Independent assurance statement

Scope and approach


We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including 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.

We evaluated the performance data using the reliability principle together with Smith & Nephew data protocols for how the data are measured, recorded and reported. 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 and performance data associated with acquisitions made during 2015. All new acquisitions within the reporting period are out of scope until a full year’s data is available.

We understand that the reported financial data and information are based on data from Smith & Nephew’s Annual Report and Accounts 2015, which are subject to a separate independent audit process. 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 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.

We have no other contract with Smith & Nephew and this is the third year that we have provided assurance.

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:

- Review of the current sustainability issues that could affect Smith & Nephew and are of interest to stakeholders
- Review of Smith & Nephew’s approach to stakeholder engagement and recent outputs and future plans although we had no direct engagement with stakeholders
- Review of information provided to us by Smith & Nephew on its reporting and management processes relating to the Principles
- Interviews with selected senior management responsible for management of sustainability issues and review of selected evidence to support issues discussed. Five senior managers were interviewed and DNV GL was free to select those involved. This included the Vice President for Sustainability, Health, Safety and Environment (HSE) and the Senior Manager for Sustainability Systems to gain an overview of strategy and management
- Site visits to Smith & Nephew’s London Headquarters and Memphis, Tennessee production facility to review process and systems for preparing site level sustainability data and implementation of the sustainability strategy. DNV GL was free to select these sites. The Memphis site was selected on the basis of its materiality to the group for environmental and health and safety impacts. The Memphis site is Smith & Nephew’s largest production facility globally in terms of energy use and GHG emissions as well as production volumes
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated corporate level
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation
- Sampled selected evidence back to source to conduct checks of consolidated datasets against raw data
- Conducted a review of the draft and final 2015 Sustainability Report to ensure consistency with assured data.

Opinion

Smith & Nephew does not currently have a formal process in place for engaging systematically with external stakeholders, or a formal process for determining the materiality of sustainability issues. However, we note that Smith & Nephew have informed us of the company’s intention to engage with external stakeholders in the latter half of 2016 to validate its refreshed sustainability strategy. In the absence of the materiality process, it is hard to judge the completeness of this year’s Report. Otherwise, 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 any assumptions used were inappropriate.
Observations

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

Stakeholder inclusiveness
*The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability*

Smith & Nephew’s current focus continues to be on engaging with internal stakeholders. Although we understand the company will engage with a range of external stakeholders in the future to validate and refine their refreshed sustainability strategy, the current approach is not sufficiently inclusive.

Materiality
*The process for determining the issues that are most relevant to an organisation and its stakeholders.*

Smith & Nephew’s Report continues to demonstrate a good understanding of the issues that are likely to be material to its stakeholders in the areas of customers, employees, environment and society. However, these have not been identified through a formalised process. Last year we recommended that Smith & Nephew should develop its sustainability strategy and reporting and that this should be based on a formal materiality process informed by stakeholder feedback. This recommendation was not actioned in 2015.

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

Smith & Nephew generally has a good approach to responding to internal stakeholder needs and expectations and has examples which illustrate how it is continuing to understand and take account of the impact of its products on wider society. The understanding and measurement of the impacts of their products on society should be a focus of its future sustainability strategy. However, the company cannot currently demonstrate that it is systematically responding to external stakeholders.

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

The Report provides a good overview of performance across the organisation and includes upstream and downstream impacts of its operations and products, however we cannot fully assess the extent to which the information provided is material to external stakeholders. Commentary is provided in relation to customers, employees, environment and society.

It was observed that Smith & Nephew do not currently report on Scope 3 GHG emissions. As the company makes use of a significant road vehicle fleet - particularly for sales staff - as well as using air travel regularly, we recommend that Smith & Nephew expands the scope of its reporting to include Scope 3 emissions and align with international best practice GHG emissions 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 well balanced and provides an overview of where performance has been more challenging where appropriate and is transparent where the 2015 targets have not been achieved. Once Smith & Nephew’s refreshed sustainability strategy has been finalised, we recommend future reports should provide a clear explanation of challenges faced in delivering on its sustainability priorities for Smith & Nephew’s industry in the context of its future business and operating model.
Reliability

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

Overall we have confidence in the processes in place to ensure reasonable accuracy for the information presented in the Report and data management processes have continued to improve.

We recommend Smith & Nephew aligns its use of DEFRA conversion factors for calculating GHG emissions with the DEFRA guidelines in future when presenting any GHG emissions data for previous years.

For and on behalf of DNV GL Business Assurance Services UK Limited
London, UK
17 March 2016

Tracy Oates
Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance

Mark Line
Senior Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business Assurance

-------------------------------------------------------------------------------------------------

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com