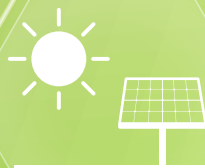


2021

# MASIMO SUSTAINABILITY REPORT





# MESSAGE FROM OUR FOUNDER, CHAIRMAN & CEO JOE KIANI

Every day over our more than thirty-year journey—through the development of our revolutionary SET<sup>®</sup> pulse oximetry and many other breakthrough developments—Masimo has strived to meet our mission to improve patient outcomes and reduce the cost of care. We also recognize the enormous contribution that sustainable environmental practices can bring to that mission: the improved health of our planet directly influences the health and well-being of its inhabitants. Just as importantly, we are committed to human rights—those of our own employees and of all our fellow human citizens around the world.

By conserving energy and reducing material usage and waste in our product designs, packaging, and distribution, as well as minimizing our carbon footprint, we hope to promote the health of the environment and encourage our employees, customers, and shareholders to do the same. From the design of our next-generation RD SET<sup>®</sup> sensors and wearable technologies to our increasing use of renewable energy sources at our headquarters in California, we constantly search for innovative ways to protect and nurture the planet and to promote the health and safety of people everywhere.

In this report, I am proud to share how Masimo is working hard to promote sustainability and human rights across our operation. Our ultimate goal is to improve the human condition.

# ABOUT MASIMO

We are a global medical technology company that develops, manufactures, and markets a variety of noninvasive and minimally invasive patient monitoring technologies, hospital automation solutions, home monitoring devices, ventilation solutions, and consumer products. Our mission is to improve patient outcomes and reduce the cost of care, mainly by taking noninvasive monitoring to new sites and applications. Our patient monitoring solutions generally incorporate a monitor or circuit board, proprietary single-patient use or reusable sensors, software and/or cables. We primarily sell our products to hospitals, emergency medical service (EMS) providers, home care providers, physician offices, veterinarians, long-term care facilities, and consumers through our direct sales force, distributors and original equipment manufacturer (OEM) partners, and our website. We were incorporated in California in May 1989 and reincorporated in Delaware in May 1996.

Our core measurement technologies are Measure-through Motion and Low Perfusion™ pulse oximetry, known as Masimo Signal Extraction Technology® (SET®) pulse oximetry, and advanced rainbow® Pulse CO-Oximetry parameters such as noninvasive hemoglobin (SpHb®), alongside many other modalities, including brain function monitoring, regional oximetry, acoustic respiration rate monitoring, capnography, nasal high-flow respiratory support therapy, patient position and activity tracking, and neuromodulation technology for the reduction of symptoms associated with opioid withdrawal. Masimo measurements are available on many types of devices, from bedside hospital monitors like the Root® Patient Monitoring and Connectivity Hub, to various handheld and portable devices, to the tetherless Masimo SafetyNet™ remote patient surveillance solution. The Masimo Hospital Automation™ Platform facilitates data integration, connectivity, and interoperability through solutions like Patient SafetyNet™\*, Replica™, and

UniView™ to facilitate more efficient clinical workflows and help clinicians provide the best possible care, both in-person and remotely. Leveraging our expertise in hospital-grade technologies, we are also expanding our suite of products intended for use outside the hospital and products for consumers, including Sleep™ and the Radius T°™ wireless, wearable continuous thermometer.

Under the guidance and supervision of the Board, we pursue the highest standards of corporate responsibility and sustainability, including how we support, protect, and empower our employees, how we work with our customers, how we govern the company, and how we connect with our communities.

\*The use of the trademark Patient SafetyNet is under license from University HealthSystem Consortium.

# OUR COMMITMENT TO PEOPLE

At the core of our long-term strategy is attracting, developing, and retaining the best talent globally with the right skills to drive our future success. We seek to attract and retain highly talented, highly motivated, experienced, and well educated individuals to support our long-term growth and profitability goals. Our success and future growth are largely dependent on our continued ability to attract, retain, and develop a diverse workforce at all levels of the organization.

## Compensation and Benefits

Our compensation and benefit programs are designed to align the compensation of our employees with their performance and to provide the proper incentives to attract, retain, and motivate employees to achieve superior results. The structure of our compensation programs balances incentive earnings for both short-term and long-term performance.

- We utilize a nationally recognized compensation consultant to evaluate our executive compensation program.
- Our executive compensation program is designed so that a significant portion of compensation is “at risk” based on performance, to align the interests of our executive officers and stockholders.
- We provide employee wages that are competitive and consistent with employee positions, experience, skills, knowledge, and geography.
- Annual increases and cash incentives are based on merit and not guaranteed.
- We offer a wide variety of benefits, including health insurance, paid time off, and a retirement plan, as well as voluntary benefits such as financial and personal wellness benefits.

## Health and Safety

We are committed to the safety and well-being of our employees. In response to the COVID-19 pandemic, we implemented changes to our business in an effort to protect our

employees and customers. We instituted safety protocols and procedures for our essential employees who continue to work on site, including:

- Daily temperature checks upon entering all facilities
- Implementation of Masimo SafetyNet-OPEN™ to pre-clear employees entering our main campus facilities
- Installation of plexiglass partitions between work stations at our primary manufacturing and assembly facilities
- Increased distancing and implementation of extensive cleaning and sanitation procedures for our manufacturing and assembly facilities as well as our general administration and sales facilities

## Succession Planning

We are committed to identifying and developing the talents of our next generation of leaders. Our executive management team periodically conducts an organizational and leadership review of our business units focusing on our high-performing and high-potential talent, diversity, and succession planning for critical roles.

## Employee Feedback and Retention


In November 2020, we were certified as a Great Place to Work®. To assess and improve employee retention and engagement, we periodically survey employees and take actions to address areas of employee concerns. The average tenure of our employee is approximately 5.5 years and more than 20% of our employees have been employed by us for more than ten years.

## Diversity

In fiscal 2020, our workforce grew from approximately 1,600 full-time employees and approximately 3,700 contract personnel worldwide (as of December 28, 2019) to approximately 2,000 full-time employees and approximately 4,200 contract personnel worldwide (as of January 2, 2021). Of our full-time employees, approximately 65% were male and approximately 35% were female, and women represented approximately 27% of our management/leadership roles. Minorities represented approximately 49% of our U.S. workforce, and approximately 39% of the employees in our management/leadership roles.

# ADDRESSING THE COVID-19 PANDEMIC

## Masimo SafetyNet

As an essential business, Masimo's continued operations have been particularly important during the COVID-19 pandemic, as our devices are used by frontline workers to monitor affected patients around the world. With hospitals running out of space and the risk of exposure to both frontline workers and patients escalating, Masimo stepped up by launching Masimo SafetyNet,  which combines tetherless SET<sup>®</sup> pulse oximetry and temperature measurements with a secure, cloud-based patient surveillance platform to help clinicians provide remote care for patients with COVID-19 and other conditions.


With Masimo SafetyNet, patients can go about their daily lives comfortably and safely at home under the direction and supervision of a clinician. In turn, clinicians can devote medical attention and hospital beds to patients in more critical condition, thereby reducing clinicians' exposure to COVID-19.




“ Masimo is proud to be able to support the brave nurses and doctors working around the clock to save lives across the world. We believe Masimo SafetyNet is a key asset in the fight against COVID-19, helping clinicians care for the extraordinary surge of patients as efficiently and effectively as possible, both in and out of the hospital. Now deployed at numerous institutions around the world, Masimo SafetyNet is already making a difference in so many lives. ”

– Joe Kiani

## Masimo SafetyNet-OPEN

To help the broader community carry on in the face of the pandemic, we also introduced Masimo SafetyNet-OPEN,  which builds on SafetyNet by scaling patient management to the level of entire organizations, no matter the size. SafetyNet-OPEN is a web and mobile app solution that helps businesses, schools, and other organizations screen, trace, and manage users as they face COVID-19 and other infectious illnesses, such as seasonal flu—helping organizations bring their people back to the workplace responsibly and stay open safely. Tailored for each organization's safety protocols and needs, SafetyNet-OPEN is capable of covering all stages of back-to-work management, including risk screening, exposure contact tracing, and recovery management.

# OUR COMMITMENT TO THE ENVIRONMENT

Masimo is committed to operating in an environmentally responsible manner and supports the internationally recognized environmental principles set forth in the United Nations Global Compact. 

We strive to identify new opportunities to improve the sustainability of our business and encourage our employees to join in our efforts. We reinforce the following sustainability principles:

- Undertake initiatives to promote greater environmental responsibility and incorporate energy efficiency measures in all areas of our business
- Minimize material waste and energy inefficiencies in our products and manufacturing processes
- Train and encourage our employees to conduct their activities in an environmentally responsible and sustainable manner
- Comply with applicable environmental protection laws in all areas of our business



# ENVIRONMENTAL SUSTAINABILITY

As a global manufacturer of patient monitoring technology, our mission is to improve patient outcomes and reduce the cost of care. We also understand that the materials we use and the products we manufacture, which include single-patient-use sensors, have an impact on the environment. Masimo is always considering ways to reduce the company's overall environmental footprint. We have implemented and continue to implement measures to promote greater environmental responsibility, conserve resources, and reduce waste in an effort to help combat climate change.

## Conserving Materials in Our Products

We are committed to reducing the amount of materials used:

- In our products
- In our packaging
- In the distribution of our products

1100 MT  
MATERIAL  
ELIMINATED

100 MT  
DIVERTED  
FROM  
LANDFILL

## Product Design: Sensors and Cables

We have successfully reduced the use of materials in RD SET and RD rainbow SET® sensors, our latest generation of patient sensors, which have a sleeker, smaller, lighter-weight design than our traditional cable-based sensors, while improving sensor performance. These material changes have led to an 84% reduction in waste (calculated by comparing sensor weight for RD sensors and traditional cabled-based sensors). Based on sales of RD sensors from 2016 to 2020, the new sensors have resulted in approximately 1100 metric tons (MT) of material eliminated to date.

We also endeavor to use materials in our sensor designs that we can refurbish and reclaim, and have developed a customer program through which thousands of pounds of used sensors are collected and sent to an e-waste processor to recover available recyclable materials. (The remaining non-recyclable materials

are disposed of according to applicable guidelines.) On behalf of the more than 400 customers who have participated in this program over the last two years, Masimo has diverted approximately 100 MT of used sensors, cables, and instruments from landfills.

## Product Design: Instruments

The functionality of Masimo medical devices can be extended by upgrading embedded software, in lieu of discarding devices prematurely. This strategy promotes longer use of devices, such as Root®, Radical-7®, and Rad-97®, thus reducing the amount of waste generated.



## Packaging

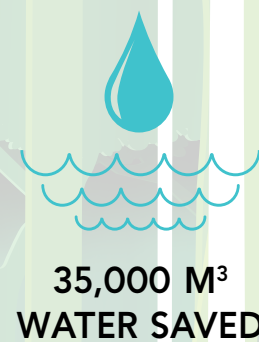
We have modified the design of our packaging by making it sleeker, smaller, and more lightweight. This has reduced the amount of material used in our packaging and reduced the space needed to store our products compared to previous packaging. For example, consider that a box of 20 traditional Masimo cable-based adult sensors measures 460 cubic centimeters (cm<sup>3</sup>), whereas a box of 20 RD SET adult sensors measures 255 cm<sup>3</sup>. The RD adult sensor packaging reduces the storage space needed by 44%. Since the introduction of RD sensors in 2016, the total reduction in box surface area is estimated at over 1.1 million square meters (m<sup>2</sup>).



## eIFUs

We also seek opportunities to reduce the use of paper products in our packaging. For example, for many of our products, we have transitioned from inserting multi-page paper versions of our product manuals – or Directions for Use (“DFUs”) – to instead providing links to electronic versions, or Electronic Instructions for Use (“eIFUs”), where allowed by law.

Since the implementation of eIFUs in 2016, over 11.5 million DFUs for RD sensors have been replaced with eIFUs, saving approximately 700 MT of paper. Assuming that one ton of paper consumes, on average, 17 trees, that translates to approximately 13,000 trees saved—along with roughly 35,000 cubic meters (m<sup>3</sup>) of water to process those trees into paper.



## Distribution

Our main manufacturing facility is located in North America, our largest market. Producing our products closer to our customers allows us to minimize the energy used and greenhouse gases generated in the distribution of our products. To further support efforts to reduce our carbon footprint, we are in the process of adding additional manufacturing and distribution centers even closer to our customers to reduce waste and make transportation more efficient.

Our distribution centers reduce waste and minimize our impact on the environment in numerous ways, including:

- Our distribution team routinely recovers and reuses many of the cartons used to ship products from our main manufacturing plant to our warehouses to package customer orders whenever possible. The remaining cartons are recycled.
- For our larger customers, we improve shipping efficiency and reduce energy use by palletizing our products without the use of overpack cartons. Rather than packaging multiple products in overpack cartons and then palletizing those cartons, we place individual products (with standard consumer packaging) directly onto the pallet, apply shrink-wrap, and simply cover the full pallet with a single larger box. This process helps minimize the material and energy needed for distribution. Importantly, this also results in less corrugated waste for our customers to manage.




# SUSTAINABILITY AT OUR HEADQUARTERS

We also demonstrate our commitment to the environment through the responsible use of renewable energy and water resources at our corporate headquarters in Irvine, California and other facilities. We engage in a multitude of energy-conserving and water-saving activities to reduce our environmental impact and our dependency on non-renewable resources.

## Solar Power and Cool Roof Technology

In 2018 (the last year with full data available, because of the upgrades described below), solar panels at our headquarters generated 814,545 kWh of power, accounting for approximately 18% of the building's annual energy consumption.

In 2019-2020, Masimo upgraded and replaced outdated solar panels with 2,500 newer, more efficient 325W panels, with a projected solar output exceeding 1,000,000 kWh per year—expected to comprise approximately 35% of our annual energy consumption.

At our headquarters, we recently installed Cool Roof technology, a reflective coating designed to reflect heat and sunlight and reduce roof temperatures by absorbing less heat than a standard roof. Not only does this reduce the energy needed to cool our building, but it also contributes to reducing the local urban heat island effect. According to the EPA's "Reducing Urban Heat Islands: Compendium of Strategies": 

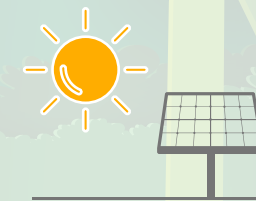
"The widespread adoption of heat island mitigation efforts such as cool roofs can reduce energy use during the summer months. To the extent that reduced energy demand leads to reduced burning of fossil fuels, cool roofs contribute to fewer emissions of air pollutants, such as nitrogen oxides (NOx), as well as greenhouse gases, primarily carbon dioxide (CO<sub>2</sub>)."

## Energy Efficiency

We have also reduced use of non-renewable energy resources by investing in a variety of energy-efficient facility technologies at our headquarters. For example, our use of Variable Refrigerant Flow (VRF) HVAC technology greatly reduces our energy consumption compared to conventional HVAC systems. Through our use of Low NOx boilers, we meet the stringent California air quality emission standards for ultra-low thermal NOx levels—thus reducing nitrogen oxide emissions, fuel usage, and our carbon footprint. Masimo also uses energy-efficient LED lighting throughout the facility and grounds, as well as the latest light-harvesting technology and light motion sensors.

## Electric Car Charging

At our corporate headquarters, we provide electric car-charging stations as part of our larger initiative to meaningfully reduce the indirect greenhouse gas emissions caused by our business activities. In 2021, we plan to add 14 charging ports at our headquarters, thus making it possible for 38 vehicles to be charged at the same time, and are also in the process of adding charging ports at other facilities around the world.



**35%**  
of HQ Energy  
Provided  
by the Sun  
2021 Projection



**24**  
Electric Vehicle  
Charging Stations



# SUSTAINABILITY AT OUR HEADQUARTERS

## Water Conservation

Masimo has successfully implemented water-reduction methods at our headquarters. Our irrigation systems use 100% recycled water to irrigate our drought-tolerant landscape and leverage eco-friendly recirculated water. At our headquarters, our efforts saved over 15,000 m<sup>3</sup> of potable water in 2018 and approximately 19,300 m<sup>3</sup> in 2019. Because of these water efficiency efforts, Masimo was designated a WaterStar-certified business by the Irvine Ranch Water District in 2020.



**DESIGNATED A  
CERTIFIED WATER-EFFICIENT  
BUSINESS**



**WE SAVE AN ESTIMATED  
15,000 M<sup>3</sup> TO 19,000 M<sup>3</sup>  
OF WATER ANNUALLY**

## Reducing Waste and Use of Chemicals

Masimo continues to seek new ways to incorporate chemical-free materials and waste-reduction initiatives at our facilities and in our business activities around the world. For example, our on-site garden grows pesticide-free organic produce, which is used to prepare healthy, organic meals at our employee café.

In addition to minimizing water pollution by growing produce in a responsible, chemical-free manner, our cafe also actively reduces waste by composting all garden and certain food wastes. This further reduces our environmental impact by lessening the load on local landfills and eliminating the need to transport those wastes.

We've also greatly reduced the use of plastic and paper materials at our on-site employee café by eliminating most disposable lids, straws, and cups.

## Reducing the Impact of Office Operations

At our corporate headquarters, we have reduced the impact of our office operations on landfills by recycling paper, cardboard, toner cartridges, computers, monitors, and other electronic equipment. In 2019, we shredded and recycled an estimated 31 tons of paper waste. By the EPA's calculation, this amounts to saving more than 100 cubic yards of landfill space and nearly 220,000 gallons of water—reducing greenhouse gas emissions by 31 metric tons of carbon equivalent (MTCE) and saving enough energy to power an average American home for 15-1/2 years.

Last but not least, we avoid printing documents whenever possible. In keeping with this policy, we have decided not to print this report.



**WE RECYCLED AN  
ESTIMATED 31 TONS  
OF PAPER IN 2019**



# OUR COMMITMENT TO HUMAN RIGHTS

Masimo believes in the freedom, equality, and dignity of all human beings and respects individual rights as set forth in the United Nations Universal Declaration of Human Rights. 🌐 While governments have primary responsibility for protecting the human rights of their citizens, Masimo recognizes the important role that companies play in promoting human rights. Masimo's employment and supply chain practices reflect our commitment to upholding and respecting human rights.

## **We reinforce the following principles:**

- Diversity and inclusion: We do not tolerate discrimination against applicants or employees based on race, religion, gender, age, marital status, national origin, sexual orientation, citizenship status, disability, or other protected characteristics.
- Fairness and respect: We are committed to maintaining safe work environments that are free from discrimination and harassment, and do not tolerate conduct that creates or fosters an offensive or hostile work environment.
- Freedom from forced labor: We prohibit forced labor and human trafficking in our supply chain, and will not conduct business with any supplier that uses forced labor, including prison labor, indentured labor, bonded labor, other forms of forced labor, or labor that is in violation of child labor laws.
- Fair compensation: We provide fair compensation and benefits to our employees that comply with applicable laws for minimum wage, overtime, and maximum hour requirements.
- Patient safety: We are committed to promoting patient safety.
- Human rights: We believe all human beings should be treated with dignity and respect, and we promote human rights around the world.

Masimo is committed to conducting business in a lawful and ethical manner. We do not tolerate human rights abuses within our own business operations and we expect all of our business partners, including suppliers, to engage in sound human rights practices and to treat workers fairly and with dignity and respect. We prohibit any form of forced labor, including slavery and human trafficking in our supply chain, and we evaluate our product component suppliers through questionnaires and risk-based assessments.

We require all employees to comply with our Code of Business Conduct and Ethics, which prohibits any form of forced labor, including slavery and human trafficking in the supply chain. Masimo maintains a compliance program and annually requires employees to certify compliance with the Code, investigates potential violations of the Code and other company policies, and takes disciplinary action when necessary.



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REGULATORY NOTICE  
Not all Masimo features and/or products included in this report are available in all markets.

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