

Modern Slavery Statement for the year ended 31 December 2019

20 February 2020

Smith & Nephew plc and its subsidiaries (together Smith+Nephew) are committed to preventing slavery and human trafficking in its corporate activities, and supply chains. This statement sets out our approach to achieving this in our commercial operations, including our relationships with third party sellers and vendors in our supply chains. It is published in accordance with the requirements of the UK Modern Slavery Act 2015 Section 54 and relates to actions and activities during the financial year 1 January 2019 to 31 December 2019. This statement has been approved by the Board of Smith & Nephew plc and each of its relevant subsidiaries, T.J.Smith and Nephew, Limited, and Smith & Nephew UK Limited. Publication approval was granted by Smith & Nephew plc's Disclosure Committee on 19 February 2020.

Details of our subsidiaries are set out in Smith & Nephew plc's 2019 Annual Report, which will be published on 2 March 2020.

Smith+Nephew's commitment – our [Code of Conduct and Business Principles](#) ("Our Code")

At Smith+Nephew, we aim to conduct our business with integrity, honesty and professionalism. These principles are embodied in our Culture Pillars: Care, Collaboration and Courage. These Culture Pillars guide the behaviour of everyone at Smith+Nephew, no matter where in the world we are located. We must all also follow and understand applicable laws, our Code and relevant Company policies and procedures.

We work with third parties who adhere to business principles and health, safety, social and environmental standards consistent with our own. Third parties who carry out business on our behalf, directly or indirectly, must also understand and follow applicable laws when carrying out that business.

Smith+Nephew is committed to:

- Taking a robust approach to preventing slavery and human trafficking in its corporate activities and supply chains.
- Supporting the Universal Declaration of Human Rights of the United Nations. This means we respect the human rights, dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right

to be heard.

- Not using any form of forced, compulsory or child labour.
- Helping third parties working for and on our behalf through additional guidance to explain how our Code specifically relates to those who perform services for and on our behalf. We have provided the [Guidance on our Code of Conduct for Third Parties on our website](#) in order to support this initiative.

About Smith+Nephew

“It’s up to everyone who works for us – or on our behalf – to share that responsibility by upholding our reputation for integrity and ethical conduct, because the sustainability of our business depends on doing things the right way. As a global company with thousands of employees, we rely on each other to take personal accountability for doing the right thing. No desire to make the numbers, gain a competitive advantage or follow an order should ever stand in the way of our commitment to integrity. Without our reputation, we put at risk everything we have worked so hard to achieve.”

Roland Diggelmann, Chief Executive Officer, introducing Smith+Nephew’s Code of Conduct and Business Principles

Smith+Nephew is a portfolio medical technology business that exists to restore people’s bodies and their self-belief by using technology to take the limits off living. Through our purpose, Life Unlimited, our 17,500+ employees deliver this mission every day, making a difference to patients’ lives through the excellence of our product portfolio, and the invention and application of new technologies across our three global franchises of **Orthopaedics, Advanced Wound Management and Sports Medicine & ENT**.

- Our **Orthopaedics** franchise includes an innovative range of hip and knee Implants used to replace diseased, damaged or worn joints, robotics-assisted enabling technologies that empower surgeons, and Trauma products used to stabilise severe fractures and correct bone deformities.
- Our extensive **Advanced Wound Management** franchise strives to meet complex clinical needs, helping healthcare professionals get ‘CLOSER TO ZERO’ human and economic consequences of wounds.
- Our **Sports Medicine and Ear, Nose and Throat (ENT)** franchise offers advanced products and instruments used to repair or remove soft tissue. They operate in growing markets where unmet clinical needs provide opportunities for procedural and technological innovation.

Life Unlimited captures the essence of Smith+Nephew and our purpose to address meaningfully the health issues that hinder people from living their lives to their fullest.

To support this brand purpose we have developed three culture pillars:

Care: Because when we have empathy for each other, our customers and their patients, we make each day mean more.

Collaboration: Because when we join together – internally and externally – we do more, and become an unstoppable force in our industry.

Courage: Because when we're brave enough to think big, but humble enough to challenge our own conventions – innovation happens.

Grounded in the service of patients and practitioners, these simple tenets guide us in our work together and couple the idea of continuous learning and improvement with the aspiration to lead in all our endeavours.

There are five Winning Behaviours that support our purpose, strategic imperatives, Culture Pillars and reinforce our Code. They are:

- We put customers first
- We own our success
- We value each other
- We create possibilities
- We work together to win

The Winning Behaviours define how each of us should lead and interact with our customers, stakeholders and each other. They help us come together as one team with one direction and clear expectations, as we work together to achieve our goals. Each of us should strive to demonstrate these behaviours each day and become model examples of how to embody them.

Manufacturing

Smith+Nephew takes great pride in its expertise in manufacturing high quality products and maintains focus on delivering safe and effective products. We operate manufacturing and distribution facilities in key geographical areas across the globe.

Smith+Nephew's supply chain network includes more than 3,000 direct suppliers of goods and services. Our primary manufacturing and distribution sites are located in the US, UK, Germany, Switzerland, China, India, Russia, and Costa Rica. Additionally, we partner with third party manufacturing and distribution centres in North America, South America, Europe and Asia. Products are shipped to individual country locations that hold small amounts of inventory locally for supply to meet local customer requirements.

Our Code of Conduct and Business Principles for Third Parties

We select third parties based on their qualifications, reliability and adherence to applicable laws and our values. We take all reasonable steps to select partners that are committed to the law and ethical behaviour. We work with third parties who adhere to business principles and health, safety, social and environmental standards consistent with our own. We are committed to sourcing materials from responsible suppliers. The **Guidance to our Code of Conduct and Business Principles for Third Parties** states that Third parties working with us may not use any form of forced, compulsory or child labour. They must maintain a work environment in which all feel welcome and free of harassment, discrimination or other improper conduct. They must respect the human rights, dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right to be heard. The guidance helps third parties understand, follow and meet our expectations for them to:

- Always respect the human rights, dignity and privacy of the individual.
- Not use forced, bonded, or indentured labour or involuntary prison labour.
- Provide a workplace free of harassment and discrimination.
- Build a diverse workforce based on an employee's qualifications and abilities needed for the work to be performed.
- Observe applicable laws and regulations governing wages and work hours.

Compliance with our Code of Conduct and Business Principles for Third Parties

Third parties working with us must commit to adhere to applicable laws and we seek formal assurances (whether through contract or due diligence) that each third party who works with us:

- *conducts all business on Smith+Nephew's behalf in an ethical manner and in accordance with Smith+Nephew's Code of Conduct.*
- *notifies Smith+Nephew without delay of any allegation received of a breach of any law that may amount to a breach of Smith+Nephew's Code of Conduct.*

All employees and other persons subject to our Code of Conduct are required to report all suspected breaches of the Code to a compliance officer or through other authorised reporting procedures. Any employee or person subject to our Code who is aware of a violation and fails to report it

may face disciplinary action by the Company, subject to compliance with applicable laws.

We have a robust whistle-blowing procedure in all jurisdictions in which we operate (subject to local legal requirements). We are committed to upholding our promise in our Code of Conduct that we will not retaliate against anyone who makes a report in good faith.

The Chief Legal & Compliance Officer is responsible for reviewing the Code and for addressing compliance-related concerns. The Chief Legal & Compliance Officer may, depending upon the nature of the violation, report it to the Compliance & Culture Committee of the Board.

Actions undertaken in 2019

1. All Smith+Nephew employees received annual training on the Code.
2. We have a strong vetting process before we engage with a distributor or agent who generates demand for our products. We provide training to reinforce our expectations for compliant and ethical behaviour and clear rules for third parties to follow. Guidance supports the Smith+Nephew employees who manage and work with our distributors and agents.

We continue to enhance our due diligence and other controls around vendors, suppliers and service providers to make it easier for employees to evaluate suppliers and other third parties. We continue to integrate these controls into the Company's purchasing system in parallel with our continued commitment to improving our operating systems, controls and procedures across the group.

3. Our procurement team currently undertakes due diligence with a subset of suppliers which includes evaluating modern slavery and human trafficking risk. In 2019, we expanded this due diligence to include all new suppliers prior to supplier onboarding.

Suppliers are required to provide information regarding their labour standards in the following areas:

- Employment being freely chosen,
- Freedom of association and the right to collective bargaining,
- Working conditions,
- Child labour,
- Minimum wage laws,
- Working hours,
- Discrimination,
- Regular employment, and,
- Harsh and/or inhuman treatment

- We review responses and conduct follow up due diligence with the supplier for further information in order to evaluate supplier risk.
4. We conducted a gap analysis of our ethical and Corporate Social Responsibility (CSR) risk management for third party suppliers and will be systematically addressing identified gaps as part of our Sustainability Strategy ([see our Sustainability Report for further details.](#))
 5. We are recruiting a dedicated Procurement Manager, Corporate Social Responsibility to lead continuous improvement efforts as a key focus for the group.
 6. In accordance with our [Conflict Minerals Policy](#), we encourage transparency in our supply chain. Our conflict minerals due diligence process was designed in accordance with the five step Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance. In 2018 (the latest available information), for the fourth consecutive year, Smith+Nephew declared conflict-free on US Securities and Exchange Commission Form SD.

Further steps

Smith+Nephew has implemented what we believe to be a world-class Global Compliance Programme that helps our businesses comply with laws and regulations. We benchmark our performance, assess the compliance controls in Smith+Nephew's businesses and continuously seek ways to improve our performance.

In addition to the measures noted above, we will continue to review our practices related to modern slavery and human trafficking and comply with the requirements of the Modern Slavery Act.

Yours sincerely,



Roland Diggelmann
Chief Executive Officer

20 February 2020