Report on Environment, Social and Governance Issues

December 2017

Report scope and references

This Environment Social and Governance 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.

The report focuses on the three financial years ended 30 June 2015–2017. This report also provides background to issues relevant to that period.

This report should be read with documents filed with the US Securities Exchange Commission, in particular our 2017 Form 10-K annual report and our 2017 Form DEF 14A proxy statement for shareholders. These filed documents take precedence over this ESG report in the event of any unintended inconsistency.

All references to years are to fiscal years ended 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. APPENDIX 1 at the end of the documents matches the information in the report with the relevant GRI indicators.

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

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

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OUR APPROACH TO ESG

We have now reported several times on our environment, social and governance performance and most of our metrics continue to improve. Our purpose at ResMed is to change lives with every breath and we work to fulfill this purpose in everything we do. Our ESG strategy is grounded in business sustainability because our innovation, sound business practices and operational excellence are key to our growth, now and in the future. We are deeply committed to team-member engagement as well as hiring, developing and advancing the best talent. Our corporate culture demands high levels of innovation and a rigorous code of ethics from our global team.

ResMed was founded in 1989 to provide global leadership in sleep and respiratory medicine. Our mission today is three-fold: to improve the quality of life for people affected by sleep-disordered breathing and COPD, to prevent the progression of these and other chronic diseases, and to reduce the healthcare costs associated with these diseases by keeping patients out of the hospital and safe and healthy at home.

With each year, and with ever-increasing detail, new research reveals the role sleep-disordered breathing plays in personal and population health. Untreated sleep-disordered breathing has been linked to cardiovascular disease, type 2 diabetes, peri-operative risk, chronic obstructive pulmonary disease (COPD) and beyond. Untreated sleep-disordered breathing is also an occupational health and safety hazard 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 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 operating excellence. Strict legal compliance and high performance on quality, environmental, privacy, data security and safety issues are all integral to the global ResMed culture.

We know that our performance and products and solutions 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 our ultimate customer, the patient – all need an environment and culture that encourages and promotes the best outcomes. We are proud that our environmental and governance record is sound, and that our social contribution is substantial in the communities that we serve. We are also proud that in the past 12 months, we improved more than 12 million lives and we aspire to change 20 million lives by 2020, literally keeping patients breathing. We are proud of our accomplishments and thank you for your contributions to our ongoing ESG journey as we continue to pursue our purpose of changing lives with every breath for every patient in the world with sleep apnea and COPD.

M**ichael "Mick" Farrell**
Chief Executive Officer

Key ESG indicators

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

Table 1: Key ESG performance indicators

ECONOMIC PERFORMANCE	2017	2016	2015
Economic value generated and distributed (US$'000)[1]:			
Revenue	2,066,737	1,838,713	1,678,912
Cost of goods sold[2]	864,992	772,216	667,516
Salaries and wages	532,747	444,491	441,058
Interest paid to lenders	28,236	11,206	5,778
Taxes paid to government[3]	77,396	90,736	85,983
Donation to research foundation	600	600	1600
Donations to other community purposes	235	229	475
Investment in research and development	144,467	118,651	114,865
ENVIRONMENTAL PERFORMANCE			
Total energy use (GJ)	129,990	128,791	130,317
Energy intensity (GJ/$m rev)	62.9	70.0	77.6
Total scope I and II greenhouse gas emissions (t CO_2e)	22,290	21,118	20,986

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

Significant NO, SO, and other air emissions	0	0	0
Total water withdrawal (kL) **	64,083	51,937	80,690
Percentage of waste recycled by weight ***	76%	77%	75%
Paper use (sheets per person per year)	1,298	2,041	2,967
Monetary value of environmental fines and sanctions	$0	$0	$0
SOCIAL PERFORMANCE	*2017*	*2016*	*2015*
Annual voluntary employee turnover ****	15.4%	17.1%	16.1%
Fatalities	0	0	0
Lost time injury rate (injuries per million employee hours)	1.66	2.36	2.98
Percentage senior (VP or above) executives female	21%	18%	20%
Material breaches of marketing and labelling regulations	0	0	0
Monetary value of fines and sanctions for production or market-related non-compliance	$0	$0	$0

** Major sites Australia and US only *** Global ex-Europe **** Voluntary

RESMED IN BRIEF

ResMed (NYSE: RMD, ASX: RMD), a world-leading connected health company with more than 4 million cloud-connected devices for daily remote patient monitoring, changes lives with every breath. Our award-winning devices and software solutions help treat and manage sleep apnea, chronic obstructive pulmonary disease and other respiratory conditions. Our 6,000-member team strives to improve patients' quality of life, reduce the impact of chronic disease and save healthcare costs in more than 120 countries.

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

There is also mounting clinical evidence of the strong association and detrimental health consequences for patients suffering from untreated sleep-disordered breathing and co-morbidities such as cardiac disease, diabetes, chronic obstructive pulmonary disease, hypertension and obesity. For example, studies have shown that sleep-disordered breathing is present in 83% of patients with drug-resistant hypertension, 72% of patients with type 2 diabetes[1], 77% of patients with obesity[2] and 76% of patients with congestive heart failure[3].

To maintain our position as a global leader, we remain committed to innovation. We continue to invest approximately 6 to 7% of our revenue in research and development, allowing us to develop award-winning products for the diagnosis and treatment of sleep-disordered breathing and other respiratory disorders. In the last five years alone, we have developed 32 products (see 2017 annual report on Form 10-K for details).

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 see future opportunities to identify and treat even more patients and sufferers of sleep-disordered breathing and other respiratory disorders. We view our growth strategy over three horizons.

The first horizon is in our primary existing market of obstructive sleep apnea treatment, where telemedicine is an increasingly important factor. Connected health digital technologies enable the secure remote collection and transfer of information. Data exchange software integrates sleep and respiratory treatment data from patient management platforms with our customer's in-house or third-party electronic medical records, billing and care management applications. This may change the current clinical pathways for following patients using our devices, and it provides an opportunity to improve our services and reduce overall healthcare costs. We are investing in expanding our capabilities in this area.

The second horizon is the treatment of respiratory disease, especially chronic pulmonary disease, or COPD. Our devices are used to treat respiratory disease in the hospital and at home. Our telemedicine technologies in these areas create integrated connected solutions that are a key enablers for treatment. Some patients with advanced COPD may benefit from the use of ventilation at night, but until recently only a small number of COPD patients were treated using ventilation on a long-term basis. We believe this gives us a unique opportunity to reach even more patients.

The third horizon represents our investment in a portfolio of new market options. These include chronic disease management, sleep and consumer wellness, and other related adjacent areas, such as atrial fibrillation, heart failure, and monitoring.

[1] Einhorn D et al. *Edocr. Pract* 2007

[2] O'Keeffe T and Patterson EJ. *Obes Surg* 2004

[3] Oldenburg O et al. Eur J Heart Fail 2007

Underlying this strategy are several enablers, most importantly, our best-in-class talent. We employ approximately 6,000 people and sell our products more than 120 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 2017 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. We generally lease our other premises.

Table 2: Summary of ResMed locations

Regions	Primary locations	People	Roles
Americas	USA (San Diego CA, Atlanta GA, Moreno Valley CA, Chatsworth CA, Atlanta GA), Canada (Halifax NS)	1,810	administration, manufacture, sales and marketing, quality assurance, distribution, customer service, and product development
Asia-Pacific	Australia, New Zealand, Malaysia, Singapore, India, Japan, China,	2,935	manufacturing, quality assurance, product development, sales and marketing, customer service, administration, and IT shared services
Europe	Finland, France, Germany, Ireland, Norway, Netherlands, Spain, Sweden, Switzerland and the United Kingdom	1,335	administration, distribution, customer service, sales and marketing, quality assurance, product development, and manufacturing

Administration, product development and distribution

ResMed's corporate headquarters is at its 230,000 square feet facility in San Diego, California. Further corporate hubs are at Bella Vista, Sydney, Atlanta Georgia and at Munich-Martinsried, Germany. Our principal research and development center is in Sydney, with further research conducted at Chatsworth, California; Dublin, Ireland; Halifax, Nova Scotia; Munich-Martinsried, Germany; Paris, France; and Singapore. Distribution centers are located in Atlanta Georgia; Moreno Valley, California; Roermond, Netherlands; Abingdon, UK; Basel, Switzerland; Lyon, France and Bremen, Germany. Our German home healthcare services are managed from Martinsried and Gremsdorf.

Manufacturing operations

Our principal manufacturing sites are a 155,000 square foot facility at our Sydney site and a 95,000 square foot facility in Singapore. Further manufacturing is undertaken at a manufacturing facility in Suzhou, China. Further manufacturing is conducted at Freudenstadt, Germany, Lyon, France, Chatsworth, USA and Johor Bahru, Malaysia.

Sales and marketing

We currently market our products in more than 120 countries using a network of distributors and our direct sales force.

- **North America and Latin America (Approximately 63% of 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 comprises 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 and Asia Pacific (Approximately 37% of net revenues).** In Europe we have wholly-owned subsidiaries in Austria, Czech Republic, Finland, France, Germany, Ireland, Norway, Netherlands, Poland, Sweden, Switzerland and the United Kingdom, and use independent distributors elsewhere. In many European countries we sell our products to home healthcare dealers who then sell the products to patients. In Germany, we also operate a home healthcare company that provides products and services directly to patients, and receives reimbursement directly from third-party government or private insurance payors. In Asia Pacific 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 2015-2017

Year	Award	Recipient	Awarded for
2017	MD+DI	ResMed	Medtech Company of the Year (finalist)
2017	MD+DI	ResMed	Top Medical Device Company to Work for
2017	“JUST 100” Forbes	ResMed	Top U.S. Corporate Citizens
2016	“JUST 100” Forbes	ResMed	Top U.S. Corporate Citizens
2016	Canada’s Top 100 Employers	ResMed - Umbian	Nova Scotia Top Employer
2016	Berg Insight	ResMed	#1 healthcare company in remote patient monitoring

Year	Award	Recipient	Awarded for
2016	San Diego Business Journal	ResMed	Workplace Health - Healthiest Medium-sized Company (finalist)
2015	Red Dot product design Award	ResMed S+	International product design
2015	Red Dot product design Award	AirSense 10 and AirCurve 10	International product design
2015	Berg Insight	ResMed	#1 healthcare company in remote patient monitoring

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 adopted by our board of directors and 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 in exercising its responsibilities in accordance with our constitution and all applicable laws and regulations. These include the regulations of the US Securities and Exchange Commission and the rules of both the New York Stock Exchange and the Australian Securities Exchange (as applicable), 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 under 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 (3 directors). Each committee comprises solely of independent directors.

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

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. Currenlty, our independent directors and their tenures, are as follows: Dr Gary Pace has been a director since 1994; Messrs Rich Sulpizio, Ron Taylor and Jack Wareham since 2005; Ms. Carol Burt since 2013; and Ms. Karen Drexler since November 2017. 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. 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, communicates with stockholders as appropriate, and fulfils other duties that support sound corporate governance.

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

Board performance

Our board's nominating and governance committee has the delegated purposes of:

- evaluating the board's overall effectiveness in representing stockholders and otherwise contributing to lasting value creation at ResMed
- assisting in selecting board and committee members, and
- reviewing developments in corporate governance practices.

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

Board and executive remuneration

Our board's compensation committee reviews the cash and equity compensation of directors and senior management, including target and actual incentives.

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

- **pay-for-performance.** A significant portion of our executives' compensation is at-risk and tied to the achievement of pre-established short-term corporate financial objectives through our annual cash incentive programs that are earned solely based on achieving our corporate and regional goals of adjusted net sales and adjusted net profit as a percentage of revenue, weighted equally. These two measures represent fundamental financial metrics: top-line sales, and the portion of those top-line sales that fall to the bottom-line. These fundamental metrics are critical drivers of our stockholder returns. We live with the resulting financial results and corporate officer payouts were below-target in fiscal year 2017.

- **market-competitive compensation**. Our objective is to provide a target total compensation program that is competitive with similarly-sized US-based public companies in the medical device and medical technology industries with which we compete for executive talent. During fiscal year 2017, the committee used a guideline for our chief executive officer's total target cash compensation (assuming a cash short-term incentive earned for achieving the goals at plan) at approximately the 50th percentile of our U.S. peer group; and that total target cash compensation should reflect a relatively lower emphasis on salary and a higher percentage of pay at risk in the form of an annual cash incentive. This was consistent with the belief that total direct compensation should at least be at median. The guideline is broad to recognize individual situations, and also allows us to reflect the fact that we set challenging targets for our short-term incentive programs..

- **alignment with stockholder interests**. Equity is a key component of our executive compensation. We believe our equity-based incentive award program enhances long-term stockholder value and encourages long-term performance, because equity-based incentive awards align our executives' financial rewards with those of our stockholders, through appreciation of our stock price. During fiscal year 2017, we continued our performance stock unit equity program, in which performance stock units represented 50% of the equity value in our annual grants. Performance criteria for performance stock units granted during fiscal year 2017 are based on absolute total shareholder return over a four-year measurement period, with an opportunity to accelerate payouts after year three, if total shareholder return performance is high enough. The committee believes this design aligns with actual stockholder experience, reduces point-to-point volatility, rewards performance for which executives are accountable, and provides a strong retention mechanism. In fiscal year 2017, we also continued our practice of providing executives the choice to select whether the balance of their

equity awards would be entirely in the form of stock options, entirely in restricted stock units or evenly split (in value) between the two.

- ***Informed decisions*.** The committee retains Frederic W Cook & Co., Inc., an independent compensation consultant, to advise the committee on executive compensation matters for executive officers and to perform a comprehensive market analysis of our executive compensation program, pay levels, and relative operating performance. FW Cook performs no work for us other than its work providing executive compensation consulting services to the committee

Risk and ESG oversight

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

Audit committee	Overseeing financial risk, capital risk and financial compliance risk, 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 US Patient Protection and Affordable Care Act and changes to the US Federal Drug Administration's 510(k) process, may have a material adverse effect on our industry and our results of operations, and
- Other changes to the FDA's quality and testing standards, and failure to comply promptly with those standards, may have an adverse effect on our business.

These are in addition to standard business risks such as threats from competition, fluctuations in currency exchange rates, the challenge of supporting continued growth and business acquisitions, disruptions to supply, and intellectual property claims: see our 2017 annual report.

Business integrity

The best protection of integrity is to instill a culture that values honesty and ethics: doing what's right every day; relying on our people's good judgment and sense of fairness; reporting unethical behaviour; and taking appropriate action. All 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 we expect of our people, the procedures for any suspected breach, and the consequences of any substantiated breach. The code also constitutes ResMed's code of ethics under US law and the New York Stock Exchange's listing standards. It deals with conflicts of interest; confidential information; fair dealing with customers, suppliers and competitors; and compliance with financial reporting, insider trading and other financial market 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 an immediate supervisor. Where permissible[4], we also have a toll-free hotline to an independent company for employees or others who want to speak up but prefer to remain anonymous. The code prohibits retaliation against any employee who has taken action in good faith to seek help on or report a suspected breach of the code.

Ethics and corruption

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 where allowed, and in any case employees should not provide entertainment or other benefits that could be viewed as an inducement to or a reward for customer purchase decisions. Facilitating and expediting payments are prohibited unless pre-approved by legal counsel.

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

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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 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 & compliance process, and additionally on the advice of our legal counsel and external advisers.

Political transparency

In it's Code of Conduct, ResMed prohibits political contributions by the Company or by employees on behalf of the Company except as approved in advance by the CEO and subject to review by the Company's Global General Counsel.

ResMed has made a single contribution of USD 2,500 to a commemorative function hosted by the Republican Party.

Intellectual property

We rely on a combination of patents, trade secrets, copyrights, trademarks and non-disclosure agreements to protect our proprietary technology and rights.

Through our various subsidiaries, as of the date of this annual report, we own or have licensed rights to approximately 1,127 issued United States patents (including approximately 430 design patents) and approximately 2,083 issued foreign patents. In addition, there are approximately 468 pending United States patent applications (including approximately 44design patent applications), approximately 952 pending foreign patent applications, approximately 983 registered foreign designs and 50 pending foreign designs. Some of these patents, patent applications and designs relate to significant aspects and features of our products.

[4] In some countries, local laws limit employees ability to report anonymously.

Of our patents, 222 United States patents and 483 foreign patents are due to expire in the next five years. There are 99 foreign patents due to expire in 2018, 46 in 2019, 134 in 2020, 75 in 2021, and 129 in 2022. There are 54 United States patents due to expire in 2018, 17 United States patents in 2019, 72 United States patents in 2020, 33 United States patents in 2021, and 46 United States patents in 2022. We believe that the expiration of these patents will not have a material adverse impact on our competitive position.

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 code of business conduct & ethics 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 while our rate of employee turnover is in line with or less than industry benchmarks.

We continue to invest in a global human capital management information system 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 6,046 people, of which 93% are full time.

Table 4: ResMed's people, 30 June 2017

	Total	Full time	Male	Full time	Female	Full time
Total employees	**6,046**	**93%**	**2,901**	**98%**	**3,145**	**89%**
Americas	1,750	98%	856	100%	894	96%
Asia Pacific	2,861	95%	1,358	98%	1,503	93%
Europe	1,435	84%	687	95%	748	74%

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 5 below shows the percentage of our employees who are female, at four levels of seniority. These figures change from year to year as individuals join, are promoted into and leave at various 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 who have held a position meritoriously at the same level for a longer time.

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 all our sites, our commitment to increasing opportunities for female employment remains strong. Our initiatives are summarized below.

Table 5: Employee gender profile by seniority band (US, EMEA-APAC)

	Executives VP and above		Senior		Mid-Junior		Production	
	Female	Salary*	Female	Salary	Female	Salary	Female**	Salary**
2017*	21%	80%	30%	95%	47%	90%	77%	90%
2016*	18%	88%	29%	98%	49%	84%	77%	93%
2015	19%	89%	29%	90%	43%	84%	65%	93%

- Data as at 1 July in the respective years

- Only regular full time salaries are captured

- Production classified as any EE under the manufacturing bonus plan

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

- Current FX rates used to calculate USD equivalent salaries

- Average of average female salary vs male salary within country used for production staff

Initiatives to continue to support female employment include alternative rostering and part-time employment, a remuneration review, 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. 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. 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 some locations. All our manufacturing facilities, with the exception of our Malaysian manufacturing facility, have been in OECD-member countries, and all facilities have appropriate management and staff available locally.

How we work

ResMed has a working style based on five key behaviors: We start with best practice, we must experiment courageously, we stay laser-focused on our top priorities and we are decisive in our approach. These behaviors 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. 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 to minimize workplace incidents and maximize the care taken for employees who suffer from a workplace incident. Our global approach to health and safety is led by our Australian manufacturing operations, with support at regional and country levels; our safety approaches and performance measures are progressively adopted globally.

Systems and culture

Our safety management systems (for example, our US Workplace Injury and Illness Prevention) are generally the same format and nature as our quality and environmental management systems, so that our people are familiar with how 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 across our global sites as appropriate to local needs.

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

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

Injury rates

The number of incidents requiring time off work for rehabilitation (lost time injuries) has continuously fallen from 2015 to 2017, indicating an effective management system and sustained focus on continuous improvement: see Table 6.

Table 6: ResMed Injury rates, global, 2015–17

	2017	2016	2015

Fatalities	0	0	0
Lost time injuries	15	18	21
Lost time injury rate (Injuries per million employee hours)	1.66	2.36	2.98
Total recordable injury rate (per million employee hours)	3.99	7.09	6.24

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. This reduction reflects fewer incidents, fewer serious incidents, and improved administrative rehabilitation processes.

Career development and learning

Staff in key roles at ResMed have specific career and development pathways, designed in consultation with their operational management, human resources, and Learning Centre specialists. We encourage employees to take advantage of online, on-campus and tertiary learning avenues and we provide appropriate financial support.

The ResMed Learning Centre, co-located across our major centres, supports all employees in their career development. The Learning Centre is a state-of-the-art on-campus learning facility for face-to-face and on-line training, as well as a multi-disciplinary team of learning and content specialists.

The ResMed Learning Centre 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.

In 2015, we launched MyDay: our new approach to performance and development. MyDay was designed to ensure that employees and managers have regular feedback and conversations about performance goals and performance, to enable our high performance culture, and to create an environment to help the global ResMed team achieve our strategy to impact 20 million lives by 2020.

We have also upgraded our online Learning Management System and reinvented the way we learn. MyLearning was launched to provide a simplified online system, with access to on-demand knowledge databases and training material, anytime anywhere.

Employee consultation and communication

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

In certain European countries, workers are represented by work councils, who are independent of trade unions and with whom we must consult on any plan regarding the organization, health and safety, and working conditions. We have over 500 employees at ResMed Homecare in Germany, for example, 11 of whom serve on the work council. One employee is allowed to spend 100% of their time on council matters, with full pay. In our French operations, 21 employee work 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. Rights protection is an integral part of our employee training; in particular, we emphasise our responsibility to protect against discrimination and harassment, which is detailed in our code of business conduct and ethics and formal policies on workplace behaviour, discrimination and harassment, health and safety, career development and employee benefit programs. In cases of proven serious misconduct or breach of employment agreements, appropriate disciplinary action has been taken, up to and including employment termination.

ResMed discloses on our website our policies on child and forced labor, 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 compliance standard if we believe that local laws are inconsistent with our corporate values. There have been no reported instances of material breach of these policies in the period.

ResMed discloses statements on our website in relation to the UK Modern Slavery Act.

We have a program aligned with US disclosure requirements for the source of "conflict minerals" in our finished products.

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), we benchmark remuneration for all position levels against relevant peer companies. We also provide salary continuance, life insurance, health insurance, and similar benefits based on local market conditions.

Work-life balance

In addition to market-competitive compensation packages, we support employees and their families with paid time-off, home working arrangements (in some countries, where feasible and approved), and consideration in rostering. Paid time-off varies with local conditions, but is generally available for sick leave, parental-community-carer leave, 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. ResMed maintains a significant community volunteering program that allows staff to integrate volunteering into their lives with the support of the company. Additional leave is available for a range of other personal causes. Flexible rostering in Australia and Europe has enabled a high proportion of our employees to remain full time. Part-time transitions have been made available for women returning from parental leave and in limited cases for employees to pursue higher education.

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. Field based teams are supported through communication, monitoring and general support.

The buildings at the Sydney campus are designed to be efficient facility, to bring together corporate and manufacturing divisions to facilitate their collaboration and there-by improve the product design, development and manufacturing. The iconic Innovation Centre, with its narrow floor plate, oriented towards the north takes advantage of the Environmental Sustainable Design (ESD) principles.

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

Perceptions

Employee engagement

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

In 2017, we engaged with Perceptyx who independently conducted our latest global employee survey, with the headline results shown in Table 7 below. Results were compared to past survey results for trending and used to help inform our strengths in employee engagement.

The scores below represent the overall percentage of the company who responded favourably to the areas identified. We expect to perform another survey within 18–24 months to continue to measure our employee engagement.

Table 7: ResMed employee engagement, Global

Global employees	% of Favorable responses
	2017
Employee engagement	81%
Clear and promising direction	79%
Respectful managers	82%
Proud to work for ResMed	87%

Employee turnover

We experience a relatively low turnover of production and warehousing staff, with turnover of professional staff closer to comparison indices. Our overall voluntary turnover has been falling consistently from 2012 to 2017. Periodic organizational change in the form of acquisitions and business structural change may affect turnover rates.

Table 8: Staff voluntary turnover, % of total

	2017	2016	2015
Global	**15.4**	**17.1**	**16.1**
Americas	16.0	16.7	21.9
Asia Pacific	12.8	12.1	12.6
Europe	19.8	25.8	17.9

OUR PRODUCTS

Our core business is to improve people's health and wellbeing by providing innovative and high quality products and services for sleep-disordered breathing and other chronic conditions. This focus on product quality and innovation is reflected not only in the high regard our customers have for our products and services, but in our vigilance in meeting our safety and marketing obligations.

Quality, innovation and continuous improvement

Our people work to high operational standards. Our commitment to quality, innovation, regulatory compliance and continuous improvement is stressed in our global quality policy. Our key operational sites work to a comprehensive quality management system to meet this policy. Our product quality is best reflected in the international awards we have received for product design. For example, in 2015 our AirSense 10 and AirCurve 10 devices won the prestigious *red dot* award for international product design. We won the same award in 2014 for our AirFit P10 nasal pillows and our Astral 150 life support ventilator.

Research and development

We have a strong track record of innovation. Since introducing our first CPAP device in 1989, we have conducted an ongoing program of product advancement and development. We continually seek to identify new applications of our technology for significant unmet medical needs. We support clinical trials in many countries, including the United States, Germany, France, the United Kingdom, Italy, Switzerland, China and Australia. We consult with physicians at major sleep centres throughout the world to identify trends and needs. 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 approximately 14% of our employees devoted to research and development activities. In fiscal year 2017, we invested $144.5 million, or approximately 7.0% of our net revenues, in research and development

Table 9: Expenditure on R&D, 2015-17

	2017	2016	2015
R&D/revenues	**7%**	**6%**	**7%**
Revenues ($m)	2,067	1,838	1,678
R&D investment ($m)	144.5	118.7	114.9
Product development staff	880	805	570

Product quality

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

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

Quality at ResMed

We appreciate the need for our products to work safely, effectively and efficiently. Our product quality is underpinned by our quality management system, 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. ResMed's quality management system provides an integrated quality plan covering quality practices, resources and activities. The main systems include organization management; environment management; change control and document management; and improvement management, including CAPA, risk management and post market surveillance. The quality management system is certified by an independent notified body.

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

Quality with suppliers

ResMed draws over 2,000 individual components or materials from over 170 approved suppliers in our current product range. We have a comprehensive supplier approval process, with assessment tools that include on-site audits according to the assessed risk of the component or service. We establish standards for supplier communication, responsibilities, quality systems, traceability and environmental aspects. We require suppliers to have ISO 9001 or an equivalent quality management system, to be certified by an acceptable third party, and to adhere to the applicable Jedec, IPC, ANSI, J-STD and SAE standards for electronic components. In some cases, we may approve a supplier that is not ISO 9001 certified, based on our own audit of their quality system, with agreed and documented controls.

We conduct ongoing supplier audits based on our initial assessment of a supplier, their subsequent performance and the nature of the supplied goods. Audit frequency can range from 6 to 48 months. On average, our supplier audit team audits 60-70 suppliers a year. Most supplied components are also inspected before use for compliance against detailed specifications. Corrective actions are specified for any quality defects, escalating through to termination of contract for failure to address defects.

Supplier networks

We draw from an international supply chain that provides the best quality components and supplies available for an appropriate price. All else being equal, our manufacturing operations seek suppliers from their local economies, however the suitability and quality of our supplies is paramount. To achieve that quality, we seek and value long-term stable relationships with our suppliers. We inform suppliers of our relevant business plans so that they can align their 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 confidential data on customer attitudes to our product quality and customer service.

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

Product safety

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

Marketing and labeling

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

Animal testing

ResMed does not test its products on animals. As a medical device company distributing products into the US and Chinese markets, various regulatory bodies require us to perform biocompatibility testing. Such tests are conducted in accordance with the international standard, ISO 10993-1:2009, "Biological evaluation of medical devices." Some of these biocompatibility tests are conducted on animals.

In keeping with ISO 10993-2:1992 and revised ISO 10993-2:2006, "Animal welfare requirements," when conducting biocompatibility studies we take all practicable steps to ensure that we meet the required standard of animal care and welfare specified under those standards. These considerations are reflected in our internal work instructions during biocompatibility evaluation. These instructional workflows detail the steps taken to avoid biological testing of devices, and if not avoidable, the minimum extent the standards require.

Military products and uses

Other than where our 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 before its 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 or respiratory insufficiency. 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 main business is improving people's health and wellbeing by treating their sleep-disordered breathing, respiratory insufficiency, or other chronic conditions. Accordingly, most of our community engagement is on health-related matters, and we continue to raise awareness of the increasing link between the potential effects sleep-disordered breathing or respiratory insufficiency can have on chronic conditions such as cardiovascular diseases, diabetes and chronic obstructive pulmonary disease, or COPD, through market and clinical initiatives:

- **Cardiovascular disease.** Clinical research has demonstrated a high prevalence of sleep-disordered breathing in cardiology patients and has suggested that it may increase the risk of developing cardiovascular disease and heart failure. The European Society of Cardiology, the American College of Cardiology and American Heart Association acknowledge the high prevalence of sleep-disordered breathing in heart failure and have recommended treatment with Continuous Positive Airway Pressure, or CPAP. Further studies have highlighted this importance, showing the worsening of long term outcomes in patients with heart failure and sleep-disordered breathing, and that treating the sleep-disordered breathing may improve these outcomes[5].

- **Type 2 diabetes.** The International Diabetes Federation strongly recommends that health professionals treating a patient for either type 2 diabetes or sleep-disordered breathing should also consider the other condition.[6] The American Association of Clinical Endocrinologists' guidelines for a comprehensive diabetes care plan, recommend sleep-disordered breathing screening for adults.[7] Other research reported that treating type 2 diabetes patients, who also had obstructive sleep apnea, with CPAP leads to significantly lower blood pressure and better controlled diabetes whilst affording a cost-effective use of healthcare resources[8].

- **COPD.** Published research has shown that use of non-invasive positive pressure ventilation can significantly improve survival of stable hypercapnic COPD patients whilst also improving health related quality of life[9]. There is also a hospital readmission burden following an acute exacerbation of COPD and use of non-invasive positive pressure ventilation has been shown to significantly reduce this as well[10].

Our services are also increasingly helping people without chronic conditions:

6 Damy T, 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.

6 Shaw JE, Punjabi NM, et al. Sleep-disordered breathing and type 2 diabetes: a report from the International Diabetes Federation Taskforce on Epidemiology and Prevention. *Diabetes Res Clin Pract*. 2008 Jul;81(1):2-12

7 Handelsman Y, Mechanick JI, et al. American Association of Clinical Endocrinologists Medical Guidelines for clinical practice for developing a diabetes mellitus comprehensive care plan: executive summary. *Endocr Pract*. 2011 Mar-Apr;17(2):287-302.

8 Diabetes Care 2014 Guest

9 Köhnlein T, Windisch W, et al. Non-invasive positive pressure ventilation for the treatment of severe stable chronic obstructive pulmonary disease: a prospective, multicentre, randomised, controlled clinical trial. Lancet Respir Med. 2014 Sep;2(9):698-705

10 Galli J, Krahnke J, et al. Home non-invasive ventilation use following acute hypercapnic respiratory failure in COPD. Respir Med. 2014 May;108(5):722-8

- **Transport safety.** One of the largest measurable emerging contributions to community health that we are making is in the link between sleep-disordered breathing and occupational safety, and in particular transport safety. In a ResMed-sponsored study published in Population Health Management, involving 22,000 members of the Union Pacific Railroad health plan, findings suggest that a low-cost, patient-focused sleep-disordered breathing education campaign can improve healthcare outcomes and reduce medical expenses. After the campaign was initiated, the healthcare plan realized cost savings of $4.9 million over a two-year period.[11]

- **Peri-operative risk.** Much of the adult population remains undiagnosed for sleep-disordered breathing. The incidence of postoperative complications of surgery in undiagnosed obstructive sleep apnea patients is significant, so that screening before surgery for high risk patients is necessary.[12] Meta-analysis of the association between obstructive sleep apnea and postoperative outcome showed that incidence of respiratory failure, cardiac events and intensive care unit transfers were higher in patients with obstructive sleep apnea[13].

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

Other community contributions

Our contributions to our local communities are made in both monetary contributions and the time and effort of our employees. 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 $940,663 to over 150 community organizations and academic institutions in the three years to 2017: 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 the links between sleep-disordered breathing and cardiovascular disease, type 2 diabetes, perioperative risk and occupational health and safety, as well as ventilator support to chronic obstructive pulmonary disease and respiratory diseases.

In 2015, we donated $5 million to support sleep medicine research and care at the University of California, San Diego School of Medicine. The funds will establish the Peter C. Farrell Sleep Center of Excellence, and the Peter C. Farrell Presidential Chair in Pulmonary Medicine.

11 Potts KJ, Butterfield DT, et al. Cost savings associated with an education campaign on the diagnosis and management of sleep-disordered breathing: a retrospective, claims-based US study. Popul Health Manag. 2013 Feb;16(1):7-13

12 Kaw R, Chung F, et al. Meta-analysis of the association between obstructive sleep apnoea and postoperative outcome. Br J Anaesth. 2012 Dec;109(6):897-906.

13 Iftikhar IH, Khan MF, et al. Meta-analysis: continuous positive airway pressure improves insulin resistance in patients with sleep apnea without diabetes. Ann Am Thorac Soc. 2013 Apr;10(2):115-20.

Table 10: Community contributions ($US)

Recipient	2017	2016	2015	Total
Total	**200,572**	**214,780**	**475,670**	**891,022**
Community organizations	113,442	139,096	170,180	442,718
Academic institutions	87,130	75,684	305,490	468,304

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.

Table 7: Industry associations contributions ($US)

	2017	2016	2015	Total
Industry associations	503,451	425,877	508,725	1,438,053

Government contributions

Our total tax paid is tabled on page 7. 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.

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 encouraged by the US HIPAA and European regulations, personal health information is held on encrypted servers.

Consumer data is protected by a privacy working group reporting to our global Privacy Officer 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 government enforcement action has been taken against ResMed for any alleged violation of any antitrust or competition regulation in the time period from 2013-June 30, 2017.

In the United States, our largest geographic market, the primary competitors for sale of products used to treat sleep disordered breathing are: Philips BV, who acquired Respironics Inc., a previous competitor and Fisher & Paykel Healthcare Corporation Limited. These firms are also our principal international competitors for the sale of flow generators and masks. The markets for our products are highly competitive. Our sleep products compete with

surgical procedures, dental appliances, and other means to treat sleep-disordered breathing and related respiratory conditions.

ResMed also sells software as a service, ventilators and portable oxygen concentrators, all in smaller quantities than our sales of sleep disordered breathing products. Those products also face competition from other companies.

ENVIRONMENT

Over 2015-2017, 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 committed to extend that stewardship to our product design and packaging.

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

Policies and systems

Responsibility for environmental management 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 quality management system and pollution control and waste management systems to ensure compliance with relevant environmental regulations.

Sydney manufacturing site

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

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

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

Environmental risks are identified by analysing the product life cycle, and by anticipating the views of internal and external parties who may be concerned or impacted by our environmental performance. Significant impacts and risks require environmental management plans, and are reviewed annually, with accountabilities and measurable targets. Where there are operational controls for these risks, personnel must have measurable competency, 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

In our Singapore and Malaysia production facilities, the production processes replicate those developed in our Sydney facility for similar manufactured products. Our distribution, commercial and other production facilities do not currently work to comprehensive environmental management system, and have not to date pursued ISO14001 accreditation. Instead they rely on our quality assurance systems and work with our waste management providers to ensure compliance with relevant environmental and supplier regulations.

Review

Our senior management reviews 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 environmental management system, our environmental team conducts a rolling internal audit for compliance with ISO 14001 and other controlled impacts on the environment, so that we review all elements of the system at least once every two years.

The environmental performance of our Sydney manufacturing, research and administration site is externally audited every year by TÜV SÜD to confirm its ISO 14001 certification. The last audit was completed in March 2017, and recorded positive findings for implementing an electronic device history record which has resulted in a reduction in paper consumption. 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 2015-2017. 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

Led by our primary manufacturing sites, our operational culture focuses on efficiency and effectiveness, using six-sigma and other lean manufacturing approaches as part of our quality and continuous improvement management systems (see page 24) 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. We encourage all employees to suggest efficiency ideas, and we systematically pursue them, and recognize proposing staff with awards..

Global data on energy, water, materials and waste has not been comprehensively recorded through 2015-2017, and we present trend data for that period only for the locations for which we have it. While our figures represent our best understanding of energy and material flows for the most recent year, these figures may be revised as our data capture systems are improved and standardized internationally. This year, for instance, we include new data from the ResMed facilities in Atlanta (US), Switzerland, and the main site of Curative Medical in China.

Energy use

We consumed 128,791 GJ in 2016 and 129,990 in 2017 of energy globally, representing an energy intensity of 70.0 and 62.9 GJ per $million of revenue for the entire business in 2016 and 2017, respectively: See Table 12. 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 trend energy data

		Electricity Consumption (MWh)	Natural Gas Consumption (GJ)	Total Energy Consumption (GJ)	Energy intensity (GJ/$M Rev)
2017	***Global***	**31,697**	**15,882**	**129,990**	**62.9**
2016		**30,482**	**19,055**	**128,791**	**70.0**
2015		29,083	25,618	130,317	77.6

The global energy intensity has decreased modestly over the three-year period. This reflects the positive progress of our energy conservation measures. At our primary manufacturing site in Sydney, the base-load energy consumption (excluding production) is improving through equipment upgrade and changed controls of the heating, ventilation and air-conditioning system. Recent energy efficient lamp retrofits, lighting control enhancements and rescheduling at Sydney and other sites also contributed to the improvement.

The overall natural gas consumption has reduced from the year 2015 by 26% in 2016 and 38% in 2017. This reduction is mainly contributed by the decrease in gas usage at our primary site in Sydney. We have made adjustments to the dehumidification control - a process which comprises the majority of gas usage, increased the use of economy cycle, and installed Variable Speed Drives (VSD) to enable the use of a more efficient plant control strategy. These improvements at Sydney site accounts for 60% of the global reduction over 2016 and 2017.

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 heating, ventilating, and air conditioning system's 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, research and development lab equipment (environmental chambers, ovens, lathes, mills), lighting, catering and office equipment. These uses respond more to behavioural change.

Manufacturing energy

Our significant manufacturing operations are located in Sydney, 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 26.7% to 73.3 in 2017. See Table 13. Our energy efficiency has been improved through changes to production equipment or manufacturing process. This involves adding new lean process equipment such as robot demoulders and conveying systems. Although new process equipment consumes greater energy, it delivers higher productivity, and better energy intensity. Recent improvements to the building plants also contributed to enhance the baseload energy use and intensity of the manufacturing site.

Table 13: Global production energy use and intensity

	2017	2016	2015
Production energy (GJ)	**63,542**	**58,445**	57,827
Intensity index	73.3	75.8	75.6

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 2017, electricity consumed for office and R&D purposes has decreased by 5%, and although the number of employees in these areas increased, electricity use per person has fallen by 17%: See Table 14. The efficiency improvement reflects the positive results of lighting upgrades and control enhancement implemented during 2016 and 2017.

Our other sites have also implemented a number of energy efficiency initiatives. The new Atlanta site has installed motion-sensors in the warehouse and energy efficient lamps around the site perimeter. The San Diego site has adjusted lighting and air-conditioning schedules to better match conditions and needs. They have also leveraged its solar electricity with low voltage lighting controlled by daylight and motion-sensors, which are also being used in Abingdon and Chatsworth.

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

	Office e-MWh	Δ	People	Office e-MWh/person	Δ
2017	**4,714**	**-2.2%**	**768**	**6.14**	**-16.2%**
2016	**4,984**	**-0.3%**	**680**	**7.33**	**-0.9%**
2015	4,958	-2.7%	670	7.40	16.2%
3 year		**-5%**			**-17%**

Greenhouse gas emissions

Our global Source 1 (gas-fired energy) and Source II emissions total 21,118 tCO2e in 2016 and 22,290 tCO2e in 2017: See Table 15 below. Apart from its solar PV plant at San Diego, our sites draw on grid-connected electricity and natural gas. The increase in GHG emissions is contributed by our higher global electricity usage despite the total energy consumption (electricity and gas) decline.

The emissions are well below the thresholds that trigger emissions reporting or liabilities in countries in which we operates, including US, Australia, and Europe. 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)
2017	**Global**	**129,990**	**22,290**
2016		**128,791**	**21,118**
2015		130,317	20,986

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 64,088 kL in 2016 and 77,965 kL in 2017 or 31.7 and 34.1 kL per $million in global revenues for 2016 and 2017, respectively: See Table 16. Over the three years to 30 June 2017, we reduced our global water consumption by 9%. The reduction is due mainly by decreasing water usage at our primary site in Sydney and the US, which have fallen by 20% despite an increasing number of employees.

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

Table 16: Global (ex-Europe) and Major sites water consumption

		Consumption (kL)	per employee	per $M rev
2017	**Global (ex-Europe)**	77,965	15.02	34.1
2016		64,088	17.37*	31.7
2015		85,818	30.8	51.1
2017	*Major sites only (Aust and US)*	64,083	24.36	31.0
2016		51,937	21.73*	28.2
2015		80,690	35.86	48.1

*Significant per employee change due to acquisition of new entity

Paper

Our global office paper use in 2017 totalled 8.64 million sheets or 43 tonnes. While the global number of employees has increased, the usage intensity per employee has decreased significantly by 67% from 2015. There are common paper reduction initiatives at many sites to promote the use of double-sided and centralized printing, and by relying more on electronic means for internal communication. The Sydney site's paper usage accounts for over 20% of the global consumption, and it utilizes a swipe-release printing system to minimize unnecessary printing. This system also enables data monitoring which reveals paper savings from unreleased jobs of over 130,000 sheets over the three years to 30 June, 2017.

Table 17: Paper use, Global

		Sheets ('000)	Tonnes	Sheets per employee	Δ
2017	Global	8,640	43	1,298	-36%
2016		9,872	49	2,041	-31%
2015		12,877	64	2,967	-

Waste

Our global approach to waste is integrated with and influenced by our approach to quality, safety, and environmental management: we continually seek to improve efficiency and outcomes. All sites segregate recyclable waste for disposal. For 2016 and 2017, we have measured the total waste sent to landfill and recycled in all but our European operations. In our measured sites, we have achieved a recycling rate of 76% and 77% in 2016 and 2017, respectively. See Table 18.

Increasingly, waste manufacturing and office equipment materials are being diverted from landfill as their component elements, including rare earth metals, become more valuable. Packaging and pallets from our supply chain are the main waste contributors. Many sites, including Sydney and Munich have implemented re-usable cartons or pallets for our internal logistics. We also worked with suppliers to reduce or return packaging for reuse, where feasible. Our Paris manufacturing site has also implemented a process to reuse material waste for a new production cycle.

In Sydney, more deliberate action on both administrative and production waste was triggered by the formalization of our environmental program with ISO14001 accreditation since 2010. Recycling has been improved with suitable bins and strong signage and other communication to influence behavior. Any existing or new waste material is identified and considered for recycling by the production teams and by our recycling partners who carry appropriate licenses. Ongoing efforts to enhance product design can further reduce waste over its lifecycle from production, packaging to its end of life.

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

Table 18: Waste from global operations, ex-Europe

		Landfill waste (T)	Δ	Recycling Waste (T)	Recycling Rate (%)
2017	Global ex-Europe	556	+10.3%	1,761	76%
2016		504	-5.4%	1,647	77%
2015		533	-6.5%	1,616	75%

Includes Date from 2016 onward for the Curative acquisition

Environmental stewardship

Land, water and biodiversity impacts

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

Sustainable design and packaging

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

Hazardous materials

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

Supply chain

We set out our expectations of supplier environmental performance in the ResMed supplier manual. We reward suppliers by our rating system if they operate to a certified Environmental standard (e.g., ISO14001). Our regular quality audit of supplier facilities includes observations on environmental performace. Our expectations of suppliers include:

- 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 regulations for substances of very high concern.

– END –

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