Independent assurance statement

Scope and objectives

Smith & Nephew plc ("Smith & Nephew") commissioned DNV GL Business Assurance Services UK Limited ("DNV GL") to undertake independent assurance of the Sustainability Report 2014 (the "Report") for the year ended 31 December 2014.

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice and draws on the AA1000 Assurance Standard, International Standard on Assurance Engagements 3000 (ISAE 3000), and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

We evaluated the report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

Our scope included all the information on a sample basis within the pdf version of the report. The report covers all of Smith & Nephew’s operations globally and our work, focused upon performance related information and data associated with the 2015 targets. This excluded case studies. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a ‘moderate level’ of assurance. A ‘high level’ of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of Smith & Nephew and of the assurance providers

The Directors of Smith & Nephew have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Smith & Nephew; however our statement represents our independent opinion and is intended to inform all of Smith & Nephew’s stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

This is the second year that we have provided such assurance services for Smith & Nephew.

DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

1 The VeriSustain protocol is available on www.dnvgl.com
Conducted interviews with eleven senior management and operational staff responsible for the relevant sustainability targets and supporting data. This was in order to gain an understanding of how these issues are managed and how data is aggregated at Group. This included the Vice President for Sustainability, Health, Safety and Environment (HSE) and the Sustainability & HSE Global Reporting Manager to gain an overview of strategy and management;

Review of information provided to us by Smith & Nephew on its reporting and management processes relating to the Principles;

Review of the current sustainability issues that could affect Smith & Nephew and are of interest to stakeholders;

Review of Smith & Nephew’s overall approach to stakeholder engagement and future plans although we had no direct engagement with stakeholders;

Reviewed the data collection and consolidation processes used to compile annual data for the Report. This includes checking assumptions made, and the data scope and boundaries;

Sampled selected evidence back to source to conduct checks of consolidated datasets against raw data;

Site visits were conducted at Smith & Nephew’s London HQ and Hull manufacturing facility to review process and systems for preparing site level sustainability data and implementation of the sustainability strategy. It was agreed with Smith & Nephew that site visits would be limited to the United Kingdom and the sites were selected on the basis of their materiality to the group for environmental and health and safety impacts. The Hull site is responsible for over 20% of reported total corporate greenhouse gas emissions;

Conducted a review of the draft and final 2014 Sustainability Report to ensure consistency with assured data.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Smith & Nephew’s adherence to the Principles. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion we also provide the following observations.

Stakeholder Inclusiveness and Materiality

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability; and the process for determining the issues that are most relevant to an organisation and its stakeholders

Smith & Nephew’s Report demonstrates a good understanding of the issues that are material to its stakeholders in the areas of customers, employees, environment and society. However, these have not been identified through a formalised process.

We recommend that Smith & Nephew continues to develop its approach to the sustainability strategy and reporting and that, in the future, this should be based on a
formal materiality process informed by stakeholder feedback. To be effective, this process should take account of the future business strategy and operating model, risks and opportunities, and the impact of Smith & Nephew’s products on society. DNV GL made a similar recommendation last year and we recognise that Smith & Nephew is in the process of developing its strategy and goals for 2020. We have been told that Smith & Nephew expect to engage with a wide range of external stakeholders as part of this process in the future.

Responsiveness

*The extent to which an organisation responds to stakeholder issues.*

Smith & Nephew’s Report provides details of its approach to specific stakeholder groups, with a particular focus on customers and its engagement with healthcare professionals to try to address unmet patient needs. There are also details of engagement and impacts on employees and how the company responds to these, for example via health and safety performance and wellness programmes.

As stated above, we recommend that Smith & Nephew’s stakeholder engagement and mapping process be formalised in the future. Smith & Nephew should also further consider which performance measures and metrics will help them measure and understand the impacts of their products on society, in the context of changes to its business strategy and operating model.

Completeness

*How much of all the information that has been identified as material to the organisation and its stakeholders is reported.*

Smith & Nephew’s Report provides a good overview of performance across the organisation and includes upstream and downstream impacts of its operations and products. Commentary is provided on all of the areas that Smith & Nephew consider material in relation to customers, employees, environment and society. The report also reflects upon how its impacts may change in the future in relation to acquisition; increasing its mid-tier portfolio and presence in emerging markets; and the transfer of some production from UK to China. These aspects should continue to be a focus in the formation of its updated sustainability strategy and future reporting.

Neutrality

*The extent to which a report provides a balanced account of an organisation’s performance, delivered in a neutral tone.*

The report is generally balanced and provides an overview of where performance has been more challenging, such as the increase in energy use and greenhouse gas emissions since 2014 as a result of moving some of its manufacturing to China.

Reliability

*The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.*

Nothing came to our attention to suggest that the data and quality of underlying data management systems are not adequate to produce accurate and comparable data. There has been improvement in data management processes since last year, for example in relation to increasing the frequency of environmental reporting and coverage.
There is still currently no internal guidance on how data for each target should be measured and calculated. We recommend developing a more formal methodology for each dataset to ensure consistency year-on-year. This is particularly important where data is extracted from systems used for other purposes, such as human resources. Additionally, as it is reasonable to expect that targets and the range of performance data collected will change as the company’s new strategy is implemented, formal methodologies will assist with consistency and comparability.

For and on behalf of DNV GL Business Assurance Services UK Limited
London, UK

26 March 2015

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