ResMed

Changing lives
with every breath

REPORT ON ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) ISSUES

MARCH 2014

CONTENTS

Report scope and references

This ESG report encompasses the global operations, impact and compliance of ResMed Inc., including its international subsidiaries.

Any gaps in the data are indicated in the relevant section. Coverage will be extended in future reports.

The report focuses on the three financial years ended 30 June 2011–2013. As an initial report, it also provides background to issues relevant to that period.

This report may be read with documents filed with the US Securities Exchange Commission on the 2013 financial year, in particular our 2013 *Form 10-K annual report* and our 2013 *Form DEF 14A proxy statement* for shareholders. These two filed documents take precedence over this ESG report in the event of any unintended inconsistency.

All references to years are to fiscal years to 30 June, unless otherwise noted.
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 Global Reporting Initiative (GRI) Reporting Framework, and we self-assess the report at application level C of that Framework. *Appendix 1* on page 41 matches the information in the report with the relevant GRI indicators.

While this report has been prepared with all due care it has not been formally assured.

Further information can be obtained by contacting Peter (Pete) Hobbs at ResMed Inc., Sydney, at +61 2 8884 2314 or by visiting the Company's multilingual website at www.resmed.com.

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Data tables

OUR APPROACH TO ESG

Through 2013, we have reviewed our performance against many of the environmental, social and governance (ESG) criteria that interest our stakeholders. We now offer our second report on our ESG performance.

ResMed was founded to provide global leadership in respiratory medicine: to improve the quality of life for people affected by these conditions, to prevent the progression of other chronic diseases, and to reduce the cost of related healthcare.

Advancing the field of sleep disordered breathing (SDB), our core focus at ResMed, has the benefit of impacting significant social issues. With each year, and with ever increasing detail, new research reveals the role SDB plays in personal and population health. Untreated SDB has been linked to cardiovascular disease, type 2 diabetes, peri-operative risk, chronic obstructive pulmonary disease (COPD) and related conditions. Untreated SDB is also an occupational health and safety hazard (particularly in the operation of trucks and other heavy vehicles), and serves as a drain on business, as sleep-deficient workers fail to meet their full potential of productivity.

The pursuit of healthy sleep and breathing is important and demands our focus. Real improvements to people's lives are well within reach: this impact includes hard, clinical outcome improvement as well as improvement in quality of life. The potential economic benefits to national healthcare budgets are, on a different measure, equally significant.

Our approach to ESG issues follows this corporate purpose and drives our priorities. What we do behind the scenes to deliver quality, science-driven 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 can help us broaden our impact. Our corporate culture demands and values this innovation, not just in medical science, but also in market development and operational excellence. Strict legal compliance and high performance on quality, environmental, privacy and safety issues are also integral to the global ResMed culture.

We know that our performance and products are only as good as our people. We seek the best people we can find, and support them well. We understand that people – our own team, our customers, our suppliers and the patients whose lives we improve – need an environment and culture that encourages and promotes their best efforts.

We are proud that our environmental and governance record is sound, and that our social contribution is substantial. We are also proud that in the past 12 months, we improved more than 7 million lives, literally keeping patients breathing. We are improving lives with every breath.

We look forward to engaging with you on this record to help us improve it, and so ultimately improve our long-term business.

Michael "Mick" Farrell
Chief Executive Officer

Key ESG indicators

Table 1 captures our significant data, discussed on the pages indicated. More detailed data is produced on those pages for the primary manufacturing and distribution sites over the three year period.

Table 1: Key ESG performance indicators

ECONOMIC PERFORMANCE	2013	2012	2011	*Page*
Economic value generated and distributed (US$'000)[1]:				
• Revenue	1,514,457	1,368,515	1,243,148	
• Cost of goods sold[2]	573,800	547,780	501,822	
• Salaries and wages	424,808	401,621	371,249	
• Interest paid to lenders	6,387	4,786	1,758	
• Taxes paid to government[3]	119,257	89,800	115,963	
• Donation to research foundation	450	1,000	1,000	
• Donations to other community purposes	522	395	428	*31*
Investment in research and development	120,124	109,733	92,007	*25*
ENVIRONMENTAL PERFORMANCE				
Total energy use (GJ)	130,432	132,429	*	*35*
Energy intensity (GJ/$m rev)	86.2	96.8	*	*35*
Total scope I and II greenhouse gas emissions (t CO_2e)	20,978	21,201	*	*37*
Significant NO, SO, and other air emissions	0	0	0	
Total water withdrawal (kL) **	83,434	73,109	77,088	*37*
Percentage of waste recycled by weight ***	78%	72%	*	*39*
Paper use (sheets per person per year)	4,644	5,827	*	*38*
Monetary value of environmental fines and sanctions	$0	$0	$0	*34*
SOCIAL PERFORMANCE				
Annual employee turnover	7.3%	7.9%	8.4%	*24*
Employee engagement score (2012 | 2010 | 2008)→	*	81	78	*24*
Fatalities	0	0	0	
Lost time injury rate (injuries per million employee hours)	4.22	2.96	4.20	*20*
Percentage senior (VP or above) executives female	18%	18%	17%	*18*
Material breaches of marketing and labelling regulations	0	0	0	*27*
Monetary value of fines and sanctions for production or market-related non-compliance	$0	$0	$0	

* Data not available ** Major sites Australia and US only *** Global ex-Europe

[1] Detailed financial accounts are disclosed in our 2013 Annual Report at *http://investor.resmed.com*.
[2] Includes all payments to third parties for materials and services used in production.
[3] Includes corporate income tax, payroll taxes, fringe benefits taxes, land and property taxes, social insurance, import and export duties/taxes, sales & use taxes (US) and other taxes.

RESMED IN BRIEF

ResMed is a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders. Sleep-disordered breathing (SDB) includes obstructive sleep apnea (OSA) and other respiratory disorders that occur during sleep.

We are also committed to understanding the health consequences of untreated sleep-disordered breathing. SDB is now recognized as a factor in five major health issues – heart failure and stroke, type 2 diabetes, post-operative risks, chronic obstructive pulmonary disease, and transport risks. Studies have shown that SDB is present in approximately 83% of patients with drug-resistant hypertension, approximately 72% of patients with type 2 diabetes, approximately 77% of patients with obesity and approximately 76% of patients with congestive heart failure.

When we were formed in 1989, our primary purpose was to commercialize a treatment for OSA developed by Professor Colin Sullivan. This treatment, nasal Continuous Positive Airway Pressure (CPAP), was the first successful non-invasive treatment for OSA. CPAP systems deliver pressurized air, typically through a nasal mask, to prevent collapse of the upper airway during sleep.

In the last five years alone, we have developed 49 innovative products (see *Appendix 2* on page 44) for SDB and other respiratory disorders, including airflow generators, diagnostic products, mask systems, headgear and other accessories. Our growth has been fuelled by geographic expansion, increased awareness of respiratory conditions as a significant health concern among physicians and patients, and our research and product development efforts.

We employ approximately 3,900 people and sell our products in over 100 countries through a combination of wholly-owned subsidiaries and independent distributors.

More comprehensive information on ResMed is provided at our website *www.resmed.com* and in our 2013 *annual report* to shareholders.

Locations and businesses

Our principal global operations are summarized in Table 2 below, and discussed by functional areas below. The principal facilities at San Diego and Sydney are owned by ResMed. Other premises are generally leased.

Table 2: Summary of ResMed locations

Regions	Primary locations	People	Roles
Americas	San Diego CA, Duncan SC, Moreno Valley CA, Chatsworth CA	850	administration, manufacture, sales and marketing, quality assurance, distribution, customer service, product development
Asia-Pacific	Australia, New Zealand, Malaysia, Singapore, India, Japan, China, Hong Kong	1,700	manufacturing, quality assurance, product development, sales and marketing, customer service, administration, IT shared services
Europe	Austria, Finland, France, Germany, Ireland, Norway, Netherlands, Spain, Sweden, Switzerland and the United Kingdom	1,350	administration, distribution, customer service, sales and marketing, quality assurance, product development manufacturing

Administration, product development and distribution

ResMed's corporate headquarters is at its 230,000 sq ft facility in San Diego, California. Further corporate hubs are at Bella Vista, Sydney and at Munich-Martinsried, Germany. Our principal research and development center is in Sydney, with further research conducted at Chatsworth, Munich-Martinsried, Paris, Dublin and Halifax, Nova Scotia. Distribution centers are located in South Carolina; Moreno Valley, California; Roermond, The 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 sites are a 155,000 sq ft facility at our Sydney site and a 95,000 sq ft facility in Singapore. Other manufacturing is undertaken at our 174,000 sq ft assembly and distribution facility in South Carolina (regional customization of our flow generators), and a 43,000 sq ft manufacturing facility in Paris, France (assembly of mechanical ventilators and associated accessories). Further manufacturing are conducted at Freudenstadt, Germany and Johor Bahru, Malaysia

Sales and marketing

We currently market our products in over 100 countries using a network of distributors and our direct sales force.

- **North America and Latin America (c.56% net revenues)**. Our products are typically purchased by a home healthcare dealer who then sells the 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 his or her staff; the home healthcare dealer; the insurer and the patient. Our field sales organization is made up of regional territory representatives, program development specialists and regional sales directors.

  We also market our products directly to sleep clinics. Patients who are diagnosed with OSA and prescribed 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 (c.33% net revenues).** We have wholly-owned subsidiaries in Austria, Czech Republic & Slovakia, Finland, France, Germany, Ireland, Norway, Netherlands, Poland, Sweden, Switzerland and the United Kingdom, and use independent distributors elsewhere. In many of the European countries we sell our products to home healthcare dealers who then sell the products to the 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 payors.

- **Asia Pacific (c.11% net revenues).** We have wholly-owned subsidiaries in Australia, Hong Kong, Taiwan, Japan, South Korea, New Zealand, China and India, 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 performance:

Table 3: ResMed awards 2007-2013

Year	Award	Recipient	Awarded for	*Page*
2012	Design Australia Award for medical and scientific products	Pixi Pediatric Mask	International product design	
2010	red dot product design Award	S9 series	International product design	*25*
2010	eco-IT, Deutsche Umwelthilfe	SunRay deskstations, Munich	Replacement of standard desktop computers for energy and work efficiency	*36*
2010	Design Australia Award for medical and scientific products	S9 series	International product design	
2009	Orchid Award, San Diego Architectural Foundation	San Diego headquarters	Quality of design and functionality as a workplace	*23*

GOVERNANCE

ResMed's standards for corporate governance and business integrity are set by corporate and listed company regulation, and by the corporate governance guidelines and the code of business conduct and ethics that are published on our website, *www.resmed.com*. In keeping with the need to maintain investor, regulator and public trust in our products, services and operations, these standards are diligently set and vigorously pursued.

Corporate governance

Our board has adopted corporate governance guidelines to assist the board in exercising its responsibilities in accordance with our constitution and all applicable laws and regulations. These include the regulations of the US Securities Exchange Commission (SEC) and the rules of both the NYSE and ASX exchanges, on which ResMed is listed. The guidelines are posted on our website, *www.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 pursuant to Section 14(a) of the Securities Exchange Act.

Governance structure

ResMed is governed by a board of eight directors and through three standing board committees: audit (3 directors), compensation (3 directors), and nominating and governance (6 directors). In fiscal 2014 the size of our nominating and governance committee has reduced to three directors. Each committee is comprised solely of independent directors.

From our founding in 1989 through 2008, Dr Peter Farrell served as both chairman of the board and as our chief executive officer. The directors then determined that a separation of these roles would be the most appropriate leadership structure. Our board appointed Mr Keiran Gallahue as president and chief executive officer in January 2008. In February 2011, however, the board accepted Mr Gallahue's resignation and Dr Farrell was reinstated in the combined role of board chairman and chief executive officer. On 1 March 2013, Michael ("Mick") Farrell was appointed by our board to succeed Dr. Farrell as ResMed's chief executive officer (CEO). Simultaneously we appointed Robert ("Rob") Douglas as the Company's president in addition to his continuing role as our chief operating officer. Mick Farrell was also appointed to the board of directors. On Mick Farrell's appointment as our CEO, Dr. Farrell transitioned to serve solely as executive chairman of the board. On 1 January 2014, Dr Farrell reverted to non-executive chairman of the board however will remain a non-officer employee.

On October 2, 2013, Carol J Burt, was nominated for an open position on the board of directors. Her nomination was ratified at the November 14 annual meeting of stockholders in Sydney, Australia. Carol is our first female appointed board member. Ms Burt is a principal of Burt-Hilliard Investments, a private investment and consulting firm to the health care industry. Previously, Ms Burt was an executive for WellPoint, Inc., where she helped build WellPoint into a leading national health benefits company with revenues of $61 billion. The board position for which Ms Burt is nominated and elected to was previously held by Michael Quinn, who did not stand for re-election. Michael Quinn served on the ResMed board for 21 years.

Board independence

All board members other than Dr 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. Dr Roberts has been a director since 1992, Dr Pace since 1994, and Messrs Sulpizio, Taylor and Wareham since 2005. All directors must stand for re-election every three years, on a staggered basis to ensure continuity of board member knowledge of our company and the industry in which we operate. Mr Sulpizio, whose term expired in 2013 was nominated for and re-elected to the board for a further term. There is no limit to the number of three-year terms, nor a set retirement age.

From February 2010, our board appointed the chair of its nominating and governance committee to a new position of 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, guides the chairman on communication with stockholders, and fulfils other duties that support sound corporate governance.

Under our corporate governance guidelines, directors have complete 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 the selection of 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 rather than that of individual members. Our independent directors review the performance of the chief executive officer annually. The performance of directors who are seeking re-election at the end of their three-year appointment is reviewed by stockholders.

Board and executive remuneration

Our board's compensation committee reviews the cash and equity compensation of directors and senior management, including target and actual bonuses. In 2013, the committee drew on the advice of independent consultants Frederick W Cook & Co on all compensation matters, as well as other specialist advisers on market practices and data, particularly for non-US markets.

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

- **pay-for-performance**. Depending on the executive's role, performance measures are global and regional net profit and net sales. No bonuses are paid if performance is less than 85% of target. In 2013, we achieved 100% against adjusted target for global net sales, and 111% against target for net profit as a percentage of sales. From 2013, the performance-based portion of the equity grant made to executive officers will be based on three-year total stockholder returns compared with those of peer medical device companies.

- **market-competitive compensation**. The compensation committee's policy is for total cash compensation for executives (assuming on-target performance) to be between the 60th and 75th percentile of ResMed's peer group of 16 US-listed medical device and medical technology companies. Executive remuneration will fall below that if the company's performance falls below target. The committee has compared the peer group data with that of Australian-listed companies of similar size from diverse sectors, and with relevant European peer companies.

- **alignment with stockholder interests**. Equity rewards for executives may be taken entirely in the form of options, entirely as restricted stock or evenly split between the two. Both stock options and restricted stock have a three-year vesting period which is additionally conditional on further performance targets.

Non-executive directors received in the aggregate total cash consideration of $390,000 and total cash and equity compensation at approximately the 75th percentile of peer companies. Executive directors do not receive directors' fees. The fees we pay to our directors are fully disclosed in our annual proxy statements.

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, and internal controls over financial reporting
Compensation committee	Overseeing our compensation philosophy and practices and 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, and overseeing management's succession planning

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, including the recently enacted US Patient Protection and Affordable Care Act (PPACA) and changes to the Federal Drug Administration's 510(k) process, may have a material adverse effect on our industry and our results of operations.
- The long-term trend towards managed healthcare could control or significantly influence the purchase of healthcare services and products and could result in lower prices for our products. In markets including France, Germany and Japan, government reimbursement for purchase or rental of our products is subject to price controls or unit sales limitations. In the US, recent legislation[4] has gradually reduced reimbursement for the products we provide. In Australia and in some other foreign markets, there is currently limited or no reimbursement for devices that treat OSA, 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 2013 *annual report*, pp 19-28.

[4] The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), the Medicare Improvement for Patients and Providers Act of 2008 (MIPPA), Deficit Reduction Act of 2005 (DRA), and Health Care and Education Affordability Reconciliation Act of 2010.

Business integrity

The best protection of our integrity is to instill a culture that values honesty and ethics: doing what's right every day, relying on our people's judgment and sense of fairness, and reporting unethical behavior. All of our directors, officers and employees are nonetheless guided by our code of business conduct and ethics, which is published on our *website*. The code summarizes the compliance and ethical standards that 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 within the meaning of section 406 of the Sarbanes-Oxley Act (US) 2002 and the NYSE 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 regulation.

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 general counsel and ethics compliance officer should any employee require assistance beyond their immediate supervisor. Where permissible[5], we also have a toll-free hotline to an independent company for employees who want to speak up but prefer to remain anonymous. The code includes a policy against 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

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 practice, 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.

All employees are required to undertake business ethics training relevant to their position and developed by our legal advisers, using our online 'Building a Better Workplace' 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, Australian Competition and Consumer Act. In many jurisdictions – e.g. the UK, Germany, India, China, and Australia – compliance officers have been assigned and trained, and compliance guides published.

We take seriously, investigate and respond appropriately to any potential breaches of the code. Internal audits of compliance standards, processes, practices, behaviours and outcomes continue throughout the business as informed by our enterprise-wide risk assessments and on a rolling three-year coverage cycle, with oversight from our board 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 has donated the following payments to the Liberal Party of Australia: $10,000 in 2013, Nil in 2012 and $10,000 in 2011. In the US, ResMed contributed $3,500 to the 2012 campaign and $3,900 to the 2010 campaign of Brian P Bilbray (R). It contributed $4,800 to the 2010 campaign for Michael Crimmins (R) in the 2010 congressional race for California District 53.

[5] In some countries, local laws do not permit employees to report anonymously.

Intellectual property

The protection and enforcement of and respect for intellectual property are cornerstones of our business and the business environment in which we operate. Through our subsidiaries, we own or have licensed rights to 743 issued United States patents (including 342 design patents) and 1,199 issued foreign patents. (All patent numbers are approximate as at 30 June 2013.). There are a further 449 pending US patent applications (including 54 design patent applications), 844 pending foreign patent applications, 1,172 registered foreign designs and 1 pending foreign designs. Of our patents, 124 US and 185 foreign patents are due to expire in the next five years, though we believe their expiration will not have a materially adverse impact on our competitive position.

Litigation may be and has been necessary to enforce patents issued to us, to protect our rights, or to defend third-party claims of infringement by us of the proprietary rights of others. Please refer to page F24 of our 2013 annual report on Form 10-K for details of Legal Actions.

OUR PEOPLE

We know that our innovation, products and operational performance are only as good as our people. We seek the best people we can find, and support them beyond market norms. We understand that they need an environment and culture that supports and encourages their productive best. These factors are reinforced in our employee handbooks and by formal policies on workplace behavior, discrimination and harassment, health and safety, career development and employee benefit programs. Our measures of safety, remuneration and employee engagement are strong relative to our peers and are improving, while our rate of employee turnover is in line with or less than industry benchmarks.

We are continuing to invest in a global human capital management information system through 2013–2014 which we expect will improve our ability to deliver globally 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 employ approximately the equivalent of 3,900 full-time people (FTEs) globally, up from 3,700 in 2012 and 3,450 in 2011.

Table 4: ResMed's people, 30 June 2013

	Total	Full time	Male	Full time	Female	Full time
Total employees	**3,900**	**93%**	**2,060**	**98%**	**1,840**	**91%**
Americas	850	99%	475	94%	375	99%
Asia Pacific	1,700	97%	920	99%	780	95%
Europe	1,350	85%	665	95%	685	75%

Diversity

ResMed is an equal opportunity employer and makes employment decisions on the basis of merit. 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. We maintain programs to support equity and diversity in Australia, France and the US, each 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

Table 4 above shows the total number of our male and female employees. Table 5 below shows the percentage of our employees who are female, at four levels of seniority, with their average salary as a percentage of the male average, in Australia, the US and Europe (representing 77% or our workforce and including our corporate head offices) to 2012. From 2013 we have included data from our Asia Pacific region in addition to those located in Australia. These figures change from year to year as individuals join, are promoted into and leave at senior levels. As individuals enter more senior ranks, they are likely to be at or below the mid-point of the compensation range for the position compared with those whom have held a position meritoriously at the same level for a longer time. We have also appointed our first female member to the board of Directors. Data for the rest of our global locations, comprising mainly the Asia Pacific region, has been added in 2013 and the gender diversity percentages reflect the impact of the composition of the manufacturing and assembly workforce in that region.

As our global operations continue to expand we will endeavour to locate and position ourselves to emerging markets. Doing so allows us to better serve our customers, connect with and understand our end users and to better mitigate supply chain risks. In our major manufacturing site in Australia and across other OECD member countries of the Pacific Rim, our commitment to increasing opportunities for female employment remains strong. The representation of this workforce and average salary compared to male equivalent was 49% and 77% respectively. Our initiatives are summarized below.

Table 5: Employee gender profile by seniority band (US, Asia Pacific, Europe)

	Executives VP and above		Senior		Mid-Junior		Production	
	Female	Salary*	Female	Salary	Female	Salary	Female**	Salary**
2013	18%	93%	27%	95%	49%	80%	42%	83%
2012	18%	85%	34%	84%	48%	89%	46%	89%
2011	17%	82%	32%	95%	54%	85%	49%	90%

* Average full-time female salary as a percentage of average male salary in this seniority band

** Principally OECD countries plus Singapore manufacturing

Initiatives to continue to support female employment include alternative rostering and part-time employment, a global Women in Leadership committee, a remuneration review and external benchmarking of female rates of pay, an engineering careers ladder that provides supportive career development pathways, a coaching and mentoring program that targets high potential female employees and tertiary engineering students, sponsorship of the Women in Engineering group in Australia, and paid participation in the Athena group for women professionals in San Diego. In fiscal 2013, one half of our graduate recruits in the US and Australia were women.

There is no distinction on employment benefits based on gender. We provide paid and unpaid parental leave to eligible employees who have met service and other eligibility criteria. Additional parental leave accords with relevant state or federal laws. Requests from mothers returning to work for reduced working hours have been accommodated, and we provide appropriate first-aid and a breast-feeding area for employees if required.

Diversity and disability

ResMed makes all reasonable accommodations to enable a qualified employee or applicant with a disability to perform his or her job. Access for people with physical disabilities meets building code requirements for widened walkways, doorways and car parking. We currently employ 31 people who have disclosed their disabilities, with impairments ranging from hearing to mobility. In France, a successful partnership with local community organizations has assisted with placements, job adaptation and specific equipment.

Hiring policies

Our hiring policies are merit-based, with a referral program from existing employees in place in some locations. For example, our referral program for production staff in Sydney has helped support workplace diversity, with approximately 34% of all staff from non-English speaking backgrounds, forming strong communities that are a respected part of our workplace. All our manufacturing facilities have been in OECD-member countries with appropriate management and staff available locally, with the exception of our Malaysian manufacturing facility, established in 2012. Most management positions at our Singapore and Malaysian manufacturing facilities are held by local nationals, who report to expatriate facility managers through to our global VP Manufacturing.

How we work

We have always had a strong workplace culture that focuses on communication, trust, respect for the individual, quality, and clarity of purpose. These values are reiterated in our workplaces at practical opportunities, beginning with recruitment. They reflect our high expectations for the quality of work needed in our business, our regard for people as both employees and customers, and a very low tolerance for non-compliance. Compliance to environmental, safety and labour standards are integral to our operational ethos, and to our business integrity (see page 16 above). Comprehensive internal communications and consultation support those standards and their attainment.

Health and safety

Our approach to health and safety uses both our management systems and our quality culture (see page 22 below) to minimize workplace incidents and maximize the care taken for employees who have suffered from a workplace incident. This approach has meant that our workplace incident and lost-time-through-injury rates in Australia have fallen consistently since 2008, with the overall costs of injury management and insurance similarly falling. Our global approach to health and safety is being led by our Australian manufacturing operations, with safety approaches and performance measures being progressively adopted globally.

Systems and culture

Our safety management systems (for example, the Workplace Injury and Illness Prevention Program in the US) are generally of the same format and nature as our quality and environmental management systems, so that our people are familiar with the way the systems operate and know what is expected of them. Our health and safety organizational structure incorporates both workplace committees and health and safety experts in every division.

Inherent in our quality culture is a strong imperative for safety. In Sydney, safety walks, team briefings and risk assessments are identifying risks before incidents occur, with preventive actions outnumbering reactive or corrective actions by approximately 3 to 1 at any time. This mid-operational risk identification is currently 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: communicating the risks, and providing protective clothing and equipment.

Further reductions in incident rates are expected more from design factors than from better operational risk management. To eliminate risks from the line, product development engineers are looking both at product design and the manufacturing processes. The design factors are being informed by a comparison of different products and their impact on safety – for example, the ease of cutting and assembly actions and the weight of the components involved – and the comparison of similar processes at different assembly plants.

Health and wellbeing programs at some locations are also contributing to lower incident rates. Our philosophy is that staff who are physically fit and able to concentrate are more aware of the risks in their workplace, and more able to identify and counter them. Combined with strong motivation and knowledge of their operational processes, employees are more ‘risk-resilient’ and better placed to make decisions that reduce risks, incident rates and incident severity.

Injury rates

The number of incidents requiring some time off work for rehabilitation (lost time injuries) has fallen over the past three years to 2012. During 2013 there were a number of incidents in our Paris manufacturing unit which increased the lost time injuries rate: see Table 6. These were minor and employees returned safely to work without needing a prolonged period of absence.

We have observed further reductions in our primary operations and supply sites located in Australia and Asia Pacific, where risks are greatest, rather than in the mainly office-bound areas of finance, research, marketing and administration. With employee numbers stable in production and rising in our administrative areas, the time lost per hours worked by our employees in Asia Pacific is falling. There were no lost time injuries in our US operations over the three years. The recordable injuries (those requiring some medical treatment) have also fallen over the past three years to 2013.

Table 6: ResMed Injury rates, global, 2011–13

	2013	2012	2011
Fatalities	0	0	0
Lost time injuries	29	20	20
Lost time injury rate (Injuries per million employee hours)	4.22	2.96	4.20
Total recordable injury rate (per million employee hours)	7.13	12.13	10.07

Claim and insurance costs

In countries where the data is available, our total costs of injury and rehabilitation have fallen over the past three years. Australian data shows that the costs for the first two years of care for all 2011 incidents is over 50% lower than for previous years, while the first year of care for all 2012 incidents maintains this low level. This reduction reflects fewer incidents, fewer serious incidents, and the internalization of the administrative costs of rehabilitation. We determined in 2009 that an appropriately skilled internal administrator of rehabilitation programs provides more reliable care management at lower cost.

Career development and learning

Staff in key roles at ResMed have specific career and development pathways, designed in consultation with their operational management, HR and Learning Centre specialists. Annual employee performance reviews assess core and functional competencies and identify development needs. As part of that pathway, we strongly encourage our employees to take advantage of online, on-campus and tertiary learning avenues that reflect their responsibilities with us in attaining their career aspirations.

All of our employees are supported in their career development by the ResMed Learning Centre, co-located in San Diego, Munich, Lyon and Sydney. The Learning Centre is both a state-of-the-art on-campus learning facility for face-to-face and on-line training, and a multi-disciplinary team of learning and content specialists. Online courses 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 the code of business conduct and ethics, diversity, US Foreign Corrupt Practices Act and health & safety are developed by our Learning Centre with external subject-matter advisers.

Employees are given time and financial assistance for appropriate tertiary courses, as long as they are role-relevant. For example, full-time employees in the US are eligible for up to $5250 per year (covering up to 75% of expenses) to pursue higher education. Our research collaborations with the Universities of San Diego, Sydney and New South Wales help facilitate specialist tertiary education. We also work with the University of California in San Diego and the École Centrale, one of France's top-ranked engineering schools, as part of our internship and graduate programs to foster excellence in our engineering recruitment and careers.

Employee consultation and communication

We communicate effectively within and between our management and labour workforce, using several means including informal committees and regular campus and team briefings and meetings. We also formally track concerns, including through the Voice and Climate surveys of employee issues (see Employee Engagement on page 24 below).

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 500 employees at ResMed Homecare in Germany, for example, of whom 9 are on the works council. Two of these can devote 50% of their time to council matters on full pay. In our French operations, 24 employee works council members represent more than 300 employees.

Consistent with the law, our employees are free to join any organized labour 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.

Human rights

Our corporate values of trust, respect for the individual and transparent communication support our high regard for human rights and their importance in all our domestic and international operations. In particular, we uphold, and expect our employees to support each other in upholding, their rights. These encompass freedom from discrimination and degrading action of any kind; their right to personal security; freedom of thought, conscience and religion; peaceful assembly and association; just and favourable working conditions; rest and leisure; education; and to participate in the cultural life of their community.

Our employment policies uphold these rights in several areas; for example, the right to inspect and correct a personnel file. Rights protection is an integral part of our employee training; in particular we emphasise our responsibility to protect against discrimination and harassment, which are then detailed in our employee handbooks. In cases of proven serious misconduct and/or breach of employment agreement, appropriate disciplinary action has been taken, up to and including termination of employment.

ResMed discloses on our website our policies on child and forced labour as required by the California Transparency in Supply Chains Act. The ResMed Supplier Manual (issued to suppliers) sets out our requirements for suppliers, and in turn for their suppliers. These include the prohibition of child labor (based on the International Labor Organisation's Minimum Age Convention, 1973), and compliance with local occupational health and safety and labor laws (including slave, prisoner or any other form of forced or involuntary labor). We reserve the right to request a higher standard of compliance where we believe that the local laws are not in line with our corporate values. There have been no reported instances of material breach of these policies in the period 2011–13. We have commenced a program to be fully aligned with the requirements of the Dodd Frank Act in relation to the source of conflict minerals in our finished products. We have communicated this requirement to our suppliers and have requested information regarding the source of the nominated materials.

Compensation and working conditions

Our working conditions provide market-competitive staff benefits in a family-friendly environment. We have an employee stock purchase plan in addition to formal service awards and learning and development programs. In our major centers (those with more than 10% of our global employees), remuneration for all position levels is benchmarked against relevant peer groups and maintained at a favourable band. We provide additional contributions to benefits such as salary continuance, life insurance or health insurance according to local market conditions.

Work-life balance

In addition to market-competitive compensation packages, employees and their families are supported with paid time off, home working arrangements (in some countries, where feasible and approved), and consideration in rostering. Paid time off, though varying with local conditions, is generally available for sick leave or parental-community-carer leave, for bereavement leave, and in some locations for limited additional unpaid time-off to attend or participate in school activities, for limited time off for volunteer emergency services, or military service where mandated by local laws. Additional leave is available for a range of other personal causes. Flexible rostering in Australia and Europe, and 3 day/12 hour schedules in the US, have enabled a high proportion of our employees to remain full time. Part- time transitions have been made available for women returning from parental leave and in limited cases for employees to pursue higher education. See also our support for *gender diversity* at ResMed.

Health and wellbeing

We recognize the benefits of a healthy workforce and adopt a holistic approach to the health and safety of our people. Where we are able to provide onsite support for employee fitness we do so, for example at our major campuses in Sydney and San Diego. We offer a staff health and wellbeing program 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-disordered breathing, confidential third-party counselling and referrals on stress and mental health issues, support for 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 Sydney and San Diego we have been able to design and build a collaborative and interactive environment that underpins our quality, performance and innovation culture.

For the Sydney campus administration building, completed in 2006, staff from all functions of the business took part in a design group that influenced the building's design principles. Common areas such as a central atrium, informal conversation areas, project rooms, indoor and outdoor open walkways, learning centre and cafeteria provide opportunities to share ideas and get quick answers. These purposes, incorporated in the design and the quality construction of the Sydney campus, were recognized in winning the 2006 Australian Master Builders' Award for commercial and industrial construction.

Our San Diego corporate headquarters building, completed in 2009, was likewise designed for aesthetic quality, functionality, technical workmanship and to foster an innovation culture. It earned the 2009 Californian Associated Builders & Contractors Excellence in Construction Award, and the 2009 Orchid Award from the San Diego Architectural Foundation.

Perceptions

Employee engagement

We measure employee attitudes via a formal, globally-consistent Voice survey approximately every two to three years. The survey covers attitudes to our leadership and strategy, our communication and involvement, and our personal, team and company performance. Where comparable benchmarks are available, our results are evaluated against international peer groups.

Our most recent global survey was in 2010, with the headline results shown in Table 7 below. Our overall indicators of employee engagement were in the top third of both our relevant peer groups. Most pleasing is the rise in overall employee engagement, using the same methodology: 81% of employees had favourable responses to the key indicators of engagement in 2010, up from 78% in 2008 and in a high percentile of our relevant peer groups.

Table 7: ResMed employee engagement, Global

Global employees	% favourable		Percentile in BioPharmacy peer group	Percentile in industrial peer group
	2010	2008		
Employee engagement	**81%**	**78%**	**70**	**72**
Job satisfaction	80%	79%	55	60
Commitment to ResMed	84%	81%	64	73
Intention to stay	78%	74%	76	77

Employee turnover

Historically we enjoy a relatively low turnover of production and warehousing staff, with turnover of professional staff closer to comparison indices. Turnover among production and warehouse staff was 2.4% in 2011, rising to 4.9% in the U.S. in 2012 and fell to 2.0% in 2013. Overall turnover (see Table 8) rose toward the US medical device industry average in the US in 2012, after a period of historically low voluntary turnover in 2008-10, as the US economy slowly emerged from recession. In 2013 the overall turnover fell from 7.9% to 7.3% mainly due to low turnover in Europe.

Table 8: Staff turnover*, % of total

	2013	2012	2011	Comparison
Global	**7.3**	**7.9**	**8.4**	
Americas	10.2	9.6	7.3	
			16.9	*Radford, US medical device industry*
Asia Pacific	5.5	4.5	7.8	
			12.6	*AIM, National salary survey*
Europe	8.1	11.0	10.1	

* Individual departures (resignation, retirement, agreement, dismissal) not including restructures

OUR PRODUCTS

Our core business is to improve people's health and wellbeing by providing innovative and high quality products and services in sleep medicine and non-invasive ventilation. This focus on product quality and innovation is reflected not only in the high regard our customers have for our products and services (see page 25), but in our vigilance in meeting our safety and marketing obligations (see pages 26 and following).

Quality, innovation and continuous improvement

Our people uniformly work to the highest 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 (QMS, see page 26) to ensure that this policy is fulfilled. Our product quality is best reflected in the high scores for customer satisfaction (see page 27), and by the international awards we have received for product design (see page 11). For example, in 2010 our S9 Series sleep devices won the prestigious *red dot* award for international product design, competing against 4,252 products from 57 countries.

Research and development

We have a strong track record in innovation in the sleep market. 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 the United States, Germany, France, the United Kingdom, Italy, Switzerland, China and Australia. We consult with physicians at major sleep centers throughout the world to identify trends and needs in the treatment of SDB. New product ideas are also identified by our marketing staff, direct sales force, our network of distributors, and by our customers and patients.

For our products to remain leaders in very competitive markets, we invest appropriately in innovation, with 585 people or 15% of our employees focused on research and development (R&D). Our expenditure on R&D amounted to 8% of revenues in 2013, despite recent revenue growth: see Table 9. Products launched in the last three financial years have all contributed to that increase in our net revenues: see the complete product range with years of release in Appendix 2.

Innovation is not just dependent on the amount of resources spent on product development, but on the culture of the people in our company. Innovation and quality are intrinsic to our performance culture (see *page 20*), supported by world-class working environments (see *page 23*).

Table 9: Expenditure on R&D, 2011-13

	2013	2012	2011
R&D/revenues	**8.0%**	**8.0%**	**7.4%**
Revenues ($m)	1,514.5	1,368.5	1,243.1
R&D investment ($m)	120.1	109.7	92.0
Product development staff (FTE)	585	478	405

Product quality

We appreciate the need for our products to work safely, effectively and efficiently. Our product quality is underpinned by our quality management system (QMS), which takes into account the requirements of ISO 9001 and ISO 13485 standards, the European medical device directive 93/42/EEC, the US FDA Quality System Regulations for medical devices (21 CFR part 820), the MHLW Ministerial Ordinance No.169 and other regulations in our target markets. The QMS engages both our employees and suppliers to ensure our expected product quality. It incorporates policies, procedures and work instructions to direct product development, production and finished device controls, and organizational, environment, document, improvement and risk management systems.

Quality at ResMed

Each product is developed using QMS procedures for design, verification and validation to ensure they are suitable for their intended use. All of our employees complete training in the areas of the QMS that are relevant to their role. In addition, we train our employees in Good Manufacturing Practice (GMP), which guides everyday behaviors in a medical device manufacturing operation, such as personal hygiene, protective clothing and documentation standards. Each of our manufacturing departments is internally audited at least once a year – over 50 internal audits a year – to ensure compliance with the QMS and to help identify improvement opportunities.

Quality with suppliers

ResMed draws over 2,000 individual components or materials from over 170 approved suppliers to be assembled in our current product range: see Appendix 2 – Range of products. 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 have minimum requirements for supplier communication, responsibilities, quality systems, traceability and environmental aspects. Suppliers are required 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 own audit of their quality system and on agreed and documented controls.

Ongoing supplier audits are scheduled according to a supplier's initial assessment result, their subsequent performance and the nature of the supplied goods. Audit frequency can range from 6 to 48 months, with most suppliers audited every 6 to 18 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 keep our suppliers informed of our relevant business plans so that they can align their own plans. In particular, we encourage suppliers to develop partnerships, networks and relationships that can support ResMed's global manufacturing network.

Warranties

We generally offer one-year and two-year limited warranties on our flow generator products. 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.

Customer satisfaction

ResMed keeps comprehensive thorough confidential data on our customer attitudes to both our product quality and our customer service. For example, in January 2014 we surveyed 202 customers across 15 product, company and business attributes, comparing them with our competitors. The data suggest our customer satisfaction is driven by design quality, reliability, durability and innovation together with knowledgeable support personnel. The data suggests that ResMed is driving positive customer loyalty.

We generally sell our products through medical and health product customers in all markets, rather than direct to users. As well, health, marketing and privacy regulations (see page 26) all restrict the extent to which we can engage directly with users. Accordingly, our data on product quality and customer service is derived from 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 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 QMS to meet or exceed regulatory standards in all our markets.

In April 2007, we announced a worldwide voluntary recall of approximately 300,000 S8 flow generators, manufactured between July 2004 and May 2006. While no customer or patient was harmed, we discovered a remote potential for a short circuit in the device's power supply connector. All traceable units were replaced, with customers able to safely use their device until they received its replacement. The recall cost the company $62.8m, affecting executive remuneration at all levels. No further actions resulted from the recall.

Marketing 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 Federal Drug Administration in the US). Products cannot be marketed until an assessment verifies that the requirements are met. All marketing material must then correspond with the approved labeling. Our *QMS* 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 received no material non-compliance notices in the three years to June 2013. In that time, our internal audit has identified and corrected several minor issues, and we have also received some notices of minor non-conformance from regulatory authorities.

Animal testing

ResMed does not test its products on animals. Our products do not contain or provide any medicinal product, but rather provide mechanical energy in the form of airflow, temperature and humidity only. To the best of our knowledge, no academic research into sleep apnea or SDB that we fund or otherwise support has used animals as participants.

ResMed routinely tests materials that are used in medical devices for their biocompatibility. Such tests are conducted in accordance with the international standard, ISO 10993-1:2009 Biological evaluation of medical devices. Some tests are conducted on animals. In keeping with ISO 10993-2:1992 Animal welfare requirements, when conducting biocompatibility studies we take all practicable steps to reduce the number of tests and the number of animals used in those tests.

Military products and uses

Other than where its SDB products are used by military personnel, ResMed and its subsidiaries produce or contribute to no products or services designed or used for military purposes. ResMed Motor Technologies Inc. (RMT, formerly Servo Magnetics Inc.) formerly supplied military equipment as a legacy of its business prior to acquisition by ResMed. RMT has not continued with that business and no longer solicits business from defense customers. Its last sale, in 2008, was of spare parts. We have no intention or aspiration to produce or sell arms or equipment designed solely for military use.

COMMUNITY

Our community contributions reflect our core focus of improving people's health and wellbeing by treating their sleep-disordered breathing (SDB). We target research in that area, and also help our employees support their communities with time and with matching 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 sole business is improving people's health and wellbeing by treating their sleep-disordered breathing (SDB). Accordingly, the major share of our community engagement is on health-related matters. and thus we will continue to raise awareness of the increasing link between the potential effects SDB can have on chronic conditions and co-morbidities such as cardiac disease, diabetes, hypertension and obesity through market and clinical initiatives:

- **Cardiovascular disease.** Clinical research over the past decade has demonstrated a high prevalence of SDB in cardiology patients and has suggested that it may increase the risk of developing cardiovascular disease and heart failure. In September 2008, the European Society of Cardiologists noted that patients with symptomatic heart failure frequently have sleep-related disorders (central or obstructive sleep apnea) and recommended treatment with Continuous Positive Airway Pressure. Further studies have highlighted the increasing link with recent publication in the European Heart Journal 2011[6] and European Journal Heart Failure 2012[7] citing worst long-term outcomes in patients with central or obstructive sleep apnea compared to those without sleep-related disorders.

- **Type 2 diabetes.** In June 2008, the International Diabetes Federation (IDF) strongly recommended that health professionals treating a patient for either type 2 diabetes or SDB should also consider the other condition. In March 2011 the American Association of Clinical Endocrinologists published guidelines for a comprehensive diabetes care plan, recommending SDB screening for adults. We are now supporting the American Association of Diabetes Educators and directing people who suffer from diabetes via *www.healthysleep.com* to ResMed partner sleep centres.

As well, our services are increasingly helping people without chronic conditions:

- **Transport safety.** Perhaps the largest emerging contribution to community health that we are making is in the link between SDB and occupational safety, and in particular transport safety. An estimated 28.1% of US truck drivers have sleep apnea.[8] Government agencies in the UK and the US are recognising this link, with for example the US National Transportation Safety Board recommending mandatory screening for sleep apnea for all truck and bus drivers and ship pilots.[9] We are working with the UK Road Transport Association on these issues. A trial of SDB treatment at Schneider Trucking in 2003–05 reduced accidents by 73%, hospital admissions by 91% and total medical costs by 57%.[10] A similar trial at US Waste Management in 2004–06 reduced short-term disability costs by 79% and total medical costs by 37%.[11] Additional research is being undertaken into the diminished risks to road users of more widespread diagnosis and treatment of SDB.

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6 Bitter Westerheide n, et al. cheyne-stokes respiration and obstructive sleep apnoea are independent risk factors for malignant ventricular arrhythmias requiring appropriate cardioverter-defibrillator therapies in patients with congestive heart failure. eur heart j. 2011 jan; 32(1):61-74

7 Damy margarit l, 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.

[8] Pack A, 'Advances in sleep-disordered breathing', *Am J Respir Crit Care Med* 2006; 173: 7-15.

[9] US National Transport Safety Board, Presentation 25 April 2012

[10] Berger M, Sullivan W, and Owen R, 'A Corporate-Driven Sleep Apnea Detection and Treatment Program', *Chest*, 2006; 300(4suppl): 157S.

[11] Hoffman et al, *Journal of Occupational & Environmental Medicine,* vol 52 no 5 (May, 2010) cited in ResMed 2011 Q2 Investor Presentation p 37

- **Stroke.** In April 2010, the National Institutes of Health released a clinical study reporting that obstructive sleep apnea is associated with an increased risk of stroke in middle-aged and older adults, especially men. According to further research, men aged 40 to 70 with apnea-hypopnea index ("AHI") of >30 were 68% more likely to develop coronary heart disease than those with AHI<5.[12]

- **Peri-operative risk.** There is a large prevalence of OSA in surgical patients, ranging from >30% in neurosurgical patients and up to 90% in patients undergoing bariatric surgery. Undiagnosed OSA leads to a significant increase in peri-operative complications. High OSA risk patients should be assessed before surgery, and risk reduction strategies implemented[13] .

Furthermore there continues to be many studies being conducted that provide new evidence that treating SDB and OSA can improve health, quality of life and also mitigate the dangers of sleep apnea in occupational health and safety. The following three recent studies lend support to our company's mission:

- In a ResMed-sponsored study published in Population Health Management involving 22,000 members on the Union Pacific Railroad health plan, findings suggest that a low-cost, patient-focused SDB education campaign can improve healthcare outcomes and reduce medical expenses. First, the study showed that members of the Union Pacific plan who had untreated SDB had higher medical expenses than employees without the disease and, second, it demonstrated that treatment of SDB with positive airway pressure (PAP) therapy reduced medical costs, in-patient costs and hospital admissions. After the campaign was initiated, the healthcare plan realized cost savings of $4.9 million over a two-year period.

- A study published in the June 2012 issue of the American Journal of Managed Care demonstrated that newly diagnosed SDB patients who initiated PAP therapy had significantly lower hospitalization risk and lower all-cause healthcare costs compared to patients who did not use PAP.

- In the July 2013 issue of the Journal of Cardiac Failure, a study showed that central sleep apnea and severe obstructive sleep apnea are independent risk factors for six-month cardiac hospital readmission.

- A study published in the November, 2012 issue of Journal Clinical Endocrinology Metabolism 2012, showed that 3 months CPAP treatment in patients with type 2 diabetes significantly lowered blood pressure and pulse rate. In a further study published by Annals American Thoracic Society in April 2013, the results of meta-analysis showed favourable effect of CPAP treatment on insulin resistance in patients with OSA however without diabetes.

[12] Arzt et al, 'Suppression of central sleep apnea by CPAP and transplant-free survival in heart failure', *Circulation,* 2007;115:3173 cited in Annual Return 2011 p 17

[13] Bhateja P, Kaw R. Emerging risk factors and prevention of perioperative pulmonary complications. *Scientific World Journal*, 2014:546758.

Many of our professional staff are also extensively involved in supporting relevant research and community health programs in their local area and with appropriate academic and health sector professionals. We do not track their time in these areas.

Any recorded financial support to health and research institutions is included in Table 10 below. This support is in addition to our contributions through the independent ResMed Foundation, founded in 2002 to further enhance research into and awareness of SDB.

Other community contributions

Our contributions to our local communities are made in both monetary contributions and the time and effort of our employees. However, staff involvement in civic affairs is a personal matter, carried on outside office hours, and we do not track any time spent by our people on their involvement.

Nonetheless, 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 a total of $1,345,654 to over 150 community organizations and academic institutions in the three years to 2013: see Table 10.

Our community focus is on major national relief efforts, on organizations in close proximity to our principal places of business, and on organizations that are involved in the research or treatment of one its five strategic imperatives: the links between SDB and cardiovascular disease, type 2 diabetes mellitus (T2DM), perioperative risk and occupational health and safety, as well as ventilator support to chronic obstructive pulmonary disease and respiratory diseases. Major contributions include:

- $50,000 to the 2011 Red Cross Japanese Tsunami Appeal
- $40,000 to the Australian National Youth Science Forum
- $38,749 to the 2011 Queensland Flood Appeal, matching the direct donations of our employees.

During the year we agreed to pay the University of Sydney $24.8 million to support its work including establishment of two perpetual academic chairs: ResMed Chair of Sleep Medicine for sleep-disordered breathing with a focus on chronic diseases and ResMed Chair of Biomedical Engineering. The amount paid will also fund future research in the fields of sleep medicine and biomedical engineering with the University and to also settle legal proceedings between us regarding a dispute over an earlier licensing agreement.

Table 10: Community contributions ($US)

Recipient	2013	2012	2011	Total
Total	**522,390**	**395,339**	**427,925**	**1,345,654**
Community organizations	283,155	141,708	114,100	538,963
Academic institutions	239,235	253,630	313,825	806,690

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. Donations to these bodies totalled $1,521,311 in the three years to 2013: see Table 11. Contributions of $25,000 or more have been provided to the American Sleep Apnea Association, California Forward, the California HealthCare Institute, CONNECT, the US National Association for Medical Direction of Respiratory Care, the San Diego Regional Economic Development Corporation, NSW Business Chamber, the Business Council of Australia, the Australian Science Media Centre, the NSW Enterprise Workshop, the Centre for Independent Studies and the Order of Australia Association Foundation.

Table 11: Industry associations contributions ($US)

	2013	2012	2011	Total
Industry associations	479,995	530,220	511,096	1,521,311

Government contributions

Our total tax paid is tabled on page 8. We note that 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: see page 15.

Privacy

Our data security policies and procedures rigorously protect our customers' personal and health-related privacy, as well as commercially sensitive and other privacy-protected information. The regulations governing our protection of sensitive data include the US Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health Act, the European Privacy Regulations 95/46, the German Federal Data Protection Act, the French Personal Privacy Act, the UK Data Protection Act and the Australian Privacy Act. Compliance with these regulations is matched by and ensures compliance with regulations in other jurisdictions. As required by the US HIPAA and European regulations, personal health information is held on encrypted servers and is permanently randomized so that individual consumers cannot be re-identified.

Consumer data is protected by a privacy working group reporting to our global general counsel and comprising our global IT leadership and representatives from our healthcare informatics, EU market, security and compliance, quality and regulatory, legal and HR teams. Formal obligations are set by our employee and contractor contracts, our code of business conduct and ethics and our IT information security policy. All employees likely to handle commercial or consumer data undergo privacy training. Our privacy notice is published *online*.

Anti-trust behavior

No enforcement action has been taken against ResMed in respect of anti-trust or competition and consumer regulation in 2011–13. The markets for our products are highly competitive. In the United States, our principal market, the primary competitors for our products are: Philips BV, who acquired Respironics Inc., a previous competitor; DeVilbiss, a division of Sunrise Medical Inc.; and Fisher & Paykel Healthcare Corporation Limited. These firms are also our principal international competitors, in addition to some regional manufacturers. The trend towards consolidation in the sector may continue. Our products also compete with surgical procedures and dental appliances designed to treat SDB-related respiratory conditions.

ENVIRONMENT

Over 2011-2013, there has been a noticeable increase in enquiries 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 enquiry 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 beginning to extend that stewardship to our product design and packaging.

At this stage, we are comfortable that our quality management system (QMS, see page 26), 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. While the business case for further investments in environmental performance will always be considered with a positive eye, those that are otherwise part of an improvement in our product, service and financial performance will have the priority.

Policies and systems

Responsibility for environmental management is 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 QMS (see page 26) and pollution control and waste management systems to ensure compliance with relevant environmental regulations.

Sydney manufacturing site

Our environmental management system (EMS) 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, accountability rests with line managers 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 EMS at Sydney was established in compliance with ISO 14001 certification in 2010, to ensure compliance with international environmental legislation affecting our operations. That environmental policy and ISO 14001 certification are publicly available on request. The EMS scope considers all phases of the product life cycle – the facility being responsible for our international design, supplier selection and manufacturing activities.

Regulatory compliance is set by national, state and local law (tracked by EnviroLaw), ISO 14001 (issued by the International Organisation for Standardization), OH&S 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 analysing the product life cycle, and by anticipating the views of external parties who may be concerned or impacted by our environmental performance. Significant impacts and risks require environmental management plans, reviewed annually, with accountabilities and measurable targets. Where there are operational controls for these risks, personnel must have measurable competency, with 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

Our distribution, commercial and minor production facilities do not currently work to comprehensive EMS, 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. In our Singapore and Malaysian production facilities, the production processes replicate those developed in our Sydney facility. An equally or more meticulous approach to waste is found at Sydney.

Review

Our senior management review our environmental performance annually, including audit and compliance results, non-conformance and corrective actions, communications and complaints, and available metrics on environmental performance (see below). At sites with an EMS, our environmental team conducts a rolling internal audit for compliance with ISO 14001 and other controlled impacts on the environment, so that all elements of the EMS are reviewed a minimum of 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 (recertification audit) was completed in May 2013, and recorded positive findings for our management, legal compliance, training, waste disposal and general 'housekeeping' across the site. Improvements suggested relate to further linkage of environmental aspects to purchasing activities, refinements to environmental risk assessments, compliance evaluation records, additional hazardous waste and spill facilities, and visibility of environmental improvements by employees (Continuous Improvement projects). TÜV SÜD found no non-conformities with ISO 14001, nor precautionary actions to be taken.

We do not use third-party 'eco-labeling' certification labels for our products, nor produce, publish or verify life-cycle assessment data.

Compliance and incidents

We have received no regulatory notices on material environmental issues in the three financial years 2011–13. At our Sydney manufacturing site, we received a notice from Sydney Water in September 2010 regarding an overdue cleaning of its primary grease trap, and responded to resolve the issue. There have been no other complaints or issues raised by external parties in the period. 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 efficiencies

We have had a healthy awareness of the performance potential of eliminating waste since 2008. The rise in the Australian dollar in that year saw production costs (largely incurred at our Sydney site) rising at the same rate as output. This led to a company-wide push to 'grow from within' – meaning that our growth investments would be paid for by eliminating waste and inefficiency in existing programs.

Led by our primary manufacturing sites, our operational culture is intent on doing things in the most efficient and risk-free ways, using six-sigma and other lean manufacturing approaches as part of our quality and continuous improvement management systems (see page 26). In Sydney, ten forms of waste are identified – defects, overproduction, waiting, transport, inventory, motion, under-utilized talents, materials, energy and safety risks. Awareness and action on all these dimensions have paid dividends in materials, energy and water use. Efficiency ideas are encouraged from all employees, with ideas systematically pursued, and staff recognized with awards at monthly open meetings.

During 2013, we completed an in-house energy audit at our Sydney Campus to provide better visibility and effectively direct our efficiency efforts. A number of opportunities were identified. Some of these opportunities are being implemented including an upgrade to our chiller system for air conditioning which is a large user of electricity on the site (approximately 20% of total site consumption).

We are undertaking a project to exchange one large chiller for a new higher efficiency unit and installing variable speed drives (VSD) to water pump and cooling tower fans. Once complete, we anticipate a more energy efficient system that will drive further energy usage and associated annual costs reductions. Other on-going projects include an installation of energy submetering in a number of key locations to keep a more accurate record of energy usage, and conducting a feasibility study for the supply and installation of a commercial Solar PV system to maximise our annual energy consumption offset.

Global data on energy, water, materials and waste has not been comprehensively recorded through 2011–2013, and we present trend data for that period only for the locations for which we have it. We are now implementing appropriate data capture systems at all sites, to be drawn on for future reporting. 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.

Energy use

We consumed 130,432GJ (2012: 132,429GJ) of energy globally, representing an energy intensity of 86.2GJ (2012: 96.8GJ) per $million of revenue for the entire business. This energy is the gas and electricity consumed at our premises globally, and does not include energy used in our supply chain and transportation (and their corresponding greenhouse gas emissions).

Table 12: Global 2013 and trend energy data

		Electricity Consumption (MWh)	Natural Gas Consumption (GJ)	Total Energy Consumption (GJ)	Energy intensity (GJ/$M Rev)
2013	***Global***	**27,895**	**30,009**	**130,432**	**86.2**
2012		**27,484**	**33,486**	**132,429**	**96.8**
2013	*Major sites (Aust and US)*	20,100	25,988	98,345	65.0
2012		20,982	29,625	105,160	76.8
2011		21,633	29,722	107,600	86.6

Total energy use at our primary sites has decreased modestly over the three year reporting period to 2012. During 2013, at our primary manufacturing site in Sydney, the humidity level during the summer season was substantially lower than experienced in each of the preceding three years. The need for manual dehumidification, a process which comprises the majority of our gas usage, was thus considerably reduced. Given the overall decrease in energy usage, this particular occurrence of the 2013 summer, plus rising numbers of both staff and revenues, the intensity of our energy use at our primary sites has continued to fall.

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 PV array designed to provide a maximum of 6,811kWh a month of electricity.

The uses of energy at our Sydney site are representative of uses at our other global sites. Gas is consumed chiefly by our HVAC system boilers for space heating and for humidity control in manufacturing areas, as well as for domestic hot water and kitchen use. Its use primarily reflects variable climatic conditions and building design and use. The primary electricity uses in research, professional and administrative services are HVAC chillers, vertical transport, R&D lab equipment (environmental chambers, ovens, lathes, mills), lighting, catering and office equipment. These uses respond more to behavioral change.

Manufacturing energy

Our significant *manufacturing operations* are located in Sydney, Paris, Singapore, Malaysia and Chatsworth, California. 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 has now fallen by 15.2% to 84.8 : see Table 13. Our energy efficiency has been improved through many successful projects including lighting upgrades, air-conditioning scheduling reviews, chiller misting system, light switch installs and staff education, along with more efficient IT equipment and other operational changes have helped reduce consumption significantly in during 2013. Additionally lower gas usage as noted in the section on energy use on page 36 through lower gas usage during the summer of 2013 also contributed to the improved measure.

Table 13: Global production energy use and intensity

	2013	2012	2011
Production energy (GJ)	**55,919**	**55,066**	**50,051**
Intensity index	84.8	87.5	93.2

Non-manufacturing electricity

Energy data is separated between office and production uses at our primary manufacturing and R&D site in Sydney. Over the three years to 30 June 2013, electricity consumed for office and R&D purposes has fallen by 8.1% and, with the number of employees in these areas rising, electricity use per person has fallen by 18.1% : see Table 14. Efficiencies have been achieved by initiatives such as the replacement of 400W metal halide fittings with efficient 54W T5 fluorescent fittings, the addition of individual light switches for intra-floor control, a misting system to improve our air-cooled chiller efficiency, and the tightening of air-conditioning schedules to better match conditions and needs. These have been supported by eight rounds of communication to support energy awareness and behavior change.

Similar initiatives are being undertaken at San Diego, Munich and Abingdon, with our other sites looking to learn from their experience. San Diego has leveraged its solar electricity with low voltage lighting controlled by daylight- and motion-sensors, those sensors also being used in Abingdon. At Munich, savings of approximately 41,000kWh annually have been achieved by replacing standard desktop PCs with SunRay 'thin-client technology' stations. These low-powered units draw on server software and data rather than acting as standalone units, and are mobile through the Munich office. The initiative earned us the eco-IT project of the month from the independent NGO Deutsche Umwelthilfe.

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

	Office e-MWh	Δ	People	Office e-MWh/person	Δ
2013	**4,973**	**1.6%**	**829**	**6.00**	**4.5%**
2012	**4,895**	**-3.8%**	**853**	**5.74**	**-8.8%**
2011	5,088	-6.0%	809	6.29	-11.6%
3 year		**-8.1%**			**-18.1**

Greenhouse gas emissions

Our global Source 1 (gas-fired energy) and Source II emissions total 20,978 tCO_2e. Apart from its solar PV plant at San Diego, our sites draw on grid-connected electricity and natural gas. Their emissions are well below the thresholds that trigger emissions reporting or liabilities in either Europe or Australia. Accordingly, we do not currently calculate our non-gas Source I or our Source III emissions.

Table 15: Global greenhouse gas emissions (tonnes CO_2e)

		Total Energy Consumption (GJ)	Total GHG emissions (tCO_2e)
2013	**Global**	**130,432**	**20,978**
2012		**132,432**	**21,201**
2013	*Major sites only (Aust and US)*	98,349	16,948
2012		105,160	17,926
2011		107,600	18,530

Water

We draw water from the local mains supply, and measure that use at all sites except in Europe. Global ex-Europe water use was 88,225kL, or 58.3kL per $million in global revenues. Water is used for HVAC cooling towers and domestic office uses. Cooling tower use depends on the need to maintain a safe water supply and limit system corrosion, as well as changing and seasonal climatic conditions: for example, the Sydney system use rose by 39.1% in the hot summer of FY2011, overcoming a reduction in general water use of 6.2% achieved by using reduced flow taps in bathrooms. Water consumption rose gradually during 2013. The installation of a new mains water filter has led to a decrease in recorded usage towards the latter end of the year. This should have the effect of reducing further the water consumption in 2014. Furthermore we have installed new alarms to early detect abnormal consumption so these can be promptly investigated and actioned. The water used for manufacturing purposes is negligible.

Table 16: Global water use, kL

		Consumption	per employee	per $M rev
2013	**Global (ex-Europe)**	**88,225**	**32.0**	**58.3**
2013	*Major sites only (Aust and US)*	83,434	30.1	55.1
2012		73,109	27.1	53.4
2011		77,088	30.5	62.0

At our Sydney campus, all rainwater is captured from roofs, hard surfaces and Bella Vista Farm Park and fed to onsite ponds. Stormwater pollution control devices and biofilters are used to maintain the ponds' water quality as habitat for native flora and fauna, and for irrigation of native flora around the campus.

Paper

Our global office paper use in 2013 totalled 11,145 million sheets or 55.61 tonnes. Detailed paper data has been maintained at our Sydney campus since 2010. Total usage has fallen by 20.3% in the two years to the end of 2013. The most appropriate relative measures of paper use consider the number of people working in non-manufacturing roles, and the extent to which used paper is recycled. Paper use on those measures is shown in Table 17 below. Over 35% or 1,000 sheets per person per year have been saved. Reductions have been achieved by promoting the use of double-sided and centralized printing, and by relying more on electronic means for internal communication. Many of these measures are now being replicated globally.

Table 17: Paper use, Sydney campus

		Sheets ('000)	Tonnes	People *	Sheets per person	Δ
2013	**Global**	**11,145**	**55.61**	**2,400**	**4,644**	**-20.3%**
2012		**12,751**	**63.62**	**2,188**	**5,827**	**n/a**
2013	**Sydney only**	2,666	13.30	829	3,216	-18.7%
2012		3,374	16.83	853	3,955	-20.2%
2011		3,695	18.44	809	4,567	

* Sales, administration and R&D only, manufacturing and distribution employees excluded

Waste

Our global approach to waste is integrated with and influenced by our approach to quality, safety, and environmental management – one of continually seeking improvements to efficiency and outcome: see page 32. All sites segregate recyclable waste for disposal. For 2013, we have measured the total waste sent to landfill and recycled in all but our European operations. In our measured sites, we have totalled 472 tonnes sent to landfill, and 1,626 tonnes of waste sent for recycling, achieving a landfill diversion rate of 78%.

Increasingly, waste manufacturing and office equipment materials are being diverted from landfill as their component elements, including rare earths, become more valuable. Pallets from our supply chain are a large potential waste contributor. We are working on a comparative life-cycle analysis of hardwood, softwood and plastic pallets. Our German operations have converted to re-usable cartons for our internal logistics. We will need to engage with component and material suppliers on pallets that cannot be re-used or recycled.

At our principal manufacturing and research site in Sydney, more deliberate action on both administrative and production waste was triggered by the formalization of our environmental program with ISO14001 accreditation in 2010. Recycling has been improved with suitable bins and strong signage and other communication to influence behaviour.

Any existing or new material is identified and considered for recycling by the production teams and by our recycling partners who carry appropriate licences. Many production lines now use separate bins for four different types of plastic and silicone offcuts. Used batteries, steel drums, metals, cardboard, plastics, sanitary items, light bulbs, cooking oil, e-waste and printer cartridges are all collected separately from general waste and disposed of through specialists. Recent changes include a shift toward secure recycling program to drive reduction in secure disposal to landfill. We are currently reviewing all waste streams on site to drive further enhancement in waste and recycling management.

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

Table 18: Waste from global operations, ex-Europe

		Landfill waste (T)	Δ	Landfill diversion (T)	Landfill diversion (%)
2013	**Global ex-Europe**	**472**	**-19%**	**1,626**	**78%**
2012		**588**		**1,473**	**72%**
2013	**Sydney only**	137	-45%	556	80%
2012		249	-23%	578	70%
2011		325		738	74%

Environmental stewardship

Land, water and biodiversity impacts

Our operations do not have a large impact on their 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.

The Bella Vista, Sydney campus was built in a then semi-rural landscape. In meeting regulatory approvals, ResMed and our architects Toland Williams Pty Ltd designed and built the campus to reflect and enhance the site's environmental and cultural heritage. Manufacturing and administrative buildings, opened in 2004-6, have been constructed to a 2002 master plan that minimizes its external

environmental impact and maximizes its internal passive efficiencies in energy use. They are part of four landscape zones designed into the 26-acre site: an open woodland that preserves the existing dominant landscape, a riparian corridor that is dedicated to ecological processes with no facilities for human interaction, a cultural landscape that replicates the new buildings on the site of and in the style of the pre-existing Bella Vista farm buildings, an activities zone for outdoor human use. The riparian corridor allows the movement of aquatic and land fauna through the natural catchment area of the campus, and includes reeded holding ponds and natural water flows.

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, with pilot training for both product development and manufacturing teams conducted in 2011. For example, there are improvements to design and packaging of a new mask product which results in a significant reduction in the environmental impacts of the product. When compared to its predecessor, the new product consumes less raw materials and packaging, generates fewer waste matter in manufacturing, has better recyclability, and increases the efficiency in transportation.

Hazardous materials

The European Directive on the Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment is due to apply to medical devices in 2014. The RoHS directive restricts lead, mercury, hexavalent chromium, PBB and PBDE to 0.1% of product weight, and cadmium to 0.01% of product weight. The ResMed S9 series of sleep therapy system was released in 2010 and is the first ResMed product range to be RoHS compliant. We have committed to ensure all future products will similarly be free of hazardous materials. Our design process ensures RoHS compliant products. Prior products are in the process of being redesigned to be RoHS compliant, or will become obsolete in the coming period.

Supply chain

We set out our expectations of supplier environmental performance in the ResMed supplier manual. We reward suppliers via our rating system if they operate to a certified Environmental standard (eg ISO14001). Observations on environmental performance are taken during our regular quality audit of supplier facilities: see page 25. Our expectations of suppliers include:

- holding an auditable environmental compliance plan, for all supplied items
- maintaining and disclosing as required up-to-date, traceable information for every individual (homogeneous) material
- 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 2006 Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations for substances of very high concern (SVHC).

– END –

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Appendix 1 – References to GRI core metrics

GOVERNANCE, COMMITMENTS AND ENGAGEMENT		PAGE
4.1	Governance structure of the organization	12
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4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	13
4.5	Links between compensation and performance.	13
4.6	Processes in place to avoid conflicts of interest.	12
Governance		
4.10	Processes for evaluating board performance, including economic, environmental, and social performance.	13
Commitments to external initiatives		
4.12	Externally-developed economic, environmental or social charters, principles, or other initiatives to which the organization subscribes or endorses.	Not reported
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies, participates in projects or committees, or provides funding beyond routine membership dues.	31
Stakeholder engagement		
4.14	List of stakeholder groups engaged by the organization.	Not reported
4.15	Basis for identification and selection of stakeholders with whom to engage.	Not reported; not material
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Not reported
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Not reported; not material

ECONOMIC PERFORMANCE INDICATORS		PAGE
Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	8
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not reported; not material
EC3	Coverage of the organization's defined benefit plan obligations.	23
EC4	Significant financial assistance received from government.	Not reported
Market Presence		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	26
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	19
Indirect Economic Impacts GRI		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	Not reported

ENVIRONMENTAL PERFORMANCE INDICATORS		PAGE
Materials		
EN1	Materials used by weight or volume.	Not reported
EN2	Percentage of input materials used that have been recycled.	Not reported
Energy		
EN3	Direct energy consumption by primary energy source.	35
EN4	Indirect energy consumption by primary source.	36
EN5	Energy saved due to conservation and efficiency improvements.	36
Water		
EN8	Total water withdrawal by source.	37
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value.	n/a
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value.	39
Emissions, effluents, and waste		
EN16	Total Scope I and II greenhouse gas emissions (t)	37
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported
EN19	Emissions of ozone-depleting substances by weight.	Not reported
EN20	NO, SO, and other significant air emissions by type and weight.	8
EN21	Total water discharge by quality and destination.	Not reported
EN22	Total weight of waste by type and disposal method.	39
EN23	Total number and volume of significant spills.	40
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	40
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	34

SOCIAL PERFORMANCE INDICATORS		PAGE
Employment		
LA1	Total workforce by employment type, employment contract, and region.	18
LA2	Total number and rate of employee turnover by age group, gender, and region.	24
Labour/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	22
LA5	Minimum notice period(s) regarding operational changes, including whether specified in collective agreements.	Not reported
Occupational health and safety		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	20
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	23

SOCIAL PERFORMANCE INDICATORS (CONTINUED)		PAGE
Training and education		
LA10	Average hours of training per year per employee, by employee category.	Not reported
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age, minority group membership, and other indicators of diversity.	18
LA14	Ratio of basic salary of men to women by employee category.	18
Investment and procurement practices		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not reported
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	0%
Non discrimination		
HR4	Total number of incidents of discrimination and actions taken.	22
Freedom of association and collective bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	22
Child Labour		
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to eliminate risk.	22
Forced and compulsory labour		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to eliminate risk.	22
Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not applicable
Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	16
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	16
SO4	Actions taken in response to incidents of corruption.	16
Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying.	Not reported
Compliance		
SO8	Significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	8
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	27
Product and service labelling		
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	27
Marketing communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	27
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	8

Appendix 2 – Range of products

The tables below provide a selection of products, as known by our trademarks, which have been released during the last five years.

CONTINUOUS POSITIVE AIRWAY PRESSURE PRODUCTS		COMMERCIAL INTRODUCTION
S8 Escape (Lightweight) II (ROW, ex Japan)	A small CPAP device with enhanced feature set to the original S8 Escape (Lightweight), with further improved patient therapy comfort. The device has an optional integrated humidifier.	September 2008
S9 Elite	Premium level CPAP device in ResMed's sleek, compact S9 Series. Features Enhanced Easy-Breathe motor, Expiratory Pressure Relief (EPR) and detailed data options. The device also has an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	February 2010
S9 Escape	As the Standard CPAP model of the S9 Series, the S9 Escape features Expiratory Pressure Relief (EPR) and other innovative features including Climate Control and the enhanced Easy-Breathe motor. The device also has an optional integrated humidifier (H5i).	September 2010

VARIABLE POSITIVE AIRWAY PRESSURE PRODUCTS		COMMERCIAL INTRODUCTION
VPAP III STA with QuickNav	An upgraded Bi-level device with alarm history, instant efficacy data and a large screen.	July 2008
VPAP S / VPAP IV	Bi-level device that provides S and CPAP modes with the pressure up to 25 cmH2O in a compact and convenient S8 design.	September 2008
VPAP IV ST	Small compact Bi-level ST device in an S8 box with VAuto for Europe.	September 2008
S8 Auto 25	Bi-level device that provides the Easy-Breathe wave on the AutoSet algorithm and the pressure up to 25cm H2O in a compact and convenient S8 design.	October 2008
VPAP Tx Lab System	VPAP Tx therapy device features all ResMed's sleep therapy modes. Tx Link connection module relays signals from the device to PSG equipment. The system is controlled through the user-friendly EasyCare Tx titration software.	March 2010
S9 VPAP S	Bilevel pressure support therapy device in ResMed's sleek, compact S9 Series. Designed for comfort and compliance with the Easy-Breath waveform in S-mode* and pressures up to 25 cmH2O. The device also has an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube. *Americas only	March 2011

VARIABLE POSITIVE AIRWAY PRESSURE PRODUCTS (continued)		COMMERCIAL INTRODUCTION
S9 VPAP ST	Bilevel pressure support therapy device with pressures up to 25 cmH2O designed for comfort, effective therapy with the assurance of back up rate up to 50 bpm. The device also has an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	March 2011
S9 VPAP Auto	Premium auto-adjusting device with the unique VAuto mode and Easy-Breathe technology designed for patients requiring both higher pressures and pressure relief. VAuto mode features enhanced AutoSet technology with central sleep apnea (CSA) detection. The device may be used with an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	March 2011
S9 VPAP Adapt	Adaptive Servo-Ventilator specifically designed to provide a rapid response to periodic breathing for the treatment of central and/or mixed apneas, providing ventilatory support when it is needed packaged in ResMed's sleek, compact S9 Series. The device also offers an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	March 2011
S9 AutoSet CS	Adaptive Servo-Ventilator specifically designed to provide a rapid response to Cheyne-Stokes breathing and periodic breathing associated with Heart Failure for the treatment of central and/or mixed apneas, providing ventilatory support when it is needed in ResMed's sleek, compact S9 Series. The device also has an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	March 2011
S9 Auto 25	Premium auto-adjusting device with the unique VAuto mode and Easy-Breathe technology designed for patients requiring both higher pressures and pressure relief. VAuto mode features enhanced AutoSet technology with central sleep apnea (CSA) detection. The device may be used with an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	March 2011
S9 VPAP COPD	Bilevel pressure support up to pressure 30cmH O with both fixed and adjustable alarms. This device has been specifically designed for COPD.	April 2013

AUTOMATIC POSITIVE AIRWAY PRESSURE PRODUCTS		COMMERCIAL INTRODUCTION
S9 AutoSet	Premium APAP device in ResMed's sleek, compact S9 Series. Features Enhanced AutoSet (with Central Sleep Apnea Detection), Enhanced Easy-Breathe motor, expiratory pressure relief (EPR) and detailed data options. The device also has, an optional integrated humidifier (H5i), ClimateLine heated tube and the small, lightweight SlimLine tube.	February 2010
S9 Escape Auto	The S9 Escape Auto is the Standard APAP device in ResMed's S9 Series. It features an intelligent algorithm with Easy-Breathe expiratory pressure relief (EPR) and delivers whisper-quiet therapy in a smooth waveform. The device also offers an optional integrated humidifier (H5i), Climate Control with the ClimateLine heated tube and the small, lightweight SlimLine tube.	September 2010

VENTILATION PRODUCTS		COMMERCIAL INTRODUCTION
Elisée 150 (Lyon)	New software launch V2.50 incorporating CPAP mode and additional flexibility in settings. For example presetting 2 programs in both invasive and non-invasive.	November 2008
VS III	Pressure support and volume ventilator for invasive and non-invasive purposes so it can be used from the hospital to the home. Launched in France and Germany.	December 2008
Stellar 100 and 150	Pressure support and volume ventilator for invasive and non-invasive purposes so it can be used from the hospital to the home.	March 2011

MASK PRODUCTS		COMMERCIAL INTRODUCTION
Activa LT	Nasal mask including Active Cell Technology in a lightweight version to help mitigate leak and optimize patient comfort	October 2008
Swift LT for Her	Nasal mask offering pillows systems with female specific design features	November 2008
Swift FX	Fourth generation nasal pillows system offering a fully flexible design for comfort and performance	September 2009
Mirage SoftGel	Nasal mask offering a gel cushion, interchangeable with the Activa LT system to improve choice and comfort	October 2009
Quattro FX	Full Face mask offering unobtrusive fit	September 2010
Swift FX for Her	Fourth generation nasal pillows system offering a fully flexible design for comfort and performance with female specific design features	September 2010
Mirage FX	Nasal mask offering auto adjusting forehead support and SoftEdge headgear	October 2010
Mirage FX for Her	Nasal mask offering auto adjusting forehead support and SoftEdge headgear with female specific design features	April 2011
Pixi Pediatric Mask	A pediatric mask designed for children 2 years and older	September 2011
Quattro FX for Her	Full face mask offering unobtrusive fit with female specific design Features	October 2011
Swift FX Bella	Fourth generation nasal pillows system with an alternative headgear Design	January 2012
Quattro Air	Next Generation lightweight Full face Mask with improved comfort	June 2013
Swift FX Nano	A compact nasal mask designed to deliver an excellent user experience, without compromising on fit, comfort and ease of use.	June 2013

DIAGNOSTIC PRODUCTS	DESCRIPTION	COMMERCIAL INTRODUCTION
ApneaLink + Oximetry	A portable diagnostic device with oximetry measurement	June 2007
ApneaLink Plus (U.S.)	A portable diagnostic device with oximetry measurement and respiratory effort measurement	June 2009

DATA / PATIENT MANAGEMENT PRODUCTS		COMMERCIAL INTRODUCTION
S9 Embletta Adapter	The S9 Embletta Adapter provides a connection between an S9 device and an Embletta Portable Diagnostic System	November 2010
ResScan v3.14	An easy and flexible patient monitoring system providing therapy insights. This version oncluded support for S9 bilevel and cross-patient first 30 days compliance reporting.	April 2011
ResTraxx v17.1	ResMed's web-based compliance monitoring system which introduced several new features to ResTraxx Online reports and enhanced support for S9 VPAP devices.	April 2011
ResTraxx v 18.3	ResMed’s web-based compliance monitoring system introducing EasyCare Card – online compliance reporting direct from device SD card to ResTraxx Online	November 2011
ResScan V3.16	ResMed’s easy and flexible patient monitoring system providing therapy insights and supporting VS and Elise ventilation products (Europe)	November 2011
EasyCare 1.0	ResMed’s new compliance management solution offers both wireless and cardto-cloud functionality, providing access to patient data anywhere with an internet connection. Intuitive user interface, easy to understand reports and automated compliance notification.	April 2012