

FROM PURPOSE TO ACTION

The Rising Tide of Corporate Sustainability

Guided by a Mission and dedication to improve the lives of people by providing lifesaving therapies — Medtronic is committed to maintaining good corporate citizenship. In achieving this, we must balance long-term growth and profitability with our impact on environmental, social, and governance (ESG) factors, which requires action and accountability. That's where an overarching sustainability strategy comes into play.

Now, more than ever before, companies are being called upon to operate as responsible corporate citizens, not just because it is the right thing to do, but because it is an imperative for a business's long-term growth.

Stakeholder demand — from investors, regulators, governments, shareholders, customers, and employees — has prompted an increasing number of companies to proactively adopt more sustainable business strategies. Companies must now look beyond the products and services they offer; they must look holistically at their performance in the context of the landscape in which they operate and harness resources to make positive contributions to society — from environmental stewardship and supply chain management, to employee engagement, diversity and inclusion initiatives, and community investments.

CORPORATE SOCIAL RESPONSIBILITY IN THE HEALTHCARE INDUSTRY

The very nature of the healthcare industry — improving human health — has inherent social value. For years, healthcare companies have collaborated with businesses and governments to advance product and service quality, patient safety, and access to quality care around the world. However, operating as a responsible company and good corporate citizen within today's changing healthcare landscape requires more; it requires focus on providing the best clinical and economic outcomes for patients and those who serve them, as well as a commitment to make

positive impacts in all areas of business that intersect with society, including economic, environmental, workforce, and community.

In the U.S. alone, the healthcare industry represents 18% of the national economy and is responsible for 10% of total U.S. carbon emissions.¹ Yet, healthcare is behind in disclosing that impact. While Medtronic has published a sustainability report since 2008, only 33% of healthcare companies on the S&P 500 publish sustainability reports, compared to 82% of all constituents of the S&P 500.¹

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As an industry, we can increase our sustainability efforts and communicate more transparently about our results without compromising our existing commitments to society. By working together, we can establish and share best practices, and set and track goals to take specific and measurable action on sustainability, as evidenced by organizations such as Practice Green Health, Healthcare without Harm, and the Healthcare Plastics Recycling Council.

In August 2019, the [Business Roundtable](#) made a stand for change in this direction. Medtronic Chairman and CEO Omar Ishrak was among 181 chief executives from major U.S. companies that said business leaders should commit to balancing the needs of shareholders with other stakeholders, including customers, employees, suppliers, and local communities. The pledge reaffirmed the crucial role companies can play in benefiting society and meeting the needs of multiple stakeholders by creating jobs and investing in employees, supporting communities and protecting the environment, fostering innovation and diversity in thought, and providing essential goods and services.

With a more holistic view of sustainability that prioritizes a range of key stakeholders and encompasses both societal and environmental impacts, our industry can lead how companies create change for both people and the planet.

Medtronic
Further, Together

A LEGACY COMMITMENT TO CORPORATE CITIZENSHIP

At Medtronic, embracing corporate citizenship and sustainable business practices has its roots in our [Mission](#), a set of six tenets that co-founder Earl Bakken wrote in 1960 to define the company's purpose and its path forward. Our first priority is to "contribute to human welfare," with the final tenet calling on us to "maintain good citizenship as a company."

Through this Mission-driven, global commitment to maintain good citizenship as a company, Medtronic strives to:

Add Value to Society

We leverage the full size and reach of our company to contribute to the health of communities around the world, primarily through our efforts to expand access to quality healthcare, promote value-based healthcare, and give back through philanthropic initiatives.

Promote Environmental Stewardship

We work to mitigate our environmental footprint through operational efficiency and product stewardship. This includes efforts to reduce our non-regulated waste, water and energy use, and greenhouse gas (GHG) emissions.

Support a Global Workforce

We recognize the personal worth of all employees and cultivate an inclusive, diverse, equitable, and healthy workforce.

Work Responsibly

We commit to unwavering ethics, high-quality products with a focus on patient safety, data security and privacy measures, a responsible and diverse supply chain, and strong corporate governance — including upholding a board and management structure with a focus on diversity of thought, experience, and perspective, executive compensation, and shareholder rights.

Maintaining good citizenship as a company requires action and accountability. With intentional planning, strategic thinking, and a passionate drive to act responsibly, we are constantly balancing our many priorities with the Mission in mind. How do we do it? Through a holistic approach to sustainability.

DELIVERING ON OUR MISSION THROUGH SUSTAINABILITY

Rooted in our commitment to corporate citizenship, the Medtronic sustainability strategy allows us to deliver against our Mission by balancing long-term growth and profitability with our impacts on our workforce, the environment, and global communities. Our sustainability strategy ensures we continue navigating the path toward being a purpose-driven company for global good.

"People at Medtronic believe passionately in our Mission and in our desire to do the right thing," says Martha Ha, Chief Counsel and Chief Privacy Officer, Medtronic. "In developing a sustainability strategy, we are able to translate that passion into continuous progress."

The Medtronic sustainability strategy is built on the following components: concentrated focus on material issues; cross-functional collaboration; proactive change management and risk assessments; and ongoing dialogue with stakeholders.

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*Martha Ha,
Chief Counsel and Chief Privacy Officer, Medtronic*



Concentrated focus on material issues.

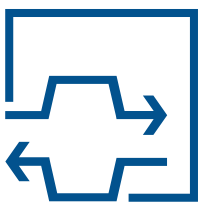
Medtronic regularly conducts a materiality assessment to focus our approach on the areas that are most meaningful to our business, stakeholders, and operating environment. Materiality assessments are critical in focusing resources on the areas of business that can significantly impact the long-term growth of the company and well-being of the stakeholders we serve.

Our first assessment identified five priority material issues that have guided our sustainability efforts from fiscal years 2015-2020:

- **Access to Care:** We work with health systems around the world, sharing technologies, services, solutions, and expertise to improve patient outcomes, remove barriers to affordable healthcare, and deliver capacity-building initiatives.

- **Product Quality:** Our patients and customers rely on our products to be safe and effective. 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. Read our [Quality perspective](#).
- **Product Stewardship:** We strive to minimize the environmental footprint of our products and packaging throughout their life cycle, while maintaining a focus on innovative design, through efforts led by our Environmental, Health, and Safety (EHS) function.
- **Responsible Supply Management:** A robust and reliable supply chain is critical. It is what allows us to deliver the medical devices and therapies on which millions of patients depend. We actively assess our suppliers' compliance with the Medtronic Global Supplier Standards. If compliance gaps are identified, we will work with suppliers to close these gaps through the development of mitigation and corrective action plans.
- **Ethics in Sales and Marketing:** Our ability to deliver care depends on stakeholder trust in our products, services, and therapies. Through our Global Business Conduct Standards and Code of Conduct, we ensure that products are promoted factually, lawfully, and in a way that supports their approved use.

Our identification of these priority issues was based on a diverse set of perspectives from internal and external stakeholders including institutional investors, policymakers, customers, and nonprofits, an in-depth trend analysis of the sustainability landscape and the healthcare industry, direct shareholder inquiries, and interviews with internal Medtronic subject matter experts across the company. In 2019, we refreshed our materiality assessment and are using the outputs to define our performance and disclosure strategies for the coming years.



Proactive change management and risk assessments.

The regulatory landscape is constantly changing, particularly around the requirements for materials used in our products and packaging. To ensure we are holding ourselves to the highest

standard, Medtronic continuously monitors trends, requirements, and regulations, evolving our approach as necessary. For example, we are currently preparing for the new European Union Medical Device Regulation (effective May 2020), which will contain more robust requirements around the identification and substitution or justification of the use of hazardous substances in certain products. Medtronic has a Materials of Concern policy already in place and we have developed a global procedure for assessment and management.

Another example is our recently launched [Global Human Rights Program](#). The program sits within our Human Resources function to ensure a consistent approach to human rights issues that may arise across our operations and our supply chain. As part of the program, Medtronic conducts risk assessments based on work performed by location, country law, and enforcement of laws. We also conduct annual assessments of internal operations facilities for issues related to child labor, fair treatment, forced labor, freedom of association, health and safety, and remuneration.



Cross-functional collaboration.

Embedding sustainability across the enterprise is activated by executives on the Sustainability Steering Committee (SSC) and by business leaders around the company who

identify and incorporate strategies that improve company performance to advance our priority sustainability issues. As we move forward, we are exploring with our board of directors additional ways to increase engagement with our stakeholders.

“Effectively managing our environmental and social impacts from a holistic viewpoint enables us to generate value for our stakeholders and to pursue the Medtronic Mission.”

*Karen Parkhill,
CFO and sustainability steering committee
executive sponsor, Medtronic*

Our Chief Financial Officer Karen Parkhill serves as executive sponsor of the SSC, which guides our sustainability strategy. The SSC, which includes several members of our executive committee and a cross functional leadership team, oversees our company-wide approach to corporate ESG performance and disclosure.

“Effectively managing our environmental and social impacts from a holistic viewpoint enables us to generate value for our stakeholders and to pursue the Medtronic Mission,” said Parkhill. “From employees to investors, we know the focus on sustainability has intensified and we embrace the notion that doing things the right way benefits us in a variety of ways, including financially.”



Ongoing dialogue with stakeholders.

As expectations for companies rise across various stakeholder groups, so does the need for more frequent communication. Two-way dialogue with our stakeholders is central to our

approach to sustainable business practices and informs our focus areas. Engagement and collaboration enable us to share our aspirations and challenges, be held accountable, and achieve positive outcomes for patients.

While we have built a solid foundation of transparency by publishing [an annual integrated performance report](#), we are always working to supplement the report with more frequent, dynamic communications that meet our stakeholders' evolving needs, including sharing progress throughout the year and engaging audiences through digital and social media channels.

"We are striving to incorporate sustainability into our ongoing two-way dialogue with our shareholders, as one of our stakeholders," said Ryan Weispfenning, Vice President and Head of Investor Relations at Medtronic. "In doing so, we are increasingly addressing ESG topics in shareholder engagements, sharing our commitment and strategies with customers, and proactively disclosing performance against non-financial measures."

MAINTAINING ACCOUNTABILITY: COMMUNICATING WITH TRANSPARENCY

While we are moving towards more frequent, dynamic methods of transparency, our annual integrated report still serves as the underpinning of our sustainability communications to — and most importantly with — our many stakeholders. Annual ESG reporting ensures companies maintain accountability, acknowledge areas for improvement, and demonstrate how commitment has translated to action against key performance indicators.

Medtronic released its first sustainability report in 2008 and, since then, has used this report as a vehicle to inform stakeholders about our sustainability efforts and commitment in a direct, authentic way, while illustrating how we are working across the organization and in partnership with key stakeholders to deliver on our Mission.

We know that there is still work to be done to gain consistency in the way the healthcare industry sets and tracks against goals that are meaningful and relevant to our business success and to our potential impact on the

world. To this end, Medtronic is actively involved with the Sustainability Accountability Standards Board (SASB) Standards Advisory Group for Healthcare to shape the future of ESG disclosure for the sector. In addition, we continue to engage in conversations with shareholders and global organizations to streamline priorities and develop more consistent standards that will guide the healthcare industry toward better environmental and societal performance.

Because there is no single recognized framework for sustainability reporting, we align our content with two globally recognized standards from the Global Reporting Initiative (GRI) and the SASB. We also respond to the annual CDP (formerly Carbon Disclosure Project) climate and water surveys, as well as the annual Dow Jones Sustainability Indices survey. All of these disclosure frameworks ensure accountability, offer consistency, and connect commitment to action.

Medtronic is also making a concerted effort to align our strategies more closely to the [United Nation's 2030 Sustainable Development Goals \(SDGs\)](#) to achieve "peace and prosperity for people and the planet." We are focused on the goals where we can make the greatest impact:



"Medtronic is already working toward many of the SDGs as part of both our business strategy and corporate citizenship strategy, particularly Goal 3: Ensure healthy lives and promote well-being for all at all ages," said Trevor Gunn, Vice President of International Relations at Medtronic. "If we use the lens of the SDGs to further hone our efforts, we can amplify our impact and tap into the global movement to achieve a sustainable and equitable future for all."

LOOKING AHEAD: OUR VISION FOR THE FUTURE

We believe that Medtronic, the healthcare industry, and our partners have the potential to make a lasting positive impact on the world. We are proud of the progress and partnerships we have made to date, but we know there will always be opportunities to do better.

As a leading medical technology company for over 70 years, we are first and foremost committed to advancing human health and improving clinical and economic outcomes. At least 400 million people around the globe do not have access to healthcare, and we are working to help close this gap. In order to bring about the seminal change needed to make a difference, we must continue to prioritize our partnerships with global organizations, customers, providers, governments, and

our peers in the industry to coordinate our efforts and maximize impact. [Read more about our work to increase global healthcare access.](#)

As we look ahead, we must continue to elevate the importance of creating value for all of our stakeholders — for the patients and people we serve, for our Medtronic colleagues, for our communities, for our planet, and for our long-term business growth. As stewards of human health and well-being, it is essential that we prioritize sustainability in order to create a healthier world.

REFERENCE

1. [Assessment of Environmental Sustainability and Corporate Social Responsibility Reporting by Large Health Care Organizations](#). JAMA, 2018.



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