

# MEDTRONIC CITIZENSHIP

2018 Integrated  
Performance Report



**Medtronic**  
Further, Together

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# A MESSAGE FROM OMAR



Since it was written in 1960, our Mission has reminded us that our foremost priority is to contribute to human welfare. At its core, the Medtronic Mission states that we are a technology company that aims to improve outcomes. Through continuous innovation, invention, and disruption, we are developing meaningful technologies that help alleviate pain, restore health, and extend life for millions of patients around the world. This alone is a noble sense of purpose, but our Mission is much more.

Our Mission provides an ethical framework and inspiration for Medtronic employees around the world. It calls upon us to be a leader and partner in finding ways to better serve our customers and communities. When we adhere to this shared sense of purpose, we cannot go wrong.

In many ways, fiscal year 2018 (FY18) was a challenging year — but it was also a rewarding one. Our ability to overcome multiple hurdles — including several natural disasters impacting employees, patients, and customers — reflects the dedication of our 86,000 employees around the globe.

In FY18, together with our partners, I'm pleased to share we improved the lives of more than 71 million people — more than ever before. We also continued to deliver on our commitment to sustainability, which is critical to our business performance. In FY18, our most material issues remained the same: access to care, product stewardship, ethics in sales and marketing, responsible supply management, and product quality.

Our Citizenship framework helps guide our efforts related to the economic, social, and environmental areas where we can make the greatest contributions. In this, our FY18 Integrated Performance Report, we outline our progress within the four pillars of our Citizenship framework: Adding Value to Society, Promoting Environmental Stewardship, Supporting a Global Workforce, and Working Responsibly.

I'm proud of the many achievements we made this year, and have highlighted a few of our most notable accomplishments below.

- Delivered strong financial results in FY18, achieving nearly \$30 billion in revenue and \$3.1 billion in net earnings.
- Donated more than \$100 million to philanthropic efforts benefiting local communities. In addition, the Medtronic Employee Assistance Fund distributed \$3.6 million to employees affected by natural disasters.
- Invested in research and clinical trials to advance our innovation pipeline. In FY18, we invested \$2.3 billion in research and development and had 320 ongoing clinical studies.
- Increased healthcare capacity and access by investing \$139 million in training for a record 89,000 medical professionals.
- Surpassed four of our five 2020 Environmental Performance Goals by implementing energy-saving projects, and managing the waste we generate and the water we use. In FY18, this included reducing greenhouse gas emissions 13%.
- Made significant progress on our Inclusion and Diversity goals. In FY18, ethnically diverse talent held 21% of leadership positions in the U.S. — surpassing our 2020 aspirational goal of 20% or more. And, women represented 54% of new hires and 37% of leaders globally, so our 2020 aspirational goal of 40% or more women in leadership is certainly achievable in the near-term.
- Maintained a diverse supply chain, spending \$1.8 billion with small and diverse companies.
- Reinforced our commitment to acting with integrity. In FY18, more than 15,000 marketing and sales employees were trained on ethical product promotion, and 96% of distributors received our Distributor Code of Conduct training.

We know there is much work yet to be done, but we are proud of the progress we have made to date and are excited about the future. Our technology pipeline has never been stronger, and will continue to accelerate our globalization and economic value growth strategies. As we continue to witness the transformation of healthcare, we remain firmly committed to playing a leading role in reducing overall costs and improving outcomes for patients around the world. Working in partnership with other industry stakeholders, we will continue to advance our Mission and take healthcare Further, Together.



**Omar Ishrak**

Chairman and CEO, Medtronic





COMPANY  
**OVERVIEW**



## MEDTRONIC FY18 SNAPSHOT

**86,000+**  
EMPLOYEES

**150+**  
COUNTRIES IN  
WHICH WE OPERATE

**350+**  
LOCATIONS

**\$2.3B**  
RESEARCH &  
DEVELOPMENT  
SPEND

**46,000+**  
PATENTS

**71M+**  
PATIENTS  
SERVED

The rapid pace of progress in medical technology is creating new opportunities to solve long-standing challenges such as rising costs, care for aging populations, and the burden of chronic disease. As a leading medical technology company, with a record of accomplishment built on innovation, we are well positioned to drive a transformation in healthcare — delivering better patient outcomes at reduced costs. Our capacity for continuous technology innovation, invention, and disruption is key to continuing our business growth and driving shareholder value.

## HOW WE WORK

Guided by our Mission, we strive to enable more people to benefit from affordable, effective healthcare through our strategic priority of technology innovation. When we innovate, our other strategic initiatives of globalization and economic value only enhance our growth profile.

We use an approach we call Further, Together — driving meaningful innovation at the therapy, procedural, and system levels, while devising powerful solutions with proven clinical and economic value through new, different, and stronger partnerships.

We are committed to helping our customers achieve our shared goal of expanding global access and delivering more seamless, integrated care across the healthcare continuum.

## MEDTRONIC IS OFTEN RECOGNIZED FOR GOOD CORPORATE CITIZENSHIP. IN FY18:

We were included on Fortune magazine's 2018 list of the **World's Most Admired Companies** and were among the top 50 of Barron's **Most Respected American Companies**.

We earned the **Institutional Shareholder Services Environmental and Social Quality Score** badges for high-quality corporate disclosures on environmental and social issues.

We were again included on the **North American Dow Jones Sustainability Index**, marking our 11th consecutive year on the index.



# THE MEDTRONIC MISSION

**1**

To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life.

**2**

To direct our growth in the areas of biomedical engineering where we display maximum strength and ability; to gather people and facilities that tend to augment these areas; to continuously build on these areas through education and knowledge assimilation; to avoid participation in areas where we cannot make unique and worthy contributions.

**3**

To strive without reserve for the greatest possible reliability and quality in our products; to be the unsurpassed standard of comparison and to be recognized as a company of dedication, honesty, integrity, and service.

**4**

To make a fair profit on current operations to meet our obligations, sustain our growth, and reach our goals.

**5**

To recognize the personal worth of employees by providing an employment framework that allows personal satisfaction in work accomplished, security, advancement opportunity, and means to share in the company's success.

**6**

To maintain good citizenship as a company.

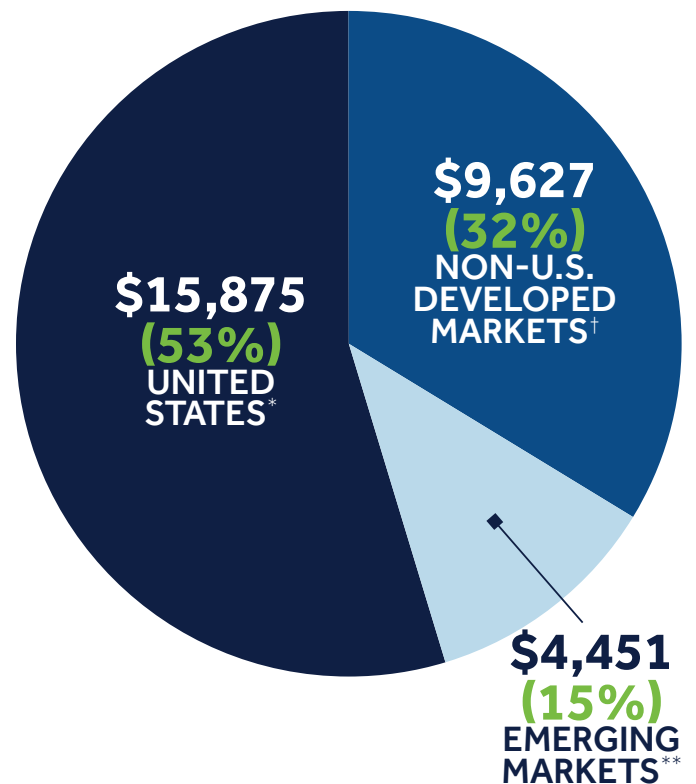
## HOW WE ARE ORGANIZED

Medtronic has four operating segments: Cardiac and Vascular, Minimally Invasive Therapies, Restorative Therapies, and Diabetes. Each group is separated into business divisions that deliver a wide range of medical technologies, therapies, services, and solutions.

### Medtronic Operating Segments: FY18 Total Sales and Business Divisions Total Net Sales \$29,953 Million

Operating Segments and Business Divisions	FY18 Net Sales (\$ Million)
<b>Cardiac and Vascular Group</b> <ul style="list-style-type: none"> <li>▪ Cardiac Rhythm and Heart Failure</li> <li>▪ Coronary and Structural Heart</li> <li>▪ Aortic, Peripheral, and Venous</li> </ul>	\$11,354
<b>Minimally Invasive Therapies Group</b> <ul style="list-style-type: none"> <li>▪ Surgical Innovations</li> <li>▪ Respiratory, Gastrointestinal, and Renal</li> </ul>	\$8,716
<b>Restorative Therapies Group</b> <ul style="list-style-type: none"> <li>▪ Spine</li> <li>▪ Brain Therapies</li> <li>▪ Specialty Therapies</li> <li>▪ Pain Therapies</li> </ul>	\$7,743
<b>Diabetes Group</b> <ul style="list-style-type: none"> <li>▪ Advanced Insulin Management</li> <li>▪ Emerging Technologies</li> </ul>	\$2,140

### GLOBAL FOOTPRINT FY18 NET SALES TO EXTERNAL CUSTOMERS BY REGION (\$ MILLION)



\*Includes the United States and U.S. territories.

†Non-U.S. developed markets include Australia, Canada, Japan, New Zealand, South Korea, and the countries of Western Europe.

\*\*Emerging markets include the countries of the Middle East, Africa, Latin America, Eastern Europe, and the countries of Asia that are not included in the non-U.S. developed markets, as defined above.





## ADDING VALUE TO SOCIETY

We leverage the size and global reach of our company to deliver meaningful impact to communities around the world. Our strong financial performance, alongside contributions of product, time, strategic financing, and deployment of talent, strengthens local economies, engages communities, and improves access to healthcare for the underserved.



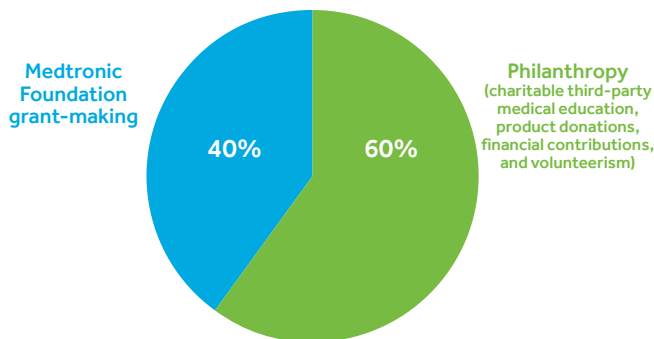
## PHILANTHROPY

Through the first tenet of our Mission, we aim to alleviate pain, restore health, and extend life. Our philanthropy extends these benefits to the underserved and their communities who lack access to healthcare. We partner with local stakeholders to determine the resources we can provide to strengthen their health efforts. These include financial contributions (including funding of the Medtronic Foundation), product donations, volunteerism, and charitable third-party medical education.

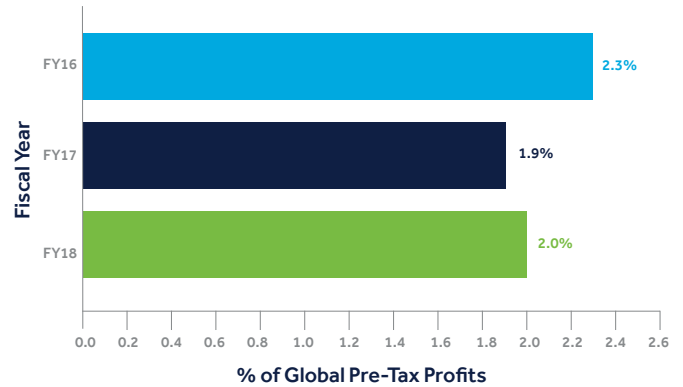
### Our contributions

We have donated more than \$1 billion throughout the years to support philanthropic efforts, including our support of the Medtronic Foundation. In FY18, we committed 2% of our before-tax profits — more than \$100 million.

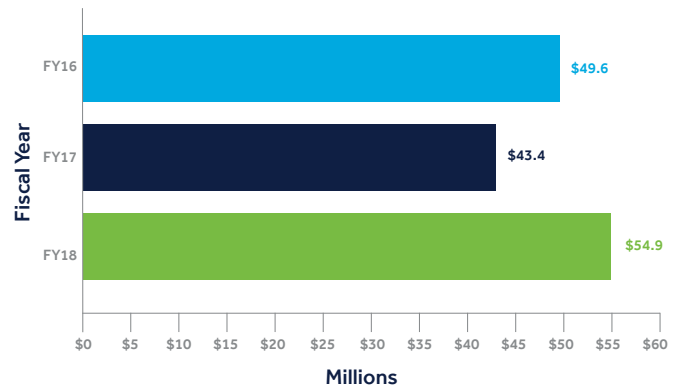
### BREAKDOWN OF PHILANTHROPIC CONTRIBUTIONS



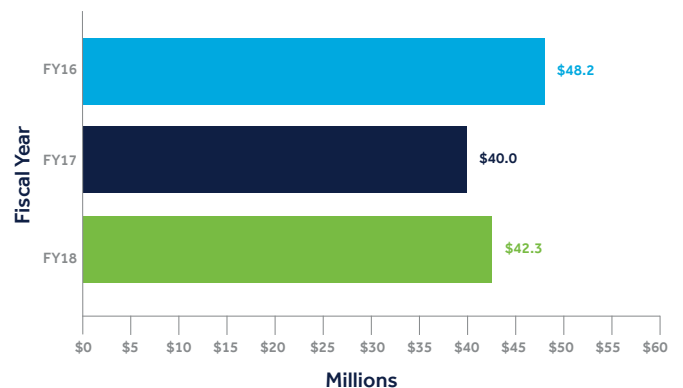
### PHILANTHROPIC CONTRIBUTIONS



### CORPORATE CASH DONATIONS



### MEDTRONIC FOUNDATION GIVING



# IN FY18, OUR PRODUCT DONATIONS TOTALED \$15.4 MILLION

## PRODUCT DONATIONS

We work closely with global product donation partners to distribute our products to nonprofit organizations and in-country clinics around the world to support disaster relief efforts and specific programs for underserved populations.

## VOLUNTEERISM

Our employees give back to communities through both skilled service and hands-on volunteering.

## CHARITABLE THIRD-PARTY MEDICAL EDUCATION

Our humanitarian medical education efforts include funding for a limited number of medical fellowship positions and support for independent, third-party sponsored educational programs.

Giving Back			
	FY16	FY17	FY18
Product Donations (\$ Million)	\$16.8	\$16.8	\$15.4
Value of Volunteering* (\$ Million)	—	\$1.6**	\$1.4

\*Calculated with an hourly rate of \$23.56 in FY17 and \$24.14 in FY18, provided by [Independent Sector](#).

\*\*FY17 was the first year we tracked the value of volunteering.

**Noncommunicable diseases, including cardiovascular diseases, cancers, respiratory diseases, and diabetes, are responsible for 41 million deaths each year. That number can and should be lower.**

## Medtronic Foundation highlights — global health

In FY18, the Medtronic Foundation worked in partnership with local nonprofits and governments to strategically focus its resources toward outcome-oriented healthcare projects aimed at improving access for the underserved. In addition to key signature efforts, the Medtronic Foundation sought competitive program partnerships to improve healthcare delivery.

The Medtronic Foundation engages in multiyear demonstration projects with local stakeholders to test access models and in FY18 contributed \$9.5 million, divided among three global health signature efforts: HeartRescue, HealthRise, and RHD Action. Each global signature effort made significant progress (see below).

## MEDTRONIC FOUNDATION-FUNDED GLOBAL HEALTH PROJECTS IN FY18

### HEARTRESCUE

Measuring and improving care for cardiac arrest

The U.S. HeartRescue consortium expanded from 16 to 18 states, covering a population of nearly 90 million people.

HeartRescue Global completed year three of a five-year international expansion project in China and India, and improved access and quality for cardiovascular disease care in Brazil.

### HEALTHRISE

Expanding access to chronic disease care and improving health outcomes for underserved populations

More than 2,000 frontline health workers screened more than 85,000 people across nine sites in Brazil, India, South Africa, and the United States.

Preliminary reports show 48% of patients have been retained in care, with recent innovations such as a clinical decision tool for frontline health workers in Brazil and a noncommunicable disease (NCD) monitoring app for health workers in India (see case study on the next page).

### RHD ACTION

Working to end rheumatic heart disease (RHD) in vulnerable populations

In FY18, RHD Action launched a campaign, engaging with governments, nonprofit organizations, patients, and providers to build the case for greater global prioritization addressing RHD, a preventable condition that afflicts an estimated 33 million people worldwide.

Advocacy in FY18 resulted in WHO member states adopting a global resolution on RHD at the World Health Assembly in May 2018.



## CASE STUDY: MEDTRONIC FOUNDATION — HEALTHRISE TACKLING BARRIERS TO CARE WITH MOBILE TECHNOLOGY

In India's Shimla and Udaipur districts, some patients struggle to reach adequate healthcare facilities because of financial barriers, long travel distances, and difficult terrain. Erratic supplies of equipment and pharmaceuticals compound access problems, making diagnosis and consistent treatment of noncommunicable diseases (NCDs) challenging.

In partnership with the Himachal Pradesh government, HealthRise — a Medtronic Foundation-funded project — is pioneering an innovative approach to diagnosis, disease management, and patient empowerment through the Health Card app. Frontline health workers in the Shimla district use the app to capture information from participating individuals. With the help of a centralized data system, health workers monitor 10 common NCDs, such as cancer and diabetes, intervening with treatment when needed.

As of March 2018, healthcare professionals are following 2,490 hypertensive patients and 1,014 diabetic patients to improve their adherence to treatment. The digital innovation was selected for a Prime Minister's Award for Excellence and has been featured in the prime minister's book, *New Pathways: Stories of Innovations and New Initiatives in Implementation of Priority Programmes*, in April 2018.

Eventually, with investment from local government, the Health Card app is expected to benefit three million people in the Shimla district. In addition, preparations are beginning for rollout in Udaipur.

Also, in FY18, Medtronic Foundation created an impact framework to select and manage its partners in global health. It engaged potential partners through a competitive open call to test this framework, with potential partners proposing to test or scale innovative solutions that improve the efficiency of healthcare delivery. The Medtronic Foundation will select organizations based on this framework, provide financial support and thought capital, and create a learning collaborative for organizations that demonstrate the greatest potential for positive health outcomes for underserved populations.

### Medtronic Foundation highlights — promoting employee volunteering and giving

Medtronic employees are quick to step up and help those in need. We encourage employee volunteering, including support of the Medtronic Foundation's philanthropic efforts, through:

- **Project 6** — a monthlong volunteering drive at the start of each fiscal year
- **Volunteer Grants** — the Medtronic Foundation donates funds to nonprofits when an individual employee volunteers 25 hours or more during the year
- **Matching Grants** — the Medtronic Foundation matches employee contributions to approved charities dollar for dollar, up to \$5,000

Employee Volunteering and Community Engagement			
	FY16*	FY17	FY18
<b>Project 6</b>			
Volunteers	19,800	14,900	20,952
Total Volunteer Hours	64,800	62,000	58,535
Countries	44	48	52
Employee-Led Projects	512	462	512
<b>Volunteer Grants</b>			
Volunteer Grants	968	1,106	1,154
Volunteer Grants (\$ Raised)	\$484,000	\$553,000	\$577,000
<b>Global Matching Grants</b>			
Employee Contributions (\$ Million)	\$14.9	\$14.2	\$15.8
Medtronic Match (\$ Million)†	\$17.4**	\$13.1	\$14.5

\* Covidien data for the period January–March 2016 is included in the FY16 employee contributions. Full FY16 Covidien data were not included due to the timing of Covidien’s integration into the Medtronic Workday system.

† Medtronic Matches are made on a 1:1 basis up to \$5,000. As a result, matches are not the same amount as employee contributions.

\*\* The Medtronic Foundation held a 2:1 matching campaign in FY16, resulting in a greater dollar amount matched than employee donations.

The Medtronic Foundation also administers the **Bakken Invitation Award**. This annual award recognizes individuals who have overcome health challenges with the help of medical technology and now give back to their communities through advocacy and innovation. Since 2013, 59 people have attended the Bakken Invitation. Their inspiring stories can be read [online](#).

## CASE STUDY: SUPPORT FOR SANTA ROSA

Medtronic and its Santa Rosa, California employees and community were greatly affected by the October 2017 wildfires.

In response, Medtronic formed a local Humanitarian Care Team to provide support to employees and nonprofit organizations, and to engage in collective impact efforts in Sonoma County.

This includes a collaboration with Habitat for Humanity through which Medtronic is providing surplus land on lease for \$1 at the Fountaingrove campus. Here, eight cottages will be built for low-income fire survivors.

## DISASTER RELIEF

When natural disasters or severe weather strikes, Medtronic steps up. The company supports relief efforts through business and philanthropic response including donations of products, resources, and supplies to affected areas. We support employees' efforts by offering each employee five days of paid time off per year to volunteer with a nonprofit or nongovernmental organization (NGO) engaged in disaster relief efforts.

In FY18, Medtronic responded to several disasters across the globe. We also engaged deeply in key locations that impacted our operations and surrounding communities, including the wildfires in Santa Rosa, California and Hurricane Maria in Puerto Rico.

The Medtronic Foundation plays an integral role in our disaster relief efforts, distributing grants to fund emergency healthcare and support repair of damaged infrastructure, encouraging employee volunteerism, and matching employee contributions to eligible organizations.

To enable our employees to help fellow employees in need, Medtronic established the Medtronic Employee Assistance Fund, providing grants to employees with unmet financial needs in the wake of natural disasters. The Medtronic Foundation matches Medtronic employees' contributions to the fund, dollar-for-dollar, up to \$5,000 per year. In FY18, the fund distributed \$3.6 million to employees affected by natural disasters.



## CASE STUDY: WORKING TOGETHER TO REBUILD A COMMUNITY

In September 2017, the fifth-strongest storm to ever hit the United States struck Puerto Rico. Hurricane Maria left the entire island without power and destroyed 80% of homes and 85% of cell towers. Many people lost everything.

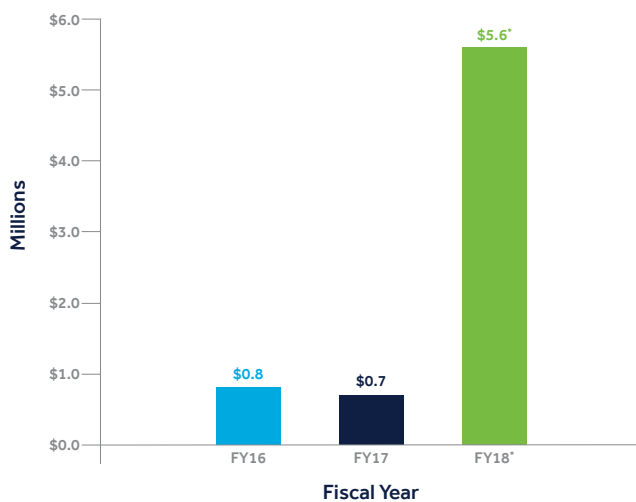
As one of the largest employers in Puerto Rico, Medtronic shared the sense of devastation. We created an "oasis" at each of our sites with onsite showers, medical services, laundry, childcare, and more. We provided employees with 3.8 million bottles of clean drinking water, 25,000 boxes of food supplies, 3,567 generators, and 40,000 gallons of gas. We distributed more than 12,000 care packages to the community containing necessities such as mosquito repellent.

We also contributed direct financial and practical aid to employees and their communities and increased donations to disaster relief NGOs. In partnership with the Medtronic Foundation, we awarded \$79,000 in volunteer grants to our local nonprofit partners.

To date, Medtronic employees have contributed 5,350 volunteer hours through disaster relief trips, and they continue to make financial contributions.

The island is still struggling with the hurricane's aftermath. As recovery efforts continue, we are heartened by the strong community spirit within and outside Medtronic. Long term, we are committed to rebuilding and strengthening healthcare systems in Puerto Rico in partnership with local NGOs, with an estimated contribution of \$8 million over the next four years.

### MEDTRONIC FOUNDATION DISASTER RELIEF CONTRIBUTIONS



\*The increase in contributions from FY17 to FY18 is largely a result of financial assistance provided following natural disasters in Puerto Rico; Santa Rosa, California; and Houston, Texas.







**IN FY18,  
FOR THE FOURTH STRAIGHT YEAR,  
MEDTRONIC RECEIVED THE CLARIVATE  
ANALYTICS GLOBAL INNOVATOR AWARD  
FOR OUR CONTINUED WORK IN  
INNOVATING MEDICAL TECHNOLOGY**

**GLOBAL HEALTHCARE ACCESS**

Medtronic develops healthcare solutions to reach people around the globe in ways that reflect market needs and priorities. Focusing on efficient, integrated care, we address the whole patient journey — from awareness, prevention, and diagnosis to treatment, therapy optimization, and long-term management.

In FY18, our products and services improved the lives of more than 71 million people. But millions of others still lack access to essential treatment.

Together with partners around the world, we use our expertise and resources to reduce barriers to

care, strengthen healthcare infrastructure, and build capacity — particularly in the treatment of chronic, noncommunicable diseases. We do this by innovating meaningful technology, rethinking traditional business models, and improving healthcare delivery.

**Technology innovation**

We are in a new era of healthcare: one of connectivity, personalization, and precision. Our company harnesses the potential of innovative technology to serve unmet healthcare needs — including conditions that disproportionately affect people in emerging markets.

**OUR INNOVATION PIPELINE**

**72** CLINICAL STUDIES STARTED  
DURING FY18

**81** CLINICAL STUDIES COMPLETED  
DURING FY18

**320** ONGOING CLINICAL STUDIES  
AT THE END OF FY18



## CASE STUDY: WORKING TO HELP REDUCE CERTAIN RISKS OF PAIN MEDICATION

Management of acute pain in hospitals sometimes requires opioid treatment, which can cause significant side effects. One of these is respiratory depression — ineffective breathing that can potentially lead to respiratory or cardiac arrest.

A simple risk-assessment tool could help identify patients at high risk of opioid-induced respiratory depression, with the goal of avoiding certain unnecessary complications and reducing mortality rates associated with opioid medication. In FY18, we launched the PRODIGY trial to assess the potential for such a tool. One of the largest studies ever for monitoring patients receiving opioids in the hospital ward, the PRODIGY trial:

- Involved 1,496 patients at 16 sites
- Regularly monitored these patients' vital signs for 24-48 hours
- Assessed 12 high-risk variables for potential prediction of respiratory compromise

We believe PRODIGY offers a significant step toward the goal of preventing patient injuries and deaths from opioid-induced respiratory compromise. We look forward to presenting and building on the results of the study in FY19.

### INVESTING IN RESEARCH AND CLINICAL TRIALS

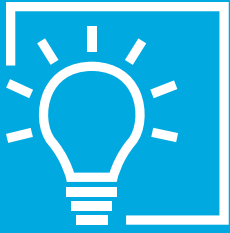
Today's connected world offers new ways to predict, adapt, and respond to patient needs within and beyond the clinical setting. Our constant focus on innovation, invention, and disruption enables us to anticipate these changes and develop products that are fit for the future.

Technology is at the heart of everything we do. We work to improve patient experience and accuracy of treatment by embracing emerging solutions such as intelligent wearable and implanted devices, 3D printing, miniaturization, wafer-scale manufacturing, and augmented reality applications. We test promising innovations using rigorous clinical trials to establish safety and effectiveness.

In FY18, we invested \$2.3 billion in research and development (R&D) and launched 72 new clinical studies.

### DEVELOPING AND LAUNCHING NEW PRODUCTS

Innovation can change the world, but only if it is usable and effective. Our development processes utilize state-of-the-art technology to predict real-life performance and adapt our finished products to meet complex healthcare needs.



For example:

- We use predictive engineering to ensure that finished products perform as intended in the clinical setting.
- Our Applied Innovation Lab fosters collaboration between patients and technology experts, who together develop digital health solutions to better manage chronic conditions. The Lab's "holodeck" video screen provides an immersive experience to help scientists and engineers understand healthcare needs in remote regions.
- We test and revisit design multiple times during product development, to minimize the risk of problems further along in the process.

Our new product launches in FY18 included:

- **CoreValve® Evolut™ PRO Transcatheter Aortic Valve Replacement (TAVR) Platform**, offering exceptional design and excellent safety profile
- **Resolute Onyx™** drug-eluting stent, providing enhanced deliverability, improved visibility, and multiple size options for challenging coronary cases
- **Intellis™ Pain Stimulator and Evolve Workflow Platform** for chronic pain management, offering personalized pain relief and advanced activity tracking by utilizing the world's smallest implantable spinal cord stimulator

- **MiniMed 670G® with Guardian™ Sensor 3**, our most advanced hybrid closed-loop diabetes pump and glucose sensor yet, helping patients with diabetes to stay on top of their sugar highs and lows
- **Signia Stapling System**, the world's first smart stapler, combining the proven performance of Tri-Staple™ technology with the power of real-time feedback
- Full suite of enabling technologies for our spine portfolio, including surgical planning software, surgical guidance and robotics, and advanced imaging

Read more about products receiving FDA clearance or approval and CE mark approval (a certification indicating a product conforms with European Union safety, health, and environmental standards) in FY18 at the [Medtronic Newsroom](#).

Alongside in-house innovation, we look for opportunities to invest in or acquire other medical technology companies that offer groundbreaking healthcare solutions. Read more about our [acquisitions](#).

## PARTNERSHIPS FOR INNOVATION

Our partners at universities, hospitals, and healthcare startups keep us focused on patient needs throughout the innovation process. Here are some highlights from FY18:



## WE CONTINUE TO DEVELOP NEW BUSINESS MODELS THAT MAKE LIVES BETTER BY SERVING UNMET NEEDS, EXPANDING ACCESS TO OUR PRODUCTS AND THERAPIES TO MORE PEOPLE — WHOEVER AND WHEREVER THEY ARE

- We extended our R&D capability by starting work on two new development centers in Israel, in cooperation with the Israel Innovation Authority.
- Our first-of-its-kind Hospital IT Advisory Board brings together IT leaders from across the U.S. healthcare industry. The board will share thoughts on trends and challenges, examining ways to align new medical device capabilities with hospital IT requirements.

### Innovating to make healthcare affordable and sustainable

We continue to develop new business models that make lives better by serving unmet needs, expanding access to our products and therapies to more people — whoever and wherever they are.

To have large-scale impact, our products and therapies must be effective and affordable. We work to improve affordability while advocating for adoption of value-based healthcare models.

To improve affordability and maximize value, we:

- Offer a variety of pricing models, including volume pricing or rebate options for hospitals, adaptive pricing for treating long-term conditions, and programs to assist new and existing patients
- Work to improve our products' efficiency and effectiveness simultaneously, to achieve better outcomes at lower cost

- Partner with others to enhance economic value across global healthcare systems

### TRANSITIONING TO VALUE-BASED HEALTHCARE MODELS

We promote a fundamental shift to an alternative healthcare payment model — **value-based healthcare** (VBHC). In traditional healthcare models, payment is calculated based on the volume of product or procedures delivered rather than the outcomes achieved. Treatment costs can reach levels unsustainable for many healthcare systems, particularly where financial barriers already exist.

In a value-based healthcare model:

- Payment for products and services is contingent upon their ability to improve patient outcomes relative to the cost.
- Accountability for delivering results is shared by the various parties involved in the healthcare system, with the focus on achieving positive patient outcomes.

Our Global VBHC Council — comprising leaders from across our business divisions, regions, and functions — steers our approach to value-based models.

We are taking the lead in driving industrywide transformation. We partner with like-minded organizations and global healthcare leaders to pilot and deploy new value-based business models built around clear, measurable patient outcomes.



# BY 2021, 50 MILLION PEOPLE ARE EXPECTED TO BE USING CONNECTED DEVICES TO MONITOR THEIR HEALTH

## Innovation in healthcare process and delivery

One way to improve access to healthcare is to reimagine how we deliver care. Our efforts to improve care delivery include Medtronic Integrated Health Solutions (IHS), Medtronic Care Management Services (MCMS), development of a hub-and-spoke model, Medtronic Labs, and Patient Access Acceleration (PAA).

## WORKING SIDE-BY-SIDE WITH HEALTHCARE SYSTEMS

The need to focus on day-to-day service delivery can make it challenging for hospitals, labs, and clinics to continually improve access, cost efficiency, and quality.

Through Medtronic IHS, we partner with healthcare systems to administer facilities and improve patient outcomes. We focus primarily on hospital operating rooms and catheterization labs, achieving a typical increase in lab capacity of 25–35%.

Highlights in FY18:

- **Partnership with a leading teaching hospital in the Netherlands**

Since working with Medtronic, the hospital has seen a 29% reduction in the average length of patient stay. This could enable the catheter lab to carry out an extra 760 procedures per year.

- **Partnership with Horizon Health Network's New Brunswick Heart Centre (NBHC) in Canada**

Before working with Medtronic, the median wait time for outpatient heart surgery at NBHC was 118 days, more than double the recommended standard. Within the first six months of this new partnership, operating room capacity had increased by 14%, reducing average wait times by 44%.

## IMPROVING QUALITY OF LIFE AND REDUCING COSTS THROUGH CONNECTIVITY

By 2021, 50 million people are expected to be using connected devices to monitor their health. Access to real-time data through remote monitoring, wearables, and telehealth has the potential to significantly improve patient outcomes and reduce administrative costs.

For example, MCMS offers remote monitoring systems to patients with chronic diseases, or those needing follow-up after acute care or surgery:

- Healthcare professionals use our mobile or tabletop platforms to collect patients' biometric and symptom data and conduct a clinical review when required.
- Patients benefit from the increased quality of life offered by staying at home rather than in a healthcare facility. They can access our Patient Advocacy and Support Services for advice from an experienced staff member when needed.



Improved efficiency reduces costs for our customers; monitoring patients remotely may save up to \$8,375 per year.\*

MCMS currently offers more than 20 different programs focused on specific diseases and comorbidities, and our employees continue to create solutions to reach new groups of patients.

## DESIGNING CUSTOMIZED DELIVERY MODELS FOR RESOURCE-CONSTRAINED REGIONS

\*Based on the @Home pilot study undertaken by Geneia. The study was not performed using MCMS; results relate to a third party's program and technology.

Our hub-and-spoke model transforms how long-term needs are addressed in resource-constrained regions. In FY18, we used this model with a partner in India to develop a neuroscience center of excellence that will be the "hub" of a hub-and-spoke network, connected to 15 hospitals in the local area.

## KEEPING CARDIAC PATIENTS CONNECTED

FY18 marked the 15th anniversary of our CareLink network. CareLink connects cardiac patients with their care teams via the data recorded by our implantable cardiac devices.

By remotely monitoring data collected from each device, healthcare professionals can detect potential issues early. To date, CareLink has served more than 1.6 million patients in 15,000 clinics across 82 countries.

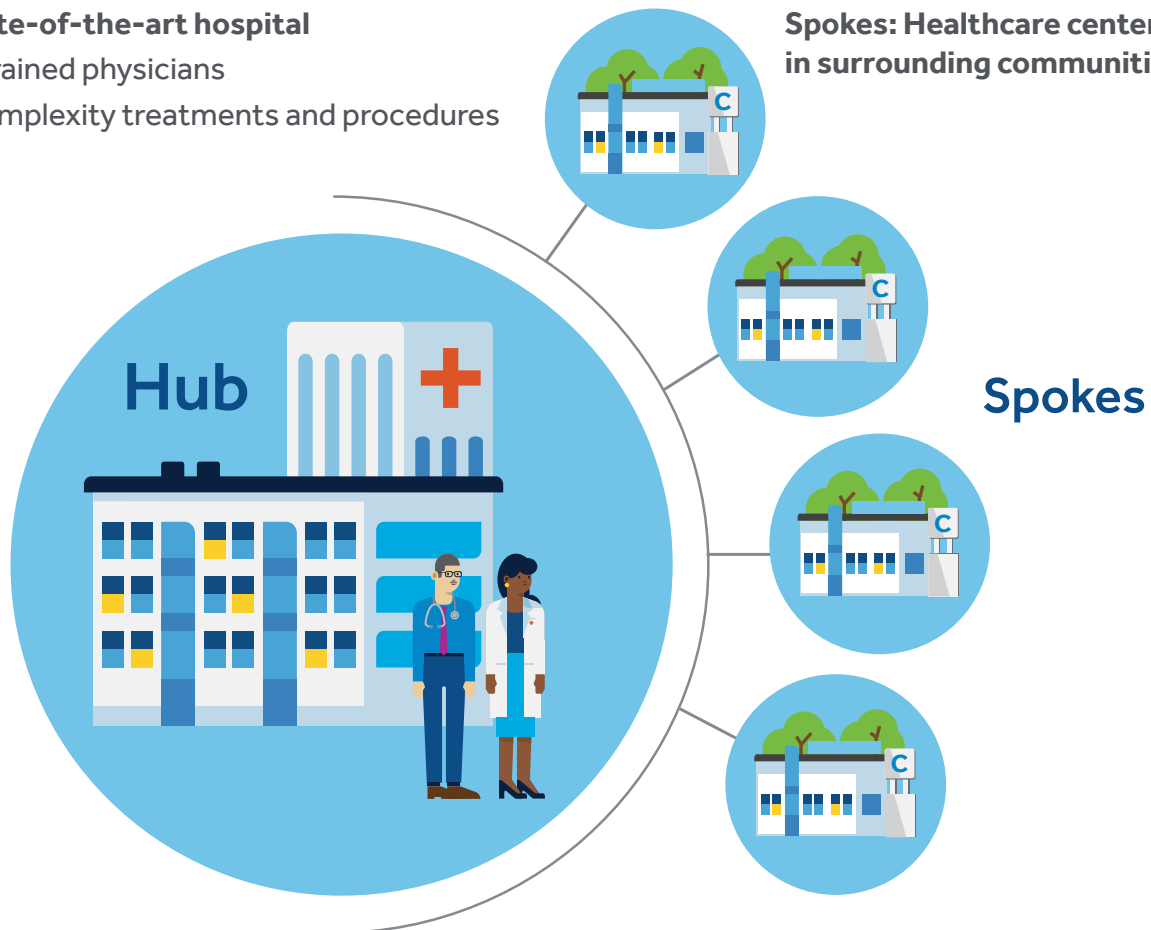


## OUR HUB-AND-SPOKE MODEL

### Hub: A state-of-the-art hospital

- Highly trained physicians
- High-complexity treatments and procedures

### Spokes: Healthcare centers in surrounding communities



The hub and spokes work together to map the current care pathway, identify barriers to access, and develop workable solutions, resulting in:

- High-quality diagnostic and treatment protocols
- A well-defined patient pathway and referral system
- Complete coordinated care
- Improved patient convenience
- Economies of scale

## IMPROVING OUTCOMES FOR CARDIAC PATIENTS

Cardiovascular disease is the leading cause of death in Brazil, yet only 8% of the population has access to appropriate medical treatment.

By combining our hub-and-spoke model with telemedicine facilities, the Latin America Telemedicine Infarct Network (LATIN) is changing the way heart conditions are managed. A total of 188 spoke centers across Brazil, Colombia, and Mexico have remote access to 29 hub hospitals, enabling speedy diagnosis and admission for heart conditions.

Since LATIN began in FY15, admission times have decreased by 70%, and the mortality rate from severe heart attacks (ST-elevation myocardial infarctions) has decreased by 200% in participating locations.

## INCREASING HEALTHCARE ACCESS FOR UNDERSERVED POPULATIONS

Many patients, families, and communities struggle to access the healthcare they need when they need it. In parts of the world where the disparity between need and access is greatest, **Medtronic Labs** works to close the gap by:

- Developing bold ideas for global health access that prioritize social impact alongside financial sustainability
- Focusing on effective, scalable healthcare delivery models with and for communities
- Incorporating technical innovation across the care continuum
- Partnering with local tech entrepreneurs, healthcare systems, nongovernmental organizations, governments, and other stakeholders







## TACKLING HEARING LOSS THROUGH TRAINING AND TECHNOLOGY

Worldwide, as many as 330 million people suffer from chronic ear infections,\* which can cause significant hearing loss if not addressed quickly and effectively.

Medtronic Labs' India-based Shruti program addresses the spread of these infections using a combination of awareness-raising, diagnosis, and treatment of underserved populations. Through partnerships with local healthcare professionals, Shruti-trained community health workers organize camps and go door-to-door with screening devices. They collect patient history, photograph the patient's eardrum, and transmit data to a surgeon for diagnostic assistance and treatment recommendations.

Since Shruti launched in 2013:

- More than 390,000 patients have been screened for chronic ear infection.
- More than 12,000 patients have received affordable treatment.
- Ninety-seven community health workers have been trained.

## TAKING A LOCALIZED APPROACH TO EXPANDING ACCESS TO HEALTHCARE

Our PAA approach enables us to quantify treatment needs in a specific location before identifying, prioritizing, and formulating strategies to tackle barriers to access. The combined data from thousands of PAA assessments help us to improve planning and reduce risks associated with future investments in market development.

We partner with hospitals around the world to deliver our Patient Access Insights (PAI) consulting service, which identifies access needs and barriers and informs the development of appropriate local solutions. In FY18, we completed four PAI engagements in four countries.

### Partnership and advocacy to widen our reach

We strategically pursue Private-Public Partnerships (PPP) around the world to address gaps in healthcare. Our solutions range from providing a single function, such as research and development, to developing a holistic solution for disease management. In FY18, our PPPs included:

- The Diabetic Association of Bangladesh — to improve outcomes for patients using diabetes care technologies
- SingHealth in Singapore — to establish a center of excellence for diabetes treatment and management in Southeast Asia

\*According to the World Health Organization.

# IN FY18, WE INVESTED \$139 MILLION IN CAPACITY BUILDING AND TRAINING REACHING A RECORD 89,000 MEDICAL PROFESSIONALS

We **engage with governments** to advocate for changes in policy or regulation that remove barriers or create opportunities for improved access. For example, in FY18, we communicated with various governments to address barriers in the stroke-care and renal-care pathways and to advocate for value-based healthcare models.

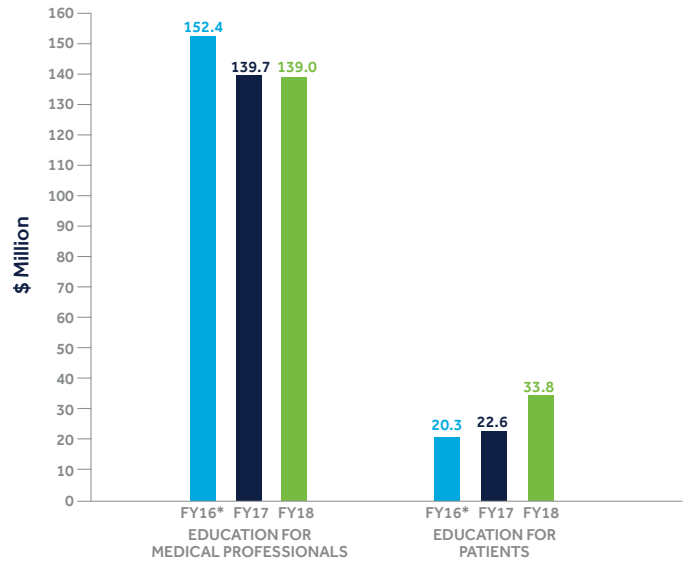
## Building the capacity for transformative change

Professional skills and patient knowledge, along with capacity and infrastructure, are essential parts of any healthcare system.

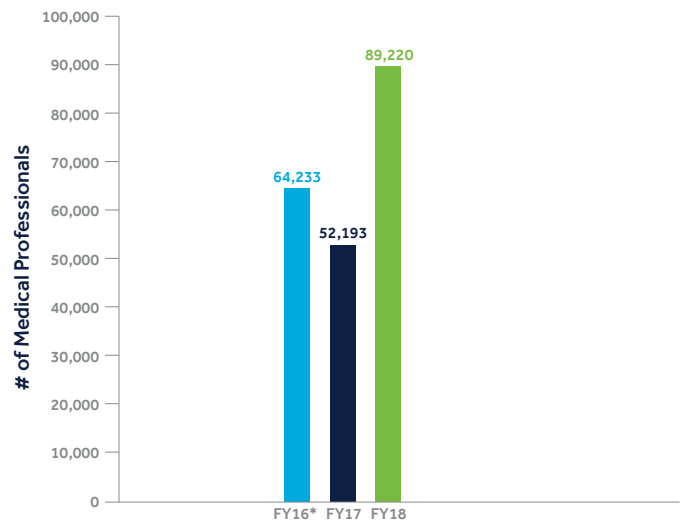
In FY18, we invested \$139 million in capacity building and training for medical professionals (reaching a record 89,000 people) and \$33.8 million in patient education. For example:

- Medtronic Innovation Centers provide healthcare professionals with specialist training and equipment to bolster their knowledge and skills. At our newest center in Shanghai, China, we trained nearly 7,000 physicians on surgical technique.
- We opened Canada's first Medtronic diabetes resource center — supporting and educating patients in between appointments, so they are better able to manage their disease.

## HEALTHCARE CAPACITY BUILDING



## MEDICAL PROFESSIONALS REACHED



\*Excludes MITG Patient Monitoring and Recovery business.



## WE REMAIN IN THE S&P 500 DIVIDEND ARISTOCRATS INDEX MARKING OUR 41ST CONSECUTIVE YEAR OF DIVIDEND INCREASES

### THE ECONOMIC IMPACT OF OUR BUSINESS

Our financial success means we can continue making important economic contributions through the jobs we create, the capital we invest, and the taxes we pay. As Medtronic grows, we expand access to care, strengthen local economies, and deliver consistent shareholder returns.

#### Financial performance

In FY18, we achieved record revenue of \$30 billion. Our strategy for revenue growth is built on developing an unmatched pipeline of best-in-class products and services and growing our global reach in diversified markets.

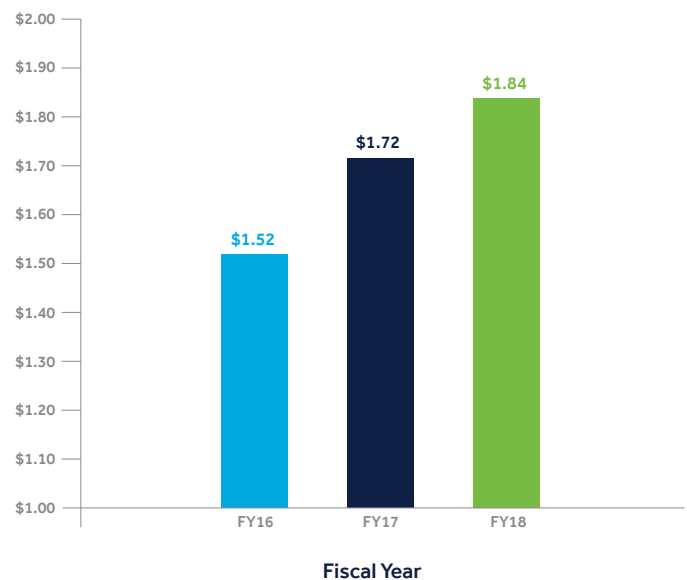
Our emerging market revenue grew 13% on a constant currency basis in FY18 compared to FY17, reflecting the contributions of multiple geographies and growth drivers. This growth underscores continued improvement in our understanding of local markets around the world.

For more information on our financial performance, please see our [2018 Form 10-K](#) on file with the U.S. Securities and Exchange Commission.

#### Return to shareholders

In FY18, Medtronic had a free cash flow of \$4.7 billion, after adjusting for the \$1.1 billion prepayment to the IRS-related in-process litigation on Puerto Rico transfer pricing. We returned \$4.3 billion to shareholders in the form of dividends and share repurchases, net of share issuances.

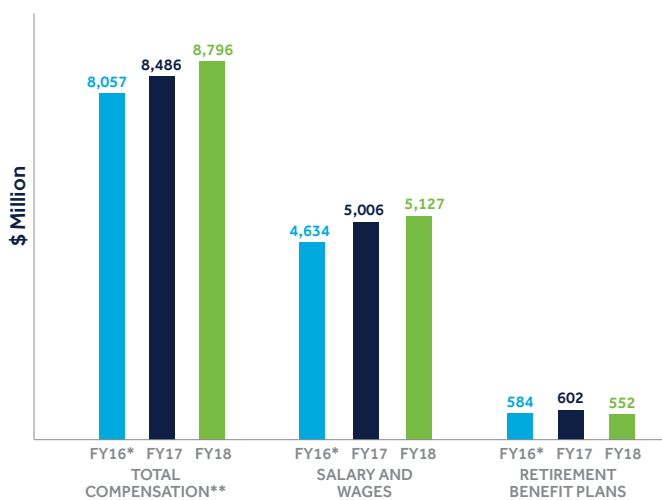
#### DIVIDEND PER SHARE



#### Compensation

Our employees are vital to our success. Offering desirable compensation and benefits allows us to attract and retain top talent in a competitive market.

## EMPLOYEE COMPENSATION



	FY16*	FY17	FY18
<b>Employees</b>	<b>88,000+</b>	<b>91,000+</b>	<b>86,000+<sup>†</sup></b>

\*FY16 contained 53 weeks; other fiscal years contain only 52 weeks.

<sup>†</sup>The decrease in employees from FY17 to FY18 is primarily due to the sale of our Patient Recovery business to Cardinal Health.

\*\*Total Compensation includes salary and wages, incentives, overtime, severance pay, payroll taxes, retirement benefits, auto allowance, and other benefits.

In FY18, Medtronic employed more than 86,000 people in more than 150 countries. We hire locally, stimulating the economies of communities near our operations.

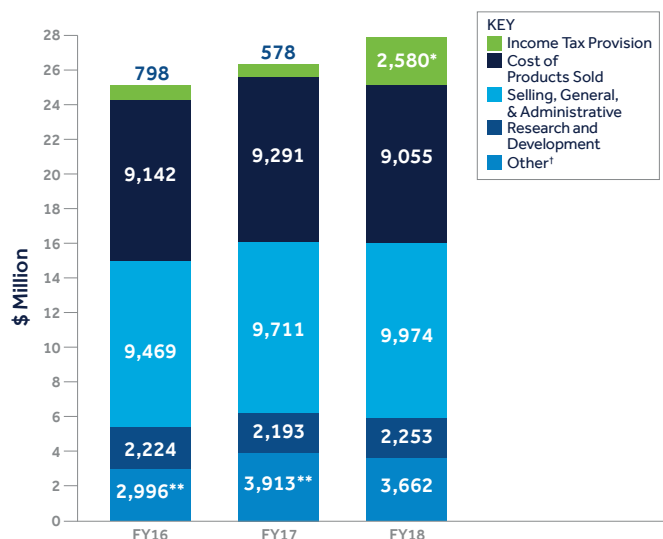
Medtronic ensures equal pay for equal work between men and women globally. Pay equity is reviewed annually and corrective action is taken for any statistically significant differences. The same standard is applied for employee ethnic classifications in the United States.

## Investments and expenditures

Medtronic invests in infrastructure, manufacturing capabilities, and technology. In FY18:

- We built our fourth plant in the Dominican Republic, bringing our total investment there to more than \$160 million, including 4,000 jobs among our four factories.
- Our capital expenditures totaled nearly \$1.1 billion.

## MEDTRONIC EXPENSES



\*The increase from FY17 to FY18 primarily relates to the impact of U.S. tax reform, inclusive of the transition tax, remeasurement of deferred tax assets and liabilities, and the decrease in the U.S. statutory tax rate.

<sup>†</sup>Includes the following expenses: amortization of intangible assets; restructuring charges, net; acquisition-related items; certain litigation charges; divestiture-related items; gain on sale of businesses; special charge; other expense, net; investment loss; and interest expense, net.

\*\*Data has been restated from the FY17 Integrated Performance Report due to a new definition of "other."



Operating costs and other expenditures are essential to running our business and securing our position as a technology leader. Around the world, communities benefit from our salaries and wages; research and development investments; sales, general, and administrative expenses; and taxes.

### Acquisitions and divestitures

We pursue acquisitions that bring new technology, strategic skills, capabilities, and expertise to Medtronic as well as align with our Mission. Our goal is to offer a broad range of therapies to restore patients' health and extend lives.

In FY18, our acquisitions included **Crospon**, an innovative endoscopic diagnostics company, and **Visionsense**, an Israeli developer of minimally invasive surgery technology.

When appropriate, divestitures allow us to more closely align our product and therapy portfolio and business activities with our strategic priorities. On July 29, 2017, we completed the sale of our Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses to Cardinal Health for \$6.1 billion in cash.

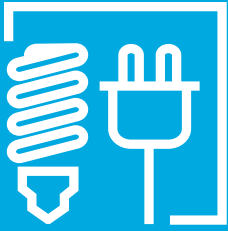






## PROMOTING **ENVIRONMENTAL STEWARDSHIP**

The Medtronic Mission calls us to improve human welfare, which includes caring for our planet. Making the world a healthier place means reviewing our environmental effect holistically — from facility operations to product design, manufacture, and disposal. Technology, data, and innovative spirit drive our continuous awareness, compliance, and improvement.



## KEY MEDTRONIC SITES ARE CERTIFIED TO ISO 50001, AN INTERNATIONAL STANDARD FOR ENERGY MANAGEMENT

We are using the learnings from these certifications to develop company guidelines for energy use.

### REDUCING OUR OPERATIONAL FOOTPRINT

As a global company, we understand the importance of caring for our world. We strive to minimize the environmental impact of our operations by proactively managing our greenhouse gas emissions (GHG), water use, and waste generation is part of our Mission to make the world a healthier place.

Our global [Environmental Health and Safety \(EHS\) Policy](#) sets the standard and establishes a performance improvement system to set goals, measure progress, and integrate sustainability into decision-making.

Our corporate EHS team oversees compliance, environmental management and remediation, health and safety, and training. The team also collaborates with regional directors who are responsible for EHS policy and programs in the Americas; Asia Pacific; China; and Europe, the Middle East, and Africa.

### Mitigating Impacts with Management Systems and Certifications

Manufacturing facilities account for most of our energy consumption, water use, and waste generation. We track EHS performance at these sites with management systems based on the ISO 14001 and OHSAS 18001 standards.

At certain facilities we pursue third-party certification for EHS management systems.

Medtronic also participates in the following external sustainability initiatives:

- [CDP](#) — We submit disclosures to the CDP climate change, supply chain, and water programs annually. Our [publicly available](#) disclosures include management approach, risks, and performance metrics.
- [Energy Star](#) — As an Energy Star partner, we are committed to measuring energy performance and reducing energy consumption.

### Environmental Compliance

We strive to comply with applicable environmental laws and regulations, as stated in our corporate EHS Policy. In instances where a noncompliance occurs, we have programs in place to swiftly and effectively address issues.

In FY18, we had six inspections resulting in environmental noncompliance notices, leading to \$9,000 in fines. In addition, there were three instances of self-reported noncompliance to environmental agencies. Corrective actions have already been implemented for seven of the incidents, and we are acting to resolve the remaining issues.



# WE HAVE SURPASSED FOUR OF OUR FIVE 2020 ENVIRONMENTAL PERFORMANCE GOALS

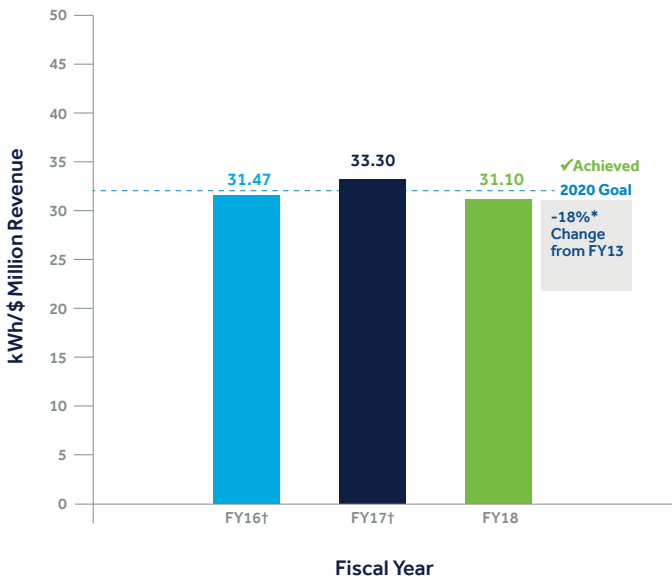
Globally, Medtronic manages 26 clean-up sites. Nine of the U.S. sites fall under the Comprehensive Environmental Response, Compensation, and Liability Act, also known as Superfund.

## 2020 Environmental Performance Goals

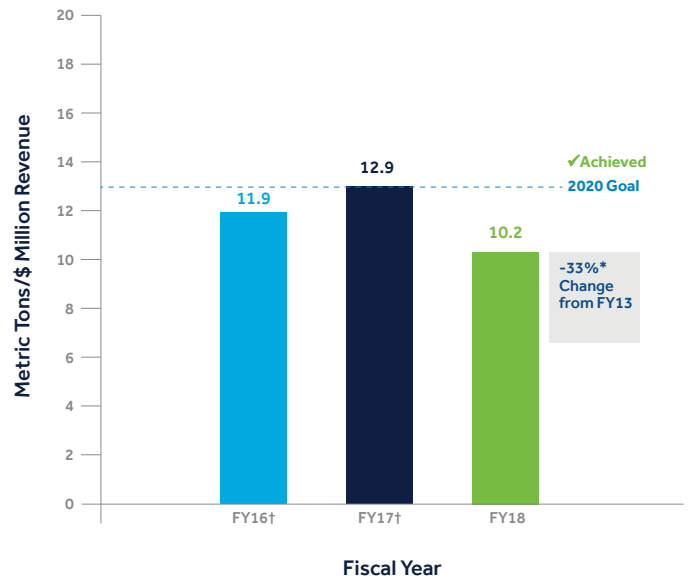
Our fiscal year 2020 Environmental Performance Goals address our priorities: energy use, GHG emissions, regulated and non-regulated waste, and water.

As of FY18, we have surpassed four of our five 2020 goals (see graphs below and on the next page) and have initiatives in place to reach our regulated waste goal. In 2020, we will set new long-term environmental goals.

### ENERGY USE



### GHG EMISSIONS

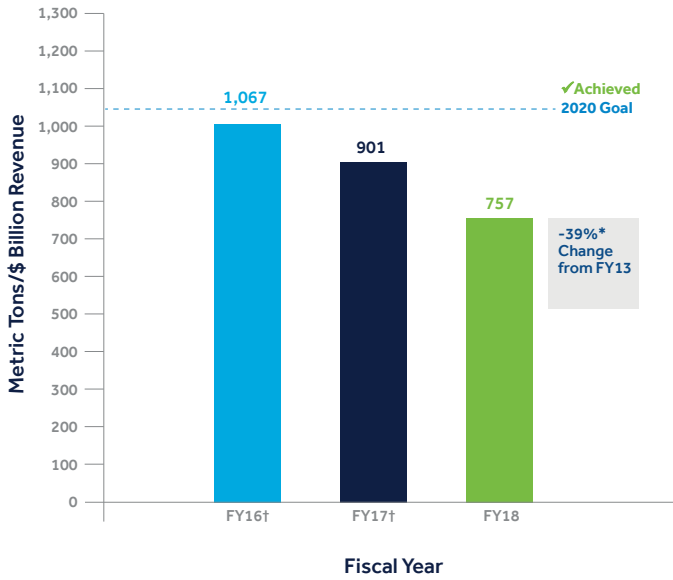


\*All percentage reduction goals are based on an FY13 baseline year recalculated to account for Covidien acquisition in FY15. All data reflects Medtronic and Covidien operations.

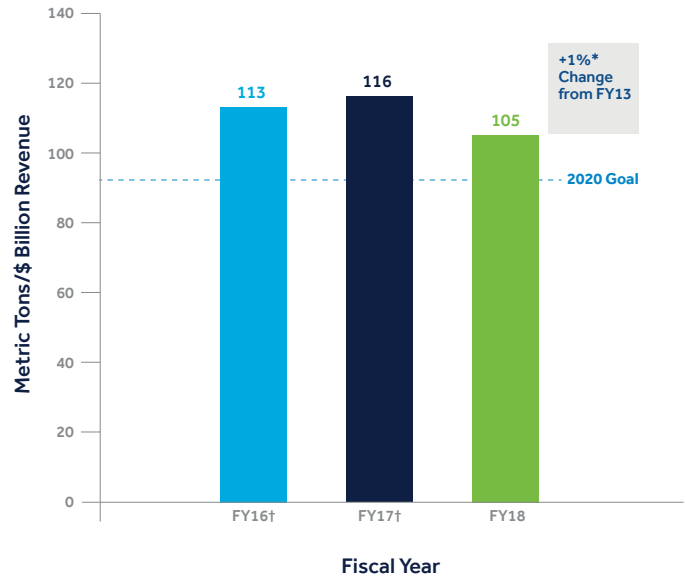
†FY16 and FY17 were recalculated to account for the Cardinal divestiture.



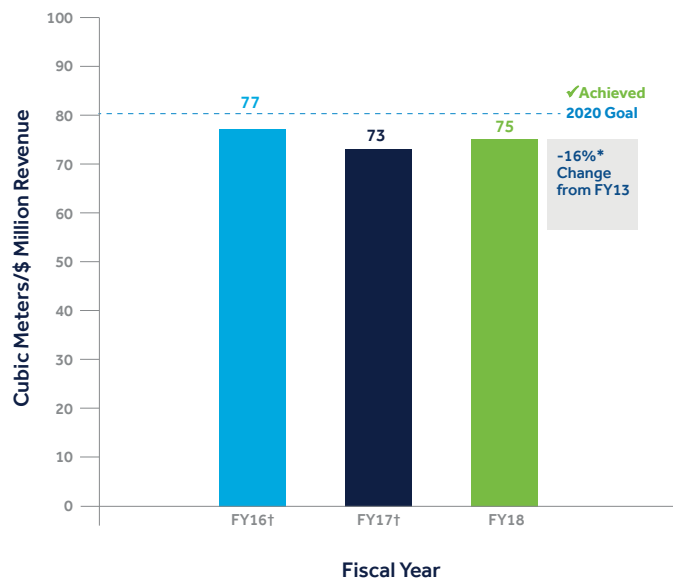
## NON-REGULATED WASTE



## REGULATED WASTE



## WATER USE



\*All percentage reduction goals are based on an FY13 baseline year recalculated to account for Covidien acquisition in FY15. All data reflect Medtronic and Covidien operations.

†FY16 and FY17 were recalculated to account for the Cardinal divestiture.



# WE AVOIDED 22,173 METRIC TONS OF GHG EMISSIONS IN FY18 DUE TO OUR ENERGY CONSERVATION EFFORTS

## Managing GHG Emissions and Energy Use

Our strategy to conserve energy, and in turn reduce emissions, is a global approach. From Italy to California, we implement energy-saving projects that reduce the environmental impact of our operations and manufacturing facilities.

### EMISSIONS

In FY18, our Scope 1 and 2 emissions were 299,000 metric tons (MT) carbon dioxide equivalent, a 13% decrease from the prior year. We achieved this reduction by being more energy efficient and investing in low-carbon technologies. This year, onsite energy generation provided more than 7.5% of our total energy needs.

### IMPROVING OUR ENERGY EFFICIENCY

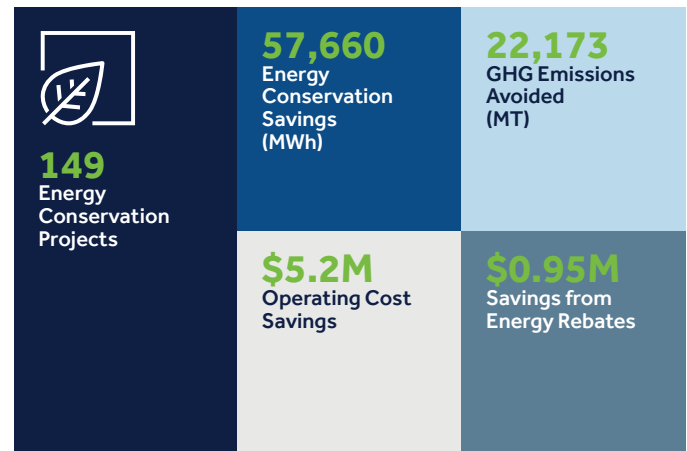
In FY18, we implemented a global LED initiative to reduce the energy used to light our manufacturing and commercial facilities. Comprising 49 projects and an investment of more than \$4 million, the LED initiative is the largest energy efficiency project ever completed by Medtronic. By updating our lighting with more than 150,000 LED bulbs, we will save an estimated 30 million kWh and nearly \$3.3 million per year.

Nearly 15% of our energy consumption takes place at our facility in North Haven, Connecticut, where we manufacture surgical instruments. In FY18, we completed cogeneration, fuel cell, thermal, and other energy efficiency projects

at the site. We expect these projects will save approximately 4 million kWh per year, which translates to \$1.4 million in annual savings.

In FY19, we will begin to upgrade and optimize our chilled water systems to improve their energy efficiency. Upgrades are planned at more than 20 sites and are expected to save more than 5,000 MWh per year.

## FY18 ENERGY CONSERVATION



## INVESTING IN ENERGY-EFFICIENT TECHNOLOGY

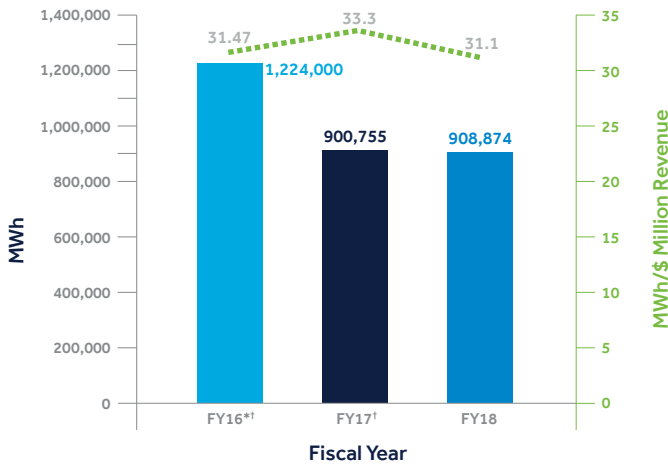
In FY18, Medtronic generated 69,100 MWh of energy onsite through fuel cell and cogeneration systems, including 4,300 MWh of new capacity. FY18 initiatives, such as reaching the final assessment phase to confirm feasibility of a new cogeneration system at our site in Mirandola, Italy, will help us continue to reduce our operational footprint.

**IN FY18:**

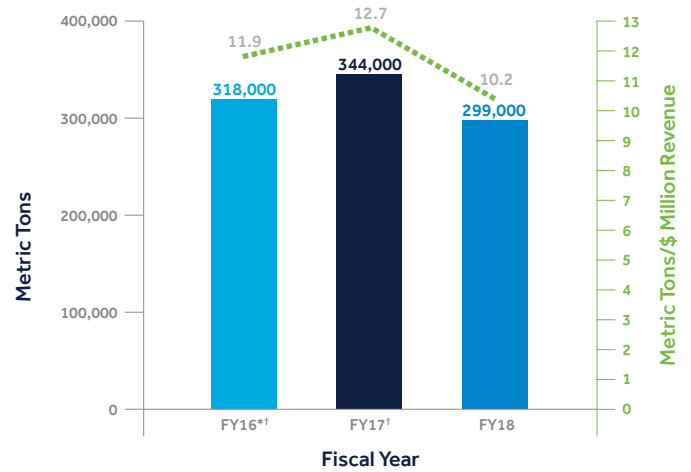
**MEDTRONIC GENERATED  
69,100 MWH OF ENERGY ONSITE  
THROUGH FUEL CELL  
AND COGENERATION SYSTEMS,  
INCLUDING 4,300 MWH OF NEW CAPACITY**

Onsite Energy Generation			
Type of Project	Installation Date	Energy Generated (Per Year) (MWh)	Location
Fuel Cell	FY18	2,600	North Haven, Connecticut
Fuel Cell	FY18	1,700	North Haven, Connecticut
Fuel Cell	FY17	12,400	Northridge, California
Fuel Cell	FY15	3,500	Santa Rosa, California
Cogeneration	FY12	2,500	Mirandola, Italy
Cogeneration	FY11	3,400	Athlone, Ireland
Cogeneration	FY09	43,000	North Haven, Connecticut

**ENERGY USE**



**GHG EMISSIONS**



\*FY16 data reflect January 2015 Covidien acquisition. Prior-year data does not include legacy Covidien operations.

†FY16 and FY17 were recalculated to account for the Cardinal divestiture.



## Reducing Waste and Water Use

We must take a holistic approach to make the world a healthier place. This includes managing the waste we generate and the water we use.

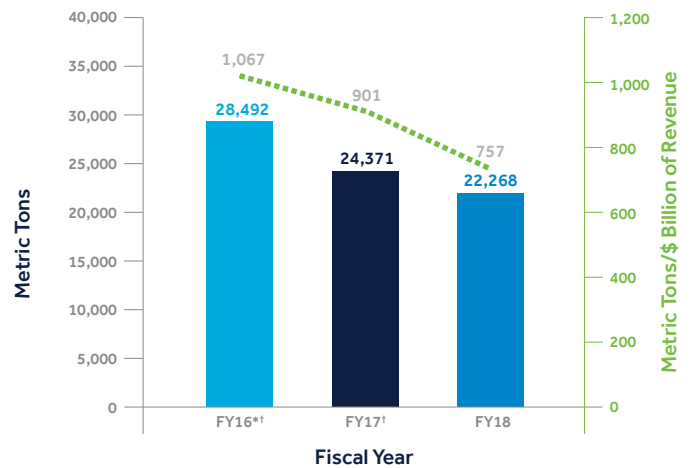
### REDUCING WASTE

We are continually looking for ways to eliminate waste at our sites to reduce costs and lessen our environmental impact. In FY18, we limited our waste generation to 25,367 MT, a nearly 8% decrease from FY17. We achieved this reduction by value stream mapping waste at our offices, cafeterias, and manufacturing sites and developing programs to target regulated and non-regulated waste.

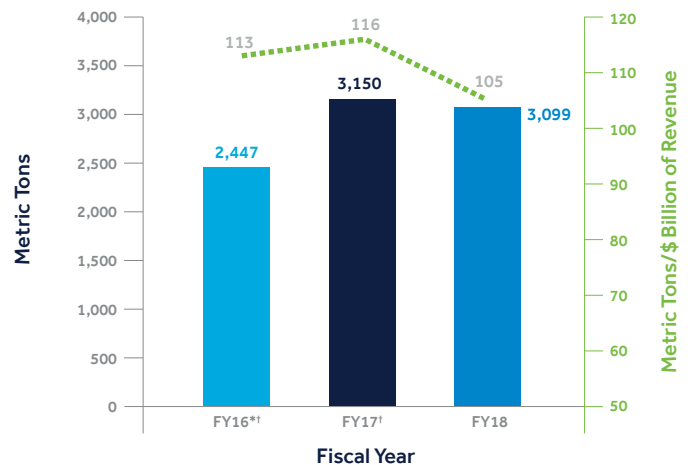
Medtronic proactively manages hazardous waste to prevent negative impacts and to minimize liability risk. Prior to contracting vendors, we assess their waste management processes against our expectations and requirements. We continuously monitor vendors to ensure that they uphold our standards when handling our hazardous waste.

## FY18 PERFORMANCE

### NON-REGULATED WASTE



### REGULATED WASTE



\*FY16 data reflects January 2015 Covidien acquisition. Prior-year data does not include legacy Covidien operations.

<sup>†</sup>FY16 and FY17 data were recalculated to account for the Cardinal divestiture.





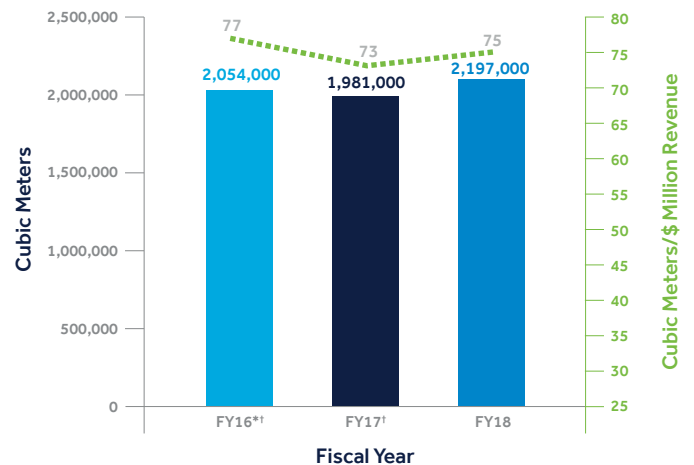
## REDUCING WATER USE

Though medical device manufacturing is generally not water-intensive, we strive to minimize our consumption, especially where water is scarce. Our engineers look for ways to reduce the water used in production as well as in building systems such as heating, cooling, and irrigation. We try to recycle or reuse water when possible.

In FY18, our water use totaled 2.2 million cubic meters. This represents an 11% increase from the prior year when looking at absolute values. When normalized for revenue, this represents a 3% increase from the prior year. Despite the increase in FY18, we still reduced water consumption 16% compared with 2013, surpassing our 2020 water target.

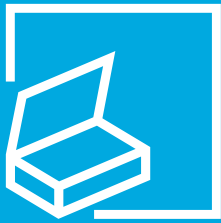
We are proactively taking steps to curtail our water use. For example, at our North Haven site, we implemented three projects to reduce potable water use that will save an estimated 24,600 cubic meters of water each year.

## WATER USE



\*FY16 data reflects January 2015 Covidien acquisition. Prior-year data does not include legacy Covidien operations.

†FY16 and FY17 data were recalculated to account for the Cardinal divestiture.



## PRODUCT STEWARDSHIP

Patient health is our absolute priority in manufacturing medical devices. We have a responsibility to ensure the quality and sterility of our devices as well as their safe delivery. In addition, we try to minimize the environmental impact across the life cycle of our products, from material selection to end-of-life recyclability.

Medtronic scientists and engineers follow EHS guidelines when designing new products. This standardized approach incorporates environmental considerations from the start and helps us meet both regulatory requirements and customer expectations.

Well-designed packaging ensures that our products reach customers in perfect condition. The Medtronic Sustainable Packaging Working Group is developing a program to review our packaging through the lens of product stewardship. The program's objective is to reduce the environmental impact of product packaging while maintaining our rigorous quality standards.

Medtronic follows international guidelines and regulations for disposal of electronic waste. In some cases, we are able to reduce landfill waste by recycling products at the end of their useful life. For example, in FY18 we reduced landfill waste by recycling or reusing 171 MT of medical sensors from our Nellcor business, which specializes in

pulse oximetry devices. For more information on product recycling, see our [product packaging and disposition page](#).

We monitor and comply with global regulations to ensure that our products and communications follow current legal requirements, including:

- California Proposition 65 (required product disclosures are available at [www.medtronic.com/caprop65](http://www.medtronic.com/caprop65), providing increased transparency for customers and patients)
- E.U. Directive on Restriction of Hazardous Substances (RoHS)
- E.U. Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)
- E.U. Medical Device Directive (MDD) and Active Implantable Medical Device Directive

We are also preparing for the new E.U. Medical Device Regulation (effective May 2020), which will require more rigor than the E.U. MDD around identification and substitution or justification of the use of hazardous substances for products meeting certain criteria. Medtronic has a chemical risk and hazard policy already in place and we are developing a global procedure for assessment and management.



## SUPPORTING A **GLOBAL WORKFORCE**

Working together is our model for success and no partner is more important to Medtronic than our employees. Thus we work hard to fulfill the fifth tenet of our Mission — to recognize the dignity and the personal worth of all employees. We value an inclusive and diverse workforce and strive to advance their personal and professional growth, support their health and wellness, and reward them with competitive compensation, benefits, and recognition.



## INCLUSION AND DIVERSITY

Our efforts to create a powerfully inclusive and diverse workplace is essential to our purpose. A strong and united Medtronic translates to meaningful innovations that help our partners deliver better patient outcomes and contribute to human welfare.

Our Global Inclusion, Diversity, and Engagement (GIDE) team leads our effort to ensure that our workforce, at every level of the organization, reflects the world in which we live and work.

To further accelerate careers of women globally and ethnically diverse groups in the U.S., we have four Diversity Networks dedicated to helping employees succeed both professionally and personally. Networks are led by a chair and a sponsor from our Executive Committee. All committee members are accountable for, and measured on, their contribution to achieving our diversity goals. Medtronic CEO, Omar Ishrak, meets with the Networks quarterly to assess their impact, review activities, and provide support.

Medtronic Diversity Networks	
Network	Business Strategy
<b>Global Medtronic Women's Network</b>	<ul style="list-style-type: none"> <li>▪ Inspiring leadership to develop and advance women</li> <li>▪ Establishing Medtronic as a best place for women to work</li> <li>▪ Empowering women to work and lead at Medtronic</li> </ul>
<b>African Descent Network</b>	<ul style="list-style-type: none"> <li>▪ Recruiting and retaining African descent talent at all levels</li> <li>▪ Engaging the African descent community internally while exploring external business partnerships</li> <li>▪ Developing African descent talent to manage and accelerate their careers at Medtronic</li> </ul>
<b>Hispanic Latino Descent Network</b>	<ul style="list-style-type: none"> <li>▪ Recruiting Hispanic leaders to accelerate our positioning as an employer of choice for Hispanics</li> <li>▪ Educating leaders to build an inclusive culture and grow the under-penetrated U.S. Hispanic market</li> <li>▪ Promoting key development opportunities to improve our leadership pipeline of Hispanic employees</li> </ul>
<b>Asian Impact @ Medtronic</b>	<ul style="list-style-type: none"> <li>▪ Accelerating individuals of Asian descent into leadership at all levels</li> <li>▪ Inspiring a confident and visible Asian community at Medtronic</li> <li>▪ Supporting our growth in Asian markets</li> </ul>





# THIS YEAR, WE HIRED NEARLY 16,000 NEW EMPLOYEES, 54% WERE WOMEN

## Diversity

### GENDER DIVERSITY

At the end of FY18, Medtronic employed more than 86,000 people across 150 countries. This year, we hired nearly 16,000 new employees, of which 54% were women. In FY18, women held 37% of the management level or above positions globally — representing significant progress toward our 2020 aspirational goal of 40% or more. For more detailed workforce data, see our [2018 Standards Supplement](#).

Medtronic published its first gender pay gap [report](#) for U.K. employees as part of a new disclosure requirement. The pay gap differs from equal pay for equal work. The pay gap compares pay for all men and women, regardless of their job, which factors in representation across all job levels.

The report reveals that our pay parity is above the UK average and highlights how we can continue to improve.

Women in Global Management*	
Fiscal Year	% Women
FY16	33%
FY17	34%
FY18	37%

\*Management = managers, senior managers, directors, and senior directors

The Medtronic Women's Network comprises 12,000 members and 112 hubs across 60 countries. The network supports the GIDE team in improving the company's ability to attract, retain, and advance female employees.

In FY18, we launched the Women in Science and Engineering (WISE) Road Initiative, which encourages more women to take on science and engineering roles. Popular programs include:

- **Careers 2.0.** This re-entry program helps women who have taken a break from their engineering careers get back into the workforce.
- **Community Outreach.** Medtronic employees meet with young women to help overcome stereotypes about science and technology careers and share the humanitarian side of engineering.

“ I am passionate about encouraging women in the industry and giving girls in high school and college a vision of a career in engineering. Medtronic has a wonderful Mission that can attract talented women. ”

— Carol Malnati, Vice President of Product Development and WISE Lead





# IN FY18, NEARLY 16,000 EMPLOYEES PARTICIPATED IN 13 EMPLOYEE RESOURCE GROUPS ACROSS 60 COUNTRIES

## U.S. ETHNIC DIVERSITY

In FY18, ethnically diverse groups represented 34% of our overall workforce in the United States and held 21% of positions at the management level and above in the United States — surpassing our 2020 aspirational goal target of 20% or more. We remain focused on maintaining or exceeding this level of representation moving forward.

We also will continue investment in new diversity programs. For example, in FY18:

- We developed a harmonized diversity scorecard that managers use to identify and address gaps in representation.

- We launched Leadership Inclusion from Mentorship Toward Sponsorship (LIFT), a development cohort for high-potential and key talent of African Descent.

## Inclusion

In FY18, nearly 16,000 employees participated in 13 Employee Resource Groups (ERGs) across 60 countries. ERGs foster an employee-driven approach to unite around a common identity and foster a culture of inclusivity.

### U.S. Ethnically diverse talent representation\*†

Fiscal Year	FY16	FY17	FY18
<b>Overall</b>	33%	33%	34%
<b>Management</b>	**	19%	21%

\*United States, excluding Puerto Rico.

†Management = managers, senior managers, directors, and senior directors.

\*\*FY16 cannot be reported because data includes Legacy Covidien employees whose titles utilized a separate definition of "management."



## DEVELOPMENT AND ENGAGEMENT

Recognizing that our workforce is our strongest asset, we invest in employee career development that also benefits our company, our customers, and our patients. We engage employees, inviting feedback and encouraging them to have a voice within Medtronic.

### Investing in the professional development of our workforce

We support professional growth by facilitating career conversations and making development

opportunities available to employees. These investments help accelerate careers while enhancing team expertise and productivity.

Medtronic managers meet with employees at least three times each year to discuss career aspirations, set goals, and review performance. In FY18, we invested more than \$78.5 million in employee training and development programs. During the year, 59% of employees accessed these opportunities. To complement these programs, we offer more than 570 online learning tools and courses through our Performance and Career Development portal.

In FY18, we were recognized for our inclusive and diverse culture through:

- *Forbes America's Best Employers for Diversity*
- A perfect 100% score for the ninth consecutive year on the Human Rights Campaign Foundation *Corporate Equality Index*
- Thomson Reuters *Diversity and Inclusion Index*
- DiversityInc's *Top 50 Companies for Diversity*
- The Asia Society naming Medtronic *Best Employer for Promoting Asian Pacific American Women and Best Employer for Marketing and Support to the Asian Pacific American Community*





Our leadership development programs train leaders in the skills needed to develop their teams. These programs include:

- **EDGE** — embeds the topic of unconscious bias in our core leadership development curriculum as well as discussing it in large meetings and forums
- **Empower** — teaches operations supervisors leadership tools needed to strengthen their teams, ultimately achieving business results
- **Enrich** — helps new managers build essential leadership skills; more than 2,200 managers have participated since the program launched in June 2017
- **Ignite** — accelerates readiness for high-potential directors for higher-level leadership roles; 75 individuals have graduated since the program's 2018 launch
- **Vice President Onboarding** — supports a successful transition for new vice presidents, familiarizing them with the business, their team, and expectations of their role; since the 2017 program launch, 147 people have participated

## Employee Engagement

One of the ways we engage employees is through encouraging them to provide feedback on their experiences at Medtronic. In FY18, our Organizational Health Survey attracted the participation of more than 58,000 employees, a response rate of 65%.

The survey showed an overall engagement score of 75%, 10% higher than the industry average. When compared with FY17, the FY18 survey showed progress in several aspects of engagement. The largest gain was in the number of employees who reported feeling they have a voice at Medtronic. In FY18, employees also rated the company more favorably on inclusion, innovation, and ethical culture. As an area for improvement, the survey highlighted the day-to-day challenges our employees face getting work done due to the size and complexity of our organization. Managers use the survey results to identify strengths as well as areas where they can improve their work with teams.

## HEALTH AND WELLNESS

We are dedicated to the safety, health, and wellness of our employees and continually address safety in our operations. We also support and encourage employees to take steps to promote their own physical, emotional, and financial well-being.

### A Culture of Safety

We maintain a strong environmental, health, and safety (EHS) management system through the following mechanisms:

- Setting annual EHS goals
- Proactively identifying and managing risk
- Implementing training programs
- Monitoring regulatory trends
- Auditing sites for compliance

In FY18, we had no work-related fatalities. Our recordable incident rate was 0.25, a reduction of 14% compared to the previous year. During the year we also made meaningful progress on our internal 2020 health and safety improvement goals, including:

- Identifying injury trends and reducing injury risk by focusing on incident reduction practices and ensuring that proper protocols are in place

- Accelerating global employee training on EHS requirements
- Expanding our Ergonomic Playbook for manufacturing employees to include a variety of EHS considerations aimed at reducing hazards

In FY18, we designed a new EHS information system that will lead to better integrated safety reporting. Next year, we will expand our safety reporting to include near misses and employee-reported hazard observations, allowing us to monitor and learn from incident trends and continuous improvement practices.

Safety Record*			
	FY16**	FY17	FY18
<b>Employee Injury Incident Rate†</b>	0.45	0.39	0.25
<b>Employee Lost/Restricted Workday Case Rate††</b>	0.22	0.21	0.12
<b>Fatalities</b>	0	0	0

\*Our safety records include employees and contingent workers.

†The number of work-related injuries or illnesses serious enough to require treatment beyond first aid, per 100 employees working a full year.

\*\*FY16 data includes both legacy Medtronic and legacy Covidien employees.

††The number of work-related injuries or illnesses serious enough to cause an employee to miss one or more workdays or to have one or more workdays of restricted duty, per 100 employees working a full year.



# IN FY18, 66% OF EMPLOYEES PARTICIPATED IN OUR WELLNESS PROGRAM, HEALTHIER TOGETHER

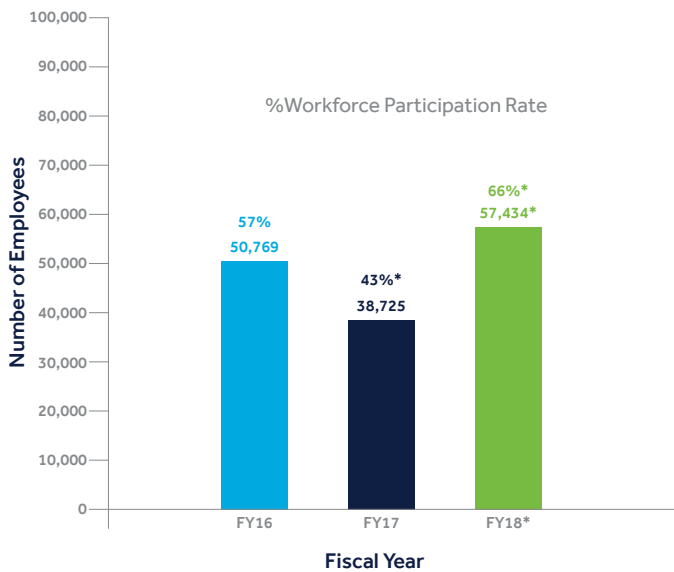
## Investing in Wellness

We invest in the physical, emotional, social, and financial well-being of our employees through our global wellness program, Healthier Together. Nearly every Medtronic employee has access to this program; in FY18, 66% of employees participated.

# 99.5%

OF EMPLOYEES  
HAD ACCESS TO  
HEALTHIER TOGETHER  
FROM FY16 TO FY18

## HEALTHIER TOGETHER Employees Registered on the Wellness Platform



\*Our new wellness website launched in FY17 Q4. All employees were required to re-register on the platform; as a result, our overall reported participation rate dropped in FY17 and increased in FY18 as more employees registered on the new platform.

## COMPENSATION, BENEFITS, AND RECOGNITION

Our employment framework allows employees to share in the company's success and feel secure both personally and professionally. We strive to support employees' physical, financial, and emotional well-being through compensation, benefits, and recognition.

### Compensation and Benefits

Our competitive compensation approach reflects industry benchmarks and local market standards and gives employees the opportunity to share in the success they help create. Our comprehensive portfolio of compensation programs includes annual and long-term incentive opportunities that provide the means to share in the company's success. We are dedicated to creating a culture of equal gender representation and equal pay.

We strive for thorough and transparent communication on compensation at Medtronic. Our [Proxy Statement](#) includes discussion and analysis of our executive compensation. We use the same programs and apply the same principles and approach to nonexecutive compensation.

Our retirement, health, and other benefits are designed to help employees thrive. They are flexible, affordable, and competitive within our industry. Benefits vary by country but typically include:



- Health, dental, and vision coverage for employees and eligible dependents
- Retirement plans
- Life and disability insurance
- Paid time off and leaves of absence
- Stock purchase program

Employees can learn about and engage their benefits through in-person presentations; on-demand web-based tools; and AskHR support. Employees based in the United States have access to our virtual benefits counselor, "Alex." All employees have 24/7 access to an HR Portal for timely and relevant benefit information in all countries in which we operate.

For more information on our U.S. benefits program, please visit [benefits.medtronic.com](https://benefits.medtronic.com).

### REWARDING GOOD LEADERSHIP

To employ the best people to lead Medtronic, we must attract executives who can think innovatively and deliver effectively. We combine competitive benefits with cash and equity incentives to ensure that we recruit talented executives with the experience to challenge and inspire.

Our Compensation Committee evaluates and approves executive compensation. Read more about our approach to compensation in our [Proxy Statement](#).

While our business continues to change, what remains constant is the importance of caring and being present for our families. Medtronic employees at various life stages have asked for greater flexibility to meet family commitments. In response, we introduced Family Care Leave for all U.S. employees in early FY19.

Family Care Leave provides up to six weeks of paid leave to:

- Bond with a new child (applies to birth, adoptive, surrogate, or non-birth parents)
- Care for family after a spouse, child, or parent is called to active military duty

- Care for an eligible family member's serious health condition
- Care for an immediate family member who is terminally ill (previously Compassionate Leave)



Watch this [video](#) to learn more about Family Care Leave and how it provides benefits that exceed those offered by other leading, progressive employers.



## Recognition

We value our employees' diligence, innovation, and integrity. To honor their efforts, our global Recognize! program empowers managers and employees to reward achievements, celebrate milestones, share appreciation, and sustain our culture. In FY18, we recognized nearly 60,000 employees, including more than 3,000 for outstanding ethical behavior and 7,000 for quality.

We also administer awards to acknowledge employee achievements:

Award	Description
<b>Bakken Fellowship</b>	The Bakken Fellowship honors employees who have made multiple technical contributions to the company and to the biomedical device industry. Seven employees were inducted into the Bakken Society in FY18.
<b>Compass Award</b>	The Compass Awards recognize individual employees who live out the Medtronic Mission by vigilantly demonstrating behavior that champions our Code of Conduct and reflects high integrity.
<b>GIDE Leadership Award</b>	The GIDE Award recognizes Medtronic vice presidents who champion an inclusive work environment. Six employees received the GIDE award in FY18.
<b>Star of Excellence Award</b>	The Star of Excellence is our highest recognition for quality and innovation. Nine Medtronic teams and two individual employees received this award in FY18.
<b>Wallin Leadership Award</b>	The Wallin Leadership Award recognizes employees who demonstrate world-class people leadership including actively fostering an inclusive and diverse work environment and successfully developing leadership talent to enable superior business outcomes.



## WORKING RESPONSIBLY

Through a global network of partners, our products, therapies, and services improve the health of millions of patients around the world. We understand that as our impact grows, so does our responsibility. Expanding our resilient business means continuously innovating, investing, and pushing the boundaries of medical technology in an equitable manner. Our commitment to working responsibly means strong corporate governance, impeccable ethics, sustainable practices, quality products, and a responsible and diverse supply chain.



## CORPORATE GOVERNANCE

Our company's continued success depends on maintaining relationships of mutual trust with our stakeholders. Trust is hard earned and easily lost, and starts with establishing policies and practices that support strong corporate governance.

Our CEO, Omar Ishrak, and lead director, Scott Donnelly, set companywide expectations for strong governance coupled with a capable, highly engaged, and independent board of directors who take corporate governance very seriously.

### Board of Directors: Leading with Clarity, Consistency, and Diversity

Our board of directors and executive leadership oversee the policies and procedures that communicate our company's expectations to employees. The board guides our corporate strategy and reviews and approves our annual strategic plan.

Medtronic has six standing committees exclusively comprising independent directors:

- Audit
- Compensation
- Nominating and Corporate Governance (NCG)
- Finance and Financial Risk
- Quality
- Technology and Value Creation

Maintaining a mix of backgrounds and experience in our board composition is essential to understanding and reflecting the needs of our diverse stakeholders. Currently, 25% of our 12 board members are women, and 25% represent ethnically diverse groups.

Any change to the membership of our board and committees is an opportunity for us to add diverse views, skills, and experience to our leadership.

Our NCG committee leads the process of recommending candidates for election to the board. In evaluating director candidates, the NCG committee will assess a candidate's diversity and relevance of background, accomplishments, qualifications, skills, judgment, and integrity.

Any prospective candidate must be able to commit sufficient time and attention to board activities and avoid conflicts of interest with our business. The final decision rests with the full board, based on the assessment provided by the NCG committee.

### Public Policy and Stakeholder Engagement

#### ADVOCATING FOR HEALTHCARE POLICY THAT SUPPORTS PROGRESS

We must go beyond the walls of our business to transform healthcare. Our goal is to establish a reputation as a valued partner in healthcare reform



# WE MUST GO BEYOND THE WALLS OF OUR BUSINESS TO TRANSFORM HEALTHCARE

and to promote widespread, sustainable change. To do this, we engage with governments, peers, and other stakeholders, through open dialogue and genuine collaboration.

We believe healthcare public policy and legislation should address the “triple aim” of increasing patients’ access to care, improving quality and outcomes, and ensuring efficiency. We advocate for public policies that:

- Enable technology innovations
- Facilitate access to lifesaving therapies and devices
- Generate economic value for healthcare system stakeholders
- Promote outcome-driven and value-based healthcare
- Harmonize and coordinate international regulatory practice

Our Government Affairs, Health Economics and Reimbursement, and Regulatory Affairs teams lead our government engagement activities. Medtronic complies with all relevant country and state laws on disclosure of political contributions. Read more about our [Political Contribution Policy](#).

We contribute to an industrywide voice through active membership in medical device trade organizations globally, including sitting on the boards of [AdvaMed](#), [APACMed](#), [MedTech Europe](#), and other medical technology and general business associations in many different countries and U.S. states. In addition, our CEO co-chairs the World Economic Forum Global Health and Healthcare Partnership Community.

## ENGAGING CONSTRUCTIVELY WITH OUR STAKEHOLDERS

Our stakeholders are diverse. They include patients, physicians, hospital administrators, health system administrators, advocacy groups, governments, nonprofits and nongovernmental organizations, employees, suppliers, shareholders, regulators, and the communities where we operate. Working together with these stakeholders, we can overcome industrywide challenges and take healthcare further.

In FY18, we hosted:

- A roundtable of government officials from Europe, Canada, and several other nations to discuss value-based procurement
- Several value-based healthcare forums globally, including ten in Europe, eight in Latin America, one with Harvard Business Review, and various national and provincial forums in Canada



- A dialogue on value-based healthcare at the Southeast Asian Nations (ASEAN) health meeting
- A Global Medical Device Security Symposium of industry experts

## ETHICAL BUSINESS CONDUCT

Every Medtronic employee plays a part in safeguarding our reputation by acting ethically and with integrity. A culture of ethics starts at the top and is part of everyone's day-to-day work.

### ENSURING A SHARED APPROACH TO ETHICS

We engage and educate employees on ethics in many ways — through our [Code of Conduct](#), annual review process, employee communications, Ethics Circles, and Ethics & Integrity Week.

Our global Code of Conduct provides Medtronic employees with clear guidance on everyday actions.

- We provide versions of the Code in 22 languages, so that 99% of our employees can read it in their first language.
- We deliver multilingual Code training for new employees and those joining Medtronic through acquisitions.
- Each year, we retrain employees on the Code and require everyone at Medtronic — including board members — to certify their understanding of its contents.

We ask all employees to incorporate the Code into their work. Each year, employees set individual ethics goals, outlining what they will achieve and how. Managers assess ethical behavior during annual performance reviews.

## GUIDING POLICIES AND PRINCIPLES

GLOBAL  
BUSINESS  
CONDUCT  
STANDARDS  
POLICY

CODE  
OF  
CONDUCT

CODE OF  
ETHICS  
FOR SENIOR  
FINANCIAL  
OFFICERS

CODE OF  
BUSINESS  
CONDUCT  
AND ETHICS  
FOR MEMBERS  
OF THE BOARD  
OF DIRECTORS

**CURRENTLY,  
MORE THAN  
7,800 EMPLOYEES  
ARE PART OF ONE OF OUR  
150 ETHICS CIRCLE GROUPS  
ACROSS 20 COUNTRIES**

**Ensuring Compliance with Our Code of Conduct**

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Employees Receiving Code of Conduct Training and Certification	98%	97%	95%
New Employees Receiving Code of Conduct Training and Certification	99%	99%	99%
Employees Joining Through Acquisitions Receiving Compliance and Ethics Training Within 90 Days of the Transaction	-	97%	95%
U.S. Employees Certified as Having Read and Understood the Code of Conduct	100%	100%	100%
Employees Terminated for Ethical and Compliance-related Infractions*	125	218 <sup>†</sup>	193

\*Based on calendar years 2015, 2016, and 2017.

<sup>†</sup>The increase between calendar year 2016 and 2017 is primarily due to an expanded definition of "termination due to ethical and compliance-related infractions."

We regularly include ethics and compliance messages in companywide communications, keep track of employee views on ethics and other topics through our quarterly internal surveys, and host an annual Ethics & Integrity Week.

Medtronic Ethics Circles, begun in response to employee feedback, offer groups of employees the chance to debate and act on ethical issues. Currently, more than 7,800 employees are part of one of our 150 Ethics Circle groups across 20 countries.

In FY18:

- We launched new Global Conflicts of Interest and Business Conduct Standards, providing additional guidance on interactions with healthcare professionals and organizations.
- We updated and enhanced our specialized ethics training for new managers and new employees.
- Our global Channel Management Ethics Circles engaged local distributors. Their discussion of real-life ethical situations extended Ethics Circle groups beyond our business for the first time.
- Our annual Ethics & Integrity Week prompted employees to think about why they work at Medtronic, reflect on and celebrate our ethical culture, and speak up about ethical concerns. Activities during the week reached more than 50 countries in 11 languages.

**MONITORING ETHICS**

The Medtronic Office of Ethics and Compliance (OEC) oversees, monitors, and implements policies and programs related to our legal, compliance, and ethical obligations. The OEC also processes and investigates all reported concerns of alleged misconduct.

When employees require ethical guidance or have concerns about potential violations, we strongly encourage them to speak up through one of several available channels:

- Their manager
- Human Resources
- Legal or Compliance representatives
- OEC representatives
- The board of directors' email inbox (monitored by staff who bring pertinent matters to the board's attention)
- [Voice Your Concern Line](#)

If misconduct is confirmed, we take appropriate disciplinary action. This can include coaching, discussion during performance reviews, changes in job responsibilities (usually a demotion), or, in serious cases, dismissal. During calendar year 2017, Medtronic terminated 193 employees for ethical and compliance-related infractions.

In FY18, the OEC tracked 1,183 allegations of misconduct, compared with more than 1,200 in FY17. Approximately 50% of these allegations related to workplace conduct. Other issues included accounting, corruption, and interactions with healthcare professionals or governments.

#### CASE STUDY: **COMPASS AWARD RECOGNIZING EXCELLENCE IN ETHICS**

Each year, Medtronic CEO Omar Ishrak recognizes employees who embody our Mission by demonstrating behavior that champions our Code of Conduct. This year, seven of our employees received the Medtronic Compass Award for outstanding ethical behavior.



# IN FY18, MORE THAN 15,500 MARKETING AND SALES EMPLOYEES RECEIVED TRAINING ON ETHICAL PRODUCT PROMOTION

## ETHICS IN SALES AND MARKETING

We put integrity at the core of our sales and marketing practices. Our extensive training program ensures that employees understand industry risks and know how to promote our products honestly and with transparency. By adhering to our policies, our employees serve the best interest of our patients, earn stakeholder trust, meet regulatory requirements, and protect our reputation as a company committed to ethical business practices.

### Responsible Marketing to Customers and Patients

Medtronic business units are charged with upholding the company's standards, adhering to industry guidelines, and complying with regulations during sales and marketing activities.

When marketing directly to healthcare professionals, our teams follow our [Code of Conduct](#), which prohibits promoting off-label use of products, as well as AdvaMed's voluntary [Code of Ethics on Interactions with Health Care Professionals](#). In FY18, more than 15,500 marketing and sales employees received training on ethical product promotion.

We have a comprehensive program in place to help ensure that our marketing practices comply with internal policies and external regulations. This includes monitoring transactions for risks including bribery, kickbacks, and off-label product promotion.

In FY18:

- We reviewed 21,000 transactions for risks.
- We settled a single matter related to allegations of improper marketing and sales of our Infuse product.

Responsible Marketing to Customers and Patients			
	FY16	FY17	FY18 <sup>†</sup>
Fines or Settlements Related to Improper Marketing or Sales of Products*	0	0	1 <sup>†</sup>
Marketing and Sales Employees Trained in Product Promotion	14,409	14,899	15,566

\*Fines noted represent the fiscal year the fine was paid.

<sup>†</sup>Settlement was related to improper marketing and sales of our Infuse product.



## ETHICAL INTERACTION WITH HEALTHCARE PROFESSIONALS

We improve patient outcomes by integrating Medtronic solutions into healthcare systems. Our guiding principles inform interactions with healthcare professionals, helping us drive medical innovation while avoiding potential conflicts of interest. Our physician collaborations include:

- Inventing new devices and therapies
- Developing educational materials and campaigns
- Conducting clinical research
- Providing training on how to implement our devices and therapies

We disclose payments made to physicians and teaching hospitals in every country where disclosure is required by law. In the United States, this information is published on the U.S. Centers for Medicare and Medicaid Services Open Payments [site](#).

Additional physician collaboration information is available on our [website](#).

### Countering Corruption

We have 217 (full-time equivalent) employees who support our anti-corruption and compliance efforts, including former U.S. Department of Justice prosecutors who have expertise in anti-corruption enforcement. We also consult regulators on our anti-corruption measures.

Conflict of interest is a known risk in our industry. We aim to avoid this risk through explicit company policies and a robust training program that makes our expectations abundantly clear. To ensure that our approach to countering corruption is aligned with best practice, we routinely benchmark other companies and seek advice from outside experts on our trainings as well as our auditing and monitoring program.

We also facilitate anti-corruption training to make internal and external stakeholders aware of relevant regulations and to explain how ethically challenging scenarios should be addressed if they arise. All new hires receive anti-corruption training during onboarding, and customer-facing employees must complete anti-corruption training every two years. All employees have a performance goal to model ethical behavior that is tied to their compensation.

Medtronic works with distributors whose anti-corruption efforts are in line with our own. To ensure that distributors uphold our ethical standards:

- We support and monitor compliance.
- We require distributors to implement their own anti-corruption programs.
- We assess corruption potential prior to renewing or entering contracts.
- We conduct onsite monitoring of distributors.



# IN FY18, 96% OF OUR DISTRIBUTORS RECEIVED OUR DISTRIBUTOR CODE OF CONDUCT TRAINING

In FY17, we launched a Distributor Code of Conduct and embedded it in our annual training cycle. In FY18, 96% of our distributors received this training. Distributors, dealers, and certain other third parties must also complete annual anti-corruption training. We continue to expand our direct sales infrastructure in specific markets to reduce our reliance on third-party distributors, with the aim of decreasing corruption risk and improving customer service.

Should an incident occur, Medtronic has processes in place to manage corruption. Employees are encouraged to report conflicts of interest or incidents of corruption to appropriate authorities. Medtronic proactively reports violations to the appropriate authorities. Certain legal matters that impact us, including those that may relate to incidents of corruption, are described in our [2018 Form 10-K](#) on file with the U.S. Securities and Exchange Commission.

In FY18, Medtronic was not subject to any fines or settlements related to noncompliance with anti-corruption laws.

Countering Corruption			
	FY16	FY17	FY18
Employees Supporting Anti-Corruption Efforts (Full-Time Employee Equivalents)	223	220	217
Third-Party Distributors Receiving Anti-Corruption Training	88%	93%	96%
Third-Party Distributors Receiving Onsite Monitoring	2.7%*	2.5%	2.5%

\*Restated from FY16 Integrated Report due to internal validation process.

## Customer Data Security

Protecting information is critically important to Medtronic. Our global program seeks to protect our information and systems, the information of our business partners, and most importantly, the privacy of patients who use our products.

We continually adapt our security program to the rapidly evolving technology environment:

- We have designed our security program to reflect recognized standards such as:
  - ISO 27001
  - National Institute of Standards and Technology



- We engage third-party organizations and subject-matter experts such as:
  - National Health Information Sharing and Analysis Center
  - Advanced Medical Technology Association
- We contribute to the development of global product and cybersecurity standards in collaboration with the U.S. Food and Drug Administration (FDA) and other regulatory advocate groups

We require employees and contractors to complete privacy and security training, so they understand their role in identifying, protecting, and preserving particular types of data. Employees receive training when hired and annually thereafter. Our data security practices also extend to third-party groups. Prior to accessing Medtronic data or systems, third parties must complete our data security training. Before allowing Medtronic data to be hosted at a non-Medtronic site, we assess the maturity of the data center as well as the site's employee training.

We encourage customers, physicians, patients, and other interested parties to submit inquiries about medical device security matters to [Medtronic.com/security](https://www.medtronic.com/security). Our global security team tracks, investigates, and responds to these inquiries.

In accordance with HIPAA-related data breach notification requirements, Medtronic has self-reported incidents involving loss or inappropriate access of data to the U.S. Office of Civil Rights. The office publishes significant incidents on its [website](#).

### EVOLVING PRACTICES

In FY18, preparing for the European Union's General Data Protection Regulation (GDPR) was a significant undertaking. Stakeholders across the company collaborated on multiple workstreams to prepare the company for compliance with the GDPR. Beginning in FY18, detailed GDPR training was rolled out to employees.

Looking ahead, Medtronic is focusing on reducing the threat of cyberattack by:

- Improving processes and technology for threat detection and response
- Improving technology and processes for identity and access management
- Raising the security IQ of employees
- Maturing data processes related to mergers and acquisitions

# SUSTAINABILITY IS CRITICAL TO OUR BUSINESS PERFORMANCE, HELPING US MITIGATE RISK, ENHANCE QUALITY, INCREASE EFFICIENCY, AND DRIVE INNOVATION

## SUSTAINABILITY PRIORITIES AND STRATEGIES

Responsibly carrying out our Mission means focusing on the health of the environment and society around us. Our thoughtful attention is evidenced across our operations, extending into our supply chain, and product design.

### PRIORITIZING THE ISSUES THAT MATTER

Sustainability is critical to our business performance, helping us mitigate risk, enhance quality, increase efficiency, and drive innovation. To identify the sustainability issues that are most material to our business and stakeholders, we conducted a materiality assessment in FY14. We consulted internal and external stakeholders, including healthcare systems, policymakers, and investors. We keep the outcomes of this process under regular review. Our next review will occur in FY19.

An issue is material to Medtronic if it:

- Has the potential to significantly impact our business growth, finances, or reputation
- Is important to our stakeholders — including patients, healthcare leaders and systems, employees, governments, investors, suppliers, nongovernmental organizations, and other partners

- Is aligned with our Mission to alleviate pain, restore health, and extend life for people around the world

Based on this definition and our assessment, we established the following sustainability priorities and strategies:

- **Access to care** — we work with health systems around the world, sharing technologies, services, resources, and expertise to remove barriers to affordable treatment of chronic diseases
- **Product stewardship** — we minimize the life-cycle footprint of our products through innovative design
- **Ethics in sales and marketing** — we remain a trusted partner through the responsible marketing, communication, and promotion of our products and services
- **Responsible supply management** — we collaborate with our supply chain to develop long-term relationships that enhance product quality, promote worker rights, and support small and diverse businesses
- **Product quality** — we ensure that our products and services clearly meet the highest standards of safety and reliability

In FY18, Medtronic was again included in the [FTSE4Good Index](#) as well as the [North American Dow Jones Sustainability Index](#), the Institutional Shareholder Services [Social and Environmental Quality Score](#), and CR Magazine's *100 Best Corporate Citizens*.

Additional material issues identified through the assessment process include corporate governance, device security, financial strength, philanthropy, post-market surveillance, stakeholder engagement, talent, and trial data.

We explain our approach to each priority in our Integrated Performance Report and in our [2018 Standards Supplement](#).

## Sustainability Management and Governance

Our Sustainability Steering Committee (SSC) guides our companywide approach to sustainability. The attendance rate for executive members at each of our FY18 SSC meetings was above 75%, demonstrating a firm ongoing commitment to sustainable business practices.

Our chief financial officer is the SSC's executive champion, ensuring a close link between sustainability and economic oversight. We further embed sustainability considerations throughout our business by:

- Including executive leaders from a range of corporate functions on the SSC
- Distributing management of social and environmental responsibilities through daily operations across the business
- Including oversight of our environmental and social governance practices in the formal responsibilities of our board of directors' Nominating and Governance Committee

Building on these strong foundations, we are developing a new companywide sustainability program to standardize our policies and practices. This will bring together existing best practices across our business to ensure a consistent approach to sustainability across all our activities.

## EXTERNAL REPORTING AND RECOGNITION

We submit environmental data to CDP annually. We also report on indicators set by the Global Reporting Initiative and Sustainability Accounting Standards Board in our Standards Supplement.

## Reducing Sustainability Risk and Creating Opportunities

Foresight and adaptability are essential for navigating today's fast-changing world to allow us to respond to emerging sustainability risks and opportunities. This process makes us stronger — driving innovation, eliminating inefficiencies, and collaborating with our stakeholders.

## MANAGING RISK

In addition to proactively managing our sustainability priorities, we also manage sustainability risks. These are:

- **Risks from evolving ethical, social, and environmental regulations**
  - Our Government Affairs, Human Resources, EHS, and Procurement groups monitor relevant regulations in global markets. Our legal and compliance teams oversee compliance with those regulations.

- We engage industry organizations and regulators to share our perspectives and prepare for potential and pending regulation, such as the recently updated E.U. Medical Device Regulation.

- **Risk of failure to meet customer sustainability requirements**

- We always aim to meet or exceed customer requirements on all aspects of sustainability, including quality, access, environment, labor practices, and responsible supply management.
- Our recently launched Global Human Rights Program and Responsible Supply Management Program ensure a consistent

approach to key sustainability issues across our operations and supply chain.

- **Risk of reputational damage from unethical behavior**

- We regularly train employees to comply with our **Code of Conduct**, and we have clear processes for reporting and acting on ethical concerns. Additional compliance training for employees in certain roles further mitigates the risk of corruption and misconduct.

For more detail about our most significant business risks, see the risk factors included in our **2018 Form 10-K and 10-Q filings** with the U.S. Securities and Exchange Commission.

## OUR CRISIS MANAGEMENT SYSTEM FOLLOWS A CONSISTENT PROCESS:

- The Medtronic crisis management team manages and coordinates companywide response.
- For issues with potentially significant business impact, the crisis management team notifies the Medtronic Global Command Center.
- Our Corporate Crisis Filter team determines an appropriate response and ensures that the Executive Committee receives regular updates.





## CASE STUDY: STAYING STRONG IN THE FACE OF CRISIS

Over the past year, many Medtronic employees and facilities were impacted by natural disasters. In October 2017, we learned that our four sites in Santa Rosa, California, were threatened by encroaching wildfires.

The fires devastated the community, destroying entire neighborhoods, businesses, and other infrastructure. Many Medtronic employees suffered damage to their possessions or lost their homes. As we assisted those who needed help with housing and finances, our crisis management team stepped in to coordinate our business recovery efforts. Our workforce, local suppliers, and government officials combined efforts, prioritizing immediate employee needs and damage assessment. Together, we worked to move critical equipment, make repairs, and restore essential services.

Within a month, all facilities were back up and running, with minimal disruption to our business. The outpouring of support and generosity from the global Medtronic family demonstrated how fortunate the company is to have such a committed and compassionate workforce.

### ENSURING BUSINESS CONTINUITY IN ADVERSE CIRCUMSTANCES

Even the best risk management processes cannot predict when unexpected events such as natural disasters might occur. Through our Business Continuity Management program, we plan for potential risks that could disrupt our operations or supply chain on short notice. We focus our planning on:

- **Business continuity** — ensuring that we can continue to operate and meet demand in adverse circumstances
- **Crisis management and mobilization** — coordinating responses in crisis situations
- **Emergency response** — keeping people and assets safe and minimizing environmental impact in emergencies
- **IT response and recovery** — responding quickly to technological failures and reinstating affected infrastructure

### CREATING OPPORTUNITIES

Responsible business practice is not all about managing risk. By focusing equally on the health of the people touched by our business, the well-being of the planet, and our bottom line, we generate new innovations and opportunities. Some of our opportunity areas include:

- Leading the industry in meaningful innovation and value-based healthcare





- Driving business efficiency
- Understanding and meeting investor expectations

## RESPONSIBLE SUPPLY MANAGEMENT

Trust is essential to every interaction in the healthcare sector. Everyone at Medtronic strives to earn trust every day, which is reflected in our approach to supplier relationships.

A diverse supply chain is integral to our ability to create, refine, and deliver products and services that improve people's lives. We seek to work with companies that share our values and our passion for making a difference. Together with our suppliers, we help foster human rights, environmental stewardship, and social responsibility.

### Our Global Supply Chain

We work with more than 69,000 suppliers across 134 countries. Their diverse experience and skills enable us to create and maintain an innovative product pipeline as well as contribute to our reputation for world-class quality.

In FY18, we spent more than \$11.6 billion with our suppliers globally.

Supply Chain Spend (\$ Million)			
	FY16	FY17	FY18
Australia	\$52.7	\$73.7	\$100.9
Canada	\$139.8	\$149.0	\$132.1
China	\$252.5	\$281.9	\$343.1
France	\$247.5	\$185.6	\$178.3
Germany	\$233.3	\$220.0	\$261.1
Ireland	\$195.1	\$205.9	\$251.5
Israel	\$17.5	\$21.1	\$86.5
Japan	\$138.0	\$164.9	\$182.7
Mexico	\$128.0	\$151.9	\$146.1
Netherlands	\$179.9	\$184.9	\$221.5
Singapore	\$93.8	\$126.9	\$114.2
Switzerland	\$180.6	\$191.1	\$178.8
United States	\$8,256.8	\$8,498.7	\$7,935.6
Total for Locations Listed	\$10,115.5	\$10,455.6	\$10,132.9
Total Spend	\$11,543.5	\$11,927.5	\$11,670.7

### Supplier Diversity

Our Supplier Diversity Policy recognizes 10 diverse supplier types, including small businesses and those owned by women, ethnically diverse groups, disabled, LGBTQ+ individuals, and veterans.

Our Supplier Diversity team, Supplier Diversity Steering Committee, and executive management team oversee our [Supplier Diversity program](#). We promote inclusive sourcing through employee

## IN FY18, WE DIRECTED APPROXIMATELY 30% OF OUR U.S. SUPPLIER SPEND TO SMALL AND DIVERSE COMPANIES

training, business unit annual plans, and sponsorship of organizations that develop and promote small and diverse suppliers in the United States.

In FY18:

- We directed about 30% of our U.S. supplier spend to small and diverse companies.
- Ninety-nine percent of Sourcing and Supply Chain Management teams in the United States completed our Supplier Diversity eLearning training.
- Our annual procurement fair — co-hosted with the North Central Minority Supplier Development Council, Women's Business Development Center, National Veteran Business Development Council, and Quorum — brought together more than 250 attendees for network and exchange knowledge.

### IN FY18, MEDTRONIC WAS RECOGNIZED FOR OUR WORK TO MAINTAIN A DIVERSE SUPPLY CHAIN:

- Medtronic was honored as one of [America's Top Corporations for Women's Business Enterprises](#) (WBEs) by the Women's Business Enterprise National Council for supporting WBEs in our supply chain and for our commitment to enabling growth and reducing barriers for women-owned businesses.
- Medtronic received the 2018 Corporate Partner of the Year Award from the Women's Business Development Center (WBDC) for demonstrating an unwavering dedication to the WBDC, whose supplier diversity program advances our local WBEs.





### U.S. Diverse Supply Chain Spend by Category (\$ Million)\*

	FY16 <sup>†</sup>		FY17 <sup>†</sup>		FY18 <sup>**</sup>	
	\$ U.S. Spend	% U.S. Spend	\$ U.S. Spend	% U.S. Spend	\$ U.S. Spend	% U.S. Spend
Small Business	\$1,897	29%	\$1,554	24%	\$1,341	22%
Veteran-Owned Business Enterprise	\$67	1.0%	\$67	1.1%	\$69	1.1%
Minority-Owned Business Enterprise	\$155	2.4%	\$208	3.0%	\$270	4.4%
Women-Owned Business Enterprise	\$124	1.9%	\$139	2.2%	\$122	2.0%

\*The diversity table includes only U.S. addressable spend. For FY18, addressable spend was approximately \$6.2 billion. Exclusions from this total include employee-related benefits, health insurance, taxes, and royalties.

†In FY18, we updated our reporting methodology to align with commercial customer standards. As a result, FY16-FY17 data has been restated from previous Integrated Performance Reports.

\*\*The decrease in small and diverse supplier spend from FY17-FY18 is primarily due to the Fortis divestiture that occurred in FY17.

## Embedding Responsibility in our Supply Chain

Our Responsible Supply Management Program's mission is to:

- Uphold human rights and labor standards in our supply chain
- Reduce our environmental impact globally and locally
- Enhance our reputation

Our [Global Supplier Standards](#) describe the minimum social, ethical, and environmental requirements and expectations of our suppliers. We incorporate these standards

into supplier selection and management processes, supplier agreements, and purchase order terms and conditions.

Additionally:

- We comply with all relevant human rights regulations, and our [Global Human Rights and Labor Standards Policy](#) applies to all Medtronic suppliers, service providers, and business partners.
- Agents and contractors working with us must comply with the Medtronic [Global Code of Conduct](#).

## EXTENDING OUR MONITORING AND COMPLIANCE PROGRAM

Medtronic is assessing certain suppliers' compliance with our Global Supplier Standards, giving priority to suppliers with whom we spend the most money or based on the location and type of industry in which they operate. Our initial focus is on suppliers deemed to have the highest inherent risk for human rights and labor standards violations.

When compliance gaps are identified, we work with suppliers to close these gaps through the development of mitigation and corrective action plans.

## SHARING LEARNING ON RESPONSIBLE SUPPLY MANAGEMENT

In FY18, we delivered our most comprehensive responsible supply management training to date. Nearly 800 employees in procurement and sourcing roles received special training on labor and human rights issues — including human trafficking and slavery.

To share learnings and good practices with our peers, in FY18 we also joined [The Sustainable Purchasing Leadership Council](#) and [The Conference Board](#).

We keep track of our suppliers' public commitments to social and environmental responsibility and encourage them to

transparently report progress. Our most recent survey found that 34% of our top 208 suppliers produced a sustainability report (FY17 survey, to be repeated in FY19). Of these, 10% publicly state sustainability goals on their website.

## MATERIALS OF CONCERN AND CONFLICT MINERALS

We require suppliers to responsibly manage and disclose any materials of concern used in our manufacturing processes, final products, or packaging. Read more about our approach to [product stewardship](#).

Some of our products contain tin, tungsten, tantalum, and gold. In the Democratic Republic of Congo and neighboring countries, the mining and processing of these metals have been linked to the funding of armed conflict. We support the U.S. Dodd-Frank Act, which requires companies to disclose the use of any such conflict minerals.

Additionally:

- We require suppliers to comply with the law and uphold responsible sourcing practices.
- We reference conflict minerals requirements in supplier agreements and purchase orders.
- We follow the Organisation for Economic Co-operation and Development (OECD) guidance on conflict minerals, including surveying suppliers to collect data on the smelters in their supply chains.



## IN FY18:

- Medtronic was again named in the Gartner Healthcare Supply Chain Top 25, acknowledging companies that provide patients with timely, high-quality, affordable healthcare.
- Medtronic received the Cvent Connect Conference Savvy Sourcing award, which recognizes outstanding achievement in sourcing.

Each year, we provide a report to the U.S. Securities and Exchange Commission, detailing the results of our supplier survey. In FY18, we reported an increase in the number of conformant smelters and a decrease in the number of “red flag” smelters in our supply chain. Read our full FY18 [Conflict Minerals Report](#) and our [Conflict Minerals Policy](#).

Medtronic continues to be a member of the Responsible Minerals Initiative (formerly known as the Conflict-Free Sourcing Initiative).

### Supplier Quality Management

Our partners, our customers, and the patients accessing our treatments expect reliable products and therapies of the highest quality. Meeting these expectations is crucial to our reputation and continued success.

We provide a suite of protocols, tools, training, and support to help suppliers meet our stringent quality standards, including:

- Our Supplier Quality Excellence Manual, which all suppliers are required to follow
- Regular quality audits based on product and supplier risk
- Collaboration with suppliers to improve the design, reliability, and manufacturability of components and products

- Continuous improvement programs facilitated onsite at supplier manufacturing locations

## PRODUCT QUALITY

Patients rely on Medtronic products to be safe and effective. That’s why we expect all employees to monitor quality at each stage in our value chain — design, manufacturing, pre-clinical and clinical trials, and post-market surveillance. A patient-focused approach and an unwavering commitment to excellence underpin our global quality strategy. We manufacture safe, high-quality products not only to further our Mission, but also to build trust, reduce reputational risk, and improve operational efficiency.

### Shared Responsibility for Quality

Every one of our employees, regardless of role, knows that quality is nonnegotiable.

Our “Quality Begins with Me” culture is reinforced by ongoing communications and training. As a result, employees commit to practicing our four fundamental expectations:

- Put the patient first.
- Be courageous.
- Strive to prevent issues before they arise.
- Hold each other accountable.

Ninety-five percent of global employees completed our Annual Quality Training Certification in FY18.

# How Medtronic's Global Quality and Supply Management Strategies Support Our Business Strategy

## BUSINESS STRATEGY NEEDS



**Therapy Innovation**



**Globalization**



**Economic Value**

## QUALITY IMPERATIVES



**Product Superiority**

Providing products of highest quality and reliability



**Effective and Efficient Compliance**

Complying with applicable regulations efficiently



**Mindset of Excellence**

Ingraining a proactive and patient-centric quality culture and quality talent management



**Suppliers are Partners**

## SUPPLY MANAGEMENT IMPERATIVES



**Quality and Service Excellence**

Proactive supplier engagement



**Functional Excellence**

Optimized and scalable process capabilities



**Supplier Performance**

Create competitive advantage

# OUR FIRST-TIME QUALITY METHODOLOGY HAS HELPED INDIVIDUAL MANUFACTURING SITES REALIZE \$200,000 IN COST SAVINGS

## Quality Product Design and Development

Product quality, safety, and reliability are fundamental to our design and development process. In FY18, we completed the implementation of our Design, Reliability, Manufacturability (DRM) methodology at all new product development locations. We conduct annual assessments of our product development locations and execute improvement plans based on the results. Through the DRM program, our engineers simulate product use, predict performance, and identify areas for improvement. This approach — known as predictive engineering — yields higher-quality designs and reduces time to market.

To accelerate DRM program deployment across the company:

- We train executive leaders responsible for product portfolio decisions on DRM.
- We inform leaders of DRM applications specific to their business or functional areas.
- We require all new product development projects to set DRM targets.

Quality is embedded in our manufacturing processes through our Medtronic Operating System (MOS), First-Time Quality (FTQ) methodology, and Supplier Optimization and Risk Reduction (SOAR) strategies. Our quality management systems are compliant with ISO 13485.

Manufacturing Quality Systems	
<b>Medtronic Operating System (MOS)</b>	MOS improves manufacturing and supplier quality by building continuous improvement principles into production through Lean Six Sigma.
<b>First-Time Quality Methodology (FTQ)</b>	A part of MOS, FTQ teaches employees to see the potential for error, develop strong controls, and identify where improvements can have the biggest impact.
<b>Supplier Optimization and Risk Reduction (SOAR)</b>	SOAR partners with strategic suppliers to ensure that risks are identified and mitigated, and that products and processes are designed correctly.

FTQ has demonstrated a significant positive impact in reducing manufacturing nonconformances at our sites. When applied to high-risk processes, the methodology achieved a 30–80% reduction in nonconformances, including those related to product specifications. The FTQ methodology has also helped individual manufacturing sites realize more than \$200,000 in cost savings.



In FY18, we deployed FTQ to 88% of our manufacturing sites. During this time, we also developed an enterprise-wide scorecard to formally track the benefits of applying the FTQ methodology.

### Maintaining Quality Facilities

We assess our facility quality management systems through our global compliance oversight program: Medtronic Corporatewide Assessment for Regulatory Excellence (MCARE). The MCARE program partners with site leadership at all manufacturing, design, and distribution centers to maintain consistent quality, comply with regulations, and prepare for new regulatory requirements. In FY18, we helped identify improvements at 45 of our facilities through compliance assessments and audits.

External regulatory agencies review and monitor our performance on quality and compliance every year. We value these assessments as useful indicators of regulatory priorities and areas where we can further enhance our policies, procedures, and processes. We share our learnings through our Inspection Knowledge Management process and implement improvements at our facilities accordingly.

Our goal is to maintain an average of 0.5 or fewer findings per regulatory inspection and 1.0 or fewer findings per U.S. Food and Drug Administration (FDA) inspection. We met both goals this year, with an average of 0.19 findings per regulatory inspection and 0.41 findings per FDA inspection. Our performance in FDA inspections demonstrated a nearly 44% improvement from the previous year.

Maintaining Quality Facilities			
	FY16*	FY17	FY18
<b>External Regulatory Inspections at Medtronic Sites Globally</b>	244	284	253
<b>External Regulatory Inspections Globally That Resulted in No Findings</b>	89%	93%	93%
<b>Average Findings per External Regulatory Inspection</b>	0.30	0.18	0.19
<b>Average Findings per FDA Inspection</b>	1.44	0.73	0.41
<b>MCARE Assessments and Supported Improvements</b>	37	40	45

\*Numbers are restated from 2016 Integrated Report due to an internal validation process that identified a missing inspection.



## Pre-Clinical Research

Regulatory requirements for medical products sometimes necessitate animal research and testing.

Our [Policy Regarding the Use of Animals](#) requires that animals be used in research activities only when no acceptable alternatives exist. This policy applies to research that contributes significantly to patient welfare as well as work specifically mandated by regulatory agencies to ensure patient safety or efficacy. All such activities are conducted only after approval from the [Institutional Animal Care and Use Committee](#). We also comply with all relevant standards and requirements for animal-related research and testing set by the Association for Assessment and Accreditation of Laboratory Animal Care, the FDA, and the U.S. Department of Agriculture's Animal Welfare Act.

When it is necessary to use animals in research, we are committed to treating them respectfully and humanely by taking every feasible measure to safeguard their welfare. We work with scientists, veterinary surgeons, and other experts to refine trials to minimize pain, suffering, distress, and harm.

In FY18, our research findings on alternatives to animal testing for skin irritation were submitted to ISO and will help inform their standard on testing

of human skin cell-based irritation. We are also investing in fundamental modeling work in our corporate research group, with the goal of reducing the number of animals used in future research.

## Clinical Trials

Our new product pipeline relies on clinical trials to test the effectiveness and safety of our innovations. We are rigorous in ensuring that our clinical trials are conducted to the highest standards required by international and national regulations, regardless of where the trial is conducted. This protects patient safety, safeguards patient data, and ensures accurate findings.

Testing our products before they go to market is a critical part of quality control. When conducting clinical trials, we are committed to adhering to all relevant laws and regulations, and following our own [Code of Conduct](#), [Global Business Conduct Standards Policy](#), and [Clinical Trials Principles](#).

In FY18, we dedicated significant resources to preparing our clinical trials organization for new and forthcoming European legislation, specifically:

- The General Data Protection Regulation, effective May 2018
- The E.U. Medical Device Regulation, effective May 2020





## SHARING DATA ABOUT CLINICAL TRIALS ACCELERATES MEDICAL DISCOVERY

Our clinical trial practices are also informed by guidelines from external organizations, including ISO14155:2011, a standard for clinical research. Medtronic is a member of the working group shaping the next revision of this standard.

We work with several organizations to advance the development of clinical standards, including the following engagements:

Clinical Standard Development and Education Engagements	
Organization	FY18
<b>Clinical Trials Transformation Initiative (CTTI)</b>	Medtronic is an active member of CTTI, in roles ranging from expert meeting participants to project team leaders to Executive Committee members.
<b>Association for the Advancement of Medical Instrumentation (AAMI)</b>	Medtronic is involved in the AAMI's domestic and international standards work. Our employees participate in more than 120 AAMI committees and working groups and hold 11 leadership positions, including Co-Chair of the Standards Board.
<b>International Medical Device Regulators Forum (IMDRF)</b>	Medtronic maintains an active presence in the IMDRF. Our subject matter experts attend biannual IMDRF meetings and serve as industry representatives on IMDRF initiatives. Medtronic has supported and participated in IMDRF pilot programs, including the Medical Device Single Audit program.
<b>Medical Device Innovation Consortium (MDIC)</b>	The Chief Medical and Scientific Officer of Medtronic serves on the board of directors of MDIC, a public-private partnership that aims to advance regulator science in the medical device industry. Medtronic has been especially involved with the group's Computational Modeling and Simulation project.

### SHARING INFORMATION ABOUT CLINICAL TRIALS

Sharing data about clinical trials accelerates medical discovery. In the United States, companies are required to disclose information about the applicable clinical trials they sponsor on the [Clinical Trials Registry](https://www.clinicaltrials.gov) at [clinicaltrials.gov](https://www.clinicaltrials.gov). The registry and results database, recently enhanced through expanded disclosure requirements in

2017, details the purpose, eligibility requirements, locations, and status of the applicable clinical trials Medtronic sponsors.

To advance our clinical trials, we collaborate with external researchers, institutions, and physicians. We also publish findings in peer-reviewed scientific and medical journals.

## Product Use and Performance

### POST-MARKET SURVEILLANCE

Tracking product use and patient outcomes results in valuable feedback for future product designs:

- We work with partner hospitals, health systems, physicians, clinics, governments, and third parties to collect data through our Post-Approval Clinical Surveillance process.
- We fund in-depth post-market clinical studies to further understand the efficacy of specific therapies and product lines.
- Customers can provide comments and feedback through our global complaint handling system.

Working with global regulators and industry stakeholders helps us improve our post-market surveillance. We also employ more than 1,700 clinical professionals who develop and standardize models to measure and improve patient safety and clinical outcomes.

## PRODUCT-RELATED REGULATORY ACTIONS

Medtronic implements corrective actions swiftly and effectively when regulatory or field safety issues are identified, including initiating voluntary product recalls. We aim to understand and remedy the root cause of any problem and have systems in place to prevent recurrence.

In FY18, three Medtronic products were subject to Class I recalls. More detail on the nature of these recalls can be found on the [FDA List of Device Recalls](#) website.

FDA Actions and Recalls			
	FY16	FY17	FY18
<b>FDA Class I Recalls</b>	4	5	3
<b>Open FDA Warning Letters for Product-Related Regulatory Actions</b>	1	2	1
<b>Open FDA Warning Letters Resolved During the Year</b>	0	1	1

### FY18 FDA Class I Recalls and MedWatch Safety Alert Product List for Medtronic Devices

FDA Class I Recalls	<ol style="list-style-type: none"> <li>1. Coronary Structural Heart (CSH) 6F Taiga Guide Catheter</li> <li>2. MindFrame Capture LP Revascularization Device</li> <li>3. Cardiac Resynchronization Therapy and Implantable Cardioverter Defibrillators</li> </ol>
FDA MedWatch Safety Alerts for Human Medical Products Database*	<ol style="list-style-type: none"> <li>1. NavLock Tracker</li> <li>2. Diabetes Infusion Sets</li> </ol>

\*The FDA issues MedWatch Safety Alerts to provide the public with new safety information about a product. This includes some actions that have been classified as recalls by the FDA.



## ABOUT THIS **REPORT**

We want our stakeholders to fully understand all aspects of our business. To this end, we communicate our social, environmental, and financial impact annually through our Integrated Performance Report. We organize the report to cover the topics most relevant to our Mission, our business, and our partners.

## ABOUT THIS REPORT

This report was prepared in accordance with the Global Reporting Initiative Standards Core guidelines — an internationally recognized framework for sustainability reporting. The content is also informed by the reporting requirements of the Sustainability Accounting Standards Board for Medical Equipment and Supplies, and the Dow Jones Sustainability Index. For more information, see our [2018 Standards Supplement](#).

### Scope and data

Unless otherwise stated, all performance reporting covers our fiscal year 2018 (FY18) from April 28, 2017, through April 27, 2018.

This report includes data from Medtronic PLC and all its consolidated subsidiaries.

Environmental, health, and safety data are from our manufacturing and research and development facilities.

All reported data are best estimates. Medtronic Subsidiaries whose impact on overall data is less than 10% have been omitted.

All financial information is reported in U.S. dollars.

### Forward-looking statements

Any forward-looking statements are subject to risks and uncertainties, including those found in our periodic reports on file with the U.S. Securities and Exchange Commission. Actual results may differ materially from anticipated results.

As a valued stakeholder, we welcome your view. To provide feedback or request further information, please email [integratedreport@medtronic.com](mailto:integratedreport@medtronic.com).



## HOW SUSTAINABILITY CONTRIBUTES TO OUR BUSINESS

The table below summarizes the connection between our business success and our social, environmental, and ethical performance.

2018 Integrated Performance Report		
Section	Integration Touchpoint	Subsection
<b>Adding Value to Society</b>	Donating a percentage of pre-tax profits to charity	<a href="#"><u>Philanthropy</u></a>
	Enabling access to treatment through product donations	
	Driving revenue growth in emerging markets	<a href="#"><u>The Economic Impact of our Business</u></a>
	Supporting local communities through operational costs	
	Aligning our business with healthcare needs through acquisitions and investments	
	Pursuing value-based healthcare and managed services for improved patient outcomes and value alignment	
	Addressing healthcare needs worldwide through bespoke healthcare delivery models	<a href="#"><u>Global Healthcare Access</u></a>
	Investing in research and development to discover new solutions for unmet health needs	
	Improving the efficiency and effectiveness of our products while ensuring that they remain affordable	
	Building capacity and training medical professionals to increase the effective use of our products and services	
<b>Promoting Environmental Stewardship</b>	Improving operational efficiencies and reducing costs through Environmental, Health, Safety, and Sustainability management	<a href="#"><u>Reducing our Operational Footprint</u></a>
	Prioritizing patient health while minimizing the environmental impact across the life-cycle of our products	<a href="#"><u>Product Stewardship</u></a>
<b>Supporting a Global Workforce</b>	Recognizing that inclusion and diversity drive innovation and business performance	<a href="#"><u>Inclusion and Diversity and Corporate Governance</u></a>
	Investing in our employees' personal and professional development to accelerate their careers and enhance their expertise and productivity	<a href="#"><u>Development and Engagement</u></a>
	Keeping our workplaces free from hazards while supporting employees in taking steps to promote their physical, emotional, and financial well-being	<a href="#"><u>Health and Wellness</u></a>



## 2018 Integrated Performance Report

Section	Integration Touchpoint	Subsection
<b>Working Responsibly</b>	Responding to investors	<a href="#"><u>Corporate Governance</u></a>
	Building relationships of mutual trust through ethical conduct	<a href="#"><u>Ethics in Sales and Marketing</u></a>
	Reducing risk in distribution channels	
	Adapting our security program to protect the data of customers and patients	
	Advocating for fair and consistent public policies that advance our Mission and business objectives	<a href="#"><u>Sustainability Priorities and Strategies</u></a>
	Evolving our business to meet emerging economic, environmental, and social risks and opportunities	
	Meeting customer expectations through sustainability performance	
	Planning for potential risks through our Business Continuity Management program	
	Maintaining high ethical standards for animal research to support our reputation and license to operate	<a href="#"><u>Product Quality</u></a>
	Committing to product quality through supplier engagement	
	Enhancing post-market surveillance to improve patient outcomes	
	Avoiding errors that can impact patient health and damage our reputation through supplier quality management	<a href="#"><u>Responsible Supply Management</u></a>
	Monitoring our facilities to avoid disruptions to our operations and supply chain	
	Supporting our brand reputation and license to operate through our Global Human Rights and Labor Standards	
	Developing and supporting small and diverse suppliers that promote innovation and provide flexibility in our business	<a href="#"><u>Supplier Diversity</u></a>



## NON-GAAP AND OTHER FINANCIAL MEASURES

### Medtronic PLC GAAP to Non-GAAP Reconciliations (Unaudited)

(in millions)	FY18	FY17	FY16
<b>Net cash provided by operating activities</b>	<b>\$4,684</b>	<b>\$6,880</b>	<b>\$5,218</b>
Additions to property, plant, and equipment	(1,068)	(1,254)	(1,046)
<b>Free Cash Flow<sup>1</sup></b>	<b>\$3,616</b>	<b>\$5,626</b>	<b>\$4,172</b>

Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

<sup>1</sup> Free cash flow represents operating cash flows less property, plant, and equipment additions.

### Medtronic PLC Worldwide Revenue: Geographic<sup>1</sup> (Unaudited)

Fiscal Year						
	Reported				Comparable Constant Currency	
(in millions)	FY18	FY17	Growth	Currency Impact <sup>2</sup>	Revised <sup>3</sup> FY17	Growth
U.S.	15,875	16,663	(5)	0	15,395	3
Non-U.S. Developed	9,627	9,085	6	411	8,784	5
Emerging Markets	4,451	3,962	12	83	3,867	13
<b>Total</b>	<b>\$29,953</b>	<b>\$29,710</b>	<b>1%</b>	<b>\$494</b>	<b>\$28,046</b>	<b>5%</b>

<sup>1</sup> U.S. includes the United States and U.S. territories. Non-U.S. developed markets include Japan, Australia, New Zealand, Korea, Canada, and the countries of Western Europe. Emerging Markets include the countries of the Middle East, Africa, Latin America, Eastern Europe, and the countries of Asia that are not included in the non-U.S. developed markets, as previously defined.

<sup>2</sup> The currency impact to revenue measures the change in revenue between current and prior year periods using constant exchange rates.

<sup>3</sup> Revised revenue excludes revenue related to the divested Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses for the second, third, and fourth quarters of fiscal year 2017.