

Improving lives

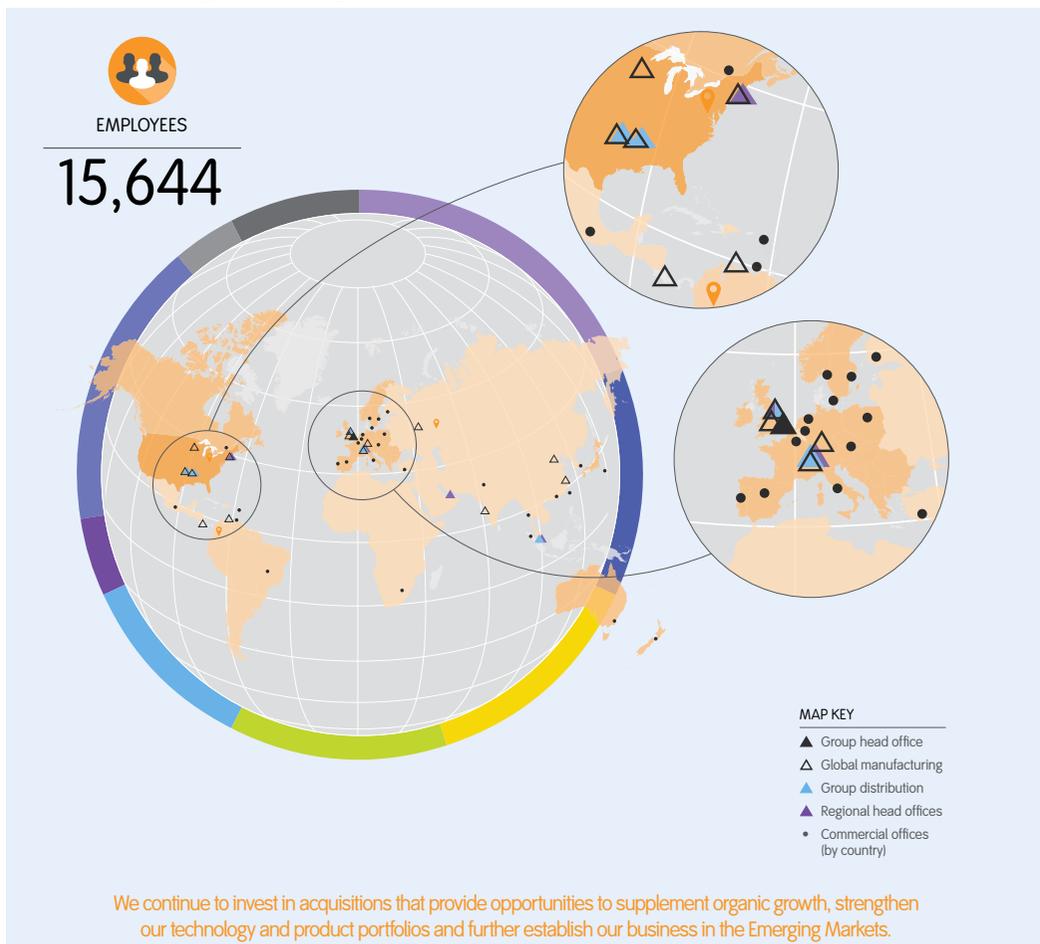
Supporting healthcare professionals
for over 150 years



We are a global medical technology business supporting healthcare professionals in their daily efforts to improve the lives of their patients.

Smith & Nephew today

Our operations are global, serving customers in more than 100 countries.



Front cover image:
The FIRSTPASS® ST Suture Passer is a single-use disposable device, preloaded with a needle allowing for immediate out-of-the-box use.



Caring for customers

We develop pioneering, highly innovative and widely accessible products, which demonstrate improved clinical and economic outcomes for our customers.



Caring for employees

We place the highest priority on securing the health, safety and wellbeing of over 15,000 employees.



Caring for the environment

Progress has been made with recycling waste and avoiding landfill but energy, and associated emissions reduction, remains a challenge.



Caring for society

Our employees have embraced the opportunity to support their local communities.

Smith & Nephew today



Smith & Nephew is a global medical technology business dedicated to helping healthcare professionals improve their patients' lives as well as supporting our employees and contributing to society in a positive way.



What has Smith & Nephew accomplished in 2015?

We made some great progress in 2015. Employee safety performance improved dramatically, reflecting our consistent focus on ensuring a safe workplace. We engaged more employees with our wellness programmes promoting healthier lifestyles. Furthermore, we formalised and extended sustainability considerations across our supply chain, helping us to deliver on our commitment to encourage organisations we work with to adopt sustainable behaviours. We also engaged more with the communities where we operate through broad and meaningful employee volunteering initiatives.

How has Smith & Nephew's understanding of what it means to be sustainable evolved since you committed to sustainability?

Smith & Nephew committed to sustainability with the publication of our first sustainability report in 2001. We reinforced our commitment in 2011 by setting 15 challenging sustainability targets. 2015 marks the end of this first target period and provides us with an opportunity to identify and incorporate our learnings into our strategy. Principally, we have learned that sustainability targets are best achieved when they are strongly linked to our core values and our business strategy. For example, our strategic imperative to improve access to quality healthcare is a strong driver for community engagement in developing markets. Much progress has been made in this area. To increase our momentum, we will use our business strategy to directly inform our sustainability direction and targets. In this way, the entire organisation moves all aspects of sustainability – social, environmental and economic – forward at once.

How has Smith & Nephew performed against its 2015 targets?

We have fully delivered (or exceeded) nine of our 15 targets, and we are extracting learnings from our performance against all of them – whether achieved or not. We will incorporate these learnings into our new sustainability strategy.

What are your near- and long-term sustainability targets?

We are using the learnings from our 2015 sustainability progress to create a long-term sustainability strategy which we will announce in early 2017. In the interim between the end of our 2015 targets and the launch of our new strategy in 2017, we have set sustainability targets for 2016, which consolidate and extend our performance against our 2015 targets. These are described later in this report. We will continue to strive to be a responsible business that sets an example for others.

We will report on our new strategy and associated targets in our 2016 Sustainability Report. We could set longer term targets now, while we review and absorb the learnings from our first target period. However, since this review is likely to impact both the type and scope of targets we set, we have made a decision to set short-term targets for 2016, on the basis that longer term commitments would probably require revisions over the next year as we define our strategic sustainability direction.

What is your long-term vision and commitment to sustainability?

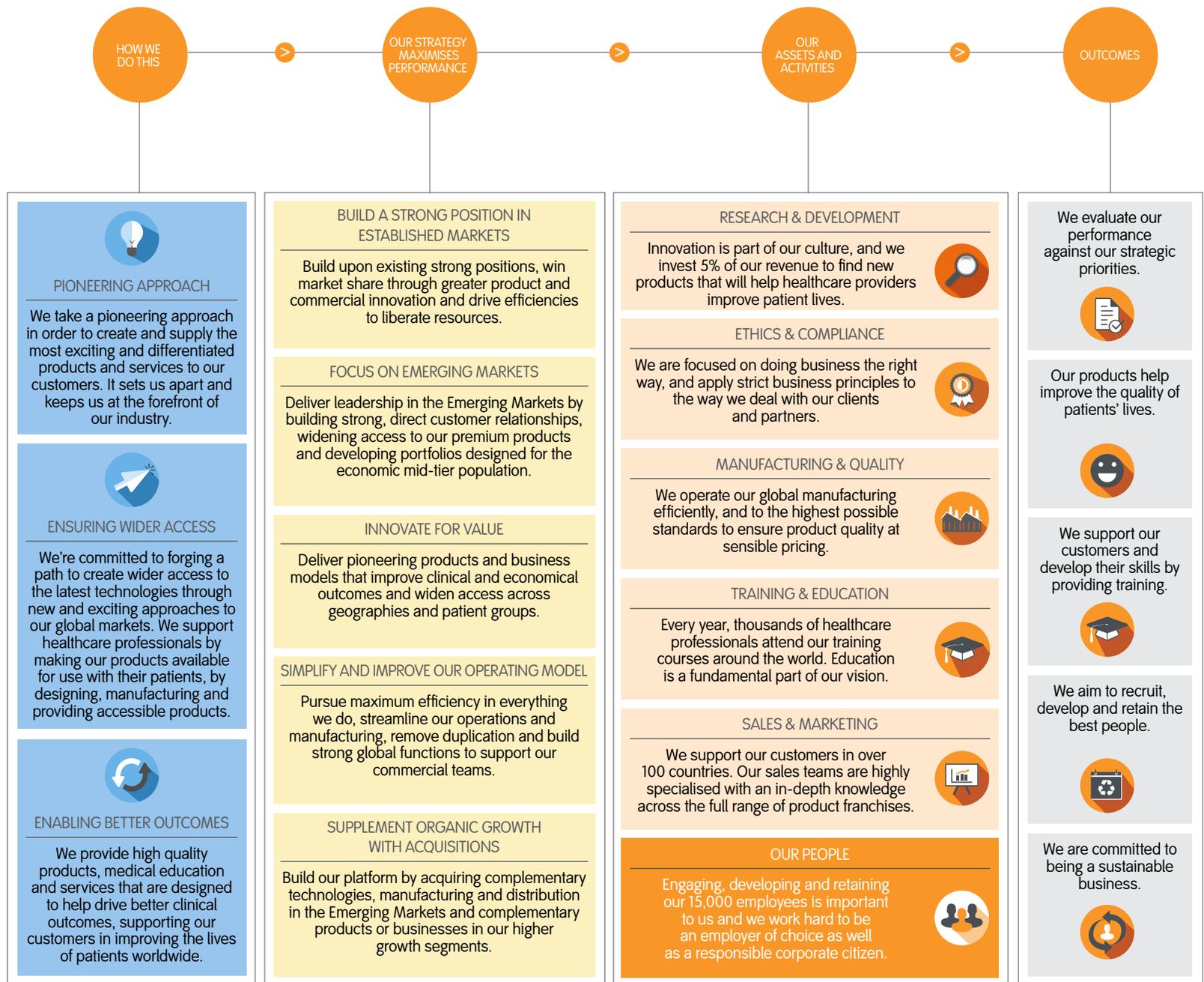
We are firmly committed to making a meaningful contribution across all three pillars of sustainability – social, environmental and economic. Our emphasis is on delivering positive outcomes that advance the long-term prospects for our business everywhere we operate. As our business has changed, so have the societal and environmental challenges around us. A thorough assessment of the impact of these changes on Smith & Nephew is required. We are developing this year a well-defined sustainability strategy that supports our business, our communities, our employees and our customers and addresses these challenges, delivering both near and long-term benefits to our stakeholders around the world.

Olivier Bohuon
Chief Executive Officer

SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
OUR BUSINESS MODEL					

Business model and strategy performance

Delivering advanced medical technologies that help healthcare professionals, our customers, improve the quality of life for their patients



How we manage sustainability

“

I am pleased to report that we made good progress in 2015 towards our goal of building a long-term sustainable business for our stakeholders.

”



A message from our Chairman

Highlights of the year include an excellent safety performance, a reduction in the amount of waste being sent to landfill, and a significant improvement in the community through greater promotion of employee volunteering and encouraging wellbeing activities at home and in the workplace.

Our determination to conduct ourselves ethically wherever we do business continues to be an imperative and this ethos was extended comprehensively to our newly acquired businesses in 2015. The Board takes sustainability very seriously and we were delighted to have been recognised again by external listings on the Dow Jones Sustainability index and FTSE4Good.

The Board believes that a renewed focus on targets and initiatives for the future, informed by a thorough understanding of our performance to date, will help to improve the impact our activities have on the environment and society in which we operate, helping us to continue to benefit all our stakeholders.

Roberto Quarta
Chairman

Sustainability governance

- The Board formally approves the sustainability policy and reviews sustainability performance on an annual basis
- The Chief Human Resources Officer, who reports to the Chief Executive Officer, has executive oversight of health, safety, environment (HSE) and sustainability
- The Commercial and Operations Committee reviews HSE performance at every meeting
- The Chief Executive Officer receives weekly HSE updates from the Chief HR Officer
- The Vice President Sustainability and HSE provides the leadership and cohesion to deliver the sustainability strategy
- Line management supported by an HSE Leadership Team comprised of senior functional specialists drives HSE and sustainability performance.

Ethics oversight

We have multiple levels of ethics oversight at Smith & Nephew to ensure our managers, employees and business partners act with integrity. These include executive oversight and leadership through our Group Ethics and Compliance Committee, which includes our Chief Executive Officer and business and corporate function heads. We have built what we believe to be a world-class compliance programme supported by a Chief Compliance Officer, reporting to the Chief Executive Officer, and a global Office of Ethics and Compliance.

Managing Directors complete an annual certification to confirm implementation of required programmes. Managers and employees complete an annual compliance certification and executive management, managers and employees have a compliance performance objective customised to their level in the organisation.

We support this sense of ownership with various communication tools, such as compliance articles on our Group intranet, regular communications to Managing Directors, and also reporting line posters and face-to-face training.

SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
HOW WE MANAGE SUSTAINABILITY					

How we manage sustainability continued

We believe that good governance lies at the heart of a well-run company. Openness and transparency, accountability and responsibility should run through everything we do from the top of the Group at Board level and throughout the business as a whole. The Corporate Governance section of our 2015 Annual Report gives full details of our Corporate Governance Framework and the structures and processes we have in place to ensure that our Group is well governed.



SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
PERFORMANCE					

Review of 2012-2015 Performance and the way forward

We operate in a rapidly changing world. Consequently, the trends impacting our business are varied and dynamic. From an environmental perspective, these include climate change, resource scarcity, biodiversity and habitat loss, and deforestation, to name a few.

Increasing transparency, shifting geopolitical stability and rapid technological advancement affect the business landscape on a global scale. Meanwhile, notable societal trends comprise demographic and social change, including population growth and an increasingly ageing population, the rise of a global middle class, and rapid urbanisation. While each of these present challenges, it is the intersection (or collision) of several that provides significant opportunity to our business. Population growth inexorably increases the demand for our healthcare solutions, as does the rise of a global middle class.

Similarly, rapid technological advancement enables development and deployment of new and innovative approaches to achieve desired healthcare outcomes. On the contrary, increased resource scarcity (both natural and financial) drives up costs and threatens to limit access to quality healthcare outcomes. Taken together these latter trends require that we constantly challenge best practice, and strive to develop new, innovative ways to meet an expectation of high quality healthcare across ever-increasing populations, while consuming fewer resources.

We made some great progress on our sustainability journey in 2015. Our employee injury/illness rate declined a further 40% through continued implementation of behaviour-based safety and robust incident reporting and investigation systems across the Group. Waste to landfill was further reduced, enabled by the thorough understanding of our waste streams as a result of our detailed waste audits.

We also formalised and extended sustainability considerations in our supply chain, ensuring that our vendors are committed to achieving the same high standards of sustainable operation as we are. Engagement with the communities in which we operate was significantly extended through employee volunteering and we have strengthened and deepened employee wellness programmes with a focus on enabling healthy lifestyle choices.

Much has been accomplished since we laid out aggressive sustainability targets in 2011. We set the bar high, committing to achieve 15 targets over the subsequent four years. 2015 marks the completion of this four-year sustainability challenge, so it is appropriate to assess our progress as we look to continue our sustainability journey in the coming years.

We have achieved top quartile employee safety performance by halving total work-related injuries and reducing serious injuries by nearly two-thirds. Beyond this, we also deployed effective wellness programmes across the Group, embedded sustainability considerations in our supply chain and new product development processes, devoted 1% of adjusted pre-tax profits to philanthropic causes, and achieved nearly 40% women in our global talent pool. Our waste to landfill decreased by 39%, and we increased the percentage of total waste recycled by 57%, to 75% of all solid waste generated. Moreover, the implementation of our comprehensive employee training solution essentially assures 100% awareness of our Code of Conduct and Business Principles. However, we have fallen short of our targets in some areas. Total waste generated increased by 27% in the four-year period, non-renewable energy use increased by 12%, CO₂ emissions increased by 15%, and water use increased by 15%. All of these increases were driven by organic growth, acquisitions, changes in footprint, and limited focus on resource efficiency.

Our learnings from the 2012-2015 period provide an opportunity to reflect on our progress to date, and influence our strategy going forward. It is clear that we were successful in achieving our targets in the areas closely aligned to the purpose of Smith & Nephew – health and wellbeing, diversity and inclusion, providing wider access to quality healthcare, and building trust. We have fallen short where our execution did not strongly drive our sustainability performance, especially in the area of improved environmental impacts. We are in the process of fully examining these latter areas in 2016, and developing a sustainability strategy that more deeply reconciles our purpose, values and strategy to the wider needs of society and the environment. In the interim, we have set targets for 2016 (all versus a 2015 footprint on a like-for-like basis) as shown on the next page.



SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
PERFORMANCE					

Performance at a glance

ACHIEVED	✓
NOT MET	✗

Caring for customers

2015 TARGETS	PROGRESS SINCE 2011 BASELINE	STATUS
Incorporate sustainability considerations with 100% of our major supply chain partners (spend >\$1.5m)	100% of major suppliers completed	✓
Build sustainability considerations into 100% of new product development	Criteria previously put into place were applied to all candidates in the pipeline, resulting in tangible positive impact to several new product launches	✓
Employees must continue to complete annual assigned compliance training and certify adherence to our Code of Conduct and Business Principles	100% employees trained.	✓
2016 TARGETS		
Incorporate sustainability-related Supplier Information Management score for major suppliers into purchasing decisions		
Establish and document core sustainability criteria for new product development		
Maintain 100% compliance to Code of Conduct and Business Principles training		

Caring for employees

2015 TARGETS	PROGRESS SINCE 2011 BASELINE	STATUS
Strive for zero injuries	Total Recordable Incident Rate, -53% Lost Time Incident Frequency Rate, -66%	✓
Attain a position in top quartile of industry for safety performance	Top quartile of safety performance achieved within our sector	✓
Implement wellness programmes in at least 60% of our major facilities	Target exceeded. Most facilities and employees have access	✓
Target at least 40% global talent pool (mid-level and higher) will be women by 2015	39% of global talent pool are women	✗
2016 TARGETS		
Reduce Total Injury Rate and Lost Time Injury Rate by 10%		
Maintain top quartile industry safety performance		
Expand and extend worker wellness programmes to more effectively address lifestyle impact awareness and healthy choices		
Achieve at least 40% women in the global talent pool (mid-level and higher)		

Caring for environment

2015 TARGETS	PROGRESS SINCE 2011 BASELINE	STATUS
Reduce our non-renewable energy use by 15%	Energy usage has increased by 10.9%, an underlying increase of 1.4%	✗
Reduce our CO ₂ emissions by 15%	CO ₂ emissions have increased by 14.1%, an underlying increase of 5.4%	✗
Reduce water use by 15%	Water usage has increased by 14.6%, an underlying increase of 5.1%	✗
Reduce packaging materials by 15%	On hold, focus on packaging integrity and supply chain efficiencies	✗
Reduce total waste by 15%	Total waste has increased by 26.8%, an underlying increase of 19.0% Waste to landfill has decreased by 38.6%, an underlying decrease of 43.6%	✗
Increase % of total waste recycled by 15%	Significant improvement, increasing by 57.3%, an underlying increase of 60.2%	✓
2016 TARGETS		
Reduce non-renewable energy use by 3%		
Reduce Scope 1 and Scope 2 CO ₂ emissions by 3%		
Reduce water use by 3%		
Identify opportunities for packaging material reduction and implement where possible		
Reduce total waste by 3%		
Increase percentage of total waste recycled by 3%		

Caring for society

2015 TARGETS	PROGRESS SINCE 2011 BASELINE	STATUS
Deliver a higher return to shareholders than our peer group over the long term	Dividend for 2015 was 30.8 US cents per share, up 4% on 2014	✓
Contribute more than 1% of adjusted pre-tax profits annually towards corporate citizenship/philanthropy by 2015	1.1% of adjusted pre-tax profits directed to philanthropy. Employee volunteering time increased	✓
2016 TARGETS		
Deliver a higher return to shareholders than our peer group		
Contribute at least 1% of adjusted pre-tax profits toward corporate citizenship/philanthropy		

Building trust

Smith & Nephew aims to be honest and fair in all aspects of our operations and we expect the same from those with whom we do business.

Our ethics and compliance programme governs our activities in the conduct of our business and our interactions with healthcare professionals and third parties. We believe that ethical and compliant behaviour is driven by three key components: ownership by managers and employees, education that is effective and controls for significant compliance risks, coupled with assurance processes to ensure implementation.



We create standards, train on them, test for their effective implementation and develop action plans to address any gaps.



Our Code of Conduct training focuses on earning trust – one of Smith & Nephew's values – and we recognise employees who do so with their actions.



Code of Conduct and Business Principles

Our Code of Conduct and Business Principles govern the way we operate. Our Global Policies and Procedures provide detailed guidance on key risk areas, ranging from hiring healthcare professionals as consultants, to information security, and selecting and managing third parties. The tools and resources on our internal website support our Code of Conduct and policies and help turn our rules into actionable steps that employees can follow.

We continue to audit and monitor adherence to our compliance controls regarding interactions with healthcare professionals, government officials and third parties, and take appropriate corrective and preventive action when we find areas that need improvement. During the 2015 calendar year, we targeted 43 entities or processes to test, including 14 third parties, and we started to use data analytics to support our monitoring efforts. We also implemented a 'spot check programme', through which our Regional Compliance Officers perform quarterly checks on targeted high-risk areas, both in their own market and in a peer Regional Compliance Officer's market. This programme complements the formal monitoring completed by our Global Compliance Monitoring Team and acts as an early warning system.

A robust whistle-blowing system is in place in jurisdictions where we operate. We are committed to upholding our promise in our Code of Conduct that we will not retaliate against anyone who makes a report in accordance with our established whistle-blowing procedure. Upon receipt of concerns, we promptly conduct investigations and take necessary corrective actions. In 2015, 65% of the whistle-blowing reports which were received and closed, including reports made directly to the Compliance and Human Resources departments as well as those received via the Smith & Nephew Integrity Line, were substantiated. The majority of the substantiated cases are violations of internal processes.

Benchmarking conducted in 2015 showed that our volume of reports, volume of anonymous reports, and substantiation rate of reports received through whistle-blowing processes has been within the range expected for a company in our industry.

Education and awareness

Employees and third parties who have interactions with healthcare professionals or government officials receive training on our Code of Conduct when they start working for Smith & Nephew. We also assign annual compliance training to employees. In 2015, we used scenario-based training to educate employees on key components of anti-bribery and anti-corruption laws and we provided role-based compliance training to managers, finance professionals and other key roles. This training included a face-to-face course for new managers.

Our Code of Conduct training aimed at distributors, agents and high-risk vendors and service providers was also updated in 2015 to include scenarios they may encounter.

In order to reinforce our value of trust, we implemented a programme where employees nominate their peers or direct reports for actions that earn trust. In 2015, approximately 30 Spotlight on Trust Certificates were awarded from the Chief Compliance Officer to employees from more than 10 countries. Two employees received additional recognition from the Chief Executive Officer.

SPOTLIGHT ON
TRUST CERTIFICATES
AWARDED

30

(APPROX)

Building trust continued

Working with distributors and agents

Smith & Nephew has implemented comprehensive processes to ensure that all of our distributors and agents operate their businesses according to the same principles as us. Our Office of Ethics & Compliance conducts different levels of screening on new distributors and sales agents based on risk criteria, and requires the principal to take anti-bribery training and complete a compliance certification. Any concerns must be addressed to move forward. Next, the distributor or agent signs a sales agreement that includes mandatory compliance terms, including an agreement to comply with our Code of Conduct, audit rights and termination provisions for failure to comply.

In 2015, we strengthened our distributor programme by introducing additional compliance standards. These complement our Code of Conduct, and supplement the compliance terms in the sales agreement signed by third party distributors and sales agents located outside of the US. The additional compliance standards cover rules related to key risk areas, such as payments and gifts, sponsorship to training events or conferences, grants, donations and tenders. Following a signed agreement, the distributor or agent receives a welcome pack from our Chief Compliance Officer, including a toolkit with compliance-related resources to help develop and/or strengthen its own compliance programme. The toolkit is available in 14 languages.



We ensure that the third parties with whom we work share our commitment to earning trust by acting ethically and in compliance with our controls.



In 2015, we continued our distributor monitoring and site assessment programmes. Monitoring visits include reviewing a sample of accounting transactions from the records of the distributor or agent. In 2015, we conducted 16 distributor monitoring events. The site assessment programme is conducted by our Regional Compliance Officers. The programme is designed to help Smith & Nephew evaluate the distributor's commitment to compliance with laws and our Code of Conduct. In 2015, we conducted 87 site assessments. Between these two programmes, we expect to reach nearly 30% of our non-US in scope distributors within a three-year period. Both monitoring and site assessment events can result in an action plan to address particular areas noted during the review.

DISTRIBUTOR
MONITORING
ASSESSMENTS
CONDUCTED

16

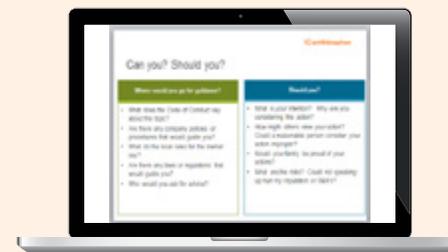
SITE
ASSESSMENTS
COMPLETED

87

Ensuring our managers take accountability for compliance

In 2015, as part of our annual manager certification, managers were required to have an 'ethics and compliance conversation' with their staff. To guide their discussions about the importance of earning trust, they were given centrally-created materials covering the following topics: Speaking Up, Conflicts of Interest, Third Party Risks, Product Training for Healthcare Professionals and Social Media.

The training reinforced our 'Can I, Should I, Do I?' ethical decision-making model. It gave managers an opportunity to talk to employees about how to apply this model to situations relevant to their department. 93% of all people managers agreed that this approach was well received by their staff.



Caring for customers

We develop pioneering, highly innovative and widely accessible products, which demonstrate improved clinical and economic outcomes for our customers.



Sustainability expectations embedded into supplier selection and retention



Business resilience and effective business continuity planning systems deployed



Customers experienced full benefit of our products in use



Sustainability elements in New Product Development process resulted in tangible improvements

2015 in review

Meeting the needs of healthcare providers and their patients remains our primary focus. Smith & Nephew's products provide a clinical and economic benefit to our customers.

Building sustainability into new products

In 2015, we more consistently applied the sustainability elements previously embedded into our New Product Development (NPD) process throughout the pipeline. This resulted in the design and launch of several products with advances in the targeted areas. We completed a limited commercial release of the ANTHEM[®] Total Knee System and ORTHOMATCH[®] Universal Instrumentation in developing markets, further satisfying unmet health needs. In addition, by reducing the number of instrument trays needed for surgery, these solutions can help our customers reduce water, energy and waste during the sterilisation process, thereby reducing costs and promoting greater access to treatment.

In our Established Markets, full commercial releases of EVOS[®] MINI and VLP MINI-MOD[®] (small bone plating systems for use in trauma surgery) have reduced sterile packaging materials for plates and screws. Through our NPD review, we were able to eliminate the outer shrink wrap and employ a single sterile barrier, thereby reducing waste generation at the customer's site. We remain committed to optimising the economic, social and environmental impacts of our products and services and look forward to accelerating progress in the coming years.

Across Smith & Nephew, the new product development process has a 'Cost, Outcomes and Access' approach. We continue to refine our NPD processes to include the following criteria:

- at a global level has the potential to satisfy unmet health needs;
- reduces cost to promote greater access to treatment;
- makes effective treatment easier, faster and with less discomfort, requiring less specialist knowledge and training;
- allows for re-use, re-manufacture, or ability to be recycled;
- uses raw materials sourced from an environmentally and socially sound supply chain;
- enables more efficient use of natural resources;
- utilises manufacturing processes that are less hazardous to people and the environment;
- employs forward-looking thinking such as investing in new materials and processes that provide significant benefits with respect to human rights, safety, energy, waste and/or communities;
- explores bridging technology to secure future game-changing innovative products; and
- considers more sustainable product options.

Supply chain management

Our responsibility as a sustainable business extends into our supply chain. This positive influence is increasingly expected by our own customers.

Our mature Supplier Information Management (SIM) survey tool is integral to our selection and retention of major suppliers. Used routinely by our procurement teams, the SIM tool assists with all decisions relating to our suppliers and it has already been completed by 100% of our major suppliers, defined as those who represent \$1.5m worth of business or more each year. Our suppliers are expected to abide by our Code of Conduct and provide details of their own sustainability considerations.

Reducing the human and economic cost of burn wounds

The ACTICOAT[®] product line consists of a range of silver antimicrobial barrier dressings which are flexible, absorbent, and conformable, providing an efficient and effective barrier to bacterial penetration. The dressings release the antimicrobial power of silver within the dressing and to the wound bed, without inhibiting wound healing.

In-vitro testing has shown that the ACTICOAT Flex 3 product kills bacteria in as little as 30 minutes.¹ This rapid action gives the bacteria very little time to multiply and allows control to be exerted faster. The ACTICOAT Flex 3 and Flex 7 dressings have been proven, in-vitro, to be effective against a broad spectrum of wound pathogens – gram-positive, gram-negative anaerobic and resistant bacteria, including multiple MRSA strains, yeasts and fungi.^{2,3}

Burn injuries present a clinical challenge: protecting the wound against bacterial contamination and infection, while progressing healing. An Australian patient care audit concluded that burn patients treated with ACTICOAT dressings experienced a reduced length of stay in hospital, reduced costs of anti-infective drugs and analgesics, and thus lower overall treatment costs.⁴

1. Smith & Nephew Wound Management, testing ACTICOAT Flex 7 dressing. Data on file report – 0810014. October 2008.
2. Smith & Nephew Wound Management, testing ACTICOAT Flex 3 dressing. Data on file report – 0810016. October 2008.
3. Smith & Nephew Wound Management, testing ACTICOAT Flex 7 dressing. Data on file report – 0810012. October 2008.
4. Fong et al, A silver coated dressing reduces the incidence of early burn wound cellulitis and associated costs of inpatient treatment: Comparative patient care audits, Burns, 31, 562–567, 2005.

NOTE: The results of in-vitro simulation testing have not been proven to predict clinical outcomes.



2015 in review continued

Summary regarding advanced wound management trial

A 2012 trial among adult patients at the Burns Unit of the Chris Hani Baragwanath Hospital in Johannesburg, South Africa, compared the use of advanced burns management dressings to conventional dressings.

With 96 analysable patients, the trial was one of the largest randomised, prospective clinical trials in this therapy area worldwide to date. The costs of treating partial thickness burn wounds with advanced burn management products from Smith & Nephew were compared to conventional treatment. 49 patients received treatment using ACTICOAT[®], BIOBRANE[®] and VERSAJET[®] products from the Smith & Nephew burn care portfolio compared to 47 patients who received conventional therapy.

Independent data released by principal investigator, Dr Adelin Muganza¹ showed that advanced burn management reduced the length of hospital stay by 33%, with mean days to healing reduced from 28 to 21 days. Antibiotic costs were reduced by 88% and there was an overall cost reduction of 20%.

1. Muganza A. 'The Costs of Treating Partial Thickness Burn Wounds Treated with VERSAJET, BIOBRANE and ACTICOAT versus Conventional Therapy.' Presented at the 16th Congress of the International Society for Burn Injuries, Edinburgh, 2012.

ADVANCED
BURN MANAGEMENT

-33%

HOSPITAL STAY

ADVANCED
BURN MANAGEMENT

-20%

OVERALL COST
REDUCTION
COST



Simplified surgery, personalised performance

Smith & Nephew is committed to providing innovative products that move clinical and cost boundaries and deliver maximum value. The traditional approach to knee arthroplasty requires significant time in the operating theatre to fit and adjust the replacement knee implant. With VISIONAIRE[®] Instrumentation, a patient's MRI and X-rays are used to create customised cutting guides that allow the surgeon to achieve optimal mechanical axis alignment of the new implant. VISIONAIRE cutting guides may also help save time by reducing the number of procedural steps and instruments used in the operating room.

VISIONAIRE Cutting Guides help achieve efficiency and reduced costs through:

- decreasing carbon footprint/ environmental impacts and demand on hospital logistics by:
 - reducing the number of instrument sets and sterile trays required by >40% (4 or less versus 7-8 with conventional instrumentation)²
 - eliminating up to 21 surgical steps,³ in many cases reducing the need for certain steps associated with alignment, rotation and sizing of the implant
 - decreasing patient on-table time and enabling increased theatre utilisation rates by reducing surgical time by up to 24%.⁴
- improving implant placement accuracy via a pre-navigated surgical technique¹

VISIONAIRE[®]
Patient matched instrumentation

1. Heyse TJ, Tibesku CO, Improved femoral component rotation in TKA using patient-specific instrumentation, Knee, 21(1), 268–271, 2014.
2. Noble, The Value of Patient-Matched Instrumentation in Total Knee Arthroscopy; J Arthroplasty, 2012
3. Compared to the standard Genesis II surgical technique.
4. Pfizner et. al., Small Improvements in mechanical Axis Alignment; CORR, 2014.

2015 in review continued

Building a resilient Smith & Nephew

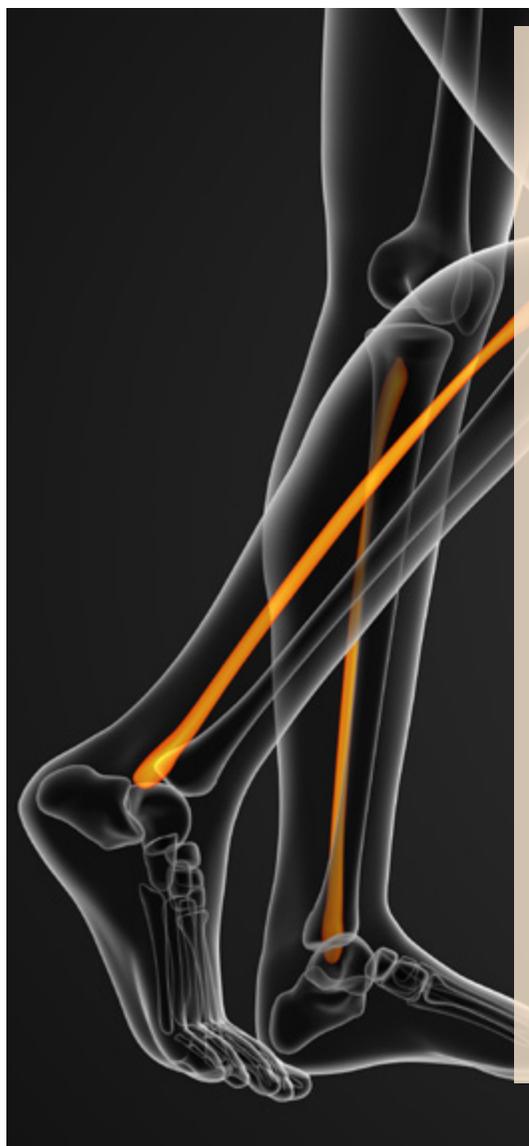
Improving business continuity enables us to provide the best level of service to our customers and protect the interests of all. We are committed to continually improving the resilience of our business. We live and operate in an uncertain world. Changing weather patterns, scarcity of natural resources, and increasing stresses on transportation infrastructure and utilities, all have the potential to disrupt Smith & Nephew's ability to serve our customers. This ability is further challenged by increasing population and the emergence of a global middle class.

To ensure we are ready to meet these challenges if required, we are implementing a standards-compliant framework of Business Continuity, Emergency Response, Incident Management and Crisis Management to:

- respond effectively to protect our people and limit the impact of disruption;
- identify critical products and services, and establish how quickly we must be able to resume delivery to customers after a major disruption;
- establish control of a situation and re-start the delivery of critical products and services before our customers are affected; and
- protect the vital interests of the Group and our stakeholders.



Effective Business Continuity Planning means we can serve our customers even when bad things happen.

More patients to benefit from improved bone healing through correct alignment

The TAYLOR SPATIAL FRAME® device is a circular, external fixator that is used in acute trauma cases for fixation as well as for correcting deformity. It utilises a selection of circular external rings, a range of telescopic struts that can be independently lengthened or shortened relative to the rest of the frame, as well as web-based software to provide for a powerful six degrees of freedom correction. This circular external fixator takes advantage of the body's natural ability to grow new bone tissue, therefore allowing the surgeon to accurately fix fractures, correct deformities and ensure precise anatomical alignment.

The surgeon is able to make a side-by-side comparison of current versus projected alignment using graphics created by the TAYLOR SPATIAL FRAME software. This innovative software creates an appropriately paced treatment schedule that will provide a correct biomechanical environment for bone and soft tissue healing.

Since its introduction, the TAYLOR SPATIAL FRAME has proved to be an exceptional system for the treatment of some of the most complex trauma and deformity cases where conventional treatment could not be used or had failed. Additionally, and in line with our continued focus on Innovation in Trauma & Extremities Solutions, the iADJUST™ mobile phone application has been launched to complement the TAYLOR SPATIAL FRAME software. This application allows the patient to monitor and perform adjustments in line with their prescribed treatment plan.

With a global footprint of active TAYLOR SPATIAL FRAME users and multiple publications in peer-review journals, the TAYLOR SPATIAL FRAME has secured its place in medical history as a pioneering partner to orthopaedic and trauma surgeons worldwide. More recently, the TAYLOR SPATIAL FRAME has become available to customers in the Emerging Markets, with major launches in China and India, allowing more patients to benefit from this device.



Caring for employees

We place the highest priority on securing the health, safety and wellbeing of over 15,000 employees.



Annual reduction in Group lost time incident frequency rate of **49%**



Behaviour-based safety programmes help reduce total incident rate by **41%**



A new diversity and inclusion initiative launched called 'Valuing difference'



Employee volunteering and wellness activities further extended across the Group

2015 in review

Total incident and lost time incident frequency rates fell by 41% and 49% respectively during 2015. This is largely due to extended behaviour-based safety programmes, hazard identification through improved near-miss reporting and a strong safety culture.



Exercising our Tornado Emergency Response Plan on a regular basis helps us to respond more effectively.

Safety and occupational health

The role of our health, safety and environment (HSE) professionals has evolved in recent years, from having a primary focus on achieving compliance, to becoming an advocate for reducing operational risk, streamlining processes within the business and driving operational excellence. All of these important aspects help us to engage stakeholders, tell our HSE story and ultimately help us safeguard the health and wellbeing of our employees.

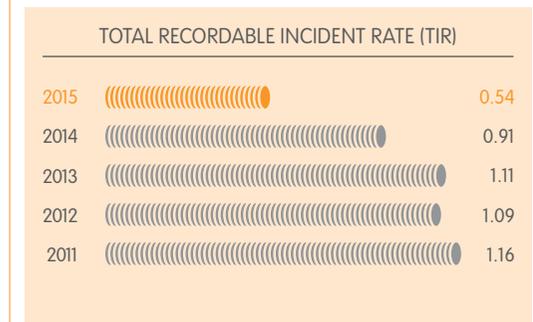
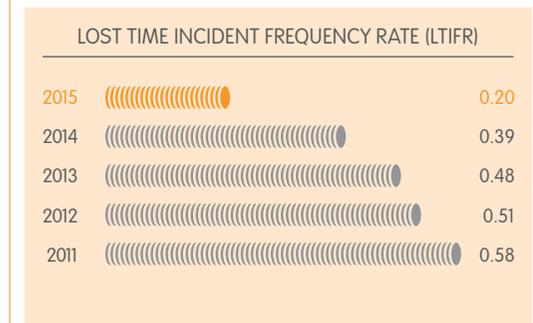
Driver safety was a key focus in 2015 for our employees in non-manufacturing roles who are required to drive as part of their job. We ran a poster campaign to encourage all staff to think carefully about their driving habits whilst at work and in their leisure time, which was well received. As a result, we have seen a reduction in the number of recordable injuries involving driving whilst on business by over 50% since 2013.

A robust Group HSE audit programme supported all of our HSE initiatives. Its purpose was to highlight areas for improvement and share best practice around the business to ensure that we maximised learning from each opportunity. In addition, we welcomed an independent safety audit at our Mansfield, Massachusetts, US facility to focus on one major cause of incidents: slips, trips and falls. The audit helped us to identify common causes and eliminate some of our key hazards. This type of audit will be repeated across other sites as a proactive approach to reduce injuries in the workplace.



Buckle up Wearing a seat belt reduces your risk of dying in a motor vehicle accident by 45% Improve your percentage. We are smith&nephew

Our safety performance



NOTES:

Our headline safety performance includes all employees and supervised contractors, it excludes unsupervised contractors who are still required to comply with our HSE requirements when on our sites. We adopt the industry standard Occupational Safety and Health Administration (OSHA) system to record incidents of occupational injury and ill-health. Lost time incidents are defined as those resulting in a person not being able to report for work on the day or shift following the incident. Performance is expressed as a rate of the number of incidents per 200,000 hours worked.

2015 in review continued

Celebrating our achievements

Many sites across Smith & Nephew's operations reached significant milestones during 2015, highlighting their sustained focus on reducing workplace incidents.

At our Beijing, China facility we exceeded one million hours worked without a lost time incident. Employees in Warwick, UK achieved in excess of 500,000 hours worked without a lost time incident, whilst employees in Tuttingen, Germany surpassed 365 days. The same milestone was also passed at our facilities in Costa Rica and Curaçao and our offices in Sydney, Australia.



Near-miss safety reporting

At our facility in Beijing, 2015 marked the third year of reporting near-miss safety incidents using the 'I see, I do' campaign. It is seen as a leading indicator to identify risk and reduce the potential for accidents. Employees are encouraged to observe and report any potential hazards and provide the solution to reduce the risk. From the 156 suggestions received throughout the year, the site safety committee reviewed and evaluated each submission and rewarded the best one each quarter.



In Memphis, Tennessee, US an electronic injury prevention tool has been implemented in 2015 to report, analyse and track near-miss incidents. The system has enabled us to proactively resolve identified hazards, engage the wider workforce and highlight valuable safety information that may otherwise not have been discussed. We regularly communicate the number of near-misses to promote awareness and, coupled with behaviour-based safety initiatives, the incident frequency rates have significantly reduced as a result.

Talent management

We aim to bring together the best minds in the industry to deliver the most exciting and differentiated medical devices to our customers. Ultimately, our approach supports our customers in their endeavour to improve the lives of patients worldwide.

A long-term investment in people

At Smith & Nephew, we recognise that talented people continually seek growth opportunities and will join organisations that fulfil these needs. In light of this, we strive to create an environment where employees have the opportunity to develop, learn and continue to grow.

We focus on filling our talent and leadership pipeline to ensure it is a sustainable, self-reinforcing cycle. That's why talent acquisition, retention and development is a key imperative for Smith & Nephew.

Talent development

Our development philosophy is based on the '70:20:10 model for Learning and Development'; a form of transformational development that engages people and mirrors how they learn. This approach helps to create change within the individual and infuse change into the wider organisation.

We have a comprehensive global development and capability review process to identify high potential employees and ensure they have robust career development plans. Talented employees are provided with opportunities to develop their skills and career through new assignments and on-the-job experiences.

In 2015, we held our 'CEO Forum' for our Top Talent, providing them with the opportunity to work closely with our executive team and work together on strategic challenges. We also launched a modular Managing Director programme to further enhance the skills and career opportunities of key individuals pursuing a career in this critical area.

Our performance management process ensures all employees set objectives that align to our overall business goals, and have a clear insight into how their individual performance management is measured. Our performance management system assesses and rewards both performance and behaviour.

In 2015, our global talent pool (mid-level and higher) comprised 39% women, which approaches our 2015 target of at least 40%. This has remained fairly consistent over the last few years.

Our global talent pool is defined as the tiers of employees 2 to 4 levels below the Chief Executive Officer. Our Top Talent pool is further defined as individuals that fall into three categories which includes performance and potential ratings by managers. The three categories are Talented Professionals, Emerging Stars and High Potential employees.



The recent Incident Management Exercise was a great chance to put our plans into action. They work!



SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
		2015 IN REVIEW			

2015 in review continued

Great Place to Work

Being a great place to work means creating a motivating environment that employees are proud of and excited to come to each day. It should be a place that recognises employees for their performance and achievements, and a place that values trust above all else. In 2015, Smith & Nephew Spain achieved recognition from the Great Place to Work Institute for the second year running, and Italy qualified as a Great Place to Work for the first time.

We are using the Great Place to Work Trust Index survey as our Global Employee Survey. The Trust Index measures Credibility, Respect, Fairness, Pride, and Camaraderie. In an effort to recognise employees for their contributions to make Smith & Nephew a great place to work we established a new Global Recognition Programme, 'Going the Extra Mile', which motivates and recognises high performance and rewards behaviours that support the Group values: I Perform, I Innovate, I Earn Trust.



Employee wellness

We actively encourage our employees to adopt local programmes linked to healthy lifestyle choices. In 2015, we rose to the challenge with 203 employees from 29 UK-based teams taking steps to become healthier, through the Global Corporate Challenge, a global event offering fitness challenges to companies. Each participant measured their daily step count using an accelerometer and entered their results online. At the end of the event, Smith & Nephew's 29 teams recorded 286,466,053 steps, equivalent to 113,913 miles. 83% exceeded the recommended 10,000 steps per day, compared to just 16% prior to taking on the challenge. Meanwhile, the employees in Hong Kong arranged their first ever badminton game, and a bicycle rack was installed outside our Austrian office to facilitate the surge in summer cycling to and from the office.

'Mr. Safety' arrives in Memphis

The behaviour-based safety programme 'Mr. Safety' was introduced to the Memphis workforce through employee motivational sessions in 2015. Aimed at promoting a positive safety culture, it challenged employees to proactively eliminate unsafe acts and conditions as a collective team, while having fun and opening up the chance to be rewarded for their efforts.

Any employee observed performing a safe act or bringing forward a good safety idea or suggestion was awarded a 'Mr. Safety' lapel pin as a token of our safety appreciation. Each month the HSE department presented a 'Mr. Safety' prize to an employee who was observed wearing a lapel pin by their supervisor. The monthly winners were captured in a photo that was communicated across the site to promote awareness of the campaign.

The 'Mr. Safety' programme has proven to be a vital tool to engage our workforce and promote a proactive safety culture. Coupled with our improved near-miss reporting, it has helped to reduce the recordable and lost time incident rates in Memphis by 30% and 50% respectively, compared to 2014.



Caring for the environment

Progress has been made with recycling waste and avoiding landfill but energy, and associated emissions reduction, remains a challenge.



Annual reduction in waste sent to landfill of **4%**



Annual increase in energy consumed of **2%**



Annual increase in water consumption of **9%**



Percentage of total waste sent for recycling or energy recovery **75%**

SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
			2015 IN REVIEW		

2015 in review

We can now report on the challenging 2015 environmental targets that we set in 2011.

Smith & Nephew in 2015 had a larger footprint with broader operations across the world. Significant progress has been made concerning waste recycling and diverting waste away from landfill but challenges remain to reduce our underlying energy usage and greenhouse gas emissions.

Changes in our manufacturing footprint and increased output

The environmental performance numbers presented in this report are absolute, rather than normalised. Our manufacturing facilities and distribution warehouses are responsible for the majority of the energy and water consumed and waste generated in the Group.

As we assess the performance of the Group against our 2015 targets, it is evident that the shape of the business has changed since 2011. We have made some significant acquisitions, capital investments and increased our manufacturing volumes. For example, the number of wound care dressings produced at our key manufacturing sites in Suzhou, China and Hull, UK has increased by approximately 30% since 2011. This has been accompanied by an 18% increase in the cost of production since 2012. These factors all significantly impact our environmental footprint. Underlying data excludes acquisitions since 2011, which were Healthpoint, Sushrut-Adler and ArthroCare in addition to those in Brazil, Colombia and more recently, Russia.

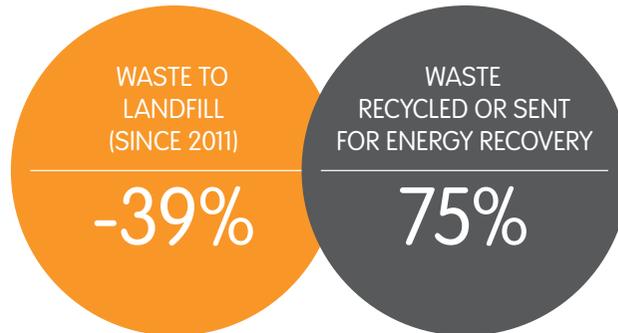
Reduction in landfill waste as we divert more to recycling

Our total waste increased to 9,137 tonnes in 2015. Discounting the waste that arose from acquisitions, the underlying total waste was 8,575 tonnes.

The most notable differences since 2011 were observed in Suzhou, China, where waste increased by 590 tonnes by 2015, and Memphis, US, which saw an increase of 673 tonnes over the same four-year period. These trends have been driven primarily by increased manufacturing volumes despite improved efficiencies. Our waste survey was repeated in 2015, detailing most of our manufacturing waste streams and identifying significant opportunities to eliminate landfill waste, reduce hazardous waste and divert many waste types to recycling or energy recovery. Further opportunities exist by working to build sustainability principles into new product development.

Our most notable achievement has been the reduction in waste sent to landfill, which has decreased by 39% since 2011, equivalent to 1,312 tonnes. The underlying decrease was 44%, or 1,483 tonnes. The percentage of our overall waste sent for recycling, including waste sent for energy recovery, has further increased to 75%.

We also care about the waste generated by our customers as a result of using our products, particularly our packaging materials. We are constantly working to build sustainability considerations into our packaging; however, we remain mindful of the fine balance between reducing and optimising the use of packaging materials and maintaining its overall integrity to ensure that our products are delivered intact and ready for use.



Our environmental performance



2015 in review continued

Energy use across the Group

In absolute terms, our energy use has increased by 11%, or 19.5GWh since 2011. If we remove the impact of the businesses we have acquired since 2011, the increase is just 1%, or 2.2GWh, driven primarily by increased manufacturing volumes despite improved efficiencies. Taking one example over the same period, the energy usage at our Suzhou, China facility has increased by 12.1GWh as a result of expansion and the production of new product ranges. A further 2.7GWh increase was observed across the sites in Memphis, US. The trend we have seen with respect to our energy consumption is mirrored in our greenhouse gas emissions.

A focus on water

Following the increases in energy and total waste, our water consumption has also increased since 2011. This will remain an area for improvement where we will focus not only on locations in areas of water scarcity but also on locations that consume large volumes of water as a result of our manufacturing processes. Projects are already underway to reduce water consumption at our largest location in 2016. In Memphis, US the largest user of water in the Group, the Brooks Road campus is converting four air compressors from non-contact cooling water to a recirculating oil system cooled by heat exchangers. Significant savings are expected annually as a result of this investment.



Our ability to reliably serve our customers is made more challenging by increasing population and resource scarcity, making improved resilience imperative.



Savings in Australia

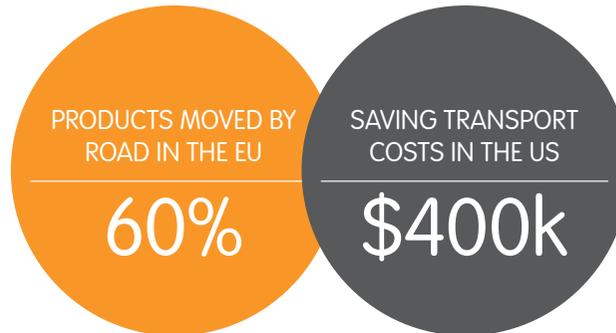
In Australia, our service centre has installed two new SAP features that reduce paper wastage by converting multiple documents into PDF. This simple initiative saves approximately 18,000 sheets of paper per year.

Furthermore, the National Distribution Centre reviewed whether its two lighting systems, high bay and fluorescent were required for distribution operations. It was determined that the fluorescent lights were sufficient and the high bay lighting at the Centre is now switched off to reduce electricity consumption except on unusually darker days.

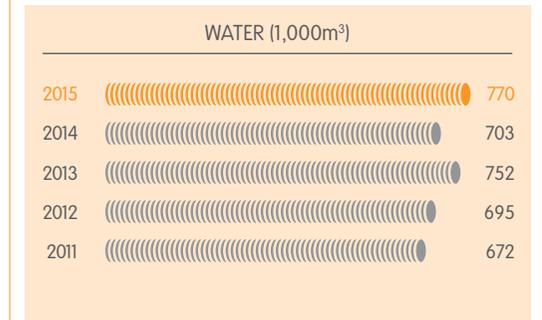
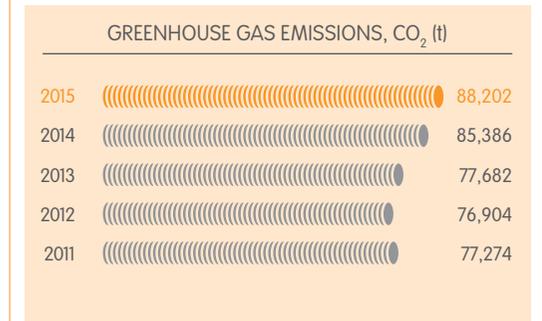
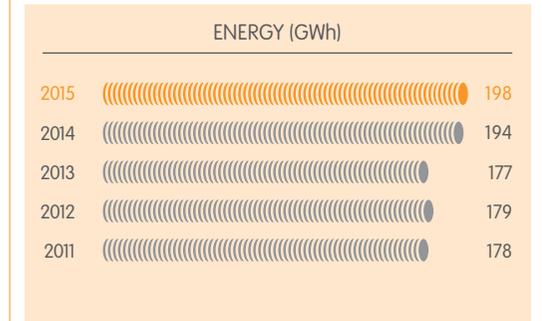
Driving sustainability into our supply chain

Optimising our freight and logistics to be more sustainable relies on our ability to identify opportunities to reduce emissions. However, in doing so, we must maintain our economic viability, while sustaining our level of support to customers around the world. Some examples include:

- In the US, the move to ocean freight has seen 25 containers (approximately 8% of volume, by weight) being sent from our Distribution Centre in Memphis, avoiding air transportation.
- Our distribution centre in Baar, Switzerland now ships 60% of its product by road as opposed to air transport.
- In the US, our parcel volume shipped via the domestic road network rather than air freight increased to 35%. Overall, this transition has saved in excess of \$400,000 in transport costs during 2015.



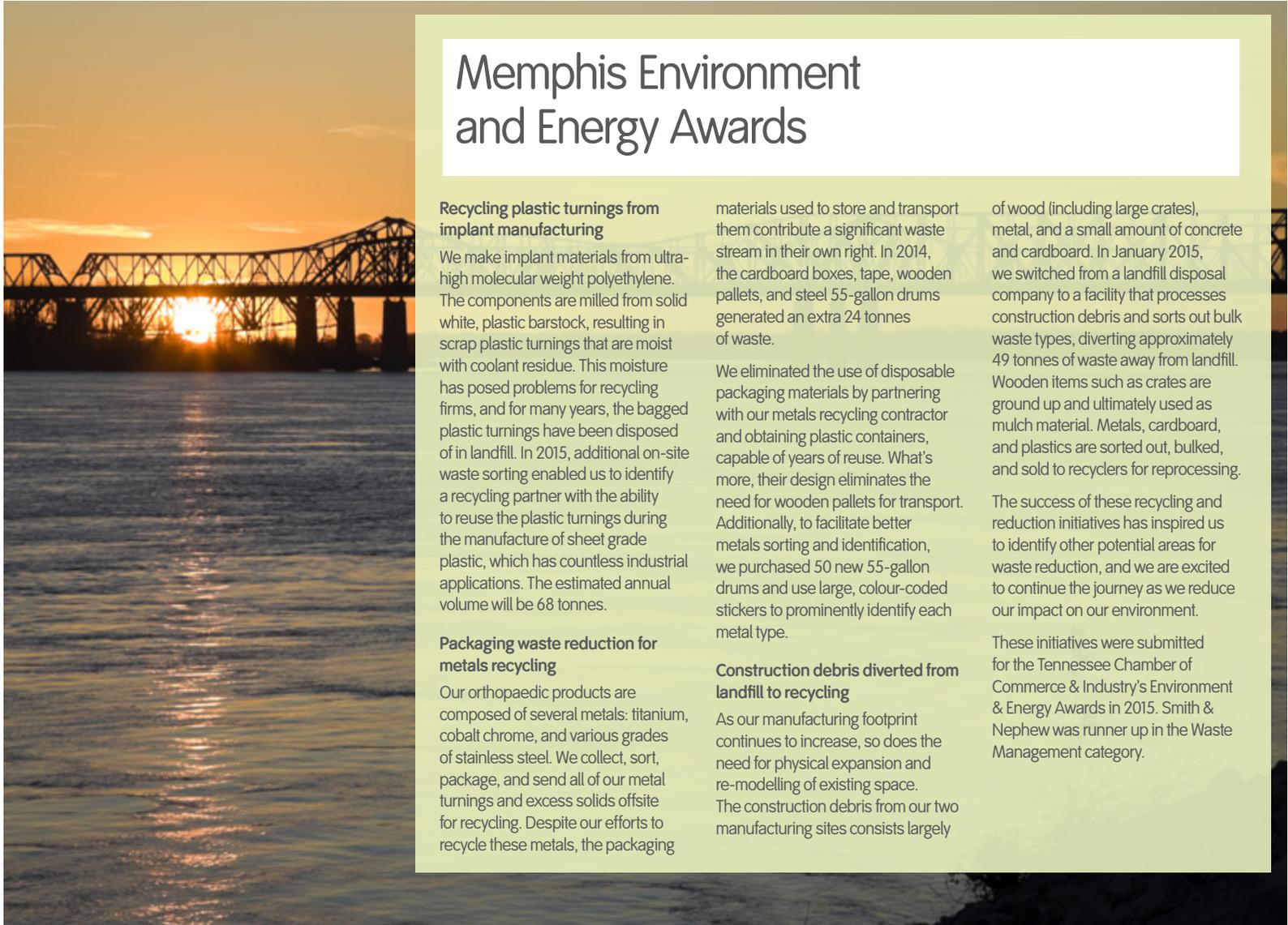
Our environmental performance



SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
			2015 IN REVIEW		

2015 in review continued

Smith & Nephew has had a presence in Memphis, US since 1986. We now occupy four locations, employ over 2,900 people and have maintained ISO 14001 certification for our Environmental Management Systems. At our Brooks Road facility, sustainability projects have focused on waste reduction and recycling, specifically targeting three waste streams.



Memphis Environment and Energy Awards

Recycling plastic turnings from implant manufacturing

We make implant materials from ultra-high molecular weight polyethylene. The components are milled from solid white, plastic barstock, resulting in scrap plastic turnings that are moist with coolant residue. This moisture has posed problems for recycling firms, and for many years, the bagged plastic turnings have been disposed of in landfill. In 2015, additional on-site waste sorting enabled us to identify a recycling partner with the ability to reuse the plastic turnings during the manufacture of sheet grade plastic, which has countless industrial applications. The estimated annual volume will be 68 tonnes.

Packaging waste reduction for metals recycling

Our orthopaedic products are composed of several metals: titanium, cobalt chrome, and various grades of stainless steel. We collect, sort, package, and send all of our metal turnings and excess solids offsite for recycling. Despite our efforts to recycle these metals, the packaging

materials used to store and transport them contribute a significant waste stream in their own right. In 2014, the cardboard boxes, tape, wooden pallets, and steel 55-gallon drums generated an extra 24 tonnes of waste.

We eliminated the use of disposable packaging materials by partnering with our metals recycling contractor and obtaining plastic containers, capable of years of reuse. What's more, their design eliminates the need for wooden pallets for transport. Additionally, to facilitate better metals sorting and identification, we purchased 50 new 55-gallon drums and use large, colour-coded stickers to prominently identify each metal type.

Construction debris diverted from landfill to recycling

As our manufacturing footprint continues to increase, so does the need for physical expansion and re-modelling of existing space. The construction debris from our two manufacturing sites consists largely

of wood (including large crates), metal, and a small amount of concrete and cardboard. In January 2015, we switched from a landfill disposal company to a facility that processes construction debris and sorts out bulk waste types, diverting approximately 49 tonnes of waste away from landfill. Wooden items such as crates are ground up and ultimately used as mulch material. Metals, cardboard, and plastics are sorted out, bulked, and sold to recyclers for reprocessing.

The success of these recycling and reduction initiatives has inspired us to identify other potential areas for waste reduction, and we are excited to continue the journey as we reduce our impact on our environment.

These initiatives were submitted for the Tennessee Chamber of Commerce & Industry's Environment & Energy Awards in 2015. Smith & Nephew was runner up in the Waste Management category.

Caring for society

Our employees have embraced the opportunity to support their local communities.



Donations in educational grants and sponsorships **\$10.1m**



Participation in employee volunteering evident in all regions



Charitable causes received cash and product donations **\$1.4m**



Product donations in response to the earthquake disaster in Nepal, **\$550k**

SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
				2015 IN REVIEW	

2015 in review

Our commitment to caring for society extends much further than the direct benefits of our products. It also ranges from helping local community projects near the towns and cities where we work, through to responding to requests for help with global crises.

Fundamentally, we also take our societal commitments across our supply chain very seriously, which we demonstrate in part through our compliance with relevant components of the 2010 US Dodd Frank Act and the newly released UK Modern Slavery Act.



Corporate giving

Our contributions to society in general and the local communities around our work locations take many forms; in some instances grants and donations are given to charitable organisations, and in response to humanitarian disasters. In addition to these fundraising efforts, we also support the local communities in which Smith & Nephew sites are located by encouraging our employees to give one day of their time each year to a worthwhile cause.



Employee volunteering thrives in 2015

All employees are encouraged to donate up to eight hours of volunteering in community events or supporting local charities each year. The examples of their efforts are numerous and take many forms, depending on the specific needs of the community and the interests of our employees. The celebration of Jeans for Genes Day, through fundraising across Smith & Nephew's Australian sites, was a particular highlight. All of the money raised was donated for research to help find cures for childhood diseases, to benefit future generations.

Building on this healthcare theme, our employees in the US continued to support the Susan G. Komen Memphis-Mid South Race for the Cure in 2015. Komen Memphis-Mid South provides screenings, mammograms, diagnostics, treatment and education for women in the local community and funding for breast cancer research. Our employees, together with Smith & Nephew's own financial contribution, donated over \$22,000 to this worthy cause in 2015.

Other volunteering initiatives included tree planting by our Malaysia team, to invest in a green future, and support for the Whitehouse Community Centre in South Africa, which provides rooms and food for community members in need. In India, Smith & Nephew employees contributed towards sponsoring 13,000 meals for underprivileged children in local schools, through the ISKCON Food Relief Foundation, and similarly, in California, 15 employees from the Irvine office helped process the distribution of food baskets to over 850 families in time for the US holiday of Thanksgiving.

Responding with compassion

In April 2015, a 7.8 magnitude earthquake struck near Katmandu, the capital of Nepal, killing more than 8,000 people, injuring more than 18,000, and causing widespread devastation. This was Nepal's worst natural disaster in nearly a century. In support of the efforts to help the people of Nepal, Smith & Nephew supplied more than \$550,000 worth of wound care and surgical products to key charities providing emergency assistance.

In March 2015, our business in Japan donated products including HYDROSITE® and OPSITE® dressings to the people of Vanuatu affected by Tropical Cyclone Pam.



2015 in review continued

Costa Rica successful in the Blue Flag Programme

The Ecological Blue Flag Programme (Programa Bandera Azul Ecológica, in Spanish) is an annual award to acknowledge effort and volunteer work in the pursuit of conservation and development in Costa Rica. Specifically, it recognises efforts to protect natural resources, address climate change, search for better sanitary conditions, and improve public health.

2015 marked Smith & Nephew's debut entry, which resulted in a score of 95%. This award promotes the organisation of local committees, healthy competition and community organisation for the benefit of present and future generations. We are committed to improving our performance in future years.



Thames21

Thames21 is one of the UK's leading waterway charities, working with communities across Greater London to improve rivers, canals, ponds and lakes for people and wildlife. The charity's actions make a real and lasting difference to the local environment.

A team of volunteers from our Group Head Office in London spent one day working on the River Brent, a tributary of the River Thames. A variety of tasks were undertaken including river restoration, clearing river banks from invasive plants and litter collection.



Tackling societal issues across our supply chain

Our commitment to society extends right the way through our supply chain. Arguably, this is the most difficult area to influence, but despite this, we strive to ensure that our supply chain is free of conflict minerals and that we do not contribute to human rights abuses.

Conflict minerals

In response to the requirements of the 2010 US Dodd Frank Act, we reported our status in accordance with the rules of the US Securities and Exchange Commission in May 2015. We remain committed to sourcing responsibly and will continue to monitor developments and be prepared to respond appropriately. Full details are available at www.smith-nephew.com/sustainability/policies/conflict-minerals.

UK Modern Slavery Act

A senior team, led by our Vice President Sustainability and HSE, is examining current practices and determining the processes that may be required to meet our obligations under the requirements of the 2015 UK Modern Slavery Act. We will report annually on the steps taken, and our policies and due diligence processes in relation to this topic in our own business and our supply chain, focusing on the areas where the risk exists. The findings for 2016 will be published as a statement on the Group website in 2017.

Appendices

Performance review against 2015 targets set in 2011

2015 targets	Progress since 2011 baseline
Deliver a higher return to shareholders than our peer group over the long term	Dividend for 2015 was 30.8 US cents per share, up 4% on 2014. Total distribution to shareholders of \$272m in 2015. See 2015 Annual Report for peer group information and specifically page 91 for total shareholder return data.
Incorporate sustainability considerations with 100% of our major supply chain partners (spend >\$1.5m)	Supplier Information Management survey has been completed for all of the Group's major direct suppliers.
Build sustainability considerations into 100% of new product development	Sustainability criteria remain in place. Their application has resulted in tangible improvement to several new products launched in 2015.
Strive for zero injuries	Zero fatalities. OSHA Total Recordable Incident Rate (TIR) has decreased by 53% (from 1.16 in 2011 to 0.54 in 2015). Lost Time Incident Frequency Rate (LTIFR) has reduced by 66% (from 0.58 in 2011 to 0.20 in 2015).
Attain a position in top quartile of industry for safety performance	2015 Group TIR = 0.54. This places the Group in the top quartile of safety performance within our sector, as reported in the most recent US Department of Labor, Bureau of Labor Statistics for Injuries, Illnesses and Fatalities in the industry classification of medical equipment and supplies manufacturing, 2014 data.
Implement wellness programmes in at least 60% of our major facilities by 2015 (major facilities are those with >100 employees)	This target has been exceeded. This has been extended so that most of our facilities and employees now have access to a wellness programme.
Target at least 40% global talent pool (mid-level and higher) will be women by 2015	39% of global talent pool (mid-level and higher) are now women.
Employees must continue to complete annual assigned compliance training and certify adherence to our Code of Conduct and Business Principles	100% employees trained. We are supplementing online training with face-to-face training.
Contribute more than 1% of adjusted pre-tax profits annually towards corporate citizenship/philanthropy by 2015	\$11.5m of philanthropy spend in 2015, of which \$1.4m was in cash and product donations and \$10.1m was in educational grants and sponsorships. This represents 1.1% of adjusted pre-tax profits. Volunteering programmes remain active in most regions and employee involvement has increased.

For detailed commentary on health and safety performance, see page 15 and for environmental data, see pages 20–21.

Our headline safety performance includes all employees and supervised contractors, it excludes unsupervised contractors who are still required to comply with our HSE requirements when on our sites. We adopt the industry standard Occupational Safety and Health Administration (OSHA) system to record incidents of occupational injury and ill-health. Lost-time incidents are defined as those which result in a person not being able to report for work on the day or shift following the incident. Performance is expressed as a rate of the number of incidents per 200,000 hours worked. All safety performance data reported excludes acquisitions made during 2015.

Appendices continued

Performance review against 2015 targets set in 2011

2015 targets	Progress since 2011 baseline	Underlying 2015 progress against 2011 baseline
Reduce our non-renewable energy use by 15%	Energy usage has increased by 10.9% (19.5GWh)	Energy has increased by 1.2%
Reduce our CO ₂ emissions by 15%	CO ₂ emissions have increased by 14.1% (10,928t)	CO ₂ emissions have increased by 5.4%
Reduce water use by 15%	Water usage has increased by 14.6% (97,859m ³)	Water usage has increased by 5.1%
Reduce packaging materials by 15%	Progress paused, the focus remains on packaging integrity and supply chain efficiencies	
Reduce total waste by 15%	Total waste has increased by 26.8% (1,932t) Waste to landfill has decreased by 38.6% (1,312t)	Total waste has increased by 19.0% Waste to landfill has decreased by 43.6%
Increase % of total waste recycled by 15%	Including waste sent for energy recovery, this improved, increasing by 57.3%	Including waste sent for energy recovery, this improved, increasing by 60.2%

The underlying progress takes account of changes in the structure and sites in the Group by only comparing sites that were present in both 2011 and 2015 in order to provide a more transparent comparison. Sites excluded were those acquisitions made since 2011, which were Healthpoint, Sushrut-Adler and ArthroCare in addition to those in Brazil, Colombia and more recently, Russia. The underlying change does not make allowance for the 18% increase in cost of production (between years 2012 and 2015) that is believed to have significantly impacted the underlying energy, water and waste data.

SMITH & NEPHEW TODAY	CARING FOR CUSTOMERS	CARING FOR EMPLOYEES	CARING FOR THE ENVIRONMENT	CARING FOR SOCIETY	OTHER INFORMATION
----------------------	----------------------	----------------------	----------------------------	--------------------	-------------------

Appendices continued

Environmental performance (absolute data)

	2011	2012	2013	2014	2015
Waste					
Non-hazardous waste (tonnes)	3,401	2,826	2,662	2,168	2,089
Hazardous waste (tonnes)	383	447	426	491	209
Waste recycled for energy recovery (tonnes)	n/a	460	431	2,706	1,946
Waste recycled (tonnes)	3,427	4,007	4,783	4,003	4,891
Total waste (tonnes)	7,211	7,740	8,301	9,368	9,137
Emissions, Energy and Water					
Emissions to air (tonnes CO ₂ e) from:					
Combustion of fuel and operation of facilities (process and fugitive)	10,918	10,946	10,123	11,208	11,011
Purchased electricity	66,356	65,958	67,559	74,178	77,191
Total emissions (tonnes CO₂e)	77,274	76,904	77,682	85,386	88,202
Total energy (GWh)	178	179	177	194	198
Water usage (1,000m ³)	672	695	752	703	770

All emissions have been recalculated using the most up-to-date emissions factors available for each location, therefore will differ slightly from previously reported numbers.

Independent assurance statement

Smith & Nephew has chosen DNV GL as our independent assurance providers. The summary assurance statement is provided below and we will continue to provide updates on our website and in subsequent Sustainability Reports.

Smith & Nephew commissioned DNV GL Business Assurance Services UK Limited (DNV GL) to undertake independent assurance of Smith & Nephew's Sustainability Report 2015 (the Report) for the year ended 31 December 2015. For clarity, the scope of the assurance includes all data and information in the Report except for case studies.

The work was performed 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. The Report was evaluated for adherence to the VeriSustain™ Principles of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

The performance data was evaluated using the reliability principle together with Smith & Nephew's data protocols for how the data are measured, recorded and reported.

The full assurance statement with DNV GL's scope of work, findings and conclusions can be found online here: [Independent Assurance Statement](#).



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

External recognition

We are proud to have maintained our listing on a number of high profile and prestigious socially responsible investor and sustainability indices including the following:

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



Go online to find out more about our sustainability practices

www.smith-nephew.com/sustainability

Contact us

We welcome your feedback on this Sustainability Report

Vice President of Sustainability and HSE

Smith & Nephew plc

15 Adam Street

London WC2N 6LA

United Kingdom

sustainability@smith-nephew.com

Product names

The product names referred to in this document are identified by use of capital letters and the ° symbol (on first occurrence) and are trademarks owned by or licensed to members of the Group.