular our 2019 Form 10-K annual report and our 2019 Form DEF 14A proxy statement for shareholders. These filed documents take precedence over this ESG report in the event of any unintended inconsistency.

All references to dollars are US dollars unless otherwise noted. References in this font are hyperlinked to their source or page reference.

The preparation of the report has been informed by the reporting guidelines of the GRI Reporting Framework. APPENDIX 1 at the end of the documents matches the information in the report with the relevant GRI indicators.

While this report has been prepared with due care, it has not been externally assured.

Further information can be obtained by contacting Justin Italiano at ResMed Inc., Sydney, at +61 2 8884 1000, or by visiting the company's multilingual website at www.resmed.com.

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Table of Contents

OUR APPROACH TO ESG

ResMed has a mission to help people sleep better, breathe better, and live healthier, higher-quality lives outside the hospital. In 2019, we improved 105 million lives and our ambitious goal is to improve 250 million lives in out-of-hospital healthcare in 2025. As I write this letter in May 2020, the world remains in the throes of a global respiratory pandemic caused by a novel coronavirus, and its deadly consequence: COVID-19. Amid significant loss of life around the world, and broad economic impacts from lockdowns in many countries, we are grateful that we can be part of the solution as we live our mission.

During this pandemic, many tens of thousands of people have accessed ResMed ventilators and mask systems, allowing them to breathe while their own immune system fights against this virus. We are proud of tripling our production of ventilators during this crisis. At the same time, we have focused on our core businesses: helping the 936 million people worldwide who suffocate every night with sleep apnea, the 400 million people worldwide who suffer from chronic obstructive pulmonary disease, and millions more who benefit from a streamlined out-of-hospital healthcare ecosystem that includes home medical equipment to skilled nursing facilities, to home health and hospice, and beyond.

ResMed is proud to provide innovative, digital, cloud-connected solutions to people living with sleep apnea, COPD, asthma, and other chronic diseases in over 140 countries. For over 30 years, our mission has been encompassed in what we call the “triple aim”: to improve quality of life, to prevent the progression of chronic disease, and to reduce unnecessary healthcare costs.

What ESG means to us

ResMed’s overall strategy is grounded in our business sustainability because innovation, ethical business practices, and operational excellence are precisely what enable us to save and enrich millions of lives. In short, our approach to the environment, our social communities, and best-practice governance is simply part of our DNA. In fact, this type of altruistic foundation overlaps fully with our business goal of improving 250 million lives in out-of-hospital healthcare: it is key to our growth so we can serve hundreds of millions of people.

ResMed’s core strength is our team – we have 7,500+ people who have chosen to join us, and become ResMedians to help us serve customers in over 140 countries worldwide. We’re deeply committed to understanding the needs of our team and engaging deeply with their professional and personal development. We are laser-focused on hiring, developing, and advancing the best talent in the field of healthcare. Our corporate culture demands high levels of innovation and a rigorous code of ethics and values – starting with tone at the top, and all the way through to the customer, including our most important customer, the patient. Meeting these standards of excellence every day requires a global team, dedicated to innovation and excellence.

Each year, and with ever-increasing detail, new research reveals the role healthy sleep plays in personal and population health. Untreated sleep apnea is strongly linked to heart failure, hypertension, diabetes, obesity, COPD, peri-operative risks, and beyond. Untreated sleep apnea is also an occupational health and safety hazard, preventing sleep-deprived workers and their companies from meeting their full potential of safety and productivity. The potential economic benefits to national healthcare budgets are, on a different measure, equally significant. For all these reasons, pursuing healthy sleep and healthy breathing is important to us all and demands our collective focus.

Our approach to ESG issues follows this corporate purpose and drives our priorities. What we do behind the scenes to deliver high-quality, innovative products and services touches many of the ESG issues reflected in this report. We invest heavily in research and development, both through our own world-class team efforts, and in partnership with key outside research organizations that help broaden our impact. Our corporate culture demands and values this innovation, not just in medical science, but also in disease awareness, policy development, and in our own team’s

operating excellence. Strict legal compliance and an emphasis on safety, quality, environmental, privacy, and data security are all integral elements to the global ResMed culture.

We know our performance, products, and solutions are only as good as our people. We seek the best people we can find, and support them to be the best they can be. We understand that people – our ResMedian team, our suppliers, our partners in healthcare delivery, our distributors, and our ultimate customer, the patient – all need an environment and culture that encourages and promotes the best outcomes.

We are proud of ResMed's sound environmental and governance record, and that our social contribution is substantial in the communities we serve locally and worldwide.

On behalf of 7,500+ ResMedians, thank you for your support to help us in our mission and vocation: to help hundreds of millions of people sleep better, breathe better, and live healthier, higher-quality lives away from the hospital. Thank you also for your diligence in reading this ESG report from our ResMed team of experts in the field.

Yours sincerely,

Michael "Mick" Farrell

CEO, ResMed

Key ESG indicators

Table 1 captures our significant data. We present more detailed data on the indicated pages, for our primary manufacturing and distribution sites over the three years.

Table 1: Key ESG performance indicators

Economic Performance	**June 30 2019**	**June 30 2018**	**June 30 2017**
Economic value generated and distrubited (US$'000):[1]			
Revenue	2,606,572	2,340,196	2,066,737
Cost of goods sold[2]	1,069,987	978,032	864,992
Salaries and wages	644,145	573,561	532,747
Interest paid to lenders	36,156	28,355	28,236
Taxes paid to government[3]	114,255	205,724	77,396
Donations to research foundation	800	750	600
Donations to other community purposes	1,726	1,000	235
Investment in research and development	180,651	155,149	144,467
Environmental Performance			
Total energy use (GJ)	128,136	127,676	129,990

Energy intensity (GJ/$m rev.)	49.2	54.6	62.9
Total scope I and II greenhouse gas emissions (tCO_2e)	19,193	19,353	22,290
Significant NO, SO, and other air emissions	0	0	0
Total water withdrawal (kL) *	60,246	62,514	64,083
Percentage of waste recycled by weight **	60%	57%	76%
Paper use (sheets per person per year)	1,121	1,512	1,298
Monetary value of environmental fines and sanctions	$0	$0	$0
Social performance			
Annual voluntary employee turnover ***	14.8%	18.9%	16.7%
Fatalities	0	0	0
Lost time injury rate (injuries per million employee hours)	2.84	2.22	1.66
Percentage senior (VP or above) executives, female	32%	27%	21%
Material breaches of marketing and labelling regulations	0	0	0
Monetary value of fines and sanctions for production of market-related non-compliance	$0	$0	$0

* Major sites Australia and the US only ** Global ex-Switzerland *** Voluntary

1 Detailed financial accounts are disclosed in our 2017 Annual Report at: http://investor.resmed.com/investor-relations/default.aspx
2 Includes all payments to third parties for materials and services used in production
3 Includes major income tax measures

RESMED IN BRIEF

Founded in 1989, and headquartered in San Diego, California, ResMed pioneers innovative solutions that treat and keep people out of the hospital, empowering them to live healthier, higher-quality lives. Our cloud-connected medical devices transform care for people with sleep apnea, COPD, and other chronic diseases. Our comprehensive out-of-hospital software platforms support the professionals and caregivers who help people stay healthy in the home or care setting of their choice. By enabling better care, we improve quality of life, reduce the impact chronic disease, and lower costs for consumers and healthcare systems in more than 140 countries.

Locations and business

Our principal global operations and functional support team locations are summarized below. Our primary headquarter sites in San Diego and Sydney are owned while all other sites are leased.

Table 2: ResMed site locations

Regions	Primary Locations	Full-Time Employee Equivalent	Roles
Americas	California: San Diego, Moreno Valley, Chatsworth Georgia: Atlanta, Peachtree Corners	2,812	Administration, manufacturing, sales and marketing, quality, distribution, customer service,

	Kansas: Overland Park Minnesota: Minneapolis Nova Scotia: Halifax Pennsylvania: Media Wisconsin: Paddock Lake		product development, software development
Asia Pacific	Australia, China, India, Japan, South Korea, Malaysia, New Zealand, Singapore	3,176	Administration, manufacturing, sales and marketing, quality, distribution, customer service, product development, IT shared services
Europe	Finland, France, Germany, Ireland, Norway, Netherlands, Spain, Sweden, Switzerland, United Kingdom	1,252	Administration, distribution, customer service, sales and marketing, quality

Administration, product development, and distribution

ResMed's corporate headquarters is at its 230,000-square-foot facility in San Diego, California, USA. Further corporate hubs are at Bella Vista (Sydney), NSW, Australia; Atlanta, Georgia, USA; and Munich-Martinsried, Germany.

Our principal research and development center is in Sydney, with further research conducted at Chatsworth, California, USA; Dublin, Ireland; Halifax, Nova Scotia, Canada; Munich-Martinsried, Germany; and Singapore.

Distribution centers are located in Atlanta; Moreno Valley, California, USA; Roermond, Netherlands; Abingdon, UK; Basel, Switzerland; Lyon, France; and Bremen, Germany. Our German home healthcare services are managed from Martinsried and Gremsdorf.

Manufacturing operations

Our principal manufacturing operations occupy a 155,000-square-foot facility at our Sydney site and a 95,000-square-foot facility in Singapore. Other manufacturing is currently undertaken at our 174,000-square-foot assembly and distribution facility in Atlanta, Georgia, USA, as well as another manufacturing site in Suzhou, China. Further manufacturing is conducted at Lyon, France; Chatsworth, California, USA; and Johor Bahru, Malaysia.

Sales and marketing

We currently market our products in more than 140 countries, using a network of distributors and our direct sales force.

- North America and Latin America represent approximately 65% of net revenues. Our products are typically purchased by a home healthcare dealer who then sells our products to the patient. The decision to purchase our products is made or influenced by one or more of the following individuals or organizations: the prescribing physician and their employees; the home healthcare dealer; the insurer; and the patient. Our field sales organization includesregional territory representatives, program development specialists, and regional sales directors.

We also market our products directly to sleep clinics. Patients who are diagnosed with obstructive sleep apnea (OSA) and prescribed continuous positive airway pressure (CPAP) treatment are typically referred by the diagnosing sleep clinic to a home healthcare dealer to fill the prescription. The home healthcare dealer, in consultation with the referring physician, will assist the patient in selecting the equipment, fitting the patient with the appropriate mask, and setting the flow generator pressure to the prescribed level.

- Europe and Asia Pacific represent approximately 35% of net revenues. In Europe, we have wholly owned subsidiaries in Austria, Czech Republic, Finland, France, Germany, Ireland, Norway, Netherlands, Poland, Sweden, Switzerland, and the United Kingdom, and use independent distributors elsewhere. In many European countries, we sell our products to home healthcare dealers who then sell the products to patients. In Germany, we also operate a home healthcare company that provides products and services directly to patients and receives reimbursement directly from third-party government or private insurance payers.

  In Asia Pacific, we have wholly owned subsidiaries in Australia, China, Hong Kong, India, Japan, New Zealand, South Korea, and Taiwan, and use a combination of our direct sales force and independent distributors.

Relevant awards

We have received the following recent awards relevant to our ESG performances:

Table 3: ResMed awards, 2017–2019

Year	Award	Recipient	Awarded for
2019	"JUST 100" Forbes	ResMed	#1 Corporate Citizen in Healthcare & Equipment Services
2019	Canada's Top 100 Employers	ResMed	Atlantic Canada's Top Employers
2019	Grad Australia	ResMed	Australia's Top 100 Graduate Employers
2019	AAGE Top 75 Graduate Employers	ResMed	Australian Association of Graduate Employers
2019	CanadaStop100	ResMed	Nova Scotia's Top Employers
2019	"Best in KLAS"	MatrixCare	Long-Term Care Software
2019	"Best Complete HME Management Solution"	Brightree	HME Business New Product Awards: Brightree Business Management Software
2019	"Best Specialized Solution"	Brightree	HME Business New Product Awards: Brightree Patient Hub app
2019	"Best Overall Health Administration Software"	Brightree	MedTech Breakthrough Award: Home Health and Hospice EMR solution
2019	"Dealmaker of the Year"	ResMed	Medtech Insight
2019	"Top Workplace"	Propeller	Wisconsin State Journal
2019	"Intelligent Health Association Award"	Propeller	Dignity Health: improving patient care and health delivery
2019	"Best Overall Medical Device Product"	ResMed	MedTech Breakthrough Award for AirMini
2019	Good Design - Product Design Category	ResMed	Good Design Australia Awards, AirFitN30i and AirFit P30i
2019	Winner for San Diego Large Company Leadership	ResMed (Mick Farrell)	San Diego Union Tribune
2019	San Diego's Top Workplace	ResMed	San Diego Union Tribune
2018	"JUST 100" Forbes	ResMed	Top Corporate Citizen

2018	“Best in KLAS”	MatrixCare	Long-Term Care Software
2018	Wisconsin Innovation Award	Propeller	
2017	MD+DI	ResMed	Medtech Company of the Year (finalist)
2017	MD+DI	ResMed	Top Medical Device Company to Work for
2017	“JUST 100” Forbes	ResMed	Top U.S. Corporate Citizens
2017	“Best in KLAS”	MatrixCare	Long-Term Care Software
2017	“50 Most Innovative Companies”	Propeller	Fast Company
2017	“Australian Good Design Awards”	ResMed	Best Design for CPAP, CPAP Masks: AirMini, AirFit N20, AirFit F20, AirTouch F20

GOVERNANCE

Our corporate governance principles outline how we hold ourselves accountable to shareholders and stakeholders. These principles address the operation of our board and its sub-committees; strategic and succession planning; and director qualifications.

Corporate governance

Our board has adopted corporate governance guidelines to assist in exercising its responsibilities in accordance with our constitution and all applicable laws and regulations. These include the regulations of the US Securities and Exchange Commission (SEC) and the rules of both the New York Stock Exchange (NYSE) and the Australian Securities Exchange (ASX), on which ResMed is listed. The guidelines are posted on our investor website, investor.resmed.com. Our board will continue to evaluate its governance structures as ResMed's business evolves to ensure that we manage the business for the long-term interests of our shareholders and other stakeholders. A more detailed review of our governance is provided in our annual proxy statement to shareholders, issued under section 14(a) of the Securities Exchange Act.

Governance structure

ResMed is governed by a board of eight directors and through four standing board committees: Audit (3 directors), Compensation (3 directors), Compliance Oversight (3 directors), and Nominating and Governance (3 directors). Each committee is composed of independent directors.

Michael ("Mick") Farrell has served as ResMed's chief executive officer and a member of the board of directors since March 2013. Robert ("Rob") Douglas was simultaneously appointed as ResMed's president, in addition to his continuing role as chief operating officer. Our founder, Dr. Peter Farrell, is our non-executive chairman of the board. Ron Taylor serves as our lead independent director.

Our board members have a variety of backgrounds, which reflects our continuing efforts to achieve a diversity of viewpoints, experience, and knowledge as well as ethnicities and genders. Our board is comprised of three female directors and five male directors.

Board independence

All board members other than Peter Farrell and Mick Farrell are independent under the listing standards of the NYSE, with no material commercial or personal relationship with ResMed that would impair their independence. Currently, our independent directors and their tenures are as follows: Mr. Rich Sulpizio and Mr. Ron Taylor since 2005; Ms. Carol Burt since 2013; Ms. Karen Drexler since November 2017; Ms. Harjit Gill since November 2018; and Jan De Witte since May 2019.

In February 2020, we adopted an annual election process for our board. At our 2020 and 2021 annual stockholders' meetings, the directors proposed for election will serve until the next year's annual meeting. Beginning with the 2022 annual meeting, all directors will be elected for terms lasting until the next year's annual meeting.

There is no limit to the number of terms a director may serve, nor a set retirement age. The board has adopted a majority voting policy, under which an incumbent director who does not receive a majority of votes for re-election must tender a resignation to the board. The board will determine whether to accept or reject the tendered resignation, and disclose the results and rationale within 90 days of the election.

The chair of the board's Nominating and Governance Committee (currently Ron Taylor) also serves as our lead director. The lead director presides over meetings of our independent directors (generally held each quarter), acts as a liaison between the independent directors and chairman, communicates with stockholders as appropriate, and fulfills other duties that support sound corporate governance.

Under our corporate governance guidelines, directors have direct access to company management to secure the information they need for their duties.

Board performance

Our board's Nominating and Governance Committee has the delegated purposes of:

- Evaluating the board's overall effectiveness in representing stockholders and otherwise contributing to lasting value creation at ResMed;
- Assisting in selecting board and committee members; and
- Reviewing developments in corporate governance practices.

The committee oversees an annual formal review of these matters, concentrating on the performance of the board as a whole, as well as that of individual members. The Nominating and Governance Committee follows a process of regularly reviewing board composition and board refreshment, with a long-term perspective, and maintains a database of desired director skills and experience. The performance of directors who are seeking re-election at the end of their three-year term is ultimately reviewed by stockholders through their votes at the annual stockholder meeting. Our independent directors review the performance of the chief executive officer annually.

Board and executive remuneration

Our board's Compensation Committee reviews cash compensation, benefits, perquisites, and equity compensation of directors and executives, including target and actual short-term incentives.

The committee's in-depth review of director and executives' compensation is published in our proxy statement to stockholders before ResMed's annual general meetings. The principles governing our executive compensation program include:

- Pay-for-performance. Pay-for-performance, alignment with stockholder interests, and largely at-risk compensation are the cornerstones of our compensation program. A significant portion of our executives' compensation is at risk and tied to the achievement of pre-established short-term corporate financial objectives through our annual cash incentive programs that our corporate officers earn based on achieving our goals relating to adjusted net sales and adjusted operating profit, weighted equally. These two measures represent fundamental financial metrics: top-line sales and the portion of those top-line sales that fall to the bottom line. Our executives in charge of a principal unit have 60% of their incentive opportunity tied to achieving set goals for the same metrics at the business unit level and the remaining 40% tied to the corporate goals. All payouts are determined in accordance with these objective performance metrics. Executive officer payouts ranged from 96% to 121% of target in Fiscal Year 2019 with no discretion applied to the amount paid, with the payouts reflecting our strong performance and our rigorous goals.

- Provide market-competitive compensation. Our objective is to provide a target total compensation program that is competitive with similarly sized US-based public companies in the medical device and medical technology industries with which we compete for executive talent. The committee reviews benchmark data for the individual and for the group as a whole, but does not target a specific benchmark level. For our executives, total target compensation should reflect a relatively lower emphasis on salary and a higher percentage of pay at risk in the form of an annual cash incentive and equity awards. The guideline is broad, to recognize individual situations, and also allows us to reflect the fact that we set challenging targets for our incentive programs.

- Make informed decisions. The committee has retained FW Cook, Inc., an independent compensation consultant, to advise the committee with respect to compensation matters for executive officers, and to perform a comprehensive market analysis of our executive compensation program, pay levels, and relative operating performance. FW Cook performs no work for us other than its work providing executive compensation consulting services to the committee.

Risk and ESG oversight

While our full board retains general risk oversight, our board committees oversee particular risks, periodically updating the full board. The primary risk responsibilities for the committees are:

Audit Committee	Overseeing financial risk, capital risk, and financial compliance risk, as well as internal controls over financial reporting
Compensation Committee	Overseeing our compensation philosophy and practices, as well as the balance between risk-taking and rewards to senior officers
Nominating and Governance Committee	Evaluating each director's independence and the effectiveness of our corporate governance guidelines and code of business conduct, as well as overseeing management's succession planning

Compliance Oversight Committee	Reviewing and overseeing matters related to our compliance with United States federal healthcare program requirements and the obligations of ResMed Corp. under the corporate integrity agreement

Oversight of general business risks, including but not limited to material environmental and social risks, is retained by the full board. A company-wide business risk analysis is undertaken periodically by management.

The following ESG-related risks are among those that face the business:

- Government and private insurance plans may not adequately reimburse our customers for our products;
- Health care reform policies and legislation, including the US Patient Protection, the Affordable Care Act, and changes to the US Food and Drug Administration (FDA) 510(k) process, may have material adverse effects on our industry and our results of operations; and

- Other changes to the FDA's quality and testing standards, and failure to comply promptly with those standards, may have an adverse effect on our business.

These are in addition to standard business risks such as threats from competition, fluctuations in currency exchange rates, the challenge of supporting continued growth and business acquisitions, disruptions to supply, and intellectual property claims (see our 2019 annual report).

Business integrity

The best protection of integrity is to instill a culture that values honesty and ethics: doing what's right every day; relying on our people's good judgment and sense of fairness; reporting unethical behavior; and taking appropriate action. All our directors, officers, and employees are nonetheless guided by our Code of Business Conduct & Ethics, which is published on our website. The code summarizes the compliance and ethical standards we expect of our people, the procedures for any suspected breach, and the consequences of any substantiated breach. The code also constitutes ResMed's code of ethics under US law and the New York Stock Exchange's listing standards. It deals with conflicts of interest; confidential information; fair dealing with customers, suppliers, and competitors; and compliance with financial reporting, insider trading, and other financial market regulations.

The code is not intended to be a comprehensive rulebook and cannot address all situations that may arise. It provides contacts for the company's ethics compliance officer and our global general counsel should any employee require assistance beyond an immediate supervisor. Where permissible, we also have a toll-free hotline to an independent company for employees or others who want to speak up but prefer to remain anonymous. The code prohibits retaliation against any employee who has taken action in good faith to seek help on or report a suspected breach of the code.

Ethics and corruption

We are committed to a strong ethics and compliance culture. We do not tolerate actions or behaviors that are inconsistent with our values or violate the ResMed Code of Conduct or applicable laws and regulations.

The code insists on compliance with laws and regulations covering bribery and gratuities, political contributions, medical sales, and kickbacks. Under the code, client entertainment should not exceed reasonable and customary business practices where allowed, and in any case, employees should not provide entertainment or other benefits that could be viewed as an inducement to or a reward for customer purchase decisions. Facilitating and expediting payments are prohibited unless pre-approved by legal counsel.

All employees are required to undertake business ethics training relevant to their position and developed by our legal advisers, using our online Learning Management System facility where available and augmented by face-to-face training where it is not. Many positions receive additional guidance materials and competency training – for example, to ensure compliance with the US Foreign Corrupt Practices Act, UK Bribery Act, and the Australian Competition and Consumer Act.

In many jurisdictions, compliance officers have been assigned and trained, and compliance guides published.

We have appointed a global corporate compliance officer, who reports directly to our chief executive officer, with an additional direct reporting line to the board's audit committee and corporate compliance committee. In certain jurisdictions, we also have appointed local compliance officers or local compliance committees.

In December 2019, we entered into a voluntary settlement with the US and other US states and government entities, to resolve allegations into certain or our sales and marketing practices in the US. The settlement did not include any determination of liability, and we continue to deny the allegations of wrongdoing in those matters. In December 2019, we also entered into a corporate integrity agreement with the U.S. Department of Health and Human Services Office of Inspector General. The corporate integrity agreement, requires, among other things, that we implement various compliance and reporting requirements, including documenting our product pricing and sales practices, and conducting internal and external review and monitoring of our arrangements with referral sources and customers in the United States. We are committed to fulfilling our obliations under the corporate integrity agreement.

We take seriously, investigate, and respond appropriately to any potential breaches of our code or of other obligations. Internal audits of compliance standards, processes, practices, behaviors, and outcomes continue throughout the business as informed by our enterprise-wide risk assessments with oversight from our board's Audit Committee. We revise the subject matter of audit and training as part of the annual planning for internal audit and for our controls and compliance process, and additionally on the advice of our legal counsel and external advisers.

Political transparency

ResMed's Code of Conduct prohibits political contributions by the company or by employees on behalf of the company, except as approved in advance by the chief executive officer, and subject to review by the company's global general counsel. During Fiscal Years 2018 and 2019, we did not make any politicial contributions.

Intellectual property

We rely on a combination of patents, designs, trademarks, trade secrets, copyrights, and non-disclosure agreements to protect our proprietary technology and rights. Some of these patents, patent applications, and designs relate to significant aspects and features of our products. We believe the combination of these rights, in aggregate, are of material importance to each of our businesses.

Through our various subsidiaries, as of June 30, 2019, we own or have licensed rights to over 5,700 granted, allowed, or pending patents and designs. Patents and designs have various statutory terms based on the legislation in individual jurisdictions that may be subject to change.

Of our patents, 259 US patents and 705 foreign patents are due to expire in the next five years. We believe that the expiration of these patents will not have a material adverse impact on our competitive position.

OUR PEOPLE

At ResMed, we are committed to our mission of transforming patient care in the out-of-hospital setting through innovative solutions and tech-driven integrated care by continuing to build and foster a culture of belonging, inclusion, and diversity for our high-performing, entrepreneurial people. We engage and enable our people to be the best they can be by embracing diverse perspectives that spark innovative healthcare solutions to improve millions of lives. We believe these solutions are best when the people designing and delivering these can be their authentic selves. Our core competencies capture the essence of our culture: We are all leaders, we are team players, we are innovative, we are customer-centric, and we are inclusive.

Our employee Code of Business Conduct & Ethics and other formal policies on workplace behavior, discrimination and harassment, health and safety, career development, and employee benefit programs help reinforce an environment and culture that supports and encourages our people to be the best they can be. Our measures of safety, remuneration, and employee engagement are strong while our rate of employee turnover is in line with or lower than industry benchmarks.

We invested in a new global human capital management information system that launched in December 2019. We expect it to improve our ability to deliver global consistent and reliable data on human capital metrics. For example, our data on employee absenteeism are not yet globally reliable and consistent and so are not included in this document.

Who we are

We are a high-performing, diverse team of over 7,500 people, of which 78% are full time, working across multiple geographies around the world.

Table 4: ResMed's people by sex, as of 30 June 2019

	Total	Full time	Male	Full time	Female	Full time
Total Employees	7672	78%	3251	89%	4421	70%
Americas	2845	73%	1044	93%	1801	61%
Asia-Pacific	3322	83%	1479	87%	1844	79%
Europe	1504	78%	728	86%	776	70%

- headcount data is implemented in the above table

Diversity

At ResMed, equal opportunity is integral to our people practices for us to develop, attract, and recognize agile leaders who lead innovative solutions through transformative change. Our policy is to hire, retain, develop, promote, and

otherwise treat all our people on the basis of performance, capabilities, qualifications, competence, and experience. We apply this policy regardless of an employee's gender or any other personal characteristics. We do not tolerate any harassment on the basis of race, color, creed, gender, religion, marital status, age, ancestry, disability or medical condition, sexual orientation, military status, or any other unlawful consideration. Our board and executive team recognize the importance of an inclusive and diverse workforce, and are fully supportive of our commitment to fair and equitable people practices, including pay equity. We maintain programs to support equity and diversity with an annual review and action plan, through which we aim to achieve desired levels of gender diversity (which we measure) and cultural diversity (which we do not).

Gender diversity

Over half (54%) of our people are women female employees and inclusion is foundational to ResMed. We have multiple initiatives and programs to promote and accelerate gender diversity. We offer an engineering careers ladder that provides supportive career development pathways, coaching and mentoring programs that target high-potential female employees and engineering students, sponsorship of the Women in Engineering group and Lucy Mentoring Program in Australia, and paid participation in the Athena group for female professionals in San Diego. For our senior female leaders, we participate in the G100 Women's Leadership Network to provide accelerated learning, leadership and connection opportunitie sand help develop their skills to succeed in executive roles, and ensure diverse representation of females each year in selection of participants for our internal leadership programs.

There is no distinction in ResMed employment benefits based on gender. We provide paid and unpaid parental leave to all employees who meet eligibility criteria in accordance with or above relevant state and/or federal laws. Over the last three years we have significantly enhanced our maternity and parential leave policies across our major employment hubs of Australia and the US. We offer reduced working hours for mothers returning to work, where possible, and provide appropriate first-aid and breast-feeding areas for working mothers, if required. In addition, we have also formally introduced flexible working policies including, but not limited to, job shares, alternative rostering, part-time employment options, working from home.

To ensure that we foster a culture of belonging, inclusion and diversity we actively encourage forums which promote open and honest conversation on the topic of gender diversity. These forums include board of directors member roundtable discussions, online social networking 'Yammer' discussions, employee resources groups, and large group panel discussions with leaders who wish to inspire and connect with others to support the next generation of ResMed women. These forums are about women and men encouraging and supporting women; listening and understanding what matters most to our people; giving back and helping others; removing barriers if they exist and addressing challenges together, so that we can all bring our best selves to work.

Table 5 below shows the percentage of our employees who are female at four levels of seniority. These statistics change from year to year as individuals join, are promoted into, and/or leave at various levels.

Table 5: Employee gender profile, by seniority band (global)

	Executives VP and above		Senior		Mid-Junior		Production	
	Male	Female	Male	Female	Male	Female	Male	Female
2019	68%	32%	65%	35%	44%	56%	20%	80%
2018	73%	27%	66%	34%	46%	54%	20%	80%
2017	69%	21%	70%	30%	53%	47%	23%	77%

Disability

We make all reasonable accommodations to enable a qualified employee or applicant with a disability to perform their job. Access for people with physical disabilities meets building code requirements for widened walkways, doorways, and car parking. In France, a successful partnership with local community organizations has assisted with placements, job adaptation, and specific equipment.

How we work

Our core competencies capture the essence of our culture; who we are and how we act: We are all leaders; we are team players, we are innovative, we are customer-centric, and we are inclusive. These core competencies are reiterated in our workplaces at practical opportunities, beginning with hiring. They reflect our high expectations for the quality of work needed in our business, our regard for all people – including ResMed employees, partners, suppliers, customers, and patients – and a very low tolerance for non-compliance. Compliance with environmental, safety, and labor standards are integral to our operational ethos, and to our business integrity. Comprehensive internal communications and consultation support those standards and their attainment.

Hiring policies and practices

Our hiring policies and practices are merit-based, with a referral program for existing employees in many locations. All our manufacturing facilities, with the exception of our Malaysian manufacturing facility, are in OECD-member countries, and all facilities have appropriate management and employees available locally.

Compensation and working conditions

We provide market-competitive compensation and benefits, based on benchmarking surveys we conduct on a regular basis for all position levels against relevant peer companies. We have an employee stock purchase plan in addition to formal service awards. We also provide salary continuance, life insurance, health insurance, and similar benefits based on local market conditions.

We take a thorough approach to ensuring pay equity within our compensation programs and, to this end, have monitoring and other internal processes in place to assist the company in identifying and addressing any potential pay equity issues, making adjustments where appropriate. Our board and executive team recognize the importance of an inclusive and diverse workforce and are fully supportive of our commitment to fair and equitable people practices, including pay equity. Outlined below are key practices included in our approach to ensure pay equity. We are confident that our approach help prevents statistically significant pay gap issues, including with respect to gender:

- Global grading framework
- Global review process
- Reviews for all eligible employees
- Multiple channels to report pay equity issues

Table 6 below shows the percentage of our female employees at four levels of seniority and their average salaries compared to male salaries at these levels. These statistics change from year to year as individuals join, are promoted into, and/or leave at various levels. As individuals enter more senior levels, they are likely to be at or below the mid-point of the applicable compensation range for the position compared with those who have held a similar position at the same level for a longer period time.

Table 6: Employee gender profile globally, by seniority band

	Executives VP and above		Senior		Mid-Junior		Production	
	Female	Salary	Female	Salary	Female	Salary	Female	Salary
2019	32%	95%	35%	99%	56%	90%	80%	97%
2018	27%	86%	34%	90%	54%	89%	80%	97%
2017	21%	80%	30%	95%	47%	90%	77%	90%

-Data as of 30 June in the respective years.

- Recent acquisition MatrixCare employees not included in the above table

-Production classified as any EE under the manufacturing bonus plan

-Mid-Junior (Level 1-4), Senior (Level 5-7), VP-Exec (Level 8-9)

Work-life balance and flexible working

In addition to market-competitive compensation packages, we support employees and their families with flexible working arrangements, paid time off, home working arrangements (in some countries, where feasible and approved), and consideration in rostering. Paid time off varies with local conditions, but is generally available for sick leave, parental-community-career leave, bereavement leave, volunteer emergency services, military service where mandated by local laws, and in some locations for limited additional unpaid time off to attend or participate in school activities. We maintain a significant community volunteering program that allows our people to integrate volunteering into their lives with the support of the company. Additional leave is available for a range of other personal causes. Flexible rostering in Australia and Europe has enabled a high proportion of our employees to remain full time. Part-time transitions have been made available for parents returning from parental leave and in limited cases for employees to pursue higher education.

Career development and learning

Our people are the foundation of our 2025 strategy; as such, building and strengthening our talent pipeline is imperative to ResMed's success. Our approach to talent and performance is designed to ensure employees and managers have regular feedback conversations about performance goals and development, to enable our high-performance culture, and to create an environment where we achieve our strategy of 250 million lives improved in out-of-hospital healthcare in 2025!

Development is all about learning, and we know there are different ways to learn and obtain new skills. We use the 70:20:10 model to help our people create a holistic plan:

- 70% Experiential: Learning through experiences and from challenging work assignments
- 20% Collaboration: Learning by working with others (e.g. colleagues, coaches, mentors) to gain new perspectives

- 10% Formal Training: Learning through coursework and/or supplemental reading

At ResMed, we have specific career and development pathways designed for specific roles in consultation with their operational management, human resources, and learning and development specialists. We encourage our people to take advantage of online, on-campus, and tertiary learning avenues. We also provide financial support, when appropriate.

We provide online courses that are role-specific, with formal tracking of employee completion and performance. Online and face-to-face courses on operational compliance issues are developed and delivered in-house. Online compliance courses on ResMed's Code of Business Conduct and Ethics, diversity, US Foreign Corrupt Practices Act, and health and safety are developed by our Learning and Development team with external subject-matter advisers. We also have upgraded our online Learning Management System MyLearning, and reinvented the way we learn. MyLearning was launched to provide a simplified online system, with access to on-demand knowledge databases and training material, anytime anywhere.

Employee consultation and communication

Our management and labor workforce communicates effectively, including informal committees and regular campus and team briefings and meetings. We track concerns, including through global, local country, and department surveys of employee issues.

In certain European countries, workers are represented by work councils, who are independent of trade unions and with whom we must consult on any plan regarding the organization, health and safety, and working conditions. We have over 450 employees in our ResMed Homecare business in Germany, for example, 11 of whom serve on the work council. One employee is allowed to spend 100% of their time on council matters, with full pay. In our French operations, 22 employee work council members represent more than 250 employees.

Consistent with the law, our employees are free to join any organized labor union or association. We do not keep a record of such members. Subject to consultation where applicable with the European work councils, workplace relations issues are negotiated directly with our employees, updating unions as required or requested.

HEALTH AND WELLBEING

Employee wellbeing

We recognize the benefits of a healthy workforce and adopt a holistic approach to the health and safety of our people. We can provide onsite support for employee fitness when possible, for example at our major campuses in Sydney and San Diego. We offer employee health and wellbeing programs that may variously include on-site blood pressure, cholesterol, and heart testing. Programs may include seasonal flu vaccinations, subsidized quit-smoking programs, screening for sleep apnea, confidential third-party counseling and referrals on stress and mental health issues, support for a gym membership, and in some jurisdictions, company-sponsored private health insurance.

Working environment

In most locations, we are relatively small teams working from well-appointed commercial premises. At our major campuses in San Diego, Singapore, and Sydney, we have been able to design and build a collaborative and interactive environment that underpins our culture of quality, performance, and innovation. Field-based teams are supported through communication, monitoring, and other resources.

The buildings at the Sydney campus are designed to efficiently facilitate corporate and manufacturing teams' collaboration, thereby accelerating and improving product design, development, and manufacturing. The iconic Innovation Centre, with its narrow floor plate oriented towards the north, takes advantage of Environmentally Sustainable Design (ESD) principles.

We conduct periodic building environment assessments to measure and inspect the quality of lighting, air, water, and noise for the workplace. The overall results were compared and concluded to be well within the relevant standards.

Employee engagement

We regularly solicit employee feedback and sentiment about our workplace through our global engagement surveys that enable our people to comment anonymously and freely on matters related to their employment experience, including pay equity. There is an active program following these engagement surveys to share findings openly throughout the company, and to put in place action plans at global and local levels to address priority issues. In addition, we actively engage in social listening with our people through a variety of internal avenues such as Yammer, a internal digital social networking platform, and our global all-hands discussions with our Office of the CEO.

We also perform regular, specific, and localized surveys, and facilitate focus groups to ensure we monitor and capture our employee engagement and attitudes during periods where a global survey is not conducted. This dual approach allows us to identify and address specific local issues under a global framework in the most efficient manner. The surveys cover attitudes to our leadership and strategy, our communication and involvement, and our individual, team, and company performance. Where comparable benchmarks are available, our results are evaluated against international peer groups.

Health and safety

Our approach to health and safety uses both our management systems and our quality culture to minimize workplace incidents and maximize the care taken for employees who suffer from a workplace incident. Our global approach to health and safety is led by our Australian manufacturing operations team, with support at regional and country levels. Our safety approaches and performance measures are progressively adopted globally.

System and culture

Our safety management systems (for example, our US Workplace Injury and Illness Prevention system) are generally the same format and nature as our quality and environmental management systems so that our people are familiar

with how they operate and know what is expected of them. Our health and safety organizational structure incorporates both workplace committees and health and safety experts across our global sites as appropriate to local needs.

Inherent in our quality culture is a strong safety imperative. In Sydney, safety walks, team briefings, and risk assessments identify risks before incidents occur. This mid-operational risk identification is driving incident rates lower. As we successfully reduce risks in the production environment, a higher proportion of our safety and risk management actions are lower-order "administrative" actions for controlling residual risks, such as communicating risks and providing protective clothing and equipment. We expect to further reduce incident rates with design factors and continuous improvement in our operational risk management. To eliminate risks from the line, product development engineers look at product design and manufacturing processes.

Health and wellbeing programs at some locations also contribute to lower incident rates. Our philosophy is that employees who are physically fit and able to concentrate are more aware of risks in their workplace, and better able to identify and counter them.

Injury rates

The number of incidents requiring time off work for rehabilitation (lost time injuries) has increased over the past three years. Yet it has remained comparatively low relative to longer-term trends against a backdrop of expanding global operations, indicating an effective management system and sustained focus on continuous improvement: see Table 7.

Table 7: Injury rates

	2019	2018	2017
Fatalities	0	0	0
Lost time injuries	28	24	15
Lost time injury rate (Injuries per million employee hours)	2.84	2.22	1.66
Total recordable injury rate (per million employee hours)	6.39	4.44	3.99

Employee turnover

We experience a relatively low turnover of production and warehousing employees, with turnover of professional employees closer to comparison indices. Our overall voluntary turnover has been falling consistently from 2012 to 2019. Periodic organizational change in the form of acquisitions and business structural change may affect turnover rates.

Table 8: Staff voluntary turnover, % of total

	2019	2018	2017
Global	10.50%	12.00%	10.20%
Americas	10.30%	9.91%	9.12%
Asia-Pacific	9.92%	12.10%	8.65%
Europe	11.90%	13.90%	14.50%

Human rights

In managing our supply chain, we issue to our suppliers ResMed's Supplier Manual that, among other issues, sets out the requirements and expectations we have for our suppliers (and in turn *their* suppliers). We evaluate the risk of human trafficking and slavery in our own supply chain, rather than using a third party to do so, and include policies in our Supplier Manual to address those risks. Our anti-slavery and anti-trafficking policies include specific requirements and warranties for:

- Prohibition of child labor based on the 1973 International Labor Organization's Minimum Age Convention;
- Compliance with applicable local occupational health and safety and labor laws (including slave, prisoner, or any other form of forced or involuntary labor); and
- A right for ResMed to request a higher standard of compliance where we believe that the local laws are not in line with our corporate values. The ResMed Supplier Manual includes an acknowledgment that the supplier must sign to indicate their responsibility for knowing and adhering to the standards of ResMed's Supplier Manual and ResMed's overall Supplier Management Process. Through this acknowledgment, our suppliers certify that the materials incorporated into ResMed's products comply with local laws regarding slavery and human trafficking. Failure to comply with any part of the manual or the process can result in the removal of the supplier from ResMed's Approved Supplier List and termination of our relationship with them.

OUR PRODUCTS

Our core mission is to improve people's health and wellbeing by providing innovative and high-quality products and services for sleep apnea, COPD, asthma, and other chronic conditions, as well as to help streamline the process of aiding and managing consumers of out-of-hospital care services such as skilled nursing, life plan care, or home health and hospice services. This focus on product quality and innovation is reflected not only in the high regard our customers have for our products and services but in our vigilance in meeting our safety and marketing obligations.

Quality, innovation, and continuous improvement

Our people work to high operational standards. Our commitment to quality, innovation, regulatory compliance, and continuous improvement is stressed in our Global Quality Policy. Our key operational sites work to a comprehensive quality management system to meet this policy. Our product quality is best reflected in the awards we have received for product design. Please see Table 3 for these awards and highlights.

Research and development

We have a strong track record of innovation. Since introducing our first CPAP device in 1989, we have conducted an ongoing program of product advancement and development. We continually seek to identify new applications of our technology for significant unmet medical needs. We support clinical trials in many countries, including Australia, China, France, Germany, Italy, Switzerland, the United Kingdom, and the United States. We consult with physicians at major sleep centers throughout the world to identify trends and needs. New product ideas are also identified by our marketing staff, direct sales force, network of distributors, customers, and patients.

For our products to remain leaders in very competitive markets, we invest appropriately in innovation, with approximately 17% of our employees devoted to research and development activities. In Fiscal Year 2019, we invested $180.70 million, or approximately 7% of our net revenues, in research and development.

Table 9: Expenditure on R&D, 2017–2019

	2019	2018	2017
R&D/revenues	7%	7%	7%
Revenues ($m)	2606.6	2340.2	2,067
R&D investment ($m)	180.7	155.1	144.5
Research and development staff	1198	928	880

Product quality

The quality management system engages our employees and suppliers to ensure our expected product quality. ResMed has comprehensive systems and processes to ensure our products are designed to meet patient needs and performance requirements. We use engineering and other scientific principles to design and manufacture our products. We design manufacturing processes to consistently meet product quality attributes. We apply these principles from product conception through commercialization, and for the product's life.

We have established data sources and metrics in several quality sub-systems including product development, supplier performance, manufacturing process controls, equipment controls, field performance, complaint management, audits (internal, external, and supplier), and product risk assessment. We also monitor data trends and take appropriate action based on those trends.

Quality at ResMed

Patient and employee safety are ResMed's top priorities. As such, we work to ensure every product works safely, effectively, and efficiently. Our product quality is underpinned by our quality management system, which takes into account the requirements of the International Organization for Standardization (ISO) 13485 standards for medical devices, the European medical legislative requirements (Directive 93/42/EEC and Regulation 2017/745), the US FDA Quality System Regulations for medical devices (21 CFR part 820), the Japan MHLW Ministerial Ordinance No.169, and other regulations in our target markets. ResMed's quality management system provides an integrated quality plan covering quality practices, resources, and activities. The main systems include organization management; environment management; change control and document management; and improvement management, including CAPA, risk management, and post-market surveillance. The quality management system is certified by an independent notified body.

All of our employees complete training in relevant quality management system areas. We also train employees in good manufacturing practice, which guides everyday behaviors in a medical device manufacturing operation, such as personal hygiene, protective clothing, and documentation standards. We implement a comprehensive internal audit program across the entire business – with over 50 internal audits a year – to ensure compliance with the quality management system and to help identify improvement opportunities.

Quality with suppliers

ResMed draws over 2,000 individual components or materials from over 200 approved suppliers in our current product range. We have a comprehensive supplier approval process, with assessment tools that include on-site audits according to the assessed risk of the component or service. We establish standards for supplier communication, responsibilities, quality systems, traceability, and environmental aspects. We require suppliers to have ISO 9001 or an equivalent quality management system, to be certified by an acceptable third party, and to adhere to the applicable Jedec, IPC, ANSI, J-STD, and SAE standards for electronic components. In some cases, we may approve a supplier that is not ISO 9001 certified, based on our audit of their quality system, with agreed and documented controls.

We conduct ongoing supplier audits based on our initial assessment of a supplier, their subsequent performance, and the nature of the supplied goods. Audit frequency can range from 6 to 48 months. On average, our supplier audit

team audits 60–70 suppliers a year. Most supplied components are also inspected before use for compliance against detailed specifications. Corrective actions are specified for any quality defects, escalating through to termination of contract for failure to address defects.

Supplier networks

We draw from an international supply chain that provides the best quality components and supplies available for an appropriate price. All else being equal, our manufacturing operations seek suppliers from their local economies, however, the suitability and quality of our supplies is paramount. To achieve that quality, we seek and value long-term stable relationships with our suppliers. We inform suppliers of our relevant business plans so that they can align their plans. In particular, we encourage suppliers to develop partnerships, networks, and relationships that can support ResMed's global manufacturing network.

Warranties

We generally offer either one-year or two-year limited warranties on our devices. In some regions and for certain customers, we also offer extended warranties on our devices for one to three years in addition to our limited warranty. Warranties on mask systems are for 90 days. Our distributors either repair our products with parts supplied by us or arrange shipment of products to our facilities for repair or replacement.

We receive returns of our products from the field for various reasons. We believe the level of returns experienced to date is consistent with levels typically experienced by manufacturers of similar devices. We provide for warranties and returns based on historical data.

Customer satisfaction

ResMed keeps comprehensive confidential data on customer attitudes to our product quality and customer service.

ResMed generally sells products through medical and health product resellers in most markets, rather than direct to users. But in some markets (most notably Germany and Australia) we sell directly to end users. In wholesale markets, health, marketing, and privacy regulations limit the extent to which we can engage directly with users. Accordingly, much of our data on product quality and customer service is derived from wholesale customer surveys, rather than surveys of those using our products. We believe the views of our customers, who also deal with comparable healthcare products including those of our competitors, are reliable, and in some aspects a more accurate and less anecdotal reflection of overall performance than those of individual users.

Product safety

We take our product safety obligations seriously and rely on our quality management system to meet or exceed regulatory standards in all our markets. We apply risk management principles from product design through commercialization. We continually monitor the field performance and safety of released devices, and work with regulators to ensure safety and effectiveness for the product's life.

Market and labeling

Product marketing and labeling requirements are set by medical device regulators in all countries in which our products are sold (for example, by the Therapeutic Goods Administration in Australia, and the Food and Drug Administration in the US). Products cannot be marketed until an assessment verifies that these requirements are met. All marketing material must correspond with approved labeling. Our quality management system incorporates elements to ensure compliance with labeling requirements, including translations. Our internal quality audit processes are designed to capture any flaws in product marketing, user guides, and clinical guides, including translations.

We have not received any material non-compliance notices since 2017. Our internal audit has identified and corrected several minor issues, and we have also received some notices of minor non-conformance from regulatory authorities.

Biocompatibility Testing

ResMed as a medical device company, distributing products into global markets, is required to comply with regulatory requirements intended to ensure materials in our products are biologically safe or biocompatible.

Biological evaluation is commissioned to be performed to confirm the biocompatibility of materials that go into our products as per the international standard, ISO 10993-1:2018, “Biological evaluation of medical devices.”

The FDA and other regulatory agencies still require safety data based on animal studies. If an animal study is not avoidable, ResMed employs the 3Rs approach (Replacement, Reduction, and Refinement) to animal study whenever possible, and takes all practicable steps to ensure that we meet the required standard of animal care and welfare specified by ISO 10993-2:2006, “Animal welfare requirements.” These considerations are also reflected in our internal work instructions during biocompatibility evaluation.

Military products and uses

Other than where our products are used by military personnel, neither ResMed nor its subsidiaries produce or contribute to any products or services designed or used for military purposes. We have no intention or aspiration to produce or sell arms or any equipment designed solely for military use.

COMMUNITY

Our community contributions reflect our mission to improve millions of lives worldwide through the treatment of chronic diseases like sleep apnea, COPD, and asthma, plus improved management of consumers benefiting from out-of-hospital care. We target research in those areas and also help our employees support their communities in the form of volunteer hours and matching charity donations where appropriate. We further respect our communities by being vigilant in meeting our product quality, safety, and marketing obligations, as well as with customer data privacy.

Contributions to health

Our core business is improving people's health and wellbeing by treating their sleep apnea, COPD, asthma, or other chronic conditions. Accordingly, most of our community engagement is on health-related matters, and we continue to raise awareness through market and clinical initiatives of the increasing link between the potential effects sleep apnea, COPD, asthma, and other respiratory conditions can have on one another as well as on other chronic conditions such as cardiovascular diseases, stroke, high blood pressure, obesity, and diabetes:

- Cardiovascular disease. Clinical research has demonstrated a high prevalence of sleep apnea in cardiology patients and has suggested that it may increase the risk of developing cardiovascular disease and heart failure. The European Society of Cardiology, the American College of Cardiology, and American Heart Association acknowledge the high prevalence of sleep apnea in heart failure cases and have recommended treatment with various modes of positive airway pressure or PAP therapy to treat patients' sleep apnea. Further studies have highlighted this importance, showing the worsening of long-term outcomes in patients with heart failure and sleep apnea, and that treating sleep apnea may improve these outcomes.[1]

- Type 2 diabetes. The International Diabetes Federation strongly recommends health professionals treating a patient for either type 2 diabetes or sleep apnea should also consider the presence of the other condition.[2] The American Association of Clinical Endocrinologists' guidelines for a comprehensive diabetes care plan recommend sleep apnea screening for adults.[3] Other research reported treating patients with both type 2 diabetes and obstructive sleep apnea with CPAP leads to significantly lower blood pressure and better-controlled diabetes while affording a cost-effective use of healthcare resources.[4]

- Chronic obstructive pulmonary disease (COPD). Published research has shown the use of non-invasive positive pressure ventilation can significantly improve the survival of stable hypercapnic COPD patients while also improving health-related quality of life.[5] There is also a hospital readmission burden following an acute

[1] Damy T et al. Prognostic impact of sleep-disordered breathing and its treatment with nocturnal ventilation for chronic heart failure. *Eur J Heart Fail*. 2012 Sep; 14(9):1009-19.
[2] Shaw JE et al. Sleep-disordered breathing and type 2 diabetes: a report from the International Diabetes Federation Taskforce on Epidemiology and Prevention. *Diabetes Res Clin Pract*. 2008 Jul;81(1):2-12.
[3] Handelsman Y et al. American Association of Clinical Endocrinologists Medical Guidelines for clinical practice for developing a diabetes mellitus comprehensive care plan: executive summary. *Endocr Pract*. 2011 Mar-Apr;17(2):287-302.
[4] Guest JF et al. Clinical Outcomes and Cost-Effectiveness of Continuous Positive Airway Pressure to Manage Obstructive Sleep Apnea in Patients With Type 2 Diabetes in the U.K. *Diabetes Care.* 2014 Apr;37(5):1263-71.
[5] Köhnlein T et al. Non-invasive positive pressure ventilation for the treatment of severe stable chronic obstructive pulmonary disease: a prospective, multicentre, randomized, controlled clinical trial. *Lancet Respir Med*. 2014 Sep;2(9):698-705.

exacerbation of COPD and the use of non-invasive positive pressure ventilation has been shown to significantly reduce this as well.[6]

- Transport safety. One of the largest measurable emerging contributions to community health that we are making is in the link between sleep apnea and occupational safety, in particular transport safety. In a ResMed-sponsored study of 22,000 members of the Union Pacific Railroad health plan published in Population Health Management, findings suggest that a low-cost, patient-focused sleep apnea education campaign can improve healthcare outcomes and reduce medical expenses. After the campaign was initiated, the healthcare plan realized cost savings of US$4.9 million over two years.[7]

- Peri-operative risk. Over 80% of those with sleep apnea remain undiagnosed[8]. The incidence of postoperative complications of surgery in undiagnosed obstructive sleep apnea patients is significant, making screening before surgery for high-risk patients necessary.[9] Meta-analysis of the association between obstructive sleep apnea and postoperative outcomes showed the incidence of respiratory failure, cardiac events, and intensive care unit transfers was higher in patients with obstructive sleep apnea.[10]

We expect studies underway or planned for the future to provide further evidence that treating sleep apnea and other respiratory insufficiencies can improve mortality and morbidity, quality of life, and also healthcare cost utilization in relation to these patients. In some of these studies, we also work directly with payers and clinically integrated delivery networks to understand how their costs and outcomes may be impacted by patients with undiagnosed or untreated sleep apnea within their population.

Other community contributions

Our contributions to our local communities are made in both monetary contributions and the time and effort of our employees. ResMed gives every employee two days of paid time off to volunteer for the personal cause of their choice. While we encourage ResMedians to volunteer, how they choose to donate their time is at their discretion and does not reflect the values of the company.

As a company, we engage with a large number of community organizations, as do our staff as individuals, particularly with local educational and scientific organizations. We committed significant time and donated over US $1m to over 150 community organizations and academic institutions in recent years: see Table 10.

Our community focus is on major national-level relief efforts, on organizations near our principal places of business, and on organizations that are involved in the research or treatment of one of the links between sleep apnea and one or more comorbid links such as cardiovascular disease, type 2 diabetes, perioperative risk, or occupational health and safety, as well as ventilator support to COPD and other chronic diseases.

[6] Galli J et al. Home non-invasive ventilation use following acute hypercapnic respiratory failure in COPD. *Respir Med*. 2014 May;108(5):722-8.
[7] Potts KJ et al. Cost savings associated with an education campaign on the diagnosis and management of sleep-disordered breathing: a retrospective, claims-based US study. *Popul Health Manag*. 2013 Feb;16(1):7-13.
[8] Young T et al. Estimation of the Clinically Diagnosed Proportion of Sleep Apnea Syndrome in Middle-Aged Men and Women. Sleep 1997 Sep;20(9):705-6.
[9] Kaw R et al. Meta-analysis of the association between obstructive sleep apnoea and postoperative outcome. *Br J Anaesth*. 2012 Dec;109(6):897-906.
[10] Iftikhar IH et al. Meta-analysis: continuous positive airway pressure improves insulin resistance in patients with sleep apnea without diabetes. *Ann Am Thorac Soc*. 2013 Apr;10(2):115-20.

Table 10: Global Community contributions, in USD per fiscal year

	2019	2018	2017
Corporate Giving	$1,420,441.48	$676,195.55	$334,054.25
Foundation Funding	$600,000.00	$750,000.00	$600,00.00
Total	$2,020,441.48	$1,426,195.55	$934,054.25

Industry and advocacy involvement

ResMed has been a consistent supporter of local scientific and industry organizations to help promote the social and economic benefits of sound science and entrepreneurial enterprise. We contributed more than $100,000 during either fiscal year 2018 or 2019 to each of the following organizations:

- AdvaMed (US)
- Council for Quality Respiratory Care (US)
- Syndicat National De L'Industrie des technologies Médicales (National Union of the Medical Technology Industry) (France)
- la Société Française de Recherche sur le Sommeil (French Society for Research and Medicine in Sleep)

Table 11: Industry associations contributions, in USD

	2019	2018	2017
Memberships	**$543,086**	**$585,126**	$503,451

Government contributions

Our total tax paid is summarized in Table 1. We note the cost of medical care, including the use of our products in many of the countries in which we operate, is funded in substantial part by government and private insurance programs.

Customer data protection

ResMed has implemented a range of technical and organizational measures to provide assurance that customers' data will be protected and processed legally and ethically. ResMed processes sensitive personal health data for residents of over 140 countries. Regulations governing our protection of customer data (including sensitive data) include but are not limited to the US Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health Act (HITECH), the European General Data Protection Regulation (GDPR), the Japanese Act on the Protection of Personal Information (APPI), and the Australian Privacy Act. These jurisdictions cover the majority of personal data processed by ResMed, but data protection regulations from other jurisdictions are also monitored and included where appropriate.

ResMed continues to make material investments in the people, processes, and technology controls for its Information Security and Privacy team functions. The design and effectiveness of these controls for systems hosting material amounts of sensitive personal health data include validation via a Service Organization Control (SOC-2) report, a Japanese P–Mark certificate, the French Hébergeurs de Données de Santé (HDS) or Health Data Hosting certificate, and the United Kingdom National Health Service Data Security and Protection Toolkit (DSPT) online self-assessment (with governmental spot audits).

The protection and processing of customers' data is overseen by a chief information security officer reporting to the chief executive officer and a chief privacy officer reporting to the chief administrative officer and global general counsel. Formal obligations are set by our employee and contractor contracts, our Code of Business Conduct and Ethics, our IT Information Security Policy, and other internal policies and training. Employees likely to handle consumer data undergo data protection training. Our Privacy notices are published online. Versions applicable to the United States of America can be viewed here. Versions for other countries can be found here.

Anti-trust behavior

No government enforcement action has been taken against ResMed for any alleged violation of any antitrust or competition regulation in this reporting period.

In the United States, our largest geographic market, the primary competitors for sale of products used to treat sleep apnea are: Philips BV, who acquired previous competitor Respironics Inc., and Fisher & Paykel Healthcare Corporation Limited. These firms are also our principal international competitors for the sale of flow generators and masks for the treatment of sleep apnea. The markets for our products are highly competitive. Our sleep products compete with surgical procedures, dental appliances, and other means to treat sleep apnea and related respiratory conditions.

ResMed also sells ventilators, portable oxygen concentrators, high-flow cannulas and other respiratory accessories, and software-as-a-service solutions – all in smaller quantities than our sales of sleep apnea breathing products. Those products also face competition from other companies.

ENVIRONMENT

Between 2017 and 2019, there has been a noticeable increase in inquiries from customers on the source, content, and environmental performance of our products. This is in addition to the increasing appearance of sustainability credentials in requests for tenders, particularly from the hospital sector. Each inquiry raises internal consideration of our existing manufacturing and supply chain processes, and the extent to which we weigh environmental factors against operational and financial factors in our decision making.

We insist on and achieve strong compliance with environmental regulations, with no material breaches, and have seen improvements in material efficiency and recycling in both production and administrative areas. We are extending our adoption of ISO 14001 standards, which reflect the need to conserve scarce resources and protect our natural ecologies. We have invested in environmental stewardship at our sites, and are committed to extending that stewardship to our product design and packaging.

At this stage, we are comfortable that our quality management system, with our pursuit of lean manufacturing and continuous improvement, is delivering environmental improvements in a way that is both effective and integrated with our core business.

Policies and systems

Responsibility for environmental management resides at the site level. We have a comprehensive environmental management system with ISO 14001 certification at our primary manufacturing site in Sydney. Other sites rely on our quality management, pollution control, and waste management systems to ensure compliance with relevant environmental regulations.

Sydney manufacturing site

Our environmental management system at our Sydney manufacturing site is closely aligned with our quality assurance and health and safety systems, with the continual expectation of improved performance in all three dimensions. Although we have internal advisory roles on each dimension, line managers are accountable for their areas of operational responsibility. Our environmental and communications teams work together to support the behaviors and culture needed to sustain continuous improvement in environmental performance.

The environmental management system at Sydney was established in accordance with ISO 14001 certification to systematically improve our environmental-related costs, and to ensure compliance with applicable local and international environmental legislation affecting our operations. Its scope considers impacts on the environment throughout the lifecycle of our products and services. That environmental policy and ISO 14001 certification are publicly available on request.

Regulatory compliance is set by national, state, and local law, ISO 14001, occupational health and safety, and other regulations that relate to our environmental practice and the conditions of consent to the development of our premises.

Environmental risks are identified by analyzing our products' lifecycles, and by anticipating the views of internal and external parties who may be concerned or impacted by our environmental performance. Significant impacts and risks

require environmental management plans and are reviewed annually, with accountabilities and measurable targets. Where there are operational controls for these risks, personnel must have measurable competency and relevant training.

Environmental performance is considered in the selection process for suppliers, with preference shown to suppliers with good environmental performance, such as recognizing compliance with ISO 14001 through the supplier rating program.

Other sites

In our Singapore and Malaysia production facilities, the production processes replicate those developed in our Sydney facility for similar manufactured products. Our distribution, commercial, and other production facilities do not currently work to a comprehensive environmental management system and have not to date pursued ISO 14001 accreditation. Instead, they rely on our quality assurance systems and work with our waste management providers to ensure compliance with relevant environmental and supplier regulations.

Review

Our senior management team reviews our environmental performance annually, including audit and compliance results, non-conformance and corrective actions, communications and complaints, and available metrics on environmental performance. At sites with an environmental management system, our environmental team conducts a rolling internal audit for compliance with ISO 14001 and other controlled impacts on the environment, so that we review all elements of the system at least once every two years.

The environmental performance of our Sydney manufacturing, research, and administration site is externally audited every year by TÜV SÜD to confirm its ISO 14001 certification. The last audit was a recertification audit completed in April 2019. Our Sydney site also conducts an internal audit at least once every two years.

We do not use third-party “eco-labeling” certification labels for our products, nor produce, publish or verify lifecycle assessment data.

Compliance and incidents

We have received no regulatory notices on material environmental issues in the three financial years 2017–2019. In addition, we are not aware of regulatory notices or complaints raised about environmental matters against any of our suppliers in respect of any of the products or services provided to us.

Production and efficiencies

Led by our primary manufacturing sites, our operational culture focuses on efficiency and effectiveness, using Six Sigma and other lean manufacturing approaches as part of our quality and continuous improvement management systems. In Sydney, 10 forms of waste are identified – defects, overproduction, waiting, transport, inventory, motion,

underutilized talents, materials, energy, and safety risks. Awareness and action on all these dimensions have paid dividends in materials, energy, and water use. We encourage all employees to suggest efficiency ideas, and we systematically pursue them, recognizing staff who generate successfully implemented ideas with awards.

Global data on energy, water, materials, and waste has not been comprehensively recorded through 2018–2019, and we present trend data for that period only for the locations for which we have it. While our figures represent our best understanding of energy and material flows for the most recent year, these figures may be revised as our data capture systems are improved and standardized internationally.

Sources and use of energy

All sites draw on a mix of natural gas and grid electricity. Our San Diego headquarters feature a rooftop solar photovoltaic (PV) array designed to provide a maximum of 6,811 kWh of electricity per month. Commissioned in 2019, our Sydney site administration building (Innovation Centre) installed a solar system that can produce approximately 122 MWh of electricity each year.

Apart from this new solar system, the uses of the other energy at our Sydney site are representative of uses at our other global sites. Gas is consumed chiefly by our heating, ventilating, and air conditioning systems' boilers for space heating and humidity control in manufacturing areas, as well as for domestic hot water and kitchen use. Its use primarily reflects variable climatic conditions, as well as building design and use. The primary electricity uses in research, professional and administrative services are heating, ventilation, and air conditioning (HVAC) chillers; vertical transport, research, and development lab equipment (e.g. environmental chambers, ovens, lathes, mills); and lighting, catering, and office equipment. These uses respond more to behavioral change.

Group energy use

We consumed 127,676 GJ in 2018 and 128,136 GJ in 2019 of energy globally, representing an energy intensity of 54.6 and 49.2 GJ per US$million of revenue for the entire business in 2018 and 2019, respectively: see Table 12. These figures represent the gas and electricity consumed at our premises globally and does not include energy used in our supply chain and transportation or their corresponding greenhouse gas emissions.

Table 12: Global trend energy data

	Electricity Consumption (MWh)	Natural Gas Consumption (GJ)	Total Energy Consumption (GJ)	Energy Intensity
2019	31,014	16,487	128,136	49.2
2018	31,235	15,231	127,676	54.6
2017	31,697	15,882	129,990	62.9

Global electricity consumption has decreased steadily over the three years. This reflects the positive progress of our energy conservation measures. At our primary manufacturing site in Sydney, the base-load energy consumption (excluding production) is improving through equipment upgrades and changed controls of the HVAC system. We installed an 85.8 kW solar system to reduce electricity consumption, yielding further improvements to the overall system efficiency. Recent energy-efficient lamp retrofits, lighting control enhancements, and rescheduling at Sydney and other sites also contributed to the improvement.

Since 2016, we have made adjustments to the dehumidification control at our primary manufacturing site in Sydney – a process that comprises the majority of natural gas usage, increased the use of economic cycle, and installed Variable Speed Drives (VSD) to enable the use of a more efficient plant control strategy. Since consuming 19,055 GJ of natural gas during Fiscal Year 2016, the company has seen a steady decline in gas consumption through Fiscal Year 2019. During these years, there has been some increased usage of our air conditioning systems, mainly for production requirements due to additional afternoon and night shifts in some areas and 24/7 requirements for some ventilator product testing. Additional exhaust requirements for new equipment supporting the manufacture of new mask product designs have also placed considerable additional load on the air conditioning in this 24/7 area, which includes dehumidification. These contributing factors as well as natural variations in seasons across the years, have led to modest increases.

Manufacturing energy

Our significant manufacturing operations are located in Sydney, Singapore, Malaysia, and Chatsworth, California, USA. We use an index of energy intensity that measures the energy used for our production output. The index was set at 100 for 2010 and fell by 37.5% to 62.5 in 2019: see Table 13. Our energy efficiency has improved through changes to production equipment or manufacturing process. This involves adding new lean process equipment such as robot demoulders and conveying systems. Although new process equipment consumes greater energy, it delivers higher productivity and better energy intensity. Improvements to the building plants and upgrades of the lighting system also contribute to enhancing the baseload energy use and intensity of the manufacturing site.

Table 13: Global production energy use and intensity

	2019	2018	2017
Production energy (GJ)	72,636	71,171	63,542
Intensity index	62.5	72.1	73.3

Non-manufacturing electricity

Energy data is separated between office and production uses at our primary manufacturing and research and development (R&D) site in Sydney. Over the three years Between end of Fiscal Year 2016 and 2019, electricity consumed for office and R&D purposes has significantly decreased by 12.4%. Although the number of employees in these areas increased, electricity use per person fell by 17.4%: see Table 14. The efficiency improvement reflects the positive results of lighting upgrades and control enhancement implemented during 2018 and 2019. The Administration building on site (Innovation Centre) has installed an 85.8 kW Solar System that commissioned in Fiscal Year 19 to reduce the impact on the environment while hedging the risks associated with the fluctuating electricity market prices.

Our other sites also have implemented a number of energy efficiency initiatives. Malaysia, Switzerland, and Lyon have upgraded their lighting systems to LED lamps and tubes. The new Atlanta site has installed motion sensors in the warehouse and energy-efficient lamps around the site perimeter. The San Diego site has adjusted lighting and air-conditioning schedules to better match conditions and needs: The interior of the building has been updated with 50% LED lighting; parking structure lighting has been recently converted to LED as well. They have also leveraged its solar electricity with low-voltage lighting controlled by daylight and motion sensors, which are also being used in Abingdon and Chatsworth.

Table 14: Electricity use for research and administrative purposes, Sydney campus

	Office e-MWh	Δ	People	Office e-MWh/person	Δ
2019	4,131	-3.8%	815	5.1	-6.0%
2018	4,296	-8.9%	797	5.4	-12.2%
2017	4,714	-2.2%	768	6.1	-16.2%
3 years		-12.4%			-17.4%

Greenhouse gas emission

Our global Scope 1 (gas-fired energy) and Scope 2 emissions have totaled 19,353 tons of CO_2 equivalents (T CO_2-e) in 2018 and 19,193 T CO_2-e in 2019: see Table 15. Our total energy consumption (electricity and natural gas) and greenhouse gas (GHG) emissions have fallen by 1.4% and 13.8%, respectively. The efficiency improvements reflect the positive results of energy initiatives implementations on all ResMed sites and structural changes in energy section that has lower GHG emissions, replacing grid-connected electricity with solar power and natural gas.

The total emissions are well below the thresholds that trigger emissions reporting or liabilities in countries in which we operate, including the US, Australia, and Europe. Accordingly, we do not currently calculate our non-gas Scope 1 or our Scope 3 emissions.

Table 15: Global greenhouse gas emissions, tons CO_2 equivalents, t CO_2-e

	Total Energy Consumption (GJ)	Total GHG Emissions (tCO_2-e)
2019	128,136	19,193
2018	127,676	19,353
2017	129,990	22,290

Water

We draw water from the local mains supply and measure its use at all sites except Switzerland. Global* water use was 80,184 kL in 2018 and 79,174 kL in 2019 or 32.4 and 28.7 kL per US$million in global revenues for 2018 and 2019, respectively: see Table 16. We reduced our global water consumption by 1010 kL between Fiscal Years 2018 and 2019. Our primary sites Sydney and San Diego water usage have fallen from the year 2017 by 5.4% and 17.4% respectively despite an increasing number of employees.

Our Sydney site captured all rainwater from roofs, hard surfaces, and Bella Vista Farm Park with feeds to onsite ponds. Stormwater pollution-control devices and bio-filters maintain the ponds' water quality so it can serve as a habitat for native flora and fauna, as well as an irrigation source for native flora around the campus. Other initiatives to reduce general water consumption are observed at many of our sites. These include water tap aerators to reduce flow intensity and low-flow flush toilets and sensor faucets in restrooms. The water used for manufacturing purposes is negligible.

Table 16: Global and major sites' water consumption

		Consumption (kL)	Per Employee	Per $M Global Rev
2019	Global *	79,174	10.99	30.4
2018		80,184	13.59	34.3
2017		77,965**	15.02	37.7

*Excludes Switzerland

**Excludes Europe

Paper

Our global office paper use totaled 8.98 million sheets (41 tons) in 2018 and 8.12 million sheets (40 tons) in 2019. While the global number of employees has increased, the usage intensity per employee has decreased by 13.62% from 2017. There are common paper reduction initiatives at many sites to promote the use of double-sided and centralized printing, and by relying more on electronic means for internal communication. In the past, our Sydney operations had undertaken a campus-wide printer refresh with better energy efficiency printers and swipe-release function to minimize unnecessary printing. The implementation resulted in a noticeable reduction in paper utilization. This system also enables data monitoring, which reveals paper savings from unreleased jobs for 52,297 and 43,801 sheets during FY18 and FY19, respectively.

Table 17: Paper use, global

		Sheets ('000)	Tonnes	Sheets per employee	Δ
2019	Global	8,118	40	1,121	-13.62%
2018		8,982	44	1,512	16.53%
2017		8,640	43	1,298	-

Waste

Our global approach to waste is integrated with and influenced by our approach to quality, safety, and environmental management: We continually seek to improve efficiency and outcomes. All sites segregate recyclable waste for disposal. For 2018 and 2019, we have measured the total waste sent to landfills and recycled in all but our UK site. In our measured sites, we have achieved a recycling rate of 57% and 60% in 2018 and 2019, respectively: see Table 18. Landfill waste has increased, mainly due to the change in the secure product destruction process at all sites. In our Sydney manufacturing site, the waste excluding the secure product destruction is 77.9% of the total waste to landfills.

Increasingly, waste manufacturing and office equipment materials are being diverted from landfills as their component elements, including rare earth metals, become more valuable. Packaging and pallets from our supply chain are the main waste contributors. Many sites, including Sydney and Munich, have implemented reusable cartons or pallets for our internal logistics. We also worked with suppliers to reduce or return packaging for reuse, where feasible. At our Chatsworth, California, USA site, we use evaporative heating to dispose of water-based coolant on a small scale.

In Sydney, more deliberate action on both administrative and production waste has been triggered by the formalization of our environmental program with ISO 14001 accreditation since 2010. Recycling has been improved with suitable bins plus strong signage and other communication to influence behavior. Any existing or new waste material is identified and considered for recycling by the production teams and by our recycling partners who carry appropriate licenses. Ongoing efforts to enhance product design can further reduce waste over its lifecycle from production, packaging to its end of life. Our recent achievements include resizing our PET autobag to reduce 44% of the material used for multiple products, resulting in a material reduction of approximately 14 tons each year; reviewing acceptability criteria of parts to reduce reject rate (and wastage) due to minor cosmetic defects across multiple products. This resulted in a reduction of the reject rate by up to 15%.

There are multiple sustainability projects underway to improve waste-to-landfill rates. For example, the Sydney site is investigating the introduction of an onsite shredder that would enable shredding for destruction but with additional pre-sorting capabilities that would enable some recycling of hard plastics, PCB boards, and other materials to occur post shredding. There is an additional waste stream being implemented to recover some energy from dry waste rather than send it to landfills. Finally, there are multiple environmental management system (EMS) and projects aimed at reducing general waste from increasing sustainability in the design and manufacture of our products.

The education on environmental improvements is also embedded within our continuous improvement culture where we enable a quick assessment to capture improvements made by employees and combine efforts for environmental targeted improvements.

Table 18: Waste from global operations, excluding the United Kingdom

		Landfill waste (T)	Δ	Recycling Waste (T)	Recycling Rate (%)
2019	Global ex-UK	1,370	-21.29%	2,065	60%
2018		1,741	218.56%	2,283	57%
2017		556*	10.30%	1,761	76%

*excludes all of Europe

Environmental stewardship

Land, water and biodiversity impacts

Our operations do not have a large impact on the immediate environment. All but our Sydney premises have been built or are leased in existing commercial locations. The major Sydney and San Diego premises feature drought-tolerant landscaping and plantings.

Sustainable design and packaging

We understand the influence that product design has on the environmental impact of our product manufacture, use, and disposal. While we implement lean manufacturing to minimize waste in both product manufacture and packaging, sustainable life-cycle design is now becoming more of a focus. It has been set as one of our EMS objectives to incorporate sustainability into the design of our products and packaging where possible. For example, there are improvements to the design and packaging of a new mask product that significantly reduces the environmental impacts of the product. When compared to its predecessor, the new product consumes less raw materials and packaging, generates less waste matter in manufacturing, has better recyclability, and increases efficiency in transportation. Based on prior learnings, we are now looking to create better consistency across multiple mask platforms to take the entire end-to-end lifecycle of a product into consideration, without compromising the performance and integrity of the product.

Our current five focal areas are:

- Packaging (consider packaging early in the design phase);
- Substances (avoid the use of hazardous substances);
- Material efficiency (minimize use of material for part and packaging design);
- Manufacturing efficiency (minimize the amount of waste, energy, and resources used to create parts for production); and
- Circularity (maximize use of and communicating recyclable or reusable materials on part and packaging. Design for end of life considerations.)

Hazardous materials

The European Directive on the Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment has applied to medical devices since 2014. The RoHS directive restricts lead, mercury, hexavalent chromium, Polybrominated biphenyls (PBB), and Polybrominated diphenyl ethers (PBDE) to 0.1% of product weight, and cadmium to 0.01% of product weight. All ResMed electrical devices placed on the market after this date comply with the RoHS Directive.

Supply Chain

We set out our expectations of supplier environmental performance in the ResMed Supplier Manual. We reward suppliers by our rating system if they operate to a certified environmental standard (e.g., ISO 14001). Our regular quality audit of supplier facilities includes observations on environmental performance.

Our expectations of suppliers include:

- Maintaining and disclosing up-to-date, traceable information for every individual (homogeneous) material, as required;
- Compliance with the Restriction of Hazardous Substances directive. RoHS status is confirmed as part of the approval process on all new components and changes to existing components;
- Supply pre-RoHS original or, where directed, alternative RoHS-compliant parts;
- Compliance with Health Canada requirements for disclosure of DEHP (found in flexible PVC) or BPA (found in polycarbonate); and
- Compliance with the European Union's 2006 Registration, Evaluation, Authorisation, and Restriction of Chemicals (REACH) regulations for substances of very high concern.

Appendix 1 – References to GRI core metrics

Section	Page	GRI Reference
Our Approach to ESG	4	101; 102
Key ESG Indicators	5	200s; 300s; 400s
ResMed In Brief	6	101; 102
Locations and Businesses	6	102
Administration, Product Development and Distribution	7	102
Manufacturing Operations	7	102
Sales and Marketing	7	102;202
Relevant Awards	9	102
Corporate Governance	11	102
Business Integrity	15	205
Ethics and corruption	15	205
Political Transparency	16	415
Intellectual Property	16	201
Our People	17	400s; 102
Diversity	17	405
Diversity and Disability	19	406
Health and Safety	23	403
Systems and Culture	23	403
Claim and Insurance Costs	24	403
Career Development and Learning	21	404
Employee Consultation and Communication	22	401; 402
Human Rights	25	400s
Compensation and Working Conditions	20	401
Work-life Balance	21	401
Health and Wellbeing	22	401; 403
Working Environment	23	401; 403
Employee Engagement	23	402
Employee Turnover	24	401; 402
Our Products	26	416
Quality, Innovation and Continuous Improvement	26	416
Research and Development	26	416; 417; 201
Product Quality	27	416
Quality with Suppliers	27	416; 308

Supplier Networks	28	Voluntary
Warranties	28	Voluntary
Customer Satisfaction	28	418; 416
Product Safety	28	416
Marketing and Labeling	29	417
Biocompatability Testing	29	Voluntary
Military Uses	29	Voluntary
Community	30	400s
Contributions to Health	30	416
Community Contributions	31	413
Industry and Advocacy Involvement	32	102
Privacy	33	418
Anti-Trust Behavior	33	206
Environment	35	300s
Policies and Systems	35	300s; 400s
Review	36	Voluntary
Compliance and Incidents	36	300s
Production Efficiencies	36	300s
Energy Use	37	302
Greenhouse Gas Emissions	40	302
Water	41	303
Paper	42	301
Waste	43	306
Environmental Stewardship	44	300s