nanosonics

Infection Prevention. **For Life.**

2020 ESG Report

Our mission

We improve the safety of patients, clinics, their staff and the environment by transforming the way infection prevention practices are understood and conducted, and introducing innovative technologies that deliver improved standards of care.

ABOUT THIS REPORT

This is Nanosonics' Environmental, Social and Governance (ESG) Report. It describes our approach to caring for our employees, shareholders, customers, the broader community and the environment. In developing this Report, we have been guided by recognised standards of sustainability reporting to better monitor and report on our ESG performance.

Unless otherwise specified, measurements and data in this report pertain to Nanosonics Limited and its controlled entities during the reporting period from 1 July 2019 to 30 June 2020 (FY20). You can find consolidated financial statements for FY20 in the Nanosonics 2020 Annual Report. All dollar values refer to Australian dollars (AUD) unless otherwise specified.

For further information or to provide your feedback please contact us through the Investor Relations Contact Us form on our website:

www.nanosonics.com.au/contact/

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Our commitment to ESG

"Successful companies recognise their social licence to operate. ESG is at the core of Nanosonics' very DNA. We recognise that what is good for society underpins Nanosonics' commitment to environmentally friendly and breakthrough technologies improving the global standard of care"

MAURIE STANG | CHAIRMAN

"For Nanosonics, the pandemic itself is yet another reminder of the important role that infection control plays in ensuring the safety and wellbeing of all of Nanosonics' many and important stakeholders.

MICHAEL KAVANAGH | CEO

This has been an unprecedented year from an ESG perspective in a number of ways. From an environmental perspective, the calendar year commenced with the bushfire crises along Australia's eastern seaboard, impacting many homes, communities and livelihoods. This saw increased recognition of the importance and urgency of climate change and other pressing sustainability issues. From a social standpoint, it is difficult to overstate the enormous impacts of the COVID-19 pandemic which Nanosonics and the communities in which we operate continue to manage as I write this letter. During the second half, like many healthcare companies, we have all been adapting to the new financial, operational and community impacts of this worldwide pandemic which has had an immense and lasting impact on the entire global community and the businesses that serve it, and has presented unique challenges for companies like us that serve the healthcare sector. The above factors are illustrative of the need for a company's governance practices to remain dynamic and relevant in order to navigate risks and issues as they change, and the path to the "new normal".

For Nanosonics, the pandemic itself is yet another reminder of the important role that infection control plays in ensuring the safety and wellbeing of all of Nanosonics' many and important stakeholders – in particular its healthcare customers who have been on the frontline and the patients they care for.

Throughout the year the presence of our technology has continued to grow around the world. It is in more countries, more hospital departments and more clinics than ever before. We are proud to offer technology that protects approximately 78,000 patients every day from the risk of acquiring an infection from ultrasound procedures, reducing the burden on the healthcare system in the communities in which we operate. The relevance of the Nanosonics mission has never been more important: to improve the safety of patients, clinics, their staff and the environment by transforming the way infection prevention practices are understood and conducted, and introducing innovative technologies that deliver improved standards of care.

In that context, it gives me great pleasure to announce the publication of Nanosonics' first extended ESG report as a separate report from the Annual Report. ESG performance is vitally important to the Company, and we recognise it is an area of equal importance for the communities in which Nanosonics operates.

This report outlines how we aim to improve the impact we have on our communities, environment and employees, and reflects our commitment to high standards of corporate governance. We continue to be guided by the leading frameworks for ESG disclosure which have been developed over the past decade.

We set formal diversity targets for FY20 and I am encouraged by the results against those targets. In a year where social inequality has been in the spotlight, I am pleased to see our new Code of Conduct and Ethics affirming our support for diversity and inclusion, and thrilled to see the full spectrum of diversity reflected in our expanded diversity targets for FY21.

It is clear to me that we are already showing we are living the new corporate values that were rolled out in FY20: Collaboration, Innovation, Discipline, Agility and a Will to Win.

I said last year that Nanosonics recognises that to achieve our ESG goals we must seek simultaneously to understand and minimise our environmental impacts; meet our social responsibilities to our employees, customers and the broader community; and maintain high standards of corporate governance. As we take stock on another year, it is pleasing to see the progress we have made in this extraordinary year and the positive and meaningful impacts this has had on our employees, suppliers, customers and the broader communities in which we operate.

Michael Kavanagh
CEO and President

Company Overview

Nanosonics (ASX:NAN) is an Australian infection prevention company that has successfully developed and commercialised a unique automated disinfection technology, trophon®, representing the first major innovation in high level disinfection for ultrasound probes in more than 20 years.

trophon is fast becoming the global standard of care for ultrasound probe disinfection. We will continue to drive trophon adoption through our ability to transform the way infection prevention practices are understood and conducted in existing markets and through continued geographical expansion.

Our commitment to innovation is reflected in our investment in research and product development as we look to expand our product portfolio and bring new infection prevention products to market.

Nanosonics' head office is in Lane Cove, Sydney. We also have offices in the United States, Canada, the United Kingdom, Europe and Japan, employing more than 300 people across the globe. Our technology is available in the United States, Canada, the United Kingdom, Ireland, Germany, France, Austria, Belgium, Denmark, Estonia, Finland, Israel, Kuwait, Lebanon, Norway, Portugal, Romania, Russia, Spain, Sweden, Switzerland, Mexico, Hong Kong, Japan, Singapore, Australia and New Zealand.

ESG at a glance

ENVIRONMENT

ENVIRONMENTALLY-FRIENDLY TROPHON TECHNOLOGY
WATER AND OXYGEN
ARE THE ONLY BY-PRODUCTS OF EACH DISINFECTION CYCLE

PAST WINNER OF
ENVIRONMENTAL SOLUTIONS AWARD
at the Premier's NSW Export Awards

GREEN TEAM AND ENVIRONMENTAL HEALTH & SAFETY POLICY
with commitment to the environment and response to climate change

SOCIAL

TROPHON TECHNOLOGY PROTECTS APPROXIMATELY
20 MILLION
PATIENTS EVERY YEAR FROM THE RISK OF CROSS-CONTAMINATION

311
EMPLOYEES
GLOBALLY

41%
OF TOTAL WORKFORCE AND 32% OF SENIOR MANAGERS ARE FEMALE.

56
FEMALES IN STEM ROLES

ACTIVE
COMMUNITY CONTRIBUTIONS PROGRAM

91% OF EMPLOYEES ARE
PROUD TO WORK FOR NANOSONICS

GOVERNANCE

REPORTED AGAINST 4TH EDITION OF
ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS
one year ahead of required

ETHICAL SUPPLY CHAIN MANAGEMENT WITH EMPHASIS ON ADDRESSING
MODERN SLAVERY RISKS

NANOSONICS SAFEWORK
program implemented to protect the health and welfare of our employees during COVID-19

Corporate Governance and ESG

The Board pictured above (from left to right) Maurie Stang, Steven Sargent, Michael Kavanagh, Marie McDonald, Lisa McIntyre, David Fisher, Geoff Wilson.

Nanosonics is governed by a Board which provides strategic guidance to the Company and effective oversight of its management for the benefit of all stakeholders.

Responsibility for the integration of ESG into the management and functions of the Company sits with the Board. These principles are implemented and monitored through our corporate governance frameworks, policies and committees.

There are four key Committees that have been established by the Board:

- Audit and Risk
- Nomination
- Remuneration and People
- R&D and Innovation

The membership of the Board and its Committees are set out in our Annual Report 2020.

Responsibility for ESG sits with the Board and is integrated across the functions of the Company and the roles of the Board and its Committees.

The Board is committed to ensuring that its policies and practices reflect good corporate governance consistent with the Australian Securities Exchange (ASX) Listing Rules and the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Statement sets out Nanosonics' key corporate governance principles and practices, and the extent to which the Company has followed the recommendations set by the ASX Corporate Governance Council during the 2019/2020 reporting period. It is noteworthy that the Company has reported its progress against the 4th Edition of the ASX Corporate Governance Principles and Recommendations in its Corporate Governance Statement, a year in advance of the requirement to comply.

Nanosonics' corporate governance framework is elaborated in its policies:

- Code of Conduct and Ethics
- Securities Trading Policy
- Clawback Policy
- Anti-Bribery and Anti-Corruption Policy
- Speak Up Policy
- Environmental, Health and Safety Policy
- Privacy Policy
- Diversity Policy
- Continuous Disclosure and Shareholder Communications Policy
- Share Ownership Policy
- Modern Slavery Statement

Nanosonics' Corporate Governance Policies are regularly reviewed and updated. Nanosonics' approach to strong corporate governance includes adherence to all applicable local and international laws, regulations and standards.

Stakeholder engagement

Nanosonics seeks to engage effectively with key stakeholders on topics relevant to them so as to understand and respond to their needs and concerns, and to inform them about Nanosonics' products and services.

Nanosonics' key stakeholders are those groups, organisations or individuals who potentially are likely to be affected by the Company's operations, products or services; or whose actions can reasonably be expected to affect the ability of the company to implement its strategies or achieve its objectives.

In 2019 Nanosonics undertook an analysis identifying our key stakeholders and their areas of interest related to our company. The COVID-19 pandemic must now be added as a critical issue pervading the concerns of many of our stakeholder groups. For example, employees seek assurance about safe workplace practices; healthcare workers have a heightened awareness of the risks of cross-infection; suppliers and customers are concerned about any possible supply chain interruptions; and investors are interested in any impacts on the on-going sustainability of the company.

Key Stakehholders identified by Nanosonics	Some key ESG areas of interest for Nanosonics' stakeholders
Healthcare professionals and patients in hospitals and medical centres	– Prevention of healthcare associated infections – Ethical marketing – WHS compliance – New products solving unmet needs in infection prevention
Customers including distributors, resellers and ultrasound probe manufacturers	– Public health and infection prevention – Price – Product safety – Ease of use – Fit within the clinical workflow – COVID-19
Suppliers	– Nanosonics' financial performance and viability – Legal compliance – Ethical business practices
Investors/shareholders	– Financial performance (revenue and profitability) – R&D activities – FDA and other regulatory approval – ESG issues and risk management – Management of risks associated with the COVID-19 pandemic
Employees	– A safe workplace including COVID-SAFE Workplace Principles. – Gender equality – Diversity – Training and education – Safe and rewarding workplace
Government and regulatory authorities	– Product safety and quality – WHS compliance – Ethical marketing – Tax strategy
Community and key opinion leaders	– Infection control – Ethical marketing – WHS compliance – New products solving unmet needs in infection prevention – The natural environment

Materiality assessment

In 2019 Nanosonics conducted a comprehensive materiality assessment in accordance with recognised frameworks for ESG reporting and based on indicative responses provided by management on behalf of the Company's stakeholders.

The process was guided by an external consultant and comprised the following steps:

- Setting the context considering industry, environmental, social and regulatory trends.
- Analysis of annual, sustainability and other relevant reports from benchmark companies, and the assessment frameworks of ESG rating agencies.
- Identification of topics that have already been identified by Nanosonics through recent reports, briefings, presentations and other mechanisms, and
- Consideration of ESG topics listed in GRI and SASB standards.

Through this process we compiled the following list of potential material topics which have been assessed according to their importance to Nanosonics' key stakeholders and their impact on the Company, economy, society and the environment:

- Addressing an unmet need in patient care
- Business ethics
- Business strategy, including strategic partnerships/relationships
- Collaboration/partnerships
- Competitiveness in the market
- Compliance with laws, including modern slavery and conflict minerals
- Contributions to the community
- Consultation with customers on product development
- Consultation with infection control peak bodies
- Customer education
- Diversity, equal opportunity and non-discrimination
- Economic value generated and distributed (as described by GRI)
- Enhancing customer experience
- Ensuring traceability
- Entering new markets
- Ethical marketing
- Fair trading and competition
- Labour, environmental and social practices in the supply chain
- Political contributions
- Product safety and quality
- Regulation and relationships with regulatory bodies
- Talent recruitment and retention
- Tax strategy
- Training and education
- Work, health and safety

As part of this work we also flagged our intention to extend the process of assessing potential material topics to other stakeholders, including our suppliers. After some delay, while suppliers focused on COVID-19, we have now commenced this process. This process provides an opportunity to review a number of contemporary compliance topics, such as modern slavery, and supply chain risks with our key suppliers. We expect to be able to report on the findings of this process as part of our FY21 ESG report.

COVID-19, a new material ESG topic

Since undertaking our materiality assessment, global and Australian economies have faced a major reset as a result of the COVID-19 pandemic.

The necessary health responses, such as the closure of schools and businesses, have resulted in a global economic downturn and the timeline for economic recovery is uncertain. Estimates range from one to five years or more depending on the behaviour of the virus and the development of treatment and preventative measures, particularly an effective vaccine.

Many companies have experienced major disruptions from decreased demand, supply chain interruptions, and the need to keep employees safe through a range of measures such as working from home, restrictions on travel, and increased reliance on communications technology.

The healthcare sector has been at the frontline of the health and economic battle and Nanosonics has needed to implement swift responses to ensure the continuity of support for our important healthcare customers.

For Nanosonics, employees' safety and well-being was prioritised with safe work practices introduced and strategies developed to minimise the impact of the pandemic on our workforce. We recognise that employee's mental health is also critically important and to that end an Employee Assistance Program was rolled out. Staff surveys during the COVID-19 pandemic indicated that employees received timely communications from management, are adapting well to working from home and staying connected during this period. Customers were supported through digital communication and engagement, as access to hospitals became limited. In addition, the Company ensured the supply chain was well positioned to meet customer requirements. As the effects of COVID-19 escalated, the Company continued to support frontline customers in emergency and ICU where possible by offering to provide trophon, if required.

As an infection prevention company we are acutely aware of the impact of COVID-19 and it strengthens our resolve even further to truly deliver on our mission to improve the safety of patients, clinics, their staff and the environment by transforming the way infection prevention practices are understood and conducted and introducing innovative technologies that deliver improved standards of care.

We recognise all our customers, in particular the Infection Prevention community, who have and continue to work tirelessly on the frontline during this COVID-19 pandemic. As can be seen in this ESG Report, now, more than ever, infection prevention has become a critical topic not only in the medical field but across the community and Nanosonics expects to play a major role moving forward across many dimensions of infection prevention.

Providing access to new technologies for infection prevention and better patient care

RECOGNISING THE RISK

Healthcare acquired infections (HAIs) continue to be a significant healthcare issue worldwide and are considered the most frequently recorded adverse event in healthcare. [1] HAIs can cause patient morbidity and mortality and are a large burden upon the global healthcare system, economies and society.

As reusable medical devices, ultrasound probes present a potential source of cross-infection in hospitals and medical practices. Studies have linked the increased use of ultrasound procedures to an increased incidence of cross-infection. [2] A landmark study commissioned by UK National health authorities (Scotland) revealed an "unacceptable risk" of patient infection from ultrasound procedures. [3] Over a six-year period, the study followed almost one million people (982,911 patient journeys) through linked National Health databases. 60,698 of these patients were gynaecological patients that had undergone a transvaginal ultrasound and the study revealed that this cohort had a 41% greater risk of infection and a 26% greater risk of antibiotic prescription in the 30 days following their procedure. 91% of these facilities were performing low-level disinfection of transvaginal ultrasound probes during the study period.

Where ultrasound probes are not correctly disinfected, there is a risk of transmission of potentially harmful infectious agents such as multi-drug resistant bacteria, blood borne viruses (e.g. hepatitis B) or sexually transmitted infections such as chlamydia, gonorrhoea or human papillomavirus.

"… the study revealed that this [transvaginal ultrasound] cohort had a 41% greater risk of infection and a 26% greater risk of antibiotic prescription …"

NANOSONICS' TROPHON® TECHNOLOGY

Nanosonics' trophon technology is the first major innovation in high level disinfection (HLD) for ultrasound probes in more than 20 years. This unique automated technology has enabled safe, effective, efficient and environmentally-friendly HLD of ultrasound probes to be performed at the point of care for the first time. With trophon, healthcare facilities can reduce the risk of cross-contamination and patients receive the standard of care they expect.

trophon has an extensive efficacy spectrum and has met HLD standards across the globe. This includes the effective killing or inactivation of bacterial endospores, mycobacteria, fungi, vegetative bacteria and viruses, including enveloped and non-enveloped viruses. While trophon has not been tested directly against SARS-CoV-2, coronaviruses, including SARS-CoV-2, fall into the category of enveloped viruses where trophon has been proven to be highly effective.

This HLD efficacy is achieved by the patented trophon technology that generates a sonically-activated, sub-micron hydrogen peroxide (H_2O_2) mist. This mist accesses all surfaces of the probe, including crevices and tiny imperfections of the probe and handle that is suspended within the sealed trophon chamber. This is important to ensure the total surface area of the probe is decontaminated. Sensors monitor temperature, mist volume and flow rates, while sophisticated software controls all aspects of the process at all times to deliver effective disinfection – with every cycle.

The environment is another beneficiary of trophon technology as the only by-products of each disinfection cycle are environmentally-friendly oxygen and water. When replacing traditional decontamination methods, each trophon device may prevent the disposal of thousands of litres of water and toxic chemistries into the environment each year.

ENSURING PRODUCT SAFETY, QUALITY AND RELIABILITY FOR USERS AND PATIENTS

Nanosonics is vigilant about the safety of its products from inception through to commercialisation and production.

Unique features of the trophon system ensure that patients and staff are protected throughout the probe disinfection process. The hydrogen peroxide disinfectant is supplied in a specialised cartridge and the disinfection cycle occurs within a sealed chamber. The whole process can be performed at the point of care and without personal protective equipment or the risk of chemical exposure that accompanies many HLD alternatives.

The compatibility of ultrasound probes is another important consideration for users. Nanosonics has worked with all major and many specialised ultrasound equipment manufacturers to have more than 1,000 probes tested, approved, endorsed and recommended for reprocessing with trophon technology.

Nanosonics conducts extensive laboratory testing to validate the effectiveness of its products. The trophon technology goes beyond the minimum subset of microorganisms mandated by the regulatory authorities to have efficacy against a broad range of infectious pathogens.

Nanosonics' ISO 13485 compliant Quality Management System is vitally important to its continuing success in the production of advanced high level disinfection technology.

NANOSONICS' STRATEGY FOR EXPANDED GEOGRAPHICAL ACCESS

Reflecting our focus on growth, Nanosonics continues to invest in strategic and commercial engagements across the world. The successful activation of these markets through both direct teams and distributor engagements reflects the increased focus on infection prevention and automation further supported by guidelines and standards in every region and many markets.

Nanosonics continues to set the global standard in ultrasound infection prevention due to continued adoption and growth in many of the most influential markets, including North America, Australia and New Zealand, with growing recognition and adoption of our technology in Europe, the Nordics, Japan, Asia Pacific and the Middle East.

INNOVATION TO DELIVER IMPROVED STANDARDS OF PATIENT CARE

Customer driven innovation drives the Nanosonics business strategy and operational model. We seek to identify and solve unmet infection control needs. We work with customers to ensure that our novel technologies integrate seamlessly or streamline existing workflows and represent a significant leap forward from existing disinfection solutions.

The Company has an active R&D program, including the further evolution of the trophon2 technology and the development of new products for infection prevention in the clinical setting.

Research and development expenditure continued to increase year on year to $15.6 million in FY20; an increase of 37% over the previous year (2019: $11.4 million).

Nanosonics' R&D investment is focused on five core areas:

1. Instrument cleaning
2. Instrument disinfection
3. Environmental decontamination
4. Digital solutions for traceability and compliance
5. Storage solutions.

The Company's significant R&D resources include facilities and capabilities in mechanical, electrical, systems and software engineering, as well as microbiology, chemistry, and clinical specialists.

Nanosonics has an active IP program. The Company's first major product, trophon, is protected through coverage by 14 patent families. Most are active through to 2025 and in many cases beyond, including patents relating to the consumables which go out to 2029.

Nanosonics' patent portfolio continues to expand with twelve applications successfully passing examination to proceed to allowance or grant. Nanosonics now holds a total of 161 patents with approximately 40 applications in progress.

References

1. Currie, K. et al. (2018). Understanding the patient experience of healthcare-associated infection: A qualitative systematic review. American Journal of Infection Control. 46(8):936-942.
2. Leroy S. Infectious risk of endovaginal and transrectal ultrasonography: systematic review and meta-analysis. J Hosp Infect. 2013;83(2):99-106.
3. Scott D, et al. Risk of infection following semi-invasive ultrasound procedures in Scotland, 2010 to 2016: A retrospective cohort study using linked national datasets. Ultrasound. 2018;26(3):168-77.

Protecting the environment and responding to climate change

Nanosonics' commitment to protecting the environment is set out in our revised Environment, Health & Safety Policy. The policy applies to all Nanosonics' staff, third party representatives and suppliers.

- We are committed to minimising our impact on the environment at all stages throughout the life cycle of our products; to providing a safe and healthy work environment; and to ensuring the long-term environmental and social sustainability of our business.
- We will pursue continuous improvement in our environmental, performance, setting goals, measuring and reporting progress.
- We will ensure our staff are aware of their environmental, health and safety responsibilities as set out in this policy, and are equipped with the necessary skills and training to meet them.

Decontamination involves the killing of bacteria, fungi and viruses thereby preventing infection and cross-contamination. Normally different types of chemistry are used to do this in one form or another and by virtue of the fact these chemistries are designed to break down cells and kill microbes, it means they are generally toxic in nature and need to be disposed of after use which may result in adverse environmental outcomes. The only by-products of trophon technology are oxygen and water thereby negating the need for disposal of what would otherwise likely amount to hundreds of thousands of litres of toxic chemistry, as well as the need for possibly millions of litres of water that would otherwise have been used in rinsing toxic chemistries off instruments.

Overall, Nanosonics has only a minor direct impact on the environment through its own operations. Our consumption of natural resources is relatively small, we are responsible for very low levels of emissions to air and water, and produce only small amounts of solid waste.

We endeavour to minimise our waste and ensure that our waste is recycled where possible.

In 2019/20 improvements in manufacturing quality and efficiency enabled us to reduce our annual manufacturing electronics waste from 27.5 kg to 2.6 kg per year, an estimated reduction of 90%. All trophon components replaced during the life cycle of the products including metals, cables, electronics, aluminium and plastics are collected and recycled by Sims Recycling Solutions. This amounted to 1,411 kg of recycled e-waste and 16 kg of material deemed hazardous chemical waste that was disposed of by ChemWaste from end of life devices in FY20.

We also have the necessary processes in place to ensure waste generated by our research and development activities are disposed of appropriately. In FY20, approximately 1,750 kg of clinical waste was disposed of by Cleanaway Daniels and 569 kg of chemical waste was disposed of by ChemWaste.

Recognising that a large proportion of a firm's environmental impacts frequently lie in its supply chain, we have also commenced a survey of our key suppliers to evaluate any weaknesses in their environmental management or performance as it relates to their role in Nanosonics' supply chain. The aim is to work cooperatively with our suppliers to address any weaknesses identified.

Nanosonics did not identify any non-compliance with environmental laws and/or regulations in the reporting period and there were no significant fines or non-monetary sanctions.

We are responding to the growing threat of climate change by seeking opportunities to improve our energy efficiency, utilise renewable energy sources, and minimise our overall energy consumption. Nanosonics' electricity consumption has been estimated to be between 625,440 kWh and 1,170,815 kWh each year based on our share of resources and floor space at our Lane Cove West head office.

Approximately 74,197 kWh of the electricity supplied to Nanosonics by our lessor is from solar roof top panels at the Lane Cove West premises.

In addition, efforts to streamline materials and inventory have reduced warehouse storage requirements.

"The only by-products of trophon technology are oxygen and water, thereby negating the need for disposal of what would otherwise amount to thousands of litres of toxic chemistry …"

Contributing to the community

Approximately 20 million patients each year are protected from the risk of ultrasound probe cross-contamination.

Nanosonics' greatest contribution to the community is through our advanced ultrasound high level disinfection technology that protects patients undergoing ultrasound procedures by preventing cross-contamination between patients.

We also make direct contributions to the community through offering internships for university students in our technology teams and school work experience for young people; encouraging staff engaged in fundraising activities such as Australia's Biggest Morning Tea, CEO Sleepout, and supporting staff to participate in approved volunteering activities during business hours.

Nanosonics also supports workplace giving via a Corporate Citizen Program which enables employees to select a charity and have donations automatically deducted from their remuneration.

We make a valuable economic contribution to the community in terms of the employment we provide and our interactions with other companies in the markets in which we are based and operate.

The Company's strong financial performance, reported in the Annual Report, provides an indication of the direct economic value generated for the communities in which the Company operates. Economic value is also distributed through its operating costs, employee wages and benefits and payments to the government.

The Board of Nanosonics has approved a new Community Contributions Program for the coming year to build on our previous work supporting the community. It comprises three streams:

- General community
- Education and training community
- Healthcare community relevant to infection control

To be supported projects must align with Nanosonics' overall mission and Code of Conduct and Ethics, and meet the criteria set out in the program's guidelines. Applications will be invited in the first quarter of FY21.

VINNIES CEO SLEEPOUT™ 18 JUNE 2020

Australia's Biggest Morning Tea

Engaging our people in an inclusive, safe and heathy workplace and celebrating diversity and inclusion

In the past year a core priority for Nanosonics has been the safety, health and wellbeing of our 311 global employees' (2019: 286), especially in the context of COVID-19. The immediate response was to introduce agile working for all roles which resulted in the majority of our employees successfully working remotely and our manufacturing and production teams working flexible shifts. The Company provided further support during this time by introducing an Employee Assistance Program for our employees and their immediate families and delivered safe work education sessions for all employees to support the new way of working.

The safe work culture is embedded through the Company's active and visible WHS Committee which oversees the Company's WHS safety metrics and goals. The Company has a sound safety record through a proactive approach to risk assessments, workplace inspections and health and safety training and in FY20 the WHS Committee reported a decrease in reported workplace incidents from an already low base.

Nanosonics believes that diversity and inclusion is critical to our success as a global company and is committed to building a team that represents a variety of backgrounds, perspectives and skills to provide an environment of mutual respect where equal employment opportunities are available to all. This is articulated in our Diversity Policy and was further supported by the significant progress the Company delivered through the achievement of the FY20 diversity objectives (see next page). As a result, female representation is at 41% (2019: 36%) of Nanosonics' workforce, 32% in senior management positions[1] (2019: 30%) and 29% at Board level (2019: 17%) as at 30 June 2020.

The Company's diversity objectives for FY21 will have a continued focus on embedding diversity and inclusion globally through education and flexible work practices available for all employees. The focus on performance based remuneration outcomes as well as practices to support diverse attraction and retention of our talent will continue to be a key component of Nanosonics' culture.

We do not tolerate any harassment in the workplace and if any grievances arise employees can raise these in confidence following our Speak Up Policy.

Our Code of Conduct and Ethics describes the high standards to which we hold all employees accountable for an inclusive, safe and healthy workplace.

The Company completed the annual employee engagement survey "Your Voice: Make it Heard" with a strong completion rate of 92% (2019: 84.9%) and for the second consecutive year our employee engagement results exceeded industry benchmarks, with 91% of our employees being proud to work for Nanosonics.

OF EMPLOYEES ARE PROUD TO TELL PEOPLE THEY WORK FOR NANOSONICS

1 The definition of senior management used in FY20 was *CEO&P and Executives and their direct reports*. The definition of senior management used in FY19 was *CEO&P and Executives and their direct reports, excluding those individuals who are not people managers*. If the FY19 definition was used this year, the proportion of female representation in senior management positions in FY20 would have been 26%. If the FY20 definition had been used in FY19, the proportion in FY19 would have been 39%.

OUR CORE VALUES

COLLABORATION

INNOVATION

DISCIPLINE

AGILITY

WILL TO WIN

ACHIEVEMENT OF FY20 DIVERSITY OBJECTIVES:

The pay for a specific job level will be the same regardless of gender or cultural background taking relevant experience and skills into consideration	✓
Target 30% females at Board level and improve the current 30% for senior management	✓
Integrate diversity principles into the Company's recruitment framework that incorporates a diversity statement on all external job ads globally, and ensures training for hiring managers on diversity awareness, recognising unconscious bias, inclusive job description writing and inclusive best practice recruitment activities	✓
Seek to ensure the Company has a balanced selection of final round candidates taking into account the principles of diversity (as described in the Company's Diversity Policy) for all Board and senior management roles, and seek to ensure there is diversity in the selection panel for each, and	✓
Target that 50% of all interns who are offered positions with the Company from the Nanosonics University Program are women. Continue to implement programs that prepare selected high potential females to take on senior roles within the business both in operational and specialist support areas.	✓

FY21 DIVERSITY OBJECTIVES:

Gender

To continue to increase the gender diversity at senior management level above 30% for female representation (2020: 32%) to align with the overall current gender representation at Nanosonics of 41% female, and to maintain or exceed the current 29% female representation at Board level.	○

Flexibility

To provide a fair, inclusive, flexible, safe and highly engaged workforce by developing a flexible way of working for all employees (irrespective of gender, personal responsibilities, age, health etc.)	○

Inclusion

To further embed the Diversity and Inclusion principles into Nanosonics' culture, through employee awareness and building capability of all people managers on all aspects of diversity, inclusion and unconscious bias through an effective education and training program. It is intended that this will result in:

– Maintaining the diverse coverage of our workforce where there are currently 29 nationalities represented	○
– Supporting and celebrating diversity of all kinds across the workforce (including gender, ethnicities, backgrounds, age and sexual orientation)	○
– Maintaining the broad generational coverage of our workforce, and	○
– Increasing female representation towards 40% in senior management roles and to increase female representation towards 50% of overall hires.	○

Ensuring a culture of acting lawfully, ethically and responsibly

The Nanosonics Code of Conduct and Ethics is a meaningful statement of Nanosonics' core values and is a commitment to act honestly and responsibly.

Nanosonics' Code of Conduct and Ethics sets out the obligations placed on all of its Directors, Executives, employees, advisors, contractors and consultants. They are expected to act with integrity and objectivity and to maintain the highest possible ethical standards in the Company's interactions with its stakeholders and the environment in which the Company operates.

The Nanosonics Code of Conduct and Ethics is a meaningful statement of Nanosonics' core values and is a commitment to act honestly and responsibly, follow all applicable laws, regulations and Nanosonics policies and procedures, and maintain high standards of business ethics and integrity. The Code of Conduct and Ethics also sets out the Company's five core values of Collaboration, Innovation, Discipline, Agility and Will to Win which underpin the way we work and what we do.

Nanosonics does not tolerate any form of harassment or discrimination against personnel, customers, suppliers or other third parties and we encourage all our people to raise concerns using the processes in our Speak Up Policy.

RISK MANAGEMENT

Nanosonics has refreshed its Risk Management Policy and Framework which is overseen by the Board. The Policy provides a risk management framework for the oversight and management on a continuing basis of material business risks associated with the Company's activities. The Board has delegated the day-to-day implementation of the risk management framework to the Executive Risk Committee (an internal committee of senior Executives) and the Audit & Risk Committee (consisting of Independent Directors) being the principal committee of the Board responsible for overseeing risk.

The Company's material business risks are set out in the Annual Report.

PRIVACY AND DATA SECURITY

Nanosonics is committed to protecting the privacy of personal and third party information and complies with the Privacy Act 1988 and will seek to ensure compliance with other applicable legislation in all countries where it operates. We collect and use personal information entrusted to us by customers, professionals and employees in a compliant, transparent and ethical manner as outlined in our Privacy Policy.

There have been no breaches of this policy reported in FY20.

POLITICAL CONTRIBUTIONS

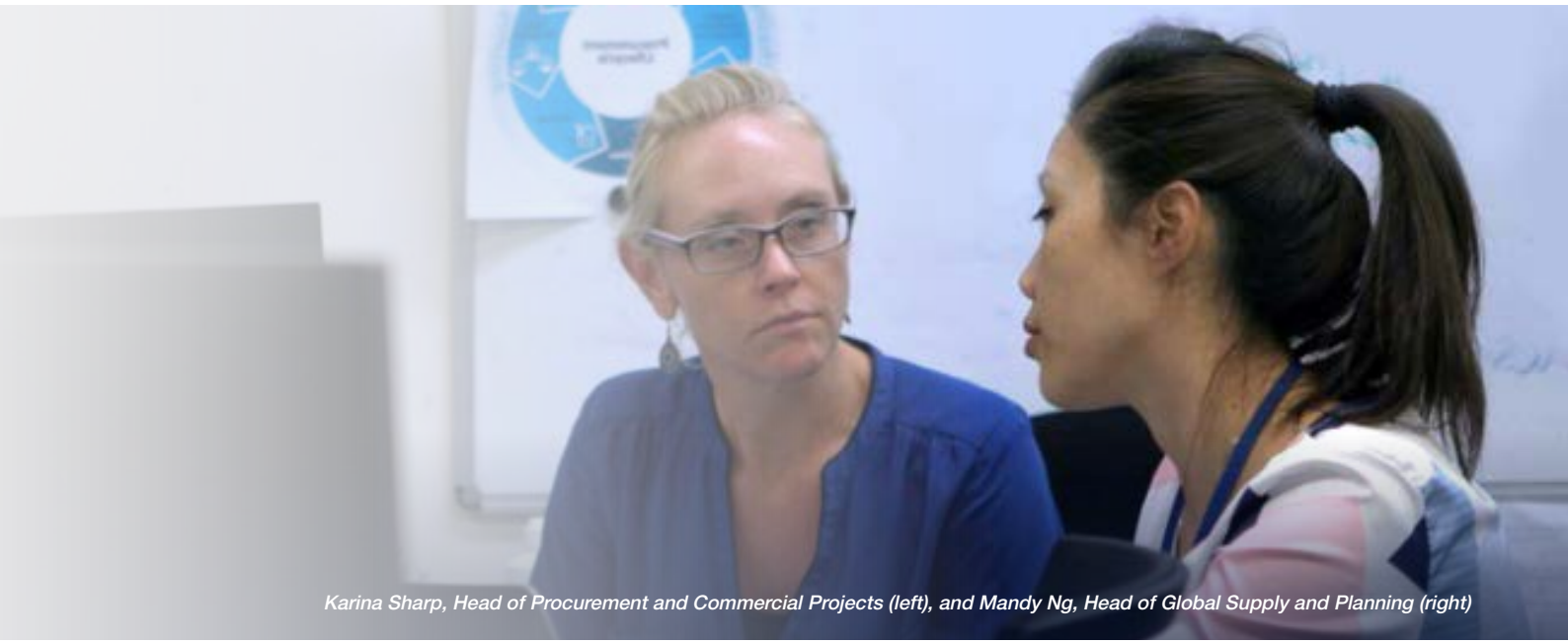
Nanosonics does not make any political contributions.

ANTI-COMPETITIVE BEHAVIOUR

Nanosonics acts fairly and honestly when competing in the market. It complies with the anti-competitive behaviour provisions of the Australia Competition and Consumer Act, Sherman Act and other applicable legislation in all countries where it operates. In particular, it maintains high standards regarding the quality of the information it provides about its products and their use through advertising and product labelling.

OUR SUPPLY CHAIN

Nanosonics sources a range of components and materials from suppliers located in Australia and overseas, with most of our Tier 1 suppliers located in Australia. Nanosonics' trophon technology is assembled and tested ready for market at its site in Lane Cove West, Sydney. Supply chain risk can arise where suppliers do not address ESG issues, such as business ethics, human rights including modern slavery, labour standards, and environment; or they do not have effective management and compliance programs in place. Any failures in these areas can potentially lead to supply chain interruptions or delays for Nanosonics.



Karina Sharp, Head of Procurement and Commercial Projects (left), and Mandy Ng, Head of Global Supply and Planning (right)

Our expectations of our suppliers to act ethically, protect the environment, and ensure that they provide a safe, healthy and productive workplace free from discrimination and harassment are explained in our Code of Conduct and Ethics. Our standard supply agreement requires that suppliers are also bound by the Company's policies covering bribery and corruption, the environment, diversity and other markers of good corporate governance.

In 2020 Nanosonics embarked on a program to engage cooperatively with our key Tier 1 suppliers to consider potential ESG risks and to develop mechanisms to ensure they meet Nanosonics' high standards of corporate responsibility.

Nanosonics is highly aware of managing all risks in the supply chain, particularly where it is dependent on sole suppliers for the provision of key input materials and where regulatory requirements could make substitution costly and time-consuming. We regularly monitor suppliers and their performance and seek to enter into agreements, where appropriate, to mitigate any supply risk. We also manage inventories in sufficient quantities to ensure continued product supply in the short term.

The importance of understanding and managing supply chain risk was emphasised this year when the COVID-19 pandemic threatened supply chains across many sectors of the economy. This risk was actively and effectively managed by Nanosonics and no major disruptions occurred.

MODERN SLAVERY

Modern slavery encompasses serious exploitation where offenders use coercion, threats or deception to exploit victims and undermine their freedom. Nanosonics understands that it can occur in every industry sector, in an organisation's own operations, or in their supply chains.

Nanosonics strictly adheres to its policies, ensuring a safe and secure workplace, and does not tolerate discrimination or other infringements of employees' human rights, including employment conditions. We acknowledge our responsibility to respect human rights in our operations and supply chains, as outlined in the United Nations Guiding Principles on Business and Human Rights. The obligations on staff to observe these policies are reinforced through our Code of Conduct and Ethics.

In FY21, Nanosonics will be making disclosures for the first time under the Australian Modern Slavery Act 2018, having already commenced reporting against the UK Modern Slavery Act 2015. These will include our assessment of risks of modern slavery practices in our operations and in the supply chain.

nanosonics
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