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.
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
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.

**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.

**GUIDING POLICIES AND PRINCIPLES**
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.

### Ensuring Compliance with Our Code of Conduct

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

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

**Currently, more than 7,800 employees are part of one of our 150 Ethics Circle groups across 20 countries**

**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.
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

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fines or Settlements Related to Improper Marketing or Sales of Products*</td>
<td>0</td>
<td>0</td>
<td>1†</td>
</tr>
<tr>
<td>Marketing and Sales Employees Trained in Product Promotion</td>
<td>14,409</td>
<td>14,899</td>
<td>15,566</td>
</tr>
</tbody>
</table>

*Fines noted represent the fiscal year the fine was paid.
†Settlement was related to improper marketing and sales of our Infuse product.

**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.
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 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.

### Counteracting Corruption

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees Supporting Anti-Corruption Efforts (Full-Time Employee Equivalents)</td>
<td>223</td>
<td>220</td>
<td>217</td>
</tr>
<tr>
<td>Third-Party Distributors Receiving Anti-Corruption Training</td>
<td>88%</td>
<td>93%</td>
<td>96%</td>
</tr>
<tr>
<td>Third-Party Distributors Receiving Onsite Monitoring</td>
<td>2.7%*</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

*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
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

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. Our global security team tracks, investigates, and responds to these inquiries.
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.
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.

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**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.

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

**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
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.
## 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**.

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

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

*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 divesture that occurred in FY17.
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.
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

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.

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.

## Business Strategy Needs

<table>
<thead>
<tr>
<th>Therapy Innovation</th>
<th>Quality IMPERATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Product Superiority</strong> Providing products of highest quality and reliability</td>
</tr>
<tr>
<td></td>
<td><strong>Effective and Efficient Compliance</strong> Complying with applicable regulations efficiently</td>
</tr>
<tr>
<td></td>
<td><strong>Mindset of Excellence</strong> Ingrowing a proactive and patient-centric quality culture and quality talent management</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Globalization</th>
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<tbody>
<tr>
<td>Suppliers are Partners</td>
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<table>
<thead>
<tr>
<th>Economic Value</th>
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<tbody>
<tr>
<td><strong>Quality and Service Excellence</strong> Proactive supplier engagement</td>
</tr>
<tr>
<td><strong>Functional Excellence</strong> Optimized and scalable process capabilities</td>
</tr>
<tr>
<td><strong>Supplier Performance</strong> Create competitive advantage</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Medtronic Operating System (MOS)</th>
<th>MOS improves manufacturing and supplier quality by building continuous improvement principles into production through Lean Six Sigma.</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Time Quality Methodology (FTQ)</td>
<td>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.</td>
</tr>
<tr>
<td>Supplier Optimization and Risk Reduction (SOAR)</td>
<td>SOAR partners with strategic suppliers to ensure that risks are identified and mitigated, and that products and processes are designed correctly.</td>
</tr>
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</table>

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 Corporatwide 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.

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### Maintaining Quality Facilities

<table>
<thead>
<tr>
<th></th>
<th>FY16*</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Regulatory Inspections at Medtronic Sites Globally</strong></td>
<td>244</td>
<td>284</td>
<td>253</td>
</tr>
<tr>
<td><strong>External Regulatory Inspections Globally That Resulted in No Findings</strong></td>
<td>89%</td>
<td>93%</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Average Findings per External Regulatory Inspection</strong></td>
<td>0.30</td>
<td>0.18</td>
<td>0.19</td>
</tr>
<tr>
<td><strong>Average Findings per FDA Inspection</strong></td>
<td>1.44</td>
<td>0.73</td>
<td>0.41</td>
</tr>
<tr>
<td><strong>MCARE Assessments and Supported Improvements</strong></td>
<td>37</td>
<td>40</td>
<td>45</td>
</tr>
</tbody>
</table>

*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
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:

<table>
<thead>
<tr>
<th>Clinical Standard Development and Education Engagements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td>Clinical Trials Transformation Initiative (CTTI)</td>
</tr>
<tr>
<td>Association for the Advancement of Medical Instrumentation (AAMI)</td>
</tr>
<tr>
<td>International Medical Device Regulators Forum (IMDRF)</td>
</tr>
<tr>
<td>Medical Device Innovation Consortium (MDIC)</td>
</tr>
</tbody>
</table>

**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 at [clinicaltrials.gov](http://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.

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

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

<table>
<thead>
<tr>
<th>FDA Class I Recalls</th>
<th>1. Coronary Structural Heart (CSH) 6F Taiga Guide Catheter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. MindFrame Capture LP Revascularization Device</td>
</tr>
<tr>
<td></td>
<td>3. Cardiac Resynchronization Therapy and Implantable</td>
</tr>
<tr>
<td></td>
<td>Cardioverter Defibrillators</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>FDA MedWatch Safety Alerts for Human Medical Products Database*</th>
<th>1. NavLock Tracker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Diabetes Infusion Sets</td>
</tr>
</tbody>
</table>

*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.