



**HALYARD**

**HALYARD HEALTH**  
**2016 CORPORATE**  
**CITIZENSHIP REPORT**



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# LETTER FROM THE CEO

2016 was a good year for Halyard Health. Earnings and revenues were strong; our medical devices business led solid growth and demand across the company. We exceeded our goals for innovation, smoothly integrated a significant acquisition and overall, further established ourselves as a leading medical devices company.

But as a responsible corporate citizen, we are more than our financial results. This is reflected in our mission statement: to advance health and healthcare by preventing infection, eliminating pain and speeding recovery, and in our Halyard brand promise, which reflects our belief that good health is fundamental to individual achievement and societal advancement. It's also reflected in the way we operate — how we conduct ourselves ethically, treat our employees, work with our suppliers, support our communities, ensure quality products, conserve resources, respect the environment, and ensure a safe workplace. All of this is generally referred to as corporate responsibility, but for us, it's just who we are.

In this, our third Corporate Citizenship Report, you will see data and examples that reflect our culture, principles and personality. It includes stories about operating safely, contributing to our communities, and what we as a corporate family have accomplished, and intend to accomplish, going forward.

We are committed to being a diverse, inclusive company; to being ethical and transparent in our actions, as you will see in this report. These are priorities for us and we will continue to actively address and make progress on them.

What this report cannot capture are the everyday generosity, attitude and overall compassion of our employees. They are the heart of Halyard Health — and the reason we've been successful.

Thank you for your interest in Halyard Health and in reading our Citizenship Report. Your thoughts, comments, and suggestions are always welcome, and I invite you to share them with us at [Halyard.Communications@hyh.com](mailto:Halyard.Communications@hyh.com).

Sincerely,



  
Robert Abernathy

# ABOUT THIS REPORT



The 2016 Corporate Citizenship Report is the third annual report through which Halyard Health, an independent, public company since 2014, voluntarily summarizes and shares information about its commitment to: ethics and operating with integrity; employee well-being and safety; high standards of social responsibility; adherence to global supply chain principles; product safety; environmental stewardship; and fiscal responsibility.

This report covers the time period from January 1, 2016, through December 31, 2016. It was prepared in accordance with Global Reporting Initiative (GRI) G4 Core Guidelines and contains Standard Disclosures from those guidelines. The Appendix to this report provides a GRI summary table that cross-references GRI requirements and the disclosures in this report.

## STAKEHOLDER ENGAGEMENT

Halyard has identified 11 categories of stakeholders that the company engages with and which are impacted by the company's operations and policies. These primary stakeholders, selected through research and experience, include:

- Healthcare workers
- Patients
- Distributors/Group Purchasing Organizations (GPOs)
- Employees
- Suppliers
- Traditional investors
- Socially responsible investors
- Communities
- Government
- Non-governmental organizations (NGOs)
- Academics

Examples of interactions and engagements with them are varied and include, but are not limited to, focus groups, research and development projects, surveys, presentations, audits, conference calls, interviews, meetings, committee participations, contributions, volunteering, training and education.

## RELEVANCE ASSESSMENT

With this third annual report, the company continues to refine its future goals, measurement and activities through the Global Reporting Initiative. This report is being completed and submitted to the Global Reporting Initiative as "self-reported," utilizing the assurance of Halyard's claims and legal review process without additional external involvement. As previously noted, feedback is welcomed at [Halyard.Communications@hyh.com](mailto:Halyard.Communications@hyh.com).

# ABOUT HALYARD HEALTH



## OVERVIEW

Halyard Health is a leading medical devices company focused globally on advancing health and healthcare by preventing infection, eliminating pain and speeding recovery. Its products and solutions are designed to address some of today's most important healthcare needs including the prevention of infection and reducing the use of narcotics while helping patients move from surgery to recovery. The company markets and supports the efficacy, safety and economic benefit of its products with a significant body of clinical evidence.

Halyard sells its recognized brands and products in more than 100 countries and holds leading market positions in multiple categories.

With corporate headquarters in Alpharetta, Georgia, Halyard operates 14 global manufacturing facilities, employing more than 12,000 people worldwide. Its total revenue in 2016 was \$1.6 billion.

The company's stock is traded on the New York Stock Exchange under the ticker symbol "HYH."

## 2016 ACCOMPLISHMENTS AND 2017 GOALS

Halyard performed well across all metrics in 2016. Highlights include:

- Successfully integrated its first acquisition (CORPAK)
- Delivered its financial plan
- Significantly increased research and development investment
- Generated \$160 million of free-cash flow
- Increased Medical Devices business unit sales by 11 percent year over year
- S&IP business unit overdelivered on its sales plan
- Diverted 99.60 percent of its manufacturing waste from landfills
- Recorded its safest year ever with zero fatalities and a nearly 30 percent reduction in reportable incidents
- Launched 11 products, exceeding the 2016 goal and almost double the number introduced in 2015 (six)

The company has significant momentum going into 2017 and has made it a priority to achieve the following goals during the year:

- Deliver adjusted diluted earnings per share of \$1.70-\$2.00 on approximately \$1.6 billion in revenue
- Grow revenue in the Medical Devices segment by 7-9 percent
- Accelerate research and development investment
- Achieve zero workplace fatalities and reportable incidents
- Deliver shareholder value by generating strong cash flow

# ABOUT HALYARD HEALTH

## OVERVIEW continued

- Increase the growth of our Medical Devices business with an acquisition
- Remain focused on developing our pain management assets by increasing investment in the development of the market and through the global expansion of non-opioid therapies
- Introduce more than 12 new products that will accelerate Medical Devices growth and maintain our industry-leading positions in Surgical & Infection Prevention business

### INNOVATION AT WORK



Among the innovative products Halyard introduced in 2016 was the BLACK-FIRE<sup>®</sup> Powder-Free Nitrile Exam Glove designed for, but not limited to, EMS professionals and law enforcement personnel.

The reversible BLACK-FIRE<sup>®</sup> glove has a black side and a high-visibility orange side for use when directing traffic or when working in low-visibility situations.

With QUICK CHECK<sup>®</sup> technology, there is the ability to detect rips and tears by showing the high-visibility orange inner layer through the breach. And because the opposite color is revealed when removed, it can help to reduce the risk of cross contamination and infection.

### BUSINESS SEGMENTS

Halyard is organized into two global operating segments based on product groupings: Medical Devices and Surgical & Infection Prevention (S&IP). The strategies for each segment include global plans for branding and product positioning, technology, research and development programs, cost reductions — including supply chain management — and capacity and capital investments.

The principal sources of revenue in each global business segment are described below:

- Medical Devices provides a portfolio of innovative product offerings focused on pain management and respiratory and digestive health to improve patient outcomes and reduce the cost of care. These products include postoperative pain management solutions, minimally invasive interventional (or chronic) pain therapies, closed airway suction systems and enteral feeding tubes. Products in this segment are sold under the ON-Q<sup>®</sup>, COOLIEF<sup>®</sup>, MICROCUFF<sup>®</sup>, MIC-KEY<sup>®</sup>, QUIKBLOC<sup>®</sup>, HOME PUMP<sup>®</sup>, CORTRAK<sup>®</sup> and other brand names.
- S&IP provides healthcare supplies and solutions that target the prevention of healthcare-associated infections. This segment has recognized brands across its portfolio of product offerings, including sterilization wrap, surgical drapes and gowns, facial protection, protective apparel and medical exam gloves. This business is also a global leader in education to prevent healthcare-associated infections. Products in this segment are sold under the HALYARD ONE-STEP<sup>®</sup>, QUICK CHECK<sup>®</sup>, SMART-FOLD<sup>®</sup>, POWERGUARD<sup>®</sup>, MICROCOOL<sup>®</sup>, AERO BLUE<sup>®</sup>, AERO CHROME<sup>®</sup>, FLUIDSHIELD<sup>®</sup>, PURPLE NITRILE<sup>®</sup>, LAVENDER<sup>®</sup>, STERLING<sup>®</sup>, BLACK-FIRE<sup>®</sup>, and other brand names.

# ABOUT HALYARD HEALTH



## OVERVIEW continued

### SALES AND MARKETING

To highlight the unique benefits and competitive differentiation of our products, Halyard directs its primary sales and marketing efforts toward hospitals, integrated health networks and other healthcare providers. Halyard works directly with physicians, nurses, home healthcare providers, professional societies, hospital administrators and healthcare group purchasing organizations (GPOs) to collaborate and educate on emerging practices and clinical techniques that prevent infection, eliminate pain and speed recovery. These marketing programs are delivered directly to healthcare providers and to Halyard's strategic distribution partners throughout the world.

### DISTRIBUTION

Halyard products are sold principally through independent wholesale distributors, with some sales directly to healthcare facilities and other end-use customers. Distributors purchase products from us under standard terms and conditions of sale. Outside of North America, sales are made either directly to end-use customers or through distributors, depending on the market served.

Halyard operates six major distribution centers located in North America, Europe, Australia and Japan. These distribution centers ship finished products to customers. Eleven other distribution sites also have customer shipping capabilities, in order to optimize cost-effectiveness with customer service requirements.

No material portion of our business is subject to renegotiation of profits or termination of contracts at the election of a government.

### RAW MATERIALS

Halyard uses a wide variety of raw materials and other inputs in our production processes, with polypropylene polymers and nitrile constituting our most significant raw material purchases. We base our purchasing decisions on quality assurance, cost-effectiveness and constraints resulting from regulatory requirements. And we work closely with our suppliers to assure continuity of supply while maintaining high quality and reliability. We primarily purchase these materials from external suppliers, some of which are single-source suppliers.

Global commodity prices can affect pricing of certain raw materials on which we rely. In our S&IP business, polypropylene polymers, which are oil-based, and nitrile represent a significant component of our manufacturing costs. In addition, the prices of other raw materials we use, such as resins and finishing supplies, often fluctuate in response to changes in oil prices. Prices of these commodities can be volatile and have varied significantly in recent years, contributing to fluctuations in our operating results.

More information can be found in our [SEC filings](#).

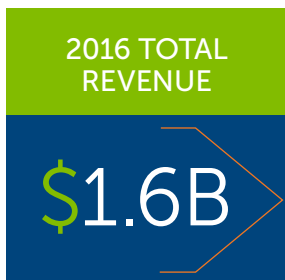
# ABOUT HALYARD HEALTH



## OVERVIEW continued

Halyard relies on product materials and inputs, such as polypropylene and other commodities, in the manufacture of polymer products that are developed and sold globally through the company's two primary business segments.

Materials Used (MT)	2016
Polymers	50,041
Polymer-based components	911



## 2016 FINANCIAL RESULTS

Halyard makes financial information, news releases and other information available on our corporate website at [www.halyardhealth.com](http://www.halyardhealth.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on the corporate website as soon as reasonably practical after the reports and amendments are filed with, or furnished to, the SEC.



## GOVERNANCE

Our culture is based on our core values of being Authentic, Bold and Caring. These values guide our business decisions and initiatives. Our governance for overseeing and managing our business includes:

- A board of directors that is 89 percent independent
- A clear reporting structure and lines of accountability
- A global code of conduct
- A comprehensive policy platform, including policies on human rights, labor, diversity and inclusion, and environmental issues
- Oversight on key environmental, social and governance issues

Board Diversity Overview	2016	% of total as of March 2017
Independent members	8	89%
Women	3	33%
Minority group membership	0	
Total board members	9	

Halyard’s board of directors provides oversight and guidance on all aspects of our businesses and relationships with stakeholders. Halyard’s annual proxy statement contains detailed information on our board and committee structure, the independence of the members, and the responsibilities and meeting frequency of the board and each committee. The board has established the following committees: audit, compensation, compliance, executive and governance. Each committee is responsible for reviewing policies on matters relevant to that committee.

We have established policies and procedures to guide our operations, including policies relating to environmental stewardship, product safety, charitable contributions and employment. As part of their oversight role, the board and its committees receive reports from Halyard management on these policy topics, the corporation’s goals and progress toward these goals.

The board periodically receives benchmarking reports regarding performance and comparisons to those of other companies. Finally, each year the board conducts a self-evaluation, to assess whether it is meeting its oversight responsibilities. The board then develops appropriate action plans for any opportunities identified.

Halyard has a robust compliance and ethics program, overseen by the board’s Compliance Committee, Management’s Corporate Compliance Oversight Committee, and our chief ethics and compliance officer. Key components of that program include: our quality and regulatory policies and procedures, which are designed to ensure compliance with applicable laws and regulations; and our anti-corruption policies and procedures, which are designed to ensure compliance with global anti-corruption standards, including the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act.

# ETHICS

## GOVERNANCE continued

We regularly assess the quality and effectiveness of our compliance and ethics program. All employees are trained on the Halyard Code of Conduct. We also believe that our anti-corruption program is effective. Key aspects of our anti-corruption program include:

- Prohibition of both government and commercial bribery and corruption
- Prohibition of facilitating payments even where permitted under local laws
- Global standards applied throughout our enterprise
- Regular training of employees on code of conduct, anti-corruption and related ethics topics
- Requirement for contracts with third-party agents to contain anti-corruption/bribery covenants
- Availability of multiple channels for guidance on or reporting of potential violations of our code of conduct, anti-corruption or other corporate policies. Reports may be made anonymously, where permitted by local laws.
- A strict anti-retaliation policy in support of anyone who reports a suspected violation of the code of conduct in good faith
- An experienced investigative team that follows up on all reports of alleged fraud or other violations of the code of conduct
- An internal audit team that audits for and evaluates potential unreported fraud or other violations of the code of conduct
- A periodic survey of enterprise workforce to confirm understanding of the code of conduct and that all potential violations have been reported properly and in a timely manner

## COMPLIANCE

The development, manufacturing, marketing, sale, promotion and distribution of Halyard Health products are subject to comprehensive government regulation. Government regulation by various national, regional, federal, state and local agencies, both in the United States and other countries, addresses (among other matters) inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage and disposal practices. Halyard operations are also affected by trade regulations in many countries that limit the import of raw materials and finished products, and bylaws and regulations that seek to prevent corruption and bribery in the marketplace (including the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act, which regulate corporate interactions with government officials) as well as regulations that require safeguards for the protection of personal data. In addition, Halyard is subject to laws and regulations pertaining to healthcare fraud and abuse, including state and federal anti-kickback and false claims laws in the United States. The Physician Payment Sunshine Act, and comparable laws in other jurisdictions, also require Halyard and other manufacturers to annually report payments and items of value given to hospitals and doctors.



## POLITICAL SPENDING AND LOBBYING

In 2016, Halyard had no direct expenditures on political spending or lobbying. This includes U.S. federal lobbying activities, salaries or other expenses of Halyard employees engaged in lobbying, and fees paid to outside consultants lobbying on Halyard's behalf. While as a general matter Halyard does not contribute directly to lobbying, we are a member of AdvaMed, a medical device industry association, which lobbies on behalf of its members.

Halyard does not currently operate a political action committee (PAC) in the United States. Similarly, we make no contributions from other sources or funds to political candidates, PACs that contribute to candidates, or other organizations formed solely for the election or defeat of a public official in the United States.

## PROTECTING HUMAN RIGHTS

We respect international social compliance and environmental principles aimed at promoting and protecting human rights and the environment. Halyard also promotes human rights in our supply chain, through our Supplier Social Compliance Standards. The standards are designed to identify, prevent, mitigate and account for human rights violations, with a focus on countries at high risk for human rights abuses.

Our board of directors' Audit and Compliance Committees oversee our efforts to ensure compliance with Halyard's Code of Conduct, other internal policies and certain legal and regulatory requirements.

## EXTERNAL MEMBERSHIPS

Halyard employees serve in technical expert roles in national, international and global standards development organizations and advocate on behalf of the organizations through national and international trade associations. Participation is organized to assure Halyard is positioned to contribute safety, clinical and technical insights in core product and technology fields. We believe that these external global associations help us respond to a variety of stakeholder expectations by keeping us informed about industry changes, and provide many stakeholder opportunities to share resources for common initiatives.

### STANDARDS DEVELOPMENT ORGANIZATIONS

**AAMI** ([www.aami.org](http://www.aami.org)) The Association for the Advancement of Medical Instrumentation is a nonprofit organization of nearly 7,000 healthcare technology professionals supporting the healthcare community in the development, management and use of safe and effective medical technology.

**ASTM International** ([www.astm.org](http://www.astm.org)) Formerly known as the American Society for Testing and Materials, ASTM is a globally recognized leader in the development and delivery of international voluntary consensus standards.

# ETHICS

## EXTERNAL MEMBERSHIPS continued

**CEN** ([www.cen.eu](http://www.cen.eu)) The European Committee for Standardization's mission is to promote voluntary technical harmonization in Europe in conjunction with worldwide bodies and its European partners.

**IEC** ([www.iec.ch](http://www.iec.ch)) The International Electrotechnical Commission is the leading global organization that publishes consensus-based international standards and manages conformity assessment systems for electric and electronic products, systems and services, collectively known as electrotechnology.

**ISO** ([www.iso.org](http://www.iso.org)) The International Organization for Standardization is an independent, nongovernmental membership organization comprised of 163 member countries who are the national standards bodies around the world. It is the world's largest developer of voluntary international standards.

## NATIONAL STANDARDS ORGANIZATIONS

**AFNOR** ([www.afnor.org](http://www.afnor.org)) Established in 1926, AFNOR is an association consisting of nearly 2,500 member companies in France and abroad. Its aim is to lead and coordinate the standards development process and to promote the application of those standards.

**ANSI** ([www.ansi.org](http://www.ansi.org)) The American National Standards Institute oversees the creation, promulgation and use of thousands of norms and guidelines that directly impact businesses in nearly every sector: from acoustical devices to construction equipment, from dairy and livestock production to energy distribution and many more. ANSI strengthens the U.S. marketplace position in the global economy while helping to assure the safety and health of consumers and the protection of the environment.

As part of Halyard's marketing program, the company targets strategic trade shows to increase awareness of its products with key audiences. Halyard employees that are part of the Surgical and Infection Prevention team manned the Halyard exhibit at the 17th National conference of the Australian College of Operating Room Nurses (ACORN) held in Hobart, Tasmania. Over 1,000 delegates, customers and potential customers attended the conference.



## EXTERNAL MEMBERSHIPS continued

**CSA Group** ([www.csagroup.org](http://www.csagroup.org)) CSA works with businesses, organizations and code authorities around the globe to help create a safer, more sustainable world for people and for business by testing and certifying products today for safety and performance requirements and developing leading-edge, consensus-based standards to support tomorrow's technology.

**DIN** ([www.din.de/en](http://www.din.de/en)) Deutsches Institut für Normung, by agreement with the German Federal Government, is the acknowledged national standards body that represents German interests in European and international standards organizations.

**NBN** ([www.nbn.be](http://www.nbn.be)) Bureau for Standardisation/Bureau voor Normalisatie/Bureau de Normalisation is the Belgian national standards body, responsible for the drafting and publication of standards in Belgium. NBN represents Belgium at the European level, as a member of the European Committee for Standardization (CEN) as well as at the world level, as a member of the International Organization for Standardization (ISO).

**NEN** ([www.nen.nl](http://www.nen.nl)) NEN is the knowledge network within the Netherlands for standards development and application at both national and international levels.

**Standards Australia** ([www.standards.org.au](http://www.standards.org.au)) This independent, not-for-profit organization is recognized by the Australian government as the nation's primary nongovernmental standards body charged by the commonwealth government to meet Australia's need for contemporary, internationally aligned standards and related services.

## TRADE ASSOCIATIONS

**AdvaMed** ([www.advamed.org](http://www.advamed.org)) The Advanced Medical Technology Association is a trade association that leads the effort to advance medical technology in order to achieve healthier lives and healthier economies around the world. AdvaMed represents 80 percent of medical technology firms in the United States and acts as the common voice for companies producing medical devices, diagnostic products and health information systems.

**AMDD** ([www.amdd.jp/en](http://www.amdd.jp/en)) represents companies that provide medical devices, in-vitro diagnostics, and other advanced medical technology in Japan.

**EUCOMED** ([www.eucomed.com](http://www.eucomed.com)) Representing the medical technology industry in Europe, Eucomed's mission is to make modern, innovative and reliable medical technology available to more people. It engages with European regulators, politicians and other policymakers to develop and propose patient-centered policies that enable people to live healthy and productive lives and provide solutions that significantly drive the productivity and efficiency of healthcare systems.

## EXTERNAL MEMBERSHIPS continued

**GEDSA** ([www.gedsa.org](http://www.gedsa.org)) The Global Enteral Device Supplier Association is a nonprofit trade association formed to establish a voice for addressing issues that face enteral device manufacturers, suppliers and distributors, and to help introduce international standards for healthcare tubing connectors, thus increasing patient safety by reducing the potential for tubing misconnections.

**HPRC** ([www.hprc.org](http://www.hprc.org)) Healthcare Plastics Recycling Council is a cross-industry coalition of suppliers, manufacturers, recyclers and hospitals, collaborating to implement recycling solutions for hospital plastics.

**MTAA** ([www.mtaa.org.au](http://www.mtaa.org.au)) The Advanced Medical Technology Association of Australia represents manufacturers and suppliers of medical technology used in the diagnosis, prevention, treatment and management of disease and disability. Member companies play a vital role in providing healthcare professionals with essential education and training to ensure safe and effective use of medical technology.

**MTJAPAN** ([www.mtjapan.or.jp/jp/mtj](http://www.mtjapan.or.jp/jp/mtj)) The Medical Technology Association of Japan is a trade association that promotes Japan's medical device technology industry. Member companies contribute to improving the quality of healthcare in Japan by providing safe and innovative medical device technology.

**Practice Greenhealth** ([www.practicegreenhealth.org](http://www.practicegreenhealth.org)) This nonprofit membership organization was founded on the principles of positive environmental stewardship and best practices by organizations in the healthcare community. Halyard Health is engaged in subcommittees and programs including Greening the OR, Greening the Supply Chain and Business Leadership Coalition, and has been a sponsor of CleanMed.

**SBA** ([www.sterilebarrier.org](http://www.sterilebarrier.org)) The Sterile Barrier Association is the European trade association for companies producing Sterile Barrier Systems (SBS) and associated equipment and accessories for the healthcare industry. SBS materials and equipment allow single-use and reusable medical devices to be sterilized and maintain product sterility up to the point of use.

**beMedTech** ([www.unamec.be](http://www.unamec.be)) This Belgian membership organization represents the medical technology industry with a membership of more than 200 companies.

# EMPLOYEES

## DEMOGRAPHICS

Employees are our most-valued resource and are at the center of everything we do. Their talent, diversity and commitment are crucial to our innovation and success. Our work environment fosters personal, professional and corporate growth and nurtures innovation through product development and customer solutions. Our global teams work together in a spirit of cooperation to improve health and healthcare every day.

Full-Time Employees	2016	% of Total
North America	6,418	52%
United States	1,614	13%
Mexico	4,797	39%
Canada	7	<1%
Latin America	2,121	17%
Europe, Middle East and Africa	230	2%
Asia Pacific	3,639	29%
<b>TOTAL</b>	<b>12,408</b>	

Employee demographics represent the count as of December 31, 2016

TOTAL FULL-TIME EMPLOYEES

12,408

## COMPENSATION

Halyard compensates employees competitively and fairly in markets throughout the world. Compensation for salaried employees is strongly tied to performance objectives. Salaried employees above a certain pay grade have a substantial portion of their total compensation subject to performance objectives. More about our executive officer compensation can be found in our [2017 Proxy Statement](#).

## OCCUPATIONAL HEALTH AND SAFETY

In 2016, Halyard continued to achieve world-class safety results. Halyard's 2016 incident rate was 0.07 incidents per 100 employees, a 30 percent reduction over the previous year. Our goal is zero incidents, and we continue to believe that a "zero-incident culture" is achievable. We know this, in part, because several of our sites with the highest risks have a strong safety focus and have gone several years without a recordable injury.

Halyard has undertaken a detailed plan for risk assessment and mitigation; upgrading safety management systems; issuing communications; and establishing a metric for behavior-based safety initiatives. In 2016, we introduced a proactive, web-based behavioral safety tool for use at each worksite to capture and address unsafe acts and conditions before they become an issue.

Halyard's operations leadership and management teams all have a safety component to their annual performance objectives and actively participate in the programs. Our safety goals involve creating total employee awareness, solid risk management and facility/equipment compliance, and high individual accountability for safety. We believe strongly in the recognition

**OUR SAFETY COMMITMENT TO OUR EMPLOYEES**

To provide a workplace in compliance with all applicable occupational safety and hygiene (OS&H) laws and regulations and in conformance with the company's OS&H performance standards

# EMPLOYEES

2016 INCIDENT  
RATE PER  
100 EMPLOYEES

0.07

## OCCUPATIONAL HEALTH AND SAFETY continued

and celebration of outstanding achievement in safety. Our “Crystal Eagle” award recognizes sites for safety excellence. Overall, Halyard anticipates another exceptional safety year in 2017, as we continue to concentrate on continuous improvements to our health and safety programs.

Employee Safety	2015	2016
Fatalities	0.00	0.00
Permanently disabling injuries	0.00	0.00
Total reportable incident rate (TRIR)	0.10	0.07
North America	0.14	0.15
Latin America	0.12	0.00
Europe	0.00	0.00
Middle East and Africa	0.00	0.00
Asia/Pacific	0.04	0.00
Lost-time reportable incident rate (LTRIR)	0.05	0.05
North America	0.07	0.11
Latin America	0.08	0.00
Europe	0.00	0.00
Middle East and Africa	0.00	0.00
Asia/Pacific	0.02	0.00
Safety compliance penalties	0.00	0.00

### TAKING SAFETY TO A NEW LEVEL

2016 was the safest year on-record for Halyard, thanks to committed efforts by employees across the company. In 2016 the company’s Total Reportable Incident Rate was 0.07 percent, a 30 percent improvement over 2015.

Reflecting this impressive employee safety record in 2016, six Halyard facilities received a Crystal Eagle, Halyard’s coveted award for safety excellence. Our Thailand facility was one of those facilities. It was the second time that team achieved this lofty feat and they celebrated the accomplishment with a formal procession.

The secret to success, according to the plant’s mill director, is consistency and commitment.

“Our employees lead strong safety discussions every day and are actively involved in a variety of safety activities,” he says. “It starts with management commitment — Halyard’s winning safety culture is always our top priority. Then, we focus on continuous improvement and the proper corrective actions when investigating actions.”





# EMPLOYEES

## WORLD-CLASS EHS TRAINING

Halyard Environmental, Health, and Safety (EHS) Leaders participate in multi-day meetings to ensure alignment and to take part in standardized training on some key initiatives within the EHS areas.

During these training sessions, attendees perform clinical testing similar to what is commonly done by the testing team and local healthcare participants at the company's headquarters, giving them the opportunity to see the company's products in use and to use them as an end-user would, providing insights to the development and training groups.



## TRAINING AND EDUCATIONAL OPPORTUNITIES

Halyard coaches new team members on our culture, values and commitment to ethical behavior. We support their growth through education, experiences and exposure to development opportunities.

Because Halyard is a medical devices manufacturer, employees are regularly trained in key areas required by the FDA and other applicable regulatory authorities, including topics such as documentation, safety, complaint handling, anti-bribery and quality, among others. In addition to regulated training, employees are educated on the Halyard Code of Conduct, so that all employees align with our cultural and behavioral expectations.

Halyard offers opportunities for special assignments and job rotations that provide a broader range of experience to help move employee careers forward. Learning by exposure can range from informal experiences — such as personal introductions and conversations — to formal experiences such as participating in a mentoring program, local or national associations, or reimbursement for achieving qualified additional/continuing education.

## EMPLOYEE ENGAGEMENT

Halyard believes that employees who are engaged in their roles, treated as partners in the business and recognized for their efforts, are more satisfied and productive. The company's goal is to ensure that each of its more than 12,000 employees understands how he/she contributes to the company's innovation and growth. This is accomplished with a focus on two-way communications utilizing multiple channels and a variety of tactics including intranet and social media, town halls and other meetings where employees hear directly from members of the executive team. Our CEO Robert Abernathy maintains a bi-weekly blog on various topics of interest to employees.

In addition, to help employees understand how they should operate day-to-day in ways that best reflect our values, Halyard maintains a global Culture of Accountability program. This program provides common language and tools to help employees understand and demonstrate the six desired behaviors for success (Build Talent, Build Trust, Make Decisions, Win Consistently, Think Customer and Continuously Improve). Employees at all levels participate in the program which reflects Halyard's culture of recognition, and feedback is part of our everyday language and behavior.

# EMPLOYEES

## EMPLOYEE ENGAGEMENT continued

### EMPLOYEE WELLNESS

Halyard takes its commitment to the ongoing health and safety of its employees seriously, offering far-reaching health and benefits packages including, in many locations, wellness and health screening/awareness programs. In the past year, we launched the “Commit to Fit” wellness program for U.S. employees. This program offers online health assessments, educational programs and a “Health Age” that gives employees insight into where their health stands and provides direction and encouragement on ways to develop healthier lives and make wellness a lifestyle.

Wellness initiatives vary by location but include biometric screenings, on-site health assessments, reduced or free workout facility memberships, and employer-sponsored challenges that instruct and foster healthy habits such as drinking more water, participating in daily exercise, bringing your lunch to work and others. At the Alpharetta headquarters, a recent Weight Watchers® program has helped enrolled employees lose nearly 800 pounds! If being well isn't incentive enough, there are prizes such as gym memberships, workout equipment, gift cards and Fitbits® to be won for participating in the Halyard “Commit to Fit” wellness program.

## DIVERSITY AND INCLUSION

Halyard's diversity and inclusion commitment is aligned to help the company achieve success as we continue to grow our business and develop our workforce. Halyard's employee profile below reflects the results on December 31, 2016.

Employee Diversity	2016
Women - global director and above <sup>1</sup>	24%
Ethnic minorities - U.S. director and above <sup>1</sup>	19%
Women - global salaried employees	42%
Ethnic minorities - U.S. salaried employees	28%

<sup>1</sup>Leaders in director-level position or higher

## HUMAN RIGHTS

Halyard's Human Rights in Employment Policy underscores our commitment to diversity and inclusion. The policy prohibits discrimination and harassment based on race, color, sex, pregnancy, sexual orientation, gender identity, age, religion, creed, national origin, disability, and other categories protected by applicable law.

Halyard's commitment to protecting human rights is consistent with our respect for one another and our heritage of fairness, honesty and integrity. This commitment is formalized in our Human Rights in Employment Policy as well as the Halyard Code of Conduct. Our policies align with the goals of several international standards, including the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and those of the UN Global Compact.

# SUPPLIERS

Halyard business interactions are guided by International Corporate Social Responsibility standards and our Code of Conduct.

## CORPORATE SOCIAL COMPLIANCE

The Halyard Code of Conduct provides guidance for dealing with our customers, suppliers, other employees, competitors and the public with integrity and in an ethical and appropriate manner.

We respect international social compliance and environmental principles aimed at promoting and protecting human rights and the environment. We integrate human rights into our direct and contracted operations, as well as through our supplier arrangements. Halyard policies align with the goals of several international standards, including the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. These values are formalized in the Halyard Human Rights in Employment Policy and Instructions.

### SUPPLIER SOCIAL COMPLIANCE STANDARDS

Social Compliance is integral to Halyard's workplace accountability programs. These standards are driven by the belief that good corporate citizenship is essential to our long-term business success and must be reflected in our relationships and actions in our workplaces and the workplaces of those who are authorized to directly supply our business.

### DUE DILIGENCE PROCESS

In selecting new, finished-product, contract manufacturing suppliers, Halyard uses a multi-level due diligence process that involves surveys, reviews of supplier policies, procedures, records, and background and reference checks.

### CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT DISCLOSURE

Halyard evaluates and addresses risks of human trafficking and slave labor throughout its supply chain. Verification of this process is completed by independent audits and/or self-assessments.

During the audit, Halyard receives certification from our direct suppliers that the materials incorporated into their products comply with the laws regarding slavery and human trafficking of the country in which they are doing business.

Halyard's Social Compliance Standards and Code of Conduct are enforced to help maintain internal and external social compliance accountability standards and procedures for suppliers, employees or contractors in regard to combating slavery and human trafficking.

## CONFLICT MINERALS REPORTING

Conflict Minerals are tungsten, tin, tantalum and gold and any other mineral or its derivatives determined by the U.S. Secretary of State to be financing conflict in the Democratic Republic of Congo (DRC) or any country that shares an internationally recognized border with the DRC.

Halyard conducts a reasonable country of origin inquiry (RCOI) to determine whether any materials used in our products originated in the DRC or an adjoining country or were from recycled or scrap sources. A summary of our RCOI, as well as the steps taken to exercise due diligence on the source and chain of custody of our product materials is included in our Conflict Minerals Report, which can be found in our [SEC filings](#).

# COMMUNITIES

## COMMUNITY RELATIONS

Halyard's community relations principles and commitment are based on our values of being Authentic, Bold and Caring. These values guide our actions and define how we measure success.

Halyard strives to improve the well-being of the people it touches every day through a range of health, humanitarian, economic and environmental initiatives to help sustain the communities in which our employees work and live. We maintain strategic partnerships with global organizations that address issues related to our business and that are of interest to our employees, customers and global communities.

2016 VALUE OF ALL PRODUCT DONATIONS

\$2.1M

### Product Donations

2016

Value of all product donations

\$2.1M

## GLOBAL CONTRIBUTIONS TO HEALTH THROUGH MEDSHARE

Halyard has had a longtime partnership with MedShare International, a nonprofit organization dedicated to improving healthcare and the health environment of those most in need. MedShare collects surplus medical supplies and equipment from hospitals, distributors and manufacturers, and then redistributes it to qualified healthcare facilities in the developing world. They also outfit medical missions and safety net clinics in both the U.S. and abroad. Since 2008, Halyard has donated more than \$23 million in products, including 17.6 million exam gloves distributed to over 30 countries.

To make all of this happen requires hundreds of volunteers, many from Halyard, to work closely with MedShare employees in three-hour shifts, five days a week, to organize, sort, package and ship millions of pounds of supplies — much of which otherwise would likely end up as waste — to recipients in need around the globe.



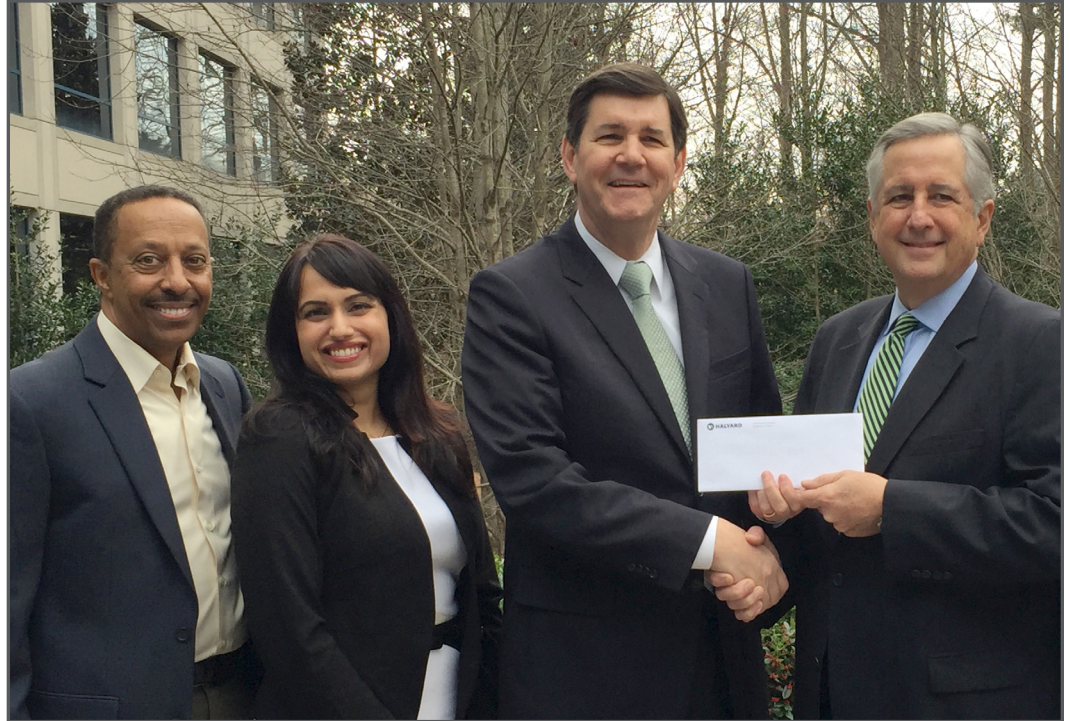
## SUPPORTING MEDSHARE INTERNATIONAL

MedShare International is a nonprofit organization dedicated to improving the quality of life of people, communities and the planet. The organization collects surplus medical supplies and equipment from hospitals, distributors and manufacturers, then redistributes these items to qualified healthcare facilities in the developing world. They also outfit medical mission teams and safety net clinics in both the U.S. and abroad.

Halyard is proud to be a partner with MedShare, supporting the organization through financial contributions, volunteer activities and product donations — both large and small. For instance, last year, while members of the Product Supply Strategy Team were volunteering at MedShare, they noticed that cutting tools being used were dated and less safe than more current versions that Halyard had begun incorporating. They also noted a lack of cut-resistant gloves. Through the volunteers' efforts, Halyard donated modern safe-cut tools and gloves to MedShare employees.

The company also supports MedShare at the leadership level with Chris Isenberg, Halyard Senior Vice President of Global Supply Chain and Procurement, participating as a member of MedShare's Board of Trustees, helping guide and govern the organization through fiduciary, strategic and general oversight.

# COMMUNITIES



## SUPPORTING UNITED WAY

Since Halyard's inception, employees across the U.S. have participated in United Way campaigns that provide funding, resources, volunteers, and other support targeted at advancing the common good by creating opportunities for all. The employee contributions and company match give Halyard a meaningful way to demonstrate our core value of Caring and to support neighbors, friends, families, and co-workers in its communities through fundraising and volunteer activities. Employees in Alpharetta, Irvine, Tucson, Del Rio, Lexington and Remote Sales raised nearly \$200,000 in donations with funds matched by Halyard, exceeding its 2016 goal by nearly 15 percent.

Each location held various fund-raising and volunteer activities. At the headquarters location in Alpharetta, Ga., nearly 150 Halyard volunteers signed up to help assemble approximately 1,000 kits of donated items for children and families in need. Over the course of the 2016 campaign, employees put together new patient kits for an organization that provides care for women without health coverage, early childhood literacy kits for low-income children, toiletry and basic supplies for low-income families and veterans, and snack packs for children with disabilities or other special needs.

# COMMUNITIES

## VOLUNTEERISM AND GIVING

Throughout the year, Halyard employees around the world participated in multiple volunteer activities with local nonprofit organizations focused on the Halyard core value of Caring. Examples of employees bringing this value to life include:

- The Tijuana team collaborated with a local home for displaced, impoverished senior citizens to provide a warm, clean house, clothes, food and medicines. In addition, the team answered each resident's "Christmas wish" with special gifts, such as clothes, perfume, shoes, jewelry and accessories.
- The Ronald McDonald House of Atlanta (RMDH) is a nonprofit charity that focuses on providing a "home away from home" for families who travel to Atlanta so their seriously ill or injured child can receive the medical care they need at local hospitals. When a new Ronald McDonald house opened, Halyard Alpharetta headquarters employees rallied to fill a moving truck with items needed to stock the home.
- Alpharetta employees came together again to replenish heavily used items at RMDH and to donate holiday wish list gift items to help fill a shopping center located in the house for resident parents to shop for free gifts for their children and themselves.

Halyard's Matching Gifts program enables U.S. employees to double their donations to qualified charitable organizations. All contributions over \$50 and up to \$1000 annually per employee to qualified organizations such as not-for-profit entities and schools are matched 100 percent by Halyard.



### DEMONSTRATING THE HALYARD SPIRIT

Halyard employees' incredible efforts go beyond the workplace. In Tijuana, more than 50 employees and some of their family members participated on a Saturday in a community-wide, annual initiative to clean up Playas de Tijuana, a local beach. More than 3,000 pounds of litter were removed from the area.

Similar types of volunteer efforts occur at Halyard locations around the globe where employees generously give their time to participate in local causes.

# PRODUCTS



## THE PRECAUTIONARY PRINCIPLE

Halyard constantly searches for more sustainable ways of meeting our customers' needs. When confronted with a choice that affects the environment, we strive to choose the option that carries the lesser impact, or what is referred to as The Precautionary Principle. We seek to foster a healthy environment through our operations, while focusing our product design on solutions that advance healthcare by preventing infection, eliminating pain, and speeding recovery for patients.

## SUPPLY CHAIN

Halyard maintains an extensive global supply chain of 5,306 suppliers of goods, services and equipment. Maintaining a resilient supply chain in support of our sales and operations depends on Halyard suppliers operating in an ethical manner with respect to human rights, worker safety and environmental practices.

Halyard is accountable for and committed to the integrity of our products and supply chain.

Working toward a responsible and resilient supply chain is a business imperative, and our relationships with suppliers are essential to our ability to deliver on promises to customers and other stakeholders. Halyard seeks to do business with suppliers who share our values of quality, service, fair dealing and our commitment to being a responsible corporate citizen.

The Supplier Social Compliance Standards (SSCS) are a vital pillar of Halyard's supply chain and align with our Code of Conduct and Human Rights in Employment Policy. These standards are driven by the belief that good corporate citizenship is essential to our long-term business success and must be reflected in our relationships and actions in Halyard workplaces and the workplaces of those who are authorized to directly supply our business. The practices reflect the values we uphold in our own policies, and we expect our suppliers to follow these standards and requirements.

Halyard standards share common goals with several international standards, including the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

### CRISIS PREPARATIONS

Halyard works closely with a network of materials suppliers to maintain production levels and meet customers' needs. We have a comprehensive response plan in place to help ensure that business can continue with the least amount of disruption possible in the event of a crisis.

More specifically, Halyard manufacturing business units have contingency plans in place for sourcing services and products. These plans include assessing product inventory to determine whether there is enough product to supply customers in the near-, mid- and long-term. In addition, Halyard business leaders regularly assess the availability of raw materials, including verifying alternative sources.

## SUPPLY CHAIN continued

Affected business units also work closely with other Halyard business units, such as Finance, Human Resources, Corporate Communications and the Corporate Crisis Management Team, to help ensure that potential risks are addressed.

## PANDEMIC PREPAREDNESS

Healthcare facilities play a critical role in moderating the impact of an infectious disease outbreak or pandemic, and Halyard is a key industry partner in pandemic preparedness and service.

Respiratory protection is an important factor in protecting healthcare workers from both droplet and aerosol transmission of infections during a pandemic. An adequate supply of respirators is needed to ensure that a healthy workforce is maintained, but stockpiling large quantities of product is not always financially feasible because the stockpiled product often expires before it can be used. In 2015, Halyard was awarded a contract by the Biomedical Advanced Research and Development Authority (BARDA), part of the U.S. Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response. Under the contract, BARDA will fund research by Halyard to develop a one-of-a-kind, high-speed, on-demand machine that will make use of stockpiled raw materials to produce N95 Filtering Facepiece Respirators (FFRs) for use during a pandemic.

The on-demand manufacturing approach provides a preparedness option with finite and manageable costs. This approach is also scalable and delivers the surge capacity required to meet increased demand during a pandemic. Halyard's proposed effort will improve and expand medical countermeasure manufacturing capabilities for the U.S., cost-effectively mitigating the projected shortages of the most commonly used FFRs.

Because stockpiling of personal protective equipment (PPE) and other necessary supplies is a critical requirement for quick response to a pandemic, Halyard has processes in place for a coordinated global response. We invest heavily in maintaining significant available capacity and raw materials supply in order to quickly ramp up high-demand products. During the 2009-2010 H1N1 pandemic, Halyard ran 300 days of 24/7 production, shipping 800 million face masks globally — more than 5 times more masks than either of the next two largest suppliers. During the 2013 seasonal flu epidemic, Halyard's inventory management system ensured that current customers received face masks and respirators at amounts 100-150 percent of their historical usage.

To further assist healthcare facilities in their efforts to moderate the impact of an infectious disease outbreak or pandemic, Halyard provides both a [Pandemic Preparedness Guide](#) and an online [PPE Stockpile Calculator](#) to help determine how much PPE is needed on hand to be ready for such an event.



# PRODUCTS

Our team is committed to doing the right thing for our customers and their patients.

## QUALITY

Ensuring quality is an essential part of Halyard's business strategy, and a culture of quality is the foundation for meeting the expectations of healthcare providers and their patients.

It is our policy to design, manufacture, deliver and service products that meet or exceed customer expectations for quality, performance and value.

We accomplish this by:

- establishing quality objectives, processes, procedures and practices that meet or exceed customer and regulatory requirements
- establishing accountability for quality systems management
- providing resources necessary to execute the quality management system
- conducting regular assessments of quality systems and practices to promote continuous process, product and service improvement, and to ensure compliance with applicable laws and regulations

External regulations and industry best practices, as well as internally developed standards, define our quality criteria. Programs are established to measure compliance with these and report results to senior management. These quality standards and established quality system processes drive the continuous improvement activities that ensure that Halyard products are safe and effective for customers.

Should they become necessary, product field action/recall programs are in place to promptly address potential product or safety issues. These processes are tested periodically to ensure that they are effective and efficient.

## RECOGNIZING QUALITY EXCELLENCE

Halyard's annual Quality Excellence Awards recognize employees who represent the very best in leadership and performance in the area of quality. This award recognizes an individual who exhibits exceptional leadership skills while leading a quality improvement project team to meet or exceed their desired performance results.



# PRODUCTS

## QUALITY continued

In 2016, the following voluntary field actions/recalls were conducted by Halyard Health:

Product	Region
Silicone HOMEPUMP C-SERIES* without DEHP Elastomeric Pump (notification)	Portions of EU and Turkey
COOLIEF* SINERGY* Kits	USA
C-Section Drape	USA
Sterile STERLING* Nitrile Exam Glove	USA
AERO BLUE* Performance Surgical Gown (Large)	Portions of EU

Halyard maintains an ongoing commitment to protecting customer health and safety. Our product-safety scientists are trained and accredited in the fields of toxicology, biocompatibility and health-risk assessment. Most have doctoral degrees and several are board-certified by the American Board of Toxicology. Safety assessments conducted by our product-safety experts cover the complete life cycle of a product: research and development, manufacture, sale, use and disposal.

## POST-CONSUMER WASTE

The majority of Halyard products are single use, and we, as well as our stakeholders, have identified post-consumer waste as a key issue for us to address. Awareness of waste is equally important to our future, as we continue to expand into emerging markets. We understand the importance of applying life-cycle thinking – from development to disposal – to our products and are working on recycling solutions worldwide to help benefit both our operations and our customers. Our BLUE RENEW\* program is just one example of this type of initiative.

## BLUE RENEW\* STERILIZATION WRAP RECYCLING PROGRAM

Halyard’s BLUE RENEW\* Team has been working with hospitals to help them recycle Halyard Sterilization Wrap. After a year of pilot testing in various areas around the United States, Halyard launched a five-stage recycling engagement program called BLUE RENEW\* in 2012. The program helps hospitals organize their wrap recycling needs, including engagement of leadership and key stakeholders, identification of recycling partners, training of hospital operating room teams and measuring of program results. As of December 2016, the BLUE RENEW\* Team has supported more than 600 hospitals with wrap recycling initiatives. Thanks to BLUE RENEW\*, more than 250 hospitals in North America divert over 4 million pounds of wrap from landfills each year.

The BLUE RENEW\* program is focused on recycling one particular product, building the discipline necessary for a more comprehensive and robust recycling program within the operating room, while helping to ensure hospital staff is prepared to meet the challenges along the way. Halyard’s role in the program is that of a facilitator. We have hired a full-time recycling

HOSPITALS  
ENGAGED IN  
BLUE RENEW\*

600

# PRODUCTS

## BLUE RENEW\* STERILIZATION WRAP RECYCLING PROGRAM continued

consultant dedicated to the BLUE RENEW\* program to help enable sorting, formatting and alignment in the market for the recycled materials to be successfully sold and utilized in new products. Halyard helps hospitals identify aspects of their own processes that could create risks for recycling from operating rooms, such as segregation from surgical waste and points of transition from one person or group to another. We help them address process flow, storage, dock space, hauling, training staff, and metrics. While Halyard is engaged to help our hospital customers, the successful recycling is a result of each hospital's commitment, focus and culture-building activities to meet its goal.

## PACKAGING

Our product packaging helps ensure the quality and safe delivery of our products to customers around the world every day. As we focus on continuous improvement, we incorporate sustainable packaging considerations early in the design process, balancing environmental concerns with the need to protect product quality and transport products efficiently and economically. Optimizing packaging designs for patient safety and customer ease of use, while meeting sterilization and supply chain needs, are also key considerations.

## UNIQUE DEVICE IDENTIFICATION

The Unique Device Identification (UDI) is a system used to mark and identify medical devices through their distribution and use. In 2013, the Food and Drug Administration (FDA) published the final UDI regulations. The new system is being phased into effect over a period of several years, with expected benefits to include improved patient safety, enhanced recall process and operational efficiencies within the healthcare supply chain.

The FDA's intent is to reduce medical errors and more quickly identify medical devices in the case of adverse events or recalls, in addition to providing an accessible source of definitive device identification information. Scanning bar codes containing standardized product information not only streamlines recall management and facilitates device data tracking by clinical research registries, but also offers hospitals the opportunity to better manage inventory and integrate standardized product information into their electronic medical records.

Halyard will be rolling out UDI-compliant labeling by product category in accordance with the FDA compliance deadlines. Using UDI to document the device(s) in a patient's record will improve the accuracy of surveillance and patient care, and further our mission to advance health and healthcare by preventing infection, eliminating pain and speeding recovery.



# CUSTOMER SUPPORT

In today's world, change defines every level of the healthcare industry, from technology to legislation, and from clinical research to practice standards. To further our mission of preventing infection, eliminating pain and speeding recovery, Halyard provides educational programs and resources to customers that offer insights on key healthcare initiatives.

## CLINICAL EDUCATION

Knowledge Network\* is Halyard Health's dynamic collection of educational resources designed to provide insight and information to clinicians on relevant and critical healthcare issues. Complete with an extensive selection of continuing education resources, Knowledge Network\* courses are offered on relevant healthcare topics including digestive health, infection prevention, respiratory management, pain management, sterile processing, surgical solutions, safety, and the appropriate use of medical devices and supplies.

Most courses are accredited to provide Continuing Education credit for nurses, respiratory therapists, surgical technologists or central service/sterile processing department professionals. These programs are available in several formats, including:

- Thumb drive videos and thumb drive video/study guide combination programs facilitated by a Halyard representative
- Online courses and Independent Study Guides, accessible on demand. Online offerings can be accessed at [www.HalyardKnowledgeNetwork.com](http://www.HalyardKnowledgeNetwork.com)
- Classes presented live by Halyard faculty at facility meetings and conferences

### RECOGNIZING QUALITY EXCELLENCE

In 2016, over 28,000 clinicians took advantage of these educational resources and the knowledge they provide to improve:

- Patient outcomes
- Staff competency
- Staff protection
- Hospital/facility risk reduction



# ENVIRONMENTAL

Striving for clean air, clean water and a healthy environment is fundamental to the way we manufacture our products. Halyard addresses issues like reducing our carbon footprint by understanding how it affects all aspects of our business — from regulatory complexity to cost implications to environmental and social concerns. As in previous years, we continue to rigorously track and report metrics related to waste, utilities, and regulatory activity in all owned facilities and buildings within our purview of responsibility. Halyard is culturally attuned to achieve exemplary environmental results, receiving no citations, fines, or penalties in what are often heavily regulated environments. Halyard continues to see inspections and visits that result in exemplary reports. Overall, we look forward to an exceptional year in 2017, as we continue to focus on environmental impacts and reporting.

## WALKING THE TALK

Halyard's commitment to reducing our carbon footprint is far-reaching and goes beyond our manufacturing facilities. Electric-vehicle charging stations, located in prime parking positions at our Alpharetta headquarters site, are one way we tangibly demonstrate this commitment.



# ENVIRONMENTAL

## MANAGING WASTE

Halyard has worked diligently to be 99.60 percent landfill-free of manufacturing waste. However, our goal remains 100 percent. This is a goal that Halyard has been purposefully pursuing and will continue to set as a priority.

Because managing waste is important to our stakeholders, and because the majority of our products are single use, we have made waste management a key priority. Halyard has developed both internal processes for our own waste streams to maximize efficiencies and minimize impact and now, we are extending programs to our customers as well. We are working on a number of recycling initiatives around the globe in an effort to improve our performance and meet the expectations of our customers regarding help in the management of the waste associated with our products and packaging.

MANUFACTURING  
WASTE DIVERTED  
FROM LANDFILL  
IN 2016

99.60%

Nonhazardous Waste (MT)	2015	2016
Percentage of total waste	99.50%	99.70%
Landfilled	59	45
Recycled	11,230	11,711
Converted to energy	509	525
Incinerated	1,361	1,310
<b>TOTAL (MT)</b>	<b>13,159</b>	<b>13,591</b>
<b>Manufacturing waste diverted from landfill</b>	<b>99.56%</b>	<b>99.60%</b>

Hazardous Waste (kg)	2015	2016
Percentage of total waste	2.10%	2.22%
Recycled	140	677
Incineration without heat recovery	238,108	210,450
Chemical treatment	0	27,754
Thermal treatment	49	14,122
Permanent storage	24,805	28,612
Landfilled	6,722	3,649
Blended fuel	5,804	23,899
<b>TOTAL (kg)</b>	<b>309,163</b>	<b>275,628</b>

# ENVIRONMENTAL

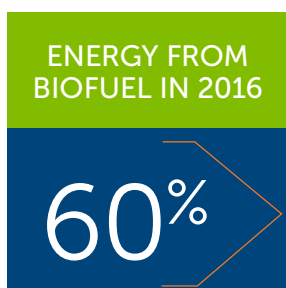
## MANAGING GREENHOUSE GAS EMISSIONS

In order to manage and reduce the Greenhouse Gas (GHG) emissions in our operations, Halyard has developed a corporate-wide GHG inventory of the six major greenhouse gases. Our measurements track Scope 1 (direct) emissions, including on-site fuel generation and emissions from vehicles, which are owned and controlled by Halyard. We also track and report Scope 2 (indirect) emissions, which include electricity, steam and other energy generated off-site and purchased by Halyard.

Halyard Health energy management initiatives are executed to deliver:

- **Footprint Optimization:** We incorporate manufacturing restructuring as part of our strategy to achieve the greatest production and supply chain efficiency.
- **Alternate and Renewable Energy Supply Deployment:** Our strategy for global energy supply incorporates responsible, sustainable procurement of energy to deliver reliable supply and predictable energy cost.

Renewable energy is utilized where possible in our global operations, such as biofuels sourced from wood waste in Thailand. Our efforts allow us to operate on 60 percent renewable energy in manufacturing facilities based on 2016 data from facilities owned and/or managed by Halyard Health.



Energy Efficiency (million Btu)	2015	2016
Total electricity purchased	763,377	1,266,659
Total fuel oil	8,839	4,346
Recycled	160,834	194,814
Other natural gas	0	629
Total biofuel purchased	2,408,701	2,273,757
Total steam generated	2,084,191	1,530,767
Total energy purchased	3,341,301	3,740,205
Percent of biofuel purchased	72%	60%

Greenhouse Gas Emissions (CO <sub>2</sub> e)	2015	2016
Scope 1 (direct)	13,923	15,183
Scope 2 (indirect)	111,711	116,077
Total emissions (tCO <sub>2</sub> e)	126,511	131,260
Biomass (CO <sub>2</sub> emissions only)	225,936	213,278

# ENVIRONMENTAL



## MANAGING WATER USE

Although water is not utilized in many Halyard processes, water is measured and recorded for manufacturing water use, tracking it to its discharge destination. Where we use process water in Mexico, the water is returned to the environment cleaner than it is received.

Manufacturing Water Use [m <sup>3</sup> ]	2015	2016
Influent	7,483,902	7,075,543
Surface water	7,199,052	6,696,905
Municipal water	241,849	376,318
Ground water	43,001	2,320
Effluent	6,610,382	6,294,518
Surface water discharge	6,556,852	6,188,366
Municipal water discharge	53,530	106,152



# APPENDIX

## GRI SUMMARY\*

The following GRI Summary table is assembled to meet the requirements of GRI G4 data in accordance with the “Core” reporting requirements.

GRI	Cross-Reference/Direct Answer
<b>STRATEGY AND ANALYSIS</b>	
G4-3	Halyard Health, Inc.
G4-4	10-K
G4-5	10-K Alpharetta, Georgia
G4-6	10-K Halyard Health is a global business operating in North America, Europe, Middle East, Africa, Asia Pacific and Latin America.
G4-7	As of November 1, 2014, Halyard Health, Inc. became an independent, publicly held company, owned by common stockholders.
G4-8	Halyard Health is a global company serving the healthcare market.  Halyard operates 14 global manufacturing facilities with approximately 12,000 employees worldwide — generating approximately \$1.6 billion in net revenues.  Halyard Health is a medical-technology company focused on advancing health and healthcare by preventing infection, eliminating pain and speeding recovery. The company delivers clinically superior products and solutions in infection prevention, surgical solutions, respiratory health, digestive health, pain management and IV therapy.
G4-9	Halyard Health sells our recognized brands and products in more than 100 countries and holds leading market positions in multiple categories across the portfolio.
G4-10	Demographics
G4-11	Not Reported
G4-12	Halyard maintains an extensive global supply chain of 5,306 suppliers of goods, services and equipment. Maintaining a resilient supply chain in support of our sales and operations depends on Halyard suppliers operating in an ethical manner with respect to human rights, worker safety and environmental practices.
G4-13	10-K
G4-14	Precautionary Principle
G4-15	External Memberships
G4-16	External Memberships

\*Financial and sustainability data in this report (e.g., safety statistics, environmental footprint data, and community investments) has been carefully compiled and subject to a number of quality reviews, though it has not been the subject of audit procedures or an audit performed by a third party.

# APPENDIX

## GRI SUMMARY continued

GRI	Cross-Reference/Direct Answer
<b>IDENTIFIED RELEVANCE ASPECTS</b>	
(G4-17-23 – select based on relevance)	
G4-17	10-K
G4-18	About This Report
G4-19	About This Report
G4-20	About This Report
G4-21	About This Report
G4-22	About This Report
G4-23	About This Report
<b>STAKEHOLDER ENGAGEMENT</b>	
G4-24	External Memberships
G4-25	Stakeholder Engagement
G4-26	Stakeholder Engagement
G4-27	Stakeholder Engagement
<b>REPORT PROFILE</b>	
G4-28	January-December 2016
G4-29	2015
G4-30	Annual
G4-31	<a href="mailto:Halyard.Communications@hyh.com">Halyard.Communications@hyh.com</a>
G4-32	GRI G4 "In Accordance" with Core Reporting, self-reported and checked internally to meet our legal disclosure qualifications through our claims disclosure process with final approvals by our President and CEO.
G4-33	Self-reported
<b>GOVERNANCE</b>	
G4-34	10-K
<b>ETHICS AND INTEGRITY</b>	
G4-56	Code of Conduct

If you have questions or feedback regarding either this report or other corporate citizenship related topics, please email:

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