



**+ Sustainability
on purpose**

Sustainability Report 2020

Smith+Nephew

Contents

Welcome to our 20th annual Sustainability Report. We are pleased to provide an update on the actions taken in 2020 to deliver our sustainability strategy and a detailed update for each of our priority areas: People, Planet and Products.



When you see the icon above, this highlights a story which illustrates the progress we have made across our key focus areas in 2020.

Our purpose	2	Our focus areas	16	Managing sustainability	40
A message from our Chief Executive Officer	3	People	17	Managing sustainability as part of our corporate governance framework	41
Who we are	4	Responsible global citizen	18	Our approach to risk	42
Our business model	5	Empowering our employees	22	The impact of climate change and TCFD	43
An interview with our Chair	6	Injury-free workplace	26	Acting with integrity	44
A look at our world	7	The Smith+Nephew Sustainability Challenge	28	Working with responsible third parties	46
Access to healthcare	8	Planet	29	Data and references	47
The global pandemic	9	Reducing emissions	30		
Our sustainability approach	12	Minimising waste	33		
Our sustainability strategy	13	Water efficiency	35		
Our targets	14	Products	36		
UN SDGs	15	A focus on the sustainability of products and packaging	37		
		Safe use of our products	39		

Welcome

Our purpose

Life Unlimited, two words that bring together all we do

Our purpose

Life Unlimited – Smith+Nephew exists to restore people’s bodies and their self-belief.

Our culture pillars

Our culture pillars guide our behaviours and build winning spirit:

Care – A culture of empathy and understanding for each other, our customers and patients.

Collaboration – A culture of teamwork based on mutual trust and respect.

Courage – A culture of continuous learning, innovation and accountability.

Our strategic imperatives

Five strategic imperatives form our value creation plan for the medium term.

- 1 Achieve the full potential of our portfolio
- 2 Transform the business through enabling technologies
- 3 Expand in high-growth segments
- 4 Strengthen talent and capabilities
- 5 Become the best owner

A message from our Chief Executive Officer

More than ever, in 2020 we have drawn on the strength of our purpose and culture to guide our behaviours.

I'm proud to say that throughout this period of uncertainty and challenge we have prioritised the health and safety of our employees, as well as protecting jobs, supporting our customers and communities, and ensuring the business is in the best position to respond both during and as we emerge from the COVID-19 pandemic.

Our response to the pandemic and our sustainability strategy are guided by our Group business strategy, "growing together effectively"; our purpose of Life Unlimited; and our culture pillars of Care, Collaboration and Courage.

Last year, we established ambitious targets to create a lasting positive impact on our communities, minimise our environmental impacts, innovate sustainably and create products that enable people to live their life to the full. We have made positive steps towards meeting these targets. Our Sustainability Council continues to lead the delivery of our sustainability strategy and we are seeing its influence spread throughout the organisation.

Whilst this report primarily covers our sustainability strategy and activities, it also provides an update on our response to the pandemic. We are proud to share with you just a few of the stories that show how our people and products are making meaningful differences in communities around the world.

We are proactively working to increase inclusion across our workplace. We stand by our culture pillars and have reiterated our commitment to inclusion and diversity along with a renewed push for racial equality. We **Care** for one another as one Smith+Nephew family. This means being empathetic to colleagues whose backgrounds and experiences are

different from ours. We **Collaborate**, and this is more than just working together, but truly respecting and valuing each other. It means listening more than we speak, and seeking to truly understand each other's unique story and perspective. And finally, we can show **Courage** by standing up and standing beside one another as one team, speaking up when we see injustice, and most importantly, taking appropriate action to ensure that everyone feels safe, feels heard and feels a part of our Smith+Nephew community.

Roland Diggelmann
Chief Executive Officer

“
We are proud to share with you just a few of the stories that show how our people and products are making meaningful differences in communities around the world.”

Roland Diggelmann
Chief Executive Officer



Who we are

We are a leading portfolio medical technology company

Life Unlimited. Smith+Nephew exists to restore people's bodies and their self-belief.

18,000

employees supporting healthcare professionals in over

100

countries, for more than

160+

years

Smith+Nephew has been responding to COVID-19 since January 2020, first in China, and then across all of our markets globally.

Life Unlimited in action



Charlie Hines, an Engineering Project Leader at our Memphis, US, site knows what Life Unlimited looks like. His son Lucas recently underwent hip replacement surgery, and is walking again thanks to Smith+Nephew technology.

Charlie's son Lucas said, "I have no more pain in my left hip, and I am ready to have the right one replaced. I'm hoping to play ice hockey in January with a local, recreational team."

Charlie Hines

Engineering Project Leader, Memphis, US



» You can find more information about Smith+Nephew in the Annual Report which you can find online www.smith-nephew.com/annualreport2020

Innovation

Innovation is at the heart of Smith+Nephew. We deliver new products that empower healthcare professionals with options to improve patient outcomes. We develop technology through our global Research & Development (R&D) programme, and also acquire exciting technologies where we can add value and make a meaningful difference to our customers and their patients.

Manufacturing and Quality

At Smith+Nephew we take great pride in our manufacturing expertise. Our main manufacturing facilities in the Americas, Europe and Asia continued to deliver our vital products in 2020 despite COVID-19.

Medical Education

Every year Smith+Nephew provides medical education and training to tens of thousands of surgeons and nurses to help improve patient outcomes through the safe and effective use of our products.

We serve our customers through three global franchises



Orthopaedics

Orthopaedics includes an innovative range of Hip and Knee Implants used to replace diseased, damaged or worn joints, robotics-assisted enabling technologies that empower surgeons, and Trauma products used to stabilise severe fractures and correct bone deformities.

Sports Medicine & ENT

Our Sports Medicine and Ear, Nose and Throat (ENT) businesses offer advanced products and instruments used to repair or remove soft tissue. They operate in growing markets where unmet clinical needs provide opportunities for procedural and technological innovation.

Advanced Wound Management

Our Advanced Wound Management portfolio provides a comprehensive set of products to meet broad and complex clinical needs, to help healthcare professionals reduce the human and economic consequences of wounds.

Our business model

Value creation is driven by our purpose, culture pillars and strategic imperatives

Our resources

Our people & culture

Attracting, developing and retaining the best employees is important. We strive to build a purpose-driven culture based on strong and authentic values.

Ethics & compliance

Committed to doing business the right way, compliance is embedded in the way we work.

Sustainability

Our sustainability strategy includes challenging targets set over the long term in the three areas of People, Planet and Products.

Research & development

Innovation is part of our culture and we are protecting the amount we invest in new products.

Manufacturing & quality

Operating global manufacturing efficiently and to high standards to ensure quality and competitiveness.

Medical education

Supporting the safe and effective use of our products through medical education.

Sales & marketing

Supporting customers through highly specialised sales teams with in-depth technical product knowledge that surgeons and nurses value greatly.



For more information, [click here for our 2020 Annual Report](#)

» Creating value through

Purpose-driven culture

Having a clear purpose gives employees a sense of belief and determination and a common goal. This supports a strong culture which drives performance across the business both in terms of financial and non-financial value.

Strategic imperatives

Our five strategic imperatives are fundamental to how we focus the resources of the business to maximise commercial impact in our markets. They form the basis of our value creation plan for the medium term.

Life
Unlimited

Strong product portfolio

We have market-leading technology across our broad range of products. We deploy our capital to drive continued innovation from our R&D programmes and invest in product and technology acquisitions which improve outcomes and widen access to life-changing care.

Customer centricity

Serving our customers is at the heart of our business model. We have a global franchise and regional model led by management who are specialists in their areas. This keeps us close to our customers, ensuring we can anticipate and meet their needs.

» Value delivered in 2020

\$4,560m

Revenue

\$295m

Operating profit

\$683m

Trading profit¹

c.\$40m

Efficiency savings

185,000+

Practitioner training instances

\$4.7m

Product donations

8,000

Hours volunteered

\$328m

Dividend

¹ This non-IFRS financial measure is explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 222–226 of our 2020 Annual Report.

An interview with our Chair

Q
A+

Q: What are Smith+Nephew's biggest sustainability challenges today?

A: Our challenge is to build sustainability into the way we work and how we do business every day. At Smith+Nephew, we serve our shareholders and investors, but we must continue to prioritise our employees, customers, local communities, and the broader world around us. We are addressing this challenge through our Sustainability Council which provides regular updates to the Compliance & Culture Committee.

“

We have continued to demonstrate strong Environmental, Social and Governance practices that contribute to long-term shareholder value.”

Roberto Quarta
Chair



Q: How has the pandemic impacted your sustainability activity?

A: Despite the pandemic, we remain focused on delivering our purpose of Life Unlimited to our employees and customers. Our priorities have been and continue to be the wellbeing of our employees, and supporting our customers and patients. We have extended special pandemic leave, made donations of supplies to community hospitals, and offered paid time off to Smith+Nephew employees with healthcare experience who wish to volunteer to support the fight against COVID-19 in their communities. Along with the Board, I am very proud of how we have responded to this crisis – as individuals and as a team.

Q: What impact has the Sustainability Council had on sustainability at Smith+Nephew in its first year?

A: Last year, the Sustainability Council built around our purpose, culture pillars, and strategic imperatives. Council members are executives from across many Smith+Nephew functions and are ideally placed to drive our programmes in areas such as social responsibility, environmental stewardship, labour and workplace conditions, supply chain impacts, community involvement, and philanthropy. Their wide range of experience and expertise is helping us begin to deliver against our targets. Their leadership and enthusiasm for sustainability is great to see and it is having a positive effect on our activities.

Q: How have you progressed against the new strategy/targets?

A: This year marks the first anniversary of our new sustainability strategy and enhanced targets and also the 20th anniversary of our Sustainability Report. Although there is much to do, I'm proud to say we are making good progress against our new targets and are putting in place programmes to deliver against our long-term sustainability targets. This report provides a detailed update for each of our priority areas: People, Planet and Products.

Q: What progress have you made in the area of inclusion and diversity?

A: In 2020, we created eight Employee Inclusion Groups (EIGs) to enable employees to engage, collaborate and foster a diverse, inclusive workplace aligned with our purpose, culture pillars, and business objectives. These Global EIGs are led and managed by our employees, sponsored by our senior leaders and cover a broad spectrum of diversity.

Q: What do you see as your most significant achievement in sustainability this past year?

A: I'm pleased to report that the electricity purchased at our largest sites in Memphis, US, was sourced from wind energy for the first time in 2020. This resulted in a significant reduction in our overall carbon footprint. We also continue to be listed on the Dow Jones Sustainability Index (DJSI) and FTSE4Good.

A look at our world

Every year, people expect more from the healthcare sector. In-line with our purpose of Life Unlimited, Smith+Nephew is well placed to deliver more, with new technologies that we have both developed and acquired. The goal is to enable healthcare professionals to provide better care for individuals and better health outcomes for populations.

These three trends continue to shape our ability to deliver Life Unlimited:

1 Affordability of healthcare

Affordable healthcare helps ensure people continue to have opportunities in life. But there's a tension between innovation and cost. Resource constraints mean that patients and their healthcare providers may not be able to access the latest technologies as quickly as they would prefer. We recognise this need and respond by maintaining a strong focus on access to affordable care.

2 Growing concerns about healthcare inequality

We are hearing increasingly more from non-governmental organisations (NGOs) and the media about healthcare solutions that are available in the developed world but not in developing countries. We expect more calls for multinationals to help level the playing field and improve access to healthcare for everyone. At Smith+Nephew, we believe that more patients should have access to healthcare to help them achieve Life Unlimited. We deliver innovative and competitively priced solutions across Orthopaedics, Sports Medicine, ENT and Advanced Wound Management.

3 The chemicals and materials used in healthcare solutions

There is increasing concern from some customers about specific chemicals and materials used to manufacture healthcare devices. No longer satisfied that something is safe or sustainable just because it is government-approved, they are asking more questions about how healthcare solutions are made. This puts medical device companies under pressure to find alternative materials and technologies that provide the same outcomes. We keep this under constant review and incorporate these considerations at an early stage in our new product development process and during acquisitions.

Smith+Nephew's response

Our challenge, then, is to provide affordable, accessible healthcare, sustainably. Smith+Nephew's franchise structure, global footprint and innovative technologies put us in a strong position to do this in a way that enables people to live life in over 100 countries to the full. We actively design high-quality, cost-effective new products for both developed and Emerging Markets and strive to widen access to our technologies. We track our usage of chemicals of concern, both in products and manufacturing processes, to minimise patient exposure and environmental impacts.

A look at our world continued

Access to healthcare

We believe that sustainability in healthcare means patients have access to healthcare solutions that will help them achieve Life Unlimited.



Quality healthcare means people can live their lives to the full. It helps promote and maintain health, prevent and manage disease, reduce disability and achieve healthcare equity for all. We want people to be able to benefit from the best cost-effective solutions to meet their needs, no matter where they live in the world.

Healthcare access is usually defined as the ease with which someone can obtain the medical care they need. While there's never going to be a single solution for improving access to healthcare, removing everyday barriers can help improve patient outcomes.

In developed markets, Smith+Nephew works to improve healthcare systems, for example, by facilitating increased throughput and efficiency with innovations that help enable increased speed and accuracy of surgical procedures. Our innovations also help improve patient outcomes and reduce rehabilitation times.

Large populations in some developing markets don't have the same access to healthcare. We aim to price our solutions

competitively and run an active product donation programme. Smith+Nephew is uniquely placed to be able to improve access to healthcare because of our end-to-end model, including involvement in both surgical devices and wound care.

Improving access to medical education during the pandemic

We have an active medical education and surgeon training programme. Due to the limitations presented by the global pandemic in 2020, the medical education team responded to the challenge and expanded our programme to include a robust calendar of virtual interactive education programmes for customers. During 2020, nearly 80% of our training was delivered virtually compared to just 11% during 2019. This resulted in an increase in the number of global customers that received education and training. Dependent on the geography, we were able to begin to reinstate face-to-face medical education during the year, and continued to provide education by making additional online content available.

80%

of our training was delivered virtually compared to just 11% during 2019. This resulted in an increase in the number of global customers that received education and training.

A look at our world continued

The global pandemic

The coronavirus (COVID-19) has changed our daily lives. It's affected the way we do business, our family life, leisure time and the way we travel. Like many businesses, Smith+Nephew has had to make significant changes to continue meeting the needs of our customers whilst maintaining the health and safety of our employees.

Our offices have worked hard to provide the infrastructure that supports a sudden shift to remote working. And our manufacturing sites have adopted new ways of working to maintain production.

Our response to the pandemic

Smith+Nephew has been responding to COVID-19 since January 2020, first in China, and then across all our markets globally, through the establishment of Global and Regional Crisis Management Teams and Regional Incident Response Teams. Throughout this period, we have prioritised the health and safety of employees, protecting jobs, supporting our customers and communities, and ensuring the business is in the best position to respond as elective surgeries return.

Precautionary safety measures are in place at all our sites, where we follow and sometimes exceed local requirements. This includes social distancing measures, temperature checks and the availability of hand sanitisers and personal protective equipment (PPE). We also continue to limit business travel and in-person meetings.

We recognise that our duty of care also extends to the broader welfare of employees.

Measures taken include enhancing our Employee Assistance Programme so it's easier for employees to access resources to support their emotional, mental, physical and financial wellbeing. We have also reviewed all objectives to ensure expectations are achievable and aligned with our business deliverables. COVID-19 has also given us a unique opportunity to reflect on our current customer needs and to put in place new approaches to serve our customers better than ever before.

We are encouraging and supporting remote working and have put in place guidelines and protocols to allow some employees to return to the office safely, with thermal screening technology deployed at all our major locations. We also conducted a survey asking for ideas and suggestions as to how the workplace should function in the 'new normal', receiving responses from over 7,000 employees.

Finally, we have continued to use our resources to support the fight against COVID-19.



A huge well done to all the team involved. The OxVent project was a real demonstration of all three of our culture pillars in action. It makes me so proud to see the team recognised externally like this for their tremendous efforts and achievements."

Andy Garfield
Vice President, Wound Management Operations

Smith+Nephew partnered with OxVent to develop and manufacture ventilators for COVID-19 patients

At the onset of the COVID-19 pandemic in March 2020, Smith+Nephew employees in Hull, UK, engaged with the UK government's Ventilator Challenge. Collaborating with the University of Oxford and King's College London, they worked days, nights and weekends to develop a low-cost ventilator and built a manufacturing line with a supply chain capable of producing 700 units per week.

Thankfully, the ingenuity and skill of the UK health services meant the OxVent design was not needed in the UK. The OxVent business is now working with charities and government agencies in South America and India to provide this capable and low-cost ventilator to those in need.

In November, the OxVent team was recognised at the Institution of Engineering and Technology (IET) E&T Innovation Awards, winning the Global Challenge Award at a virtual ceremony.

This award is all about shining a spotlight on the innovation coming out of this year's crisis and the efforts to combat the global pandemic. It gives much earned recognition for both the skills, knowledge and innovation demonstrated and also the huge commitment to deliver the project in a short space of time.



A look at our world continued

Staying safe with Bump™

As a key supplier to the UK National Health Service and other healthcare providers, our site in Hull, UK, has remained operational throughout the pandemic. On top of its many COVID-19 security measures, the site has also piloted Bump, an innovative wearable technology, to help employees maintain social distancing.



Bump uses Bluetooth and radio frequency to measure the distance between two devices, alerting wearers when they are closer than two metres together. Bump also has a 'PPE mode' that disables alerts if the user is wearing two layers of PPE.

The devices comply with data privacy laws and do not track or monitor movement only interactions based on the proximity of devices. Wearers download their data once a day and can access it online. Bump also helps with contact tracing: administrators can run a search to identify people who have been in contact with a positive or potentially positive COVID-19 case.

Smith+Nephew is the only medical device manufacturer involved in the Bump pilot. We partnered with UK-based advanced robotics company Tharsus (the maker of Bump), to help them refine the prototype into the final design, with our feedback influencing additional features such as PPE mode.

80%

Survey results at the end of the pilot showed that around 80% of the 50 pilot participants agreed Bump improves social distancing, and recommended that the technology should be rolled out across the site.

Overall, we found Bump devices to be highly effective and easy to use: all employees need to do is charge them and wear the devices at work. The pilot helped us to identify and manage congestion hot spots, for example moving lab equipment further apart to prevent 'bumps'.

Survey results at the end of the pilot showed that around 80% of the 50 pilot participants agreed Bump improves social distancing, and recommended that the technology should be rolled out across the site.

Following on from the successful pilot, we plan to roll out Bump to more of our manufacturing sites worldwide.



A look at our world continued

Assuring our COVID-safe controls

In July 2020, our facility in Hull, UK, was the subject of a COVID-secure inspection by the UK Health and Safety Executive. This formed part of a government programme to assess businesses' readiness and execution of the controls required to protect employees against COVID-19.

We demonstrated our COVID-19 controls, including our high-level guiding principles, governance, communications, core standards, site controls, employee feedback and various COVID-related improvement projects. This included plans to improve temperature monitoring systems and the Bump social distancing devices, see case study on page 10.

The inspector confirmed that there were no adverse findings or recommendations and praised our practices, asking for permission to share them with his colleagues and other businesses in future inspections.

Manufacturing face shields in Memphis

A team of employees at our site in Memphis, US, worked diligently to set up a validated process to produce face shields in response to a request from our customers on the front lines in light of the increased demand for this protection.

Our Memphis Operations team does not normally manufacture face shields, usually purchasing them from a local supplier. However, the team wanted to play their part in the pandemic response. In less than two weeks, this group collaborated with our Sports Medicine leadership team to ensure all Smith+Nephew quality and regulatory requirements were met. With increased demand from our customers, our Memphis team developed and executed a plan to assemble and ship face shields from our Brooks Road facility. Our Operational Excellence team also worked with manufacturing to further improve output.

Site Leader Ken Bly praised the team's efforts: "I am incredibly proud of this team for rising to the challenge and delivering more than 63,000 face shields in the first week of production."

We also reached out to teams across the Memphis area for their help, with employees from Ortho Recon Support, Human Resources, Public Affairs and R&D all volunteering their time. With the help of these groups and our Face Shield Assembly Team, the Memphis team assembled over a million face shields.



Russell Johnson
Manufacturing Director, Memphis



I am incredibly proud of this team for rising to the challenge and delivering more than 63,000 face shields in the first week of production."

Ken Bly
Site Leader, Memphis

3D-printed face shields for local response

In April and May 2020, a team in Memphis, US, developed a 3D-printed face shield for emergency use in the pandemic. We've been providing the shields to Church Health, a local non-profit organisation that is co-ordinating and performing much of the city's COVID-19 testing. Church Health is the medical home to tens of thousands of uninsured and underserved individuals and families across Shelby County, Tennessee and a Smith+Nephew charity partner that increases access to healthcare.

To date, we've donated over 9,000 shields, and our goal is 15,000. Church Health have been using the shields at drive-up test sites and in their clinics, particularly in their dental clinic.

Our sustainability approach



Our sustainability strategy

Our sustainability strategy is built on our purpose – Life Unlimited, our strategic imperatives and our culture pillars of Care, Collaboration and Courage.

Our sustainability strategy, which was developed by our Sustainability Council in 2019 and approved by the Board, was inspired by the United Nations' Sustainable Development Goals (SDGs). It is directed by our five strategic imperatives that form the basis of our value creation plan for the medium term. They are designed to help us grow together; not just as a Company, but as a global team, and to do so in an efficient and effective way.

Our strategy reflects the importance of social, environmental and economic aspects of sustainable development. As a profit-seeking enterprise, our challenge is to focus our efforts on the economic aspects, whilst optimising the social and environmental impacts.

Life Unlimited extends to the communities where we live and work.

- We demonstrate **Care** by respecting our global resources, minimising our impact on the environment and ensuring the safety and wellbeing of our employees.
- We demonstrate **Collaboration** by ensuring our suppliers and partners share our commitment and by working together to contribute to our communities through individual and team volunteerism.
- We demonstrate **Courage** by setting ambitious goals to increase our volunteerism, reduce waste and CO₂ emissions, and minimising our ecological footprint by operating responsibly and sustainably.

Smith+Nephew has been and remains committed to working in a sustainable, ethical and responsible manner everywhere we do business. We are proud of our achievements over many years, including our recurring inclusion in leading indices, such as FTSE4Good, ISS and the Dow Jones Sustainability Index.



Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



Our targets

People +

Creating a lasting positive impact on our communities

Our targets

Our progress in 2020

Between 2020 and 2030, contribute **1 million** volunteer hours to the communities in which we live and work.

8,000

Hours of volunteering.

Between 2020 and 2030, donate **\$125 million** in products to underserved communities.

\$4.7 million

Product donations.

Empower and promote the **inclusion of all**.

Eight

Global Employee Inclusion Groups were established. Our senior leaders and managers were trained on inclusion.

Additional actions

- Revise social responsibility strategy and implement globally, including guidance to all locations on philanthropy and volunteering
- Continue to measure and report on all current health and safety metrics (ie incident rates)
- Implement targeted training and performance elements in Commercial areas
- Continue to share best practices across operations sites
- Continue and extend robust Health, Safety and Environment (HSE) audit programme
- Become fully compliant with identified applicable international labour standards within Smith+Nephew.

Planet +

A medical technology business with a positive impact

Our targets

Our progress in 2020

Achieve an 80% absolute reduction in total life cycle greenhouse gas emissions by 2050, beginning by implementing **100% renewable electricity** (eg solar or wind) plans at our facilities in Memphis, US, and Malaysia by 2022, and at all of our strategic manufacturing facilities by 2025.

All

sites in Memphis, US, began sourcing renewable electricity.

72,945 tonnes

CO₂e emitted (location-based), a 6% reduction since 2019.

40,132 tonnes

CO₂e emitted (market-based), a 40% reduction since 2019.

Achieve **zero waste to landfill** at our facilities in Memphis, US, and Malaysia by 2025 and at all of our strategic manufacturing facilities by 2030.

1,853 tonnes

We sent 7% less waste to landfill during 2020 compared to the previous year.

Additional actions

- Develop and implement a greenhouse gases (GHG) reduction programme
- Determine local human and ecosystem water needs at each significant location
- Develop and implement a water reduction programme targeted to high risk locations
- Develop and implement a waste reduction programme
- All current metrics (ie water usage, recycling percentages, etc.) will continue to be measured and reported.

Products

Innovating sustainably

Our targets

Our progress in 2020

By 2022, include sustainability review in New Product Development phase reviews for **all new products** and product acquisitions.

Initiated sustainability reviews within New Product Development.

By 2025, incorporate **at least 30%** post-consumer recycled content into all non-sterile packaging materials.

Started packaging reduction roadmap.

By 2025, incorporate packaging materials from **sustainable sources** for new packaging parts.

Started to develop our packaging sustainability strategy and roadmap.

By 2025, complete supply chain assessment of **all suppliers**, including subsequent tier levels, to assure compliance with our sustainability requirements.

We have started risk mapping our supply chain.

Additional actions

- Apply identified international labour standards to our downstream partners using current compliance scheme
- Extend current compliance scheme relative to identified international labour standard to upstream vendors
- Identify and catalogue the sustainability attributes in existing products and services
- Identify attributes of value to customers, investors and regulators and embed them into R&D/NPD targets and processes
- Develop and implement a programme to communicate and embed product and service sustainability attributes into Medical Education, Market Development, Sales Training, R&D/NPD and product launch, Evidence generation, and Manufacturing processes
- Implement processes to ensure current and ongoing compliance with the customer and regulatory requirements (eg chemicals of concern, Modern Slavery, conflict minerals, Waste Electrical and Electronic Equipment Regulations (WEEE), Restriction of Hazardous Substances Directive (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals Regulations (REACH), Safe Drinking Water and Toxic Enforcement Act of 1986 (California Proposition 65/Prop65)).

United Nations' Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development, with its 17 SDGs, is an internationally agreed framework of goals, each with subsidiary targets, to end poverty, protect the planet and ensure prosperity for all. Following on from the earlier United Nations' Millennium Development Goals, their focus is on progressing the most important opportunities to accelerate sustainable human development.

Smith+Nephew can only have a limited impact on many of these targets. However, we can be a positive force in several areas. Whilst our goals and targets are fundamentally derived from our Group business strategy, it is important that these align with and support global sustainable development efforts.

Using a structured approach, we have identified the SDGs most important to Smith+Nephew, where we can make the most significant contribution (these are shown on the right of the page). To identify these priority SDGs, we considered our vision and purpose as an organisation – to restore people's bodies and their self-belief – as well as our strategic areas of focus in our sustainability strategy. We also weighed up the extent of our potential impact with respect to these SDGs, taking into account our entire value chain. Once we had identified these priority SDGs, we mapped them against our own sustainability goals. By focusing on these SDGs over the long term, we will ensure we select targets that have maximum positive impact on sustainable development as we progress towards achieving them.

Beyond the five SDGs that we have identified as most important, one further SDG (Goal 6 – clean water and sanitation) aligns to our additional actions but is not a strategic priority.

People

Creating a lasting positive impact on our communities



Planet

A medical technology business with a positive impact



Products

Innovating sustainably



For more details on how our sustainability targets relate to specific SDGs, please see page 47.

Our focus areas



People

Responsible global citizen	18
Empowering our employees	22
Injury-free workplace	26
The Smith+Nephew Sustainability Challenge	28



Planet

Reducing emissions	30
Minimising waste	33
Water efficiency	35



Products

A focus on the sustainability of products and packaging	37
Safe use of our products	39

+ People

Creating a lasting positive impact on our communities

“

People come first at Smith+Nephew – our patients, employees, healthcare professionals, partners and shareholders.”

Elga Lohler
Chief Human Resources Officer,
Chair of the Sustainability Council



Why is this important?

Putting people first is the essence of our purpose, Life Unlimited. It will help us to achieve our vision of a world where healthcare professionals and patients can access solutions to help restore health, wherever they are.

Our people work to help improve other people's health and wellbeing. We work to protect theirs, by ensuring a healthy and safe working environment. We continue to strengthen our wellness programmes for employees, with a focus on enabling healthy lifestyle choices.

We engage meaningfully with the communities where we operate through our site leadership teams and local camaraderie councils. We encourage our people to volunteer in local communities, offer paid volunteering time and match employee charitable donations. During the pandemic, we have offered additional volunteering time to employees with healthcare training who wanted to serve on the front line.

How it links to our targets

Between 2020 and 2030:

1m

volunteer hours to the communities in which we live and work between 2020 and 2030.

\$125m

product donations to underserved communities between 2020 and 2030.

Inclusion of all

Empower and promote the inclusion of all.

Responsible global citizen

Why is this important?

We believe that everyone needs to play their part in helping to tackle today's many challenges. So do the growing number of people who want to work for companies that act in a responsible way. We're proud that through our products and services, our people can improve health and quality of life around the world.

Smith+Nephew's approach

Our purpose – Life Unlimited – is to improve the health issues that hinder people from living their lives to the fullest. We are committed to conducting business in a socially responsible manner, ensuring that all stakeholders (investors, employees, customers, suppliers, and the communities in which we live and work) are considered in our business decisions.

Our sustainability strategy engages employees around our philanthropic activities. These include:

- **Product donations:** Governed by our Global Policy and Procedure on Grants and Donations, we provide grants and donations to charitable or not-for-profit organisations, medical institutions, accredited educational programme vendors, medical foundations and professional societies.
- **Matching gifts:** We match employees' eligible charitable donations up to \$500 per employee on an annual basis.

- **Employee volunteering:** We encourage our people to volunteer as a way to build teamwork and develop themselves further, as well as to give back to our local communities. Our programme allows every employee up to eight hours of paid volunteer time per year.
- **Wellness activities:** Our wellness programme empowers employees to actively participate in their overall health and promote healthy behaviours in the communities in which we live and work.

We believe that charitable and not-for-profit organisations and activities are best selected at local level, guided by our social responsibility strategy.

Each location's Site Leadership Council and Life Council runs a local programme that best engages their employees and meets local needs. We report on our progress, reinforcing that Smith+Nephew is a great place to work.

Strict criteria ensure that we only support charities and other non-profit organisations that meet appropriate ethical standards.

Key areas of focus

Our sustainability strategy areas of People + Planet + Products led us to focus on the following key areas:

Health & human services (People + Products)

As a leading medical device company, we give preference to programmes that relate to health and human services. Our contributions are used to increase access to healthcare and human services in locations where they will benefit those in greatest need.

Education (People + Products)

Education gives people better access to high-quality healthcare solutions. We fully support educational programmes, particularly those focused on Science, Technology, Engineering, and Mathematics (STEM). Education for both current and future generations provides broader, more diverse employee potential and contributes to increased employee opportunities.

Environmental stewardship (People + Planet + Products)

We encourage participation in programmes that protect and provide wider access to local natural resources and those that promote sustainable initiatives. We strive to reduce our environmental footprint both in our manufacturing processes and for our customers.

Responsible global citizen continued

Our Performance

Employee volunteering in 2020

In support of our target to contribute one million volunteer hours to the communities in which we live and work between 2020 and 2030, all employees have eight hours of paid volunteering time each year. In 2020, we additionally made 160 hours available to employees with a healthcare professional background to use their skills to work directly in response to the pandemic. This temporary COVID-19 Global Volunteer Policy for registered healthcare professionals was developed to support the communities in which we live and work. It helped address the increased burden on the global healthcare industry due to the COVID-19 pandemic. Employees were able to use the additional volunteer time to support healthcare organisations, services, and healthcare professionals at this time of global crisis.

The total number of hours volunteered by Smith+Nephew employees in 2020 was 8,106 hours, of which 1,948 hours were part of the registered healthcare professionals programme. After we emerge from the pandemic, we are confident that we can increase this number to meet the target.



Employees with a healthcare professional background encouraged to volunteer

Based in Germany, Wound Care Specialist Tanja worked as a specialist in intensive care and anaesthesia before joining Smith+Nephew. With the outbreak of COVID-19, Tanja took special volunteering leave, returning to the hospital to support her former colleagues and care for patients in the COVID-19 intensive care unit during 18 shifts.

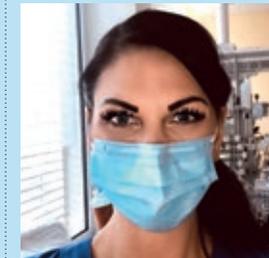
8,106

The total number of hours volunteered by Smith+Nephew employees in 2020 was 8,106 hours, of which 1,948 hours were part of the registered healthcare professionals programme.



It was a great feeling to be back in the clinic and to be able to help actively. In my four weeks, I cared for seriously lung-sick patients on ventilators, supported patients through lung endoscopies and daily X-rays, and paid special attention to preventing pressure ulcers. No patients were allowed visitors during this period, so as nurses, our role in providing comfort and emotional support for patients was more vital than ever. In palliative situations, it was especially important to be there for the patients in their last hours. I am so proud of my nursing colleagues; they do an incredible job and have my greatest respect. I am grateful that Smith+Nephew gave me the opportunity to volunteer and I would do it again any time.”

Tanja Lamm
Wound Care Specialist



Responsible global citizen continued



Fort Worth employees write to elderly residents in assisted living facilities

Volunteers from the Fort Worth, US, site and their family and friends wrote roughly 200 letters to help improve the morale of the residents and staff in a local assisted living retirement home. The home was the place of residence for the mother of one of our employees, who served as a point of contact for dropping off the letters. COVID-19 restrictions meant even she was not allowed in the home. Mental health issues and loneliness have become more prevalent during the pandemic and this was a great way to improve mental wellbeing for both residents and our employees.

Creating a lasting positive impact on our communities in Costa Rica

In Costa Rica, we now employ nearly 2,000 people in our manufacturing facility and in a new Global Business Services centre. The business park, employing more than 16,000 people in the Coyol Free Zone (CFZ), has been voted the best Business Hub for Life Science and Advance Manufacturing in Latin America by The European in its 2020 Global Business Awards. You can also read about how this site in Costa Rica is contributing to local environmental projects and how our employees are getting involved on page 35.



Community involvement to support STEM learning

'Ready, Steady, Read' in Hull, UK

Our site in Hull, UK, supported 'Ready, Steady, Read', a charity supporting schools in the local area, encouraging children to read books and inspiring them to do the best they can to get a good all-round education.

To promote the charity, we collected over 1,400 children's books on-site and donated £5,000 to the charity, which was used to buy new books for three schools in the Hull area. In total, over 3,000 new books have been donated into the community to help with literacy in Hull. When the books are donated to the schools, the children are taught about the history of Smith+Nephew and the job opportunities that could be available to them.

The schools have also been working with our STEM team, who are developing presentations to inspire the children into studying science, technology, engineering, and mathematics subjects at school.

This initiative has been a success for the team in Hull. It has benefited the local schools and children, engaged our employees and increased our visibility in the local community.

Suzhou, China employees arranged a book donation

More than 300 children's story books were donated by Smith+Nephew employees to help build up a Children's Mini Library in a neighbouring poor area. This was a great way to support educational needs in our local community.



3,300

children's story books have been donated by staff in Hull and Suzhou to support educational needs in our local communities.

Responsible global citizen continued

Product donations to underserved communities in 2020

In support of our target, between 2020 and 2030 to donate \$125 million in products to underserved communities, our philanthropic activities during 2020 totalled \$4.84 million. This consisted of \$4.75 million in product donations and \$91,000 in cash. The cash included \$73,500 from matching employee gifts to qualified charities.

This reflects the continuing success of our social responsibility strategy, which aims to build employee enthusiasm for charitable giving and demonstrate how it connects with our success as a company.

In addition, in 2020 we provided \$10.9 million in educational grants and sponsorships across the world. These aimed to support and improve the skills of surgeons in the use of our products and technologies, expanding access to world-class healthcare solutions.



Earthquake relief efforts in Puerto Rico

In January 2020, Puerto Rico was hit by earthquakes in the south of the island. Many elderly people living in this area had to leave their homes and others sought temporary shelter. In response to a need for Advanced Wound Care treatment, we helped wound specialists from local institutions to provide treatment to people in need.

We helped over 12 communities, providing Advanced Wound Care treatment to more than 75 patients by creating small brigades of Wound Care Specialists. We also trained military clinical personnel in our products to help them continue treating patients.



Providing healthcare supplies in South Africa

We were proud to answer the call of the Gauteng Department of Health (South Africa), donating thousands of protective masks and hazmat suits to frontline healthcare workers fighting the pandemic in the region as they continue the vital work to help patients return to living a Life Unlimited.

Future Frontiers – UK Careers development in the midst of the pandemic

What could your future career look like? That's the question 29 of our colleagues in the UK volunteered to help students answer this summer. In collaboration with charity Future Frontiers, the coaching programme began in the midst of the UK's COVID-19 lockdown and supported students aged 16-18 from low-income backgrounds as they considered their next steps into higher education, employment or training.

Responding to the devastating bushfires in Australia

Smith+Nephew is committed to making a difference in all the communities in which we operate and our thoughts were with those affected by these fires in January as well as the brave firefighters, community groups and individuals involved in the disaster relief efforts. We were pleased to report that Smith+Nephew donated AUD \$100,000 to the Australian Red Cross. This was in addition to the product donations we have made to various charities to aid in the recovery efforts.

Future focus

In 2021, we will continue to promote our active philanthropic programmes to help deliver our sustainability strategy.

We will continue progress against our targets in our People focus area to promote employee volunteering across all regions and respond to patients' needs with product donations to underserved communities around the world.

For the love of scrubs

In the UK, Human Resources Senior Director Vanessa Lucas joined sewing collective 'For the Love of Scrubs' and used her volunteering hours to help sew extra scrubs for her local National Health Service (NHS) Trust.



It's wonderful that my sewing skills have been useful in this way."

Vanessa Lucas
Senior Director, Human Resources



Empowering our employees

Empowering and promoting the inclusion of all

Why is this important?

Our employees are the reason for our success. Their hard work and dedication improves patients' lives every day, across the world. To make sure we attract, engage and retain talented employees, we work to be an 'employer of choice' – by empowering our leaders and managers, building a sustainable talent pipeline, and operating more effectively and inclusively.

Smith+Nephew's approach

Inclusion and Diversity is at the core of our culture and we are actively working to increase inclusion across all of our workplaces. We do this by living our culture pillars and through awareness and training but also promoting it in our daily activities. By empowering our employees we aim to contribute to the attraction and retention of top talent.

Key areas of focus

A culture of Care, Collaboration and Courage

We've been improving health around the world for more than 160 years. Although we have come a long way from our beginnings as a small family pharmacy in Hull, UK, our founding spirit has stayed the same.

Our culture – Care, Collaboration and Courage – defines who we are and creates an environment that sets us up for success. It engages and

motivates employees, helps them understand our purpose and makes them feel valued for their contributions to it. It also encourages the behaviours that help us reach our goals.

In 2020, this strong culture guided our response to COVID-19. Employees told us how they saw 'Care' reflected in our pandemic leave policy, protection of salaries and jobs, and our support for volunteers such as the Memphis employees who gave their time to make face shields. We also honoured our commitments to interns who were unable to physically join us, and we ran some short-term 'micro-internships'.

We are very proud of the Company's response to COVID-19 and our ability to transition most employees to remote working. Whilst employee health and safety was our priority, it was also really important that people felt connected, supported and engaged throughout. We have learned a lot about our ability to be resilient, adaptable, and collaborate differently but effectively.

Alongside our culture, these insights will guide how we work together in the future 'New Normal'. A team has started work on defining our new working practices, building on the positive lessons learned during 2020 as teams continued to work effectively throughout the pandemic, whether working remotely from home or at our sites around the world.

We continue to use the Gallup Global Engagement Survey to measure how well our employees are engaged, and to determine where we need to improve the employee experience.

For the first time, this year's survey featured an Inclusion Index to give us a baseline measure of how included all our employees feel. This aligns with our overall Inclusion and Diversity ambition and measures three dimensions: ethics and integrity, focus on strengths and respect. To ensure all employees at every level feel included, all teams throughout the business will review and plan against their results.

The employee survey results are reviewed by the Compliance & Culture Committee of the Board, who take great interest in how our culture is being embedded. They also value the survey as another way for employees to share their feedback. Our culture and its development are regular topics at Executive Committee meetings. Based on the results of our engagement survey, we equip every manager in the Company with tools to live our culture.

Inclusion at Smith+Nephew is where:



Empowering our employees continued

Winning Behaviours

Winning Behaviours define the winning culture we want to drive at Smith+Nephew and the behaviours that will deliver our strategic imperatives and build our inclusive culture. Following their launch in 2019, we continue to embed them across the business.

Winning Behaviours have been front and centre during this year's turbulence, helping to guide decision-making and clarity on the expected leadership at every level. They have also played a key role in ensuring we hire the right talent and leadership. We recently introduced a new robust and standardised methodology to enable this, which also enhances the diversity of our hiring. Embedding Winning Behaviours in our performance and talent processes provides confidence around how we assess performance and future talent.

Our culture and Winning Behaviours have guided our new global onboarding programme for new employees and people leaders, enhancing the experience for new hires. It means employees have a consistent experience, whilst people leaders have a simplified onboarding and induction process, and comprehensive resources to support their new hires during their first year.

Development

To truly live our purpose of Life Unlimited, we must realise every employee's full potential. To achieve this, all our employees have robust 70-20-10 development plans, which take a blended approach to learning and development: 70% through experiential/on the job learning; 20% by learning from others, for example through coaching; and 10% from formal learning. We have invested resources to support these plans, and 82% of all employees now have a development plan in Workday (our HR system), exceeding our 2020 target of 80%.

82%
of employees have
a personal career
development plan

Leadership development

This development philosophy and our Winning Behaviours guide the development of leadership programmes and solutions.

All employees have access to MyLearning, an online platform that includes videos, book summaries and papers and attracts high levels of usage and engagement. Over half of employees who used it returned for a second or third time.

Despite the disruption in 2020, 268 people leaders participated in our successful leadership programmes, Pioneer and Leadership Edge, during the year. As well as refreshing content to reflect new leadership requirements, we also evolved these programmes to a more virtual and interactive deployment model, accommodating remote working.

Our Continuous Leadership Journeys, which enable employees to tailor their training and learn at their own pace, continue to be extremely popular, with 294 participants across various programmes in 2020.

We also saw record numbers participating in Elevate, a monthly webinar series supporting the professional development of up to 200 women per month.

We ran a successful pilot of our new Executive Development Programme for our senior leaders this year, in partnership with Yale School of Management and Columbia Business School. To date, 22 senior leaders have been through the programme and the feedback has been extremely positive. The opportunity to apply learnings in a real-world business project was particularly beneficial for participants and the business.

Empowering our employees continued

Performance and talent management

Our performance management process aligns each individual's objectives with our strategic imperatives and Winning Behaviours, as well as aligning individual performance with business performance. It has been particularly helpful for our people leaders and employees in light of 2020's challenges and moves to remote working. We also provided extra support to help people leaders encourage more frequent feedback, re-align objectives and manage performance conversations remotely.

Developing key talent is critical to our future success. We have a number of processes that enable this, culminating in our global talent review in May each year. During this, the Executive Committee reviews High Value Roles (that create or enable the most value for the organisation), successors for these roles and development plans to accelerate readiness for them.

This year, we ran a second global talent review in October to deep-dive into our female talent, early talent and how we might broaden our approach to diversity even further. This was a great example of living our culture and our commitment to developing our people.

We also introduced some great initiatives in 2020, including Executive Committee sponsorship of female talent and 'reverse mentoring' pilots. Our Smith+Nephew Young Professional Group is a wonderful example of our early talent collaborating across markets and franchises to engage and develop.

Inclusion and Diversity

In 2020, Smith+Nephew redefined our Inclusion and Diversity strategy to lead with inclusion and expand beyond our initial ambition of gender diversity.

Broadening our focus beyond gender has begun with awareness-building, including a series of communications and a new platform and social channel to engage employees and people leaders at all levels. Employees across the globe have participated in Inclusion and Diversity events celebrating International Women's Day, Pride Month, Mental Health Awareness and others.

We've taken specific steps to ensure that we have a robust and inclusive talent acquisition and hiring process that is free from bias. This included training of all our HR professionals to understand and remove bias from our recruitment practices. We continue to expand diverse hiring channels, and host diversity events on campus and at key schools. We have also been building the capability of our people leaders, with 'masterclass' training and follow-ups that will be attended by our managers and senior leaders. This series received very positive feedback.

We have also formalised Employee Inclusion Groups (EIGs) as an integral part of our culture, including a process for creating EIGs that includes leadership sponsorship and a clear and measurable group charter. We now have eight EIGs globally, dedicated to a wide range of interests from racial equality to women's empowerment and more. One EIG specifically promotes racial equality across the business.

World events in 2020 called our attention to the importance of racial equality and inclusion and inspired an organisational effort called Standing Together. This began with communications from our Chief Executive Officer, reaffirming that Smith+Nephew values its diverse workforce and does not tolerate discrimination of any type. The response from employees was overwhelmingly positive and many have since participated in listening sessions with our Chief Executive Officer and Chief Human Resources Officer. These in turn led to a number of employee-led work teams to promote broader inclusion across the business – including the continuation of leader listening sessions to take ongoing feedback and drive further progress.

Gender inclusion and diversity continues to be an important part of our strategy, and we've seen good progress from this focus including an increase in female representation among our senior leadership. We continue to support professional development for female employees through the Elevate programme which includes up to 200 participants each

month. Feedback on the benefits of the programme supports that it builds engagement and retention in our female talent pipeline, accelerates women's professional and career development and prepares them for more senior roles within our organisation.

At Smith+Nephew, we believe Inclusion and Diversity creates value for our business and is integral to our culture of Care, Collaboration and Courage.

200
participants
each month
in Elevate

Empowering our employees continued

Our performance

During 2020, we have proactively worked to increase inclusion across our workplace. We have done this by redefining the strategy and ambition, leading with inclusion. With support from the Executive Committee we have trained our senior leaders and managers on inclusion.

We are proud of our response to the pandemic and our people have worked together to ensure that the needs, not only of our customers, but also those of each other are met. Our strong culture embedded within our business has helped guide our response to the pandemic and the way in which our employees have shown care for each other has been exemplary.

Our employee engagement survey, carried out in 2020, included a measure of how well our employees feel engaged and these results were reviewed by the Board who take great interest in how our culture is being embedded throughout the Company.

Other key initiatives started in 2020 included the formation of eight Employee Inclusion Groups which are sponsored by senior leaders from across the business.



Celebrating with Pride

As a local inclusion activity, our team in Wroclaw, Poland celebrated Pride 2020, bringing the colours of the rainbow to the office, sharing information and having fun with a quiz for colleagues working remotely.



New in 2020 – Employee Inclusion Groups (EIGs)

EIGs are voluntary, employee-led groups that foster a diverse, inclusive workplace aligned with our purpose, culture pillars, and business objectives. They cover a broad spectrum of diversity including women, young professionals, race & ethnicity, veterans and mental & physical wellbeing. EIGs enable employees to engage and collaborate as part of a global network, empowering them to develop local or site-specific events and activities.

PTO bank, US

Launched in 2020, the paid time off (PTO) donation programme enables employees to voluntarily donate accrued paid time off to a 'PTO Donation Bank'. The time can then be used by other employees if a pandemic or other natural disaster means they either require an absence from work, have exhausted all their PTO or are not otherwise receiving compensation through the Company. So far 7,455 hours have been donated.

Employees eligible for donated PTO include those who have to be quarantined or care for themselves or immediate family members because of a pandemic or natural disaster.

Future focus

In 2021, we will build on the initiatives around people development, Winning Behaviours and Inclusion and Diversity to reinforce our culture of Care, Collaboration and Courage. We will continue to develop our managers to support their teams in order to empower and promote the inclusion of all.

Injury-free workplace

Why is this important?

A healthy and safe working environment is fundamental to the way we work. This has been highlighted even more during the global pandemic. Every day, we must ensure that the safety of our employees and those who work with us is given the highest priority – across all our offices and manufacturing sites, and when we visit customers.

Smith+Nephew's approach

We've used a combination of actions to improve workplace safety. We continually develop and apply our holistic and integrated sustainability management system, run an active health and safety programme, carry out behaviour-based safety campaigns, and use robust incident reporting and investigation systems across the Group.

Key areas of focus

Our safety efforts remain focused on our manufacturing operations, where we work to reduce risk from the use of machinery. Additionally, we put in place policies and run education programmes to protect employees who are working in country offices and warehouses, driving on company business, and those who need to work in operating theatres during live surgery.

Our performance

Smith+Nephew has a culture of shared responsibility for employee health and safety. We continued to build it in 2020, with behaviour-based safety programmes and a focus on reporting and investigating all incidents and their causes. Although our ability to travel between sites for on-site safety audits has been halted during the pandemic, we have carried out some external audits by video link.

Our headline safety rates improved in 2020, with no fatalities during the year. When it is safe to do so, we will reinstate global HSE audits across both manufacturing and the commercial areas of the business. These exercises improve safety awareness and instil a strong safety culture across all areas of the business.

In 2020, we started a pilot project in four geographies (UK, Poland, China and Australia & New Zealand) to further minimise the risks from driving on company business for our field-based employees, as this continues to be an area of concern. We are also adopting a more proactive approach to managing the risks from blood-borne pathogens, with a view to expanding this into 'hospital-borne pathogens', including the risks from COVID-19. Previously, we had noticed an increase in incidents in our Latin America region and focused audits (carried out before the pandemic restrictions) and awareness campaigns brought about significant improvement. All these actions are aimed at reducing our number of recordable incidents outside of the manufacturing environment and ensuring the health and safety of our employees.

Safety and occupational health

Our headline safety performance includes all employees and supervised contractors, and excludes unsupervised contractors. We adopt the industry standard US 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 the number of incidents per 200,000 hours worked.

Total recordable incident rate, TIR

2020	0.30
2019	0.49
2018	0.45
2017	0.35
2016	0.52

Lost time incident frequency rate, LTIFR

2020	0.20
2019	0.28
2018	0.19
2017	0.11
2016	0.23

Injury-free workplace continued



Mental health and physical wellbeing

Building on the success of our approach to mental health and the training of mental health first aiders in 2019, in our UK and Ireland region we've created a new Employee Inclusion Group, called Care, to focus on both mental health and physical wellbeing. The group works to achieve the Group mission, which is to: "create an environment to promote a state of health and wellbeing contentment, allowing our employees to flourish and achieve their full potential for the benefit of themselves and our organisation."

We're dedicated to raising awareness and support, so all colleagues in need of help and support can seek it with confidence. We accomplish this through:

- Providing a robust and secure network of support.
- Breaking down the stigma around mental health and raising awareness in the workplace.
- Educating and giving our employees more opportunities to exercise and eat healthily.
- Engaging leadership and promoting collaboration on issues that impact the health and wellbeing of our teams.

Time to recharge

On World Mental Health Day, 10 October 2020, employees at Wroclaw, Poland were invited to take a two-hour 'mental health recharge break' in their working day to do something that makes them happy. Employees were encouraged to jog, cycle, cook, play with their kids, get a massage or just do nothing and use the time to recharge their batteries.



At Smith+Nephew Wroclaw we were supported with a two-hour 'mental health recharge break' to enjoy our hobbies and family time. It was time well spent, full of joy and beautiful smiles. We are so grateful we had this opportunity. Thank you!"

Katarzyna Wiatr
Senior manager, Talent Acquisition



Employees are being encouraged "not to mask their feelings" in support of mental health awareness.

Costa Rica – 'CAMPEON 2.0'

During 2020, our Costa Rica team updated its 2019 CAMPEON (Champion) Health, Safety and Environment (HSE) programme. CAMPEON highlights how a focus on preventive action can help avoid accidents and ensure employees feel accountable for safety. The 2020 programme featured a team challenge where employees could work towards four levels of 'safety champion' awards: silver, gold, platinum and diamond. To reach each level, employees completed different activities, including HSE audits, Gemba walks (standing back to identify wasteful activities), HSE talks, promoting environmental initiatives, reporting near misses and suggesting improvement ideas.

Employee performance in the competition showed strong awareness of HSE issues and illustrated that a safety culture is becoming more embedded in the organisation. Participants identified over 6,000 near misses and improvements, and carried out a large number of HSE audits and safety tours.

The use of the mascot Sam the Chameleon together with Smith+Nephew branding helped to communicate HSE messages and ensure all employees were motivated to participate.



Sam the Chameleon
(Environmental, Clean Room, Breast Cancer awareness, COVID).

Future focus

In 2021, we will continue our focus on safety awareness, behaviours and training, not only for employees working at our sites around the world but also those who are field-based or working remotely.

We will continue our work promoting the importance of good mental health and physical wellbeing and provide support and awareness to all employees.

The second annual Smith+Nephew Sustainability Challenge

Smith+Nephew Young Professionals (SNYP) joined forces once again with the Global Sustainability, Health, Safety and Environment group and the Sustainability Council to sponsor the second edition of the Sustainability Challenge for Smith+Nephew sites across the globe.



First implemented in 2019, the challenge reflects our purpose to deliver Life Unlimited to our patients, as well as our three culture pillars of Care, Collaboration and Courage.

All SNYP members were invited to share their vision and ideas to help Smith+Nephew to achieve its sustainability targets. The pandemic meant this year's challenge was virtual, with teams developing their ideas from home offices and pitching projects to the judging panel in a video format.

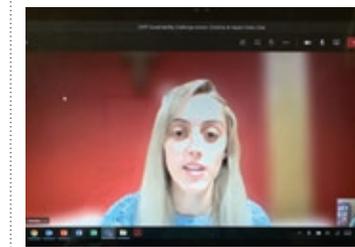
The three runners-up included a team from Pittsburgh, US, challenging colleagues to 'Repurpose, Reduce, Reuse and Recycle'; a team from Aarau, Switzerland, who proposed, after on-site COVID restrictions are lifted, using ceramic coffee cups to replace the disposable cups used at the site each year; and a team from Tuttlingen, Germany, with ideas for reducing electricity consumption in the office and the shop floor.

Challenge winners were a team from Mansfield, US, who proposed replacing expanded polystyrene foam in shipping packaging with a compostable and biodegradable alternative.



As young professionals, we wanted to express what sustainability means to us and how we care about positive changes in our people, our planet and our products. The SNYP Sustainability Challenge is a result of a collaboration between SNYP, HSE and the Sustainability Council. It aims to encourage all employees to develop and implement projects that help us at Smith+Nephew meet our sustainability targets."

Andrea Karduss
Chair, Global SNYP



The winning team members each received the opportunity to be mentored by a Sustainability Council member and this took place online via a video call.

+ Planet

A medical technology business with a positive impact

“

Finding sustainable alternative energy solutions is important for the operational culture of our facilities. We selected wind energy for all the electricity supplied in Memphis for 2020.”

Doug Dugard
Senior Director, Facilities

Why is this important?

This year has continued to see a strong worldwide focus on the need to protect our planet. We are playing our part by managing resources efficiently, reducing our emissions where possible and being mindful of the impact that all our decisions have on the environment.

In 2020, our environmental impacts have been affected by the global pandemic. We saw a change in our environmental impacts in locations where colleagues are now working remotely. Some offices saw lower occupancy levels but this was offset by higher energy requirements in buildings kept active, for example because of the need for additional ventilation.

We have always focused on our ‘internal’ environmental footprint, improving our performance in areas such as waste recycling and greenhouse gas emissions. However, our sustainability strategy also extends upstream to our suppliers and downstream to our customers. This means that we want to work with partners who are making efforts to reduce their own environmental impacts. Together this will help us to deliver products and services that have less impact on the environment.

We are taking steps to better understand the extended footprints of our top-selling products. This helps us focus our resources where they will produce the most impact.

How it links to our targets

Between 2020 and 2030:

100%

Implement 100% renewable electricity at our strategic manufacturing facilities by 2025.

0 tonnes

Achieve zero waste to landfill at our strategic manufacturing facilities by 2030.

Reducing emissions

Why is this important?

The impacts of climate change are increasingly evident around the world, with temperatures rising as greenhouse gases trap more heat in the atmosphere and other more extreme events such as droughts, floods and storms. Every country is affected. To tackle this, everyone, including businesses, needs to take action to use energy responsibly and reduce emissions.

Smith+Nephew's approach

We understand the urgent need for a low-carbon economy and are constantly evaluating new ideas and bringing about change. Our approach to cutting emissions is two-fold: driving energy efficiency and sourcing lower-carbon energy. To achieve both of these, we invest in technological solutions at many of our sites, including LED lighting and solar power.

We also want to encourage all our employees and supply chain partners to take responsibility for minimising their energy use. We make efforts to motivate staff to actively care about the environment, giving them guidance and information to help them make a real difference. Examples include the Smith+Nephew Young Professionals Challenge where new ideas to help us achieve our sustainability targets are proposed as well as other local campaigns to raise the profile of sustainability using competitions, posters or the intranet.

Key areas of focus

We have been measuring greenhouse gas emissions throughout our value chain to ensure that we apply resources most effectively, reducing our total CO₂e emissions footprint. We have also implemented, or benefited from, numerous energy efficiency and low-carbon energy measures.

Examples of actions to reduce emissions and energy use:

- LED lighting installations in offices and manufacturing areas.
- Solar panels in India and China.
- Combined Heat and Power (natural gas fired) units in Germany.
- Building energy management systems (BEMS), control of equipment for maximum efficiency and the use of time zones and setbacks.
- Targeting the use of online 'real time' data to monitor energy usage to make savings and then re-measure.
- Conducting compressed air leak assessments and remediating leaks.
- Variable frequency drives on motors, eg climate control, heating and lighting automation system occupancy settings.
- Monitoring and targeting energy use to identify anomalies and savings opportunities.
- Replacing old inefficient equipment with highly efficient equipment such as compressors, chillers, pumps, fans and motors.

Our performance

In-line with our long-term target to achieve an 80% absolute reduction in total life cycle greenhouse gas emissions by 2050, we are working with our global energy partner to evaluate our current carbon footprint and develop a carbon roadmap to implement 100% renewable electricity at our strategic manufacturing facilities to meet our carbon reduction commitment. As a first step, all our locations in Memphis, US, began sourcing all electricity from renewable wind energy in 2020. This is significant, as the Memphis sites consume over 40% of the Group's electricity.

100%

All our locations in Memphis began sourcing their electricity from renewable wind energy in 2020.



Reducing emissions continued

The Malaysia facility, currently under construction, is not on track to achieve the 2022 renewable electricity target due to heavy use of fossil fuels in the local power grid. We are working with our energy partners to identify both on-site and country-specific sustainable options.

In Memphis, US, Smith+Nephew has purchased renewable energy certificates (RECs) through Green Flex, a voluntary renewable energy programme from the Tennessee Valley Authority (TVA) and our local supplier, Memphis Light, Gas and Water. Certified by Green-e Energy, North America's leading certification programme for renewable energy, Green Flex RECs are based on wind power generated in the Midwest US. Purchasing RECs gives buyers the right to renewable energy and also makes it possible to track ownership of it.

Each REC represents one megawatt-hour (MWh) of renewable energy generated and delivered to the power grid. An equivalent REC is produced for every unit generated, and by purchasing RECs and pairing them with our electricity service, we get the benefits of a renewable energy supply. Buying RECs helps to build the market for renewable electricity, which in turn can reduce conventional electricity generation. Environmental benefits include reduced greenhouse gas emissions.

Our participation in this scheme underscores our commitment to supporting renewable energy and helps to reduce our market-based carbon emissions footprint.

In 2020, the location-based carbon footprint of business operations was 72,945 metric tonnes of CO₂e, a 6% reduction since 2019. Some of this reduction was achieved as a result of lower grid factors (the amount of CO₂e emitted per MWh generated) published for some countries or regions and also from energy-saving initiatives ongoing at many sites.

CO₂e reporting methodology, materiality and scope

We report the carbon footprint of our Scope 1 and 2 greenhouse gas emissions in tonnes of CO₂ equivalent from our business operations for the calendar year ended 31 December 2020. More details are given in the appendix on page 48. Our focus is on the areas of largest environmental impact, including manufacturing sites, warehouses, R&D sites and offices. Smaller locations representing less than 2% of our overall emissions are not included. Acquisitions completed before 2020 are included in the data, with more recent ones excluded. This is in-line with our established policy for the integration of acquired assets. Our GHG emissions reporting represents our core business operations and facilities that fall within the scope of our consolidated financial statements. Primary data from energy suppliers has been used wherever possible.

Energy (GWh)

2020	212
2019	213
2018	209
2017	209
2016	207

Greenhouse gas emissions (location-based), CO₂e (t)

2020	72,945
2019	77,212
2018	77,842
2017	85,558
2016	92,237

Greenhouse gas emissions (market-based), CO₂e (t)

2020	40,132
2019	67,040
2018	76,431
2017	77,136
2016	-

Reducing emissions continued

Market-based carbon emissions

Where available, we have applied the market-based emission factors available for some manufacturing locations. These are in accordance with the 'GHG Protocol Scope 2 Guidance, an amendment to the Corporate Standard'.

Where market-based factors were not obtained, we have used 'Residual Mix' data for the EU locations from RE-DISS Phase 2 (Reliable Disclosures System for Europe) and IEA data for all other countries, except the remaining US locations where the eGRID factors were applied.

In 2020, the market-based carbon emissions footprint was 40,132 metric tonnes of CO₂e, a 40% reduction since 2019. This reduction was primarily due to the RECs purchased in Memphis, US.

ISO 14001 environmental audits and recertification

Our ISO 14001 audits have continued throughout 2020, in some cases using remote auditing during the pandemic. During 2020, many of our manufacturing sites, including those in Costa Rica, Hull, UK, Suzhou and Beijing, China and Memphis, US, all successfully achieved recertification or passed surveillance audits to the environmental standard ISO 14001.

“
An excellent result and thank you to the entire team for their continued commitment. I'm proud of our achievement in sourcing renewable electricity across our sites in Memphis.”

Mark Gladwell
President, Operations and
Global Business Services

Future focus

Our employees are increasingly mindful of greenhouse gas impacts when carrying out projects and are taking more and more ownership of reducing GHG emissions. For the second year, this has been demonstrated by the Smith+Nephew Young Professionals (SNYP) Challenge (see page 28), which has led to projects aimed at GHG reduction. This continues to be a key development and source of new ideas for the future.

Minimising waste

Why is this important?

Our customers increasingly want medical devices to be produced and to perform in an environmentally friendly way. Minimising waste also improves resource efficiency and reduces costs for both Smith+Nephew and our customers.

Smith+Nephew's approach

Our goal is to minimise all our waste streams at all our sites around the world, especially at our manufacturing locations. We aim for best practice in waste management. In particular, we emphasise the waste we generate in-house and downstream, throughout the life cycle of our products. This spans the raw materials we purchase, the waste generated in our manufacturing facilities, and the final destination of our products.

Wherever possible, our employees help to spread the message about waste reduction and encourage waste elimination and recycling. This was once again a feature in the Smith+Nephew Young Professionals (SNYP) Challenge in 2020 (see page 28).



Signage to promote recycling at our facility in Costa Rica.

Key areas of focus

Recycling

We drive recycling at all our manufacturing, distribution and office locations. This includes paper, cardboard, plastic, glass bottles, metals and chemicals. We collect, sort and recycle nearly 9,000 metric tonnes of materials each year, including some waste sent for energy recovery. We also work with our waste contractors to identify and introduce more recycling opportunities, which helps us recycle where it was previously impractical to do so. This supports our ambition to send no waste to landfill and some sites are nearing this goal.

Packaging

Where possible, we minimise unnecessary packaging for shipping at our warehouses. We are constantly talking to our suppliers and manufacturers about ways to reduce waste by redesigning transit packaging, using the lessons we learn to help them increase their recycling efforts.

Energy from waste

Some of our waste streams are incinerated at waste facilities that reuse the heat to generate energy in place of burning fossil fuels.

Our performance

Sites acquired and added in 2020 have not had a material impact on our environmental footprint, with total waste generated slightly down on the previous year. We continue to identify and implement waste reduction at source, reuse and recycling opportunities, and ways to divert waste from landfill. In 2020, we recycled 78% of our total waste, including waste diverted to energy recovery. This is in-line with our aim to exceed 80% recycling and we are now looking for opportunities to further reduce and eliminate landfill waste at our strategic manufacturing facilities.



Moving to zero waste to landfill

In support of our target to achieve zero waste to landfill at all our strategic manufacturing facilities the team at our Memphis, US, location have formed a cross-functional 'Zero Waste Committee' and started to conduct waste-stream mapping at each building in 2020 to identify waste reduction opportunities and alternatives to landfill.

The team in Malaysia are planning to partner locally with waste management companies with the goal of 'zero waste to landfill'.

Minimising waste continued

For example, in 2020 the Health, Safety and Environment (HSE) and manufacturing team in Memphis, US, focused on how to reduce or eliminate one of its largest-volume waste streams, used abrasive garnet media.

Accounting for 220 tonnes in 2019, the abrasive medium was historically used just once in the manufacturing process and then sent to landfill. We identified a pilot recycling project that uses higher-grade abrasive media, which can then be collected and returned to the supplier, and reused in different applications. Project implementation began in November 2020.

Our Manufacturing Engineering team is now looking into ways to replace the single-use garnet cutting process altogether. These initiatives will contribute to achieving its goal of zero waste to landfill by 2025.

Exceeding expectations in eliminating landfill waste

We are delighted that our site in Hull, UK, achieved its target of sending none of its waste to landfill during 2020, with the majority of waste being recycled or sent for energy recovery, and the remainder incinerated. Our emphasis is now on moving to eliminating some waste streams and reusing or repurposing materials.

Landfill waste (t)

2020	1,853
2019	1,996
2018	1,940
2017	2,196
2016	2,281

Total waste (t)

2020	11,233
2019	11,837
2018	11,034
2017	10,496
2016	10,122

% waste to recycling incl. waste to energy

2020	78%
2019	76%
2018	79%
2017	77%
2016	74%

Future focus

We will focus on minimising waste from all our sites around the world, especially at our manufacturing locations. Our aim is to stop waste being sent to landfill sites from all of our strategic manufacturing facilities and we will achieve this by avoiding waste generation wherever possible and then promoting reuse and recycling. A focus on sustainability in our New Product Development phase reviews and in our packaging design teams will also help us achieve our innovation targets. You can read more about this on page 37.

Water efficiency

Why is this important?

Water is a precious resource and its availability varies across our locations. In some, such as Memphis, US, water is abundant, while in other areas, for example parts of India, there is water scarcity. We challenge ourselves to save water at all our locations.

Smith+Nephew's approach

We aim to cut the amount of water used throughout the manufacture, distribution and use of our products. We strive to optimise water use during upstream manufacture and when we distribute raw materials and components. We also aim to ensure that when our customers use our new and modified products, they minimise their water consumption.

Key areas of focus

We take a four-step approach to water efficiency:

1. Quantify water use at each location, prioritising reduction activities depending on the local water risk or water scarcity
2. Question whether the water use is necessary and eliminate unnecessary use
3. Optimise remaining water use
4. Balance waste with incoming clean water (cradle to cradle approach).

Our performance

Water is necessary to ensure that our products are clean and safe for consumer use, and we continue to see the positive impacts of our water-saving initiatives. We recognise the need to constantly review our use of water and respond to any opportunities to save water or eliminate losses from leaks.

Our water use in 2020 was 600,000m³ which represents an 8% annual reduction.



Environmental consciousness in Costa Rica

In March, employees from Costa Rica participated in an environmental volunteering project to clean and preserve the quality of the natural water sources that feed the Santa Gertrudis Aqueduct. When the first rains start in June, waste on the streets is washed into the rivers, so our volunteers collected waste in the town near the Grecia Forest Reserve, a nature reserve called Bosque del Niño (Children's Forest). The aim was 'clean streets, clean rivers, clean water, clean oceans'. All participants learned the importance of maintaining a clean water supply. You can read more about our employee volunteering efforts across Smith+Nephew on pages 11, 19, 20 and 21.

Water (1,000m³)

2020	600
2019	650
2018	538
2017	614
2016	683

Future focus

Learnings from our successes to date have been compiled and opportunities for water use reduction are being evaluated at several locations – these include converting chiller units to air-cooled systems and elimination of cooling towers.

Our next steps are to:

- Determine local human and ecosystem water needs at each significant location.
- Develop and implement a water reduction programme targeted to high risk locations.



Employees from our manufacturing and Global Business Services teams in Costa Rica participated in the environmental activity.

One activity involved making more than 2,000 mud balls mixed with beneficial microorganisms, then throwing them into the river to help clean and eliminate organic contamination from pesticides in the river.

+ Products

Innovating sustainably



Why is this important?

We aim to develop products with sustainable attributes, increase access to care, improve our environmental impact and reduce costs.

Along with our customers and stakeholders, we are focused on the environmental footprint of our products and services. Manufacturing and supplying safe and effective products is at the heart of our business.

Our people, processes and technology are structured to support progress toward the goal of innovating sustainably. All these key product attributes are 'locked in' during new product development or product acquisition and are difficult to change at a later date.

Our customers are increasingly requesting information on the chemical components and recyclability of our products and packaging.

Our focus on products will assist our customers in reaching their sustainability goals.

How it links to our targets

Between 2020 and 2030:

New Product

Include sustainability in New Product Development reviews for all new products and product acquisitions by 2022.

Recycled content

Incorporate at least 30% post-consumer recycled content into all non-sterile packaging materials by 2025.

Sustainable sources

Incorporate packaging materials from sustainable sources for new packaging parts by 2025.

Supply chain

Complete supply chain assessments to assure compliance with our sustainability requirements for all suppliers by 2025.

A focus on the sustainability of products and packaging

Why is this important?

We want to develop products with sustainable attributes built in at the design phase, to improve the environmental impact of our own operations and those of our customers, and reduce costs.

Smith+Nephew's approach

Our New Product Development (NPD) and packaging teams are focused on incorporating sustainability initiatives into our new products and processes.

Key areas of focus

Our NPD team is incorporating a sustainability review into their product development process.

Our packaging teams are developing roadmaps to incorporate post-consumer recycled content into non-sterile packaging materials and sourcing more sustainable packaging materials.

Our performance

Innovating sustainably in NPD and acquisitions

We build sustainability into our new product development processes so it's a core design attribute of our products. This means we can still deliver 'Life Unlimited' through increased access to care, but with lower environmental impact and costs. This will directly support the work towards our target of including sustainability reviews into new product development processes by 2022.

In NPD, our first challenge is to acknowledge the fact that most of the environmental footprint of our products and services is locked in during the design phase. This can make it hard to improve sustainability standards during a product's life cycle without significant remediation or redesign work. To address this, we're applying sustainability attributes to both our products and their packaging.

We have now started to put sustainability reviews in place for all new innovation programmes in our NPD process. These set clear sustainability objectives and provide the governance needed to help teams meet them throughout the product development cycle. Areas of improvement include: sustainability-focused raw material selection; reducing packaging material usage and footprint; sharing packaging designs across product families to minimise waste; and clear guidance on recyclability.

In addition, we continue to transition product support materials such as Instructions For Use (IFU) and marketing collateral from paper to electronic format. We continue to revisit our targets that relate to sustainable product design. These include incorporating post-consumer recycled content into non-sterile packaging, and using materials from sustainable sources for new packaging parts. Activities like these help us to deliver innovative products that have sustainability at their core.

A focus on the sustainability of products and packaging continued

The importance of packaging

During 2020, we started to develop our packaging sustainability strategy and roadmap. We are now at the planning and definition stage, with a clearer understanding of how to achieve our targets. The packaging targets are two-fold: to incorporate at least 30% post-consumer recycled content into all non-sterile packaging; and to incorporate packaging materials from sustainable sources for new packaging parts by 2025.

Talking with suppliers has helped us to understand the market trends and drivers of environmental sustainability in this field. Senior management is aligned with our top-level strategic goals and we have added the use of packaging materials from sustainable sources as an additional goal.

We are actively working on projects with suppliers to move to more sustainable packaging, including down-gauging materials, using less packaging and selecting sustainable materials. By switching materials on the primary packaging for ALLEVYN[®] LIFE Foam Dressings we reduced by 20% the weight of the material used on the back of the dressing pouch, as well as moving to a more sustainable film which does not use solvent-based adhesive in the lamination process.

We are continuing with our regionalisation strategy for packaging, which aims to move away from shipping packaging materials across the globe to purchasing from more local suppliers where it makes sense.

Supply chain assessments

By 2025 we aim to have completed supply chain assessments for all our suppliers. Working towards this goal, we have now drawn up a five-year plan that includes detailed, risk-based supplier assessments. Supplier risk criteria include country, commodity and spend, and we have updated our global process for managing Corporate Social Responsibility (CSR) supplier risk. Having risk assessed all of our Tier 1 suppliers, we are carrying out selected labour standards assessments, an exercise that will be followed in 2021 by additional HSE and sustainability assessments.



Packaging for ALLEVYN.



We have started executing our supply chain CSR assessments as part of our five year strategy. In particular, we have made significant progress assessing our labour standards risk exposure and resolved a number of corrective and preventive actions with some suppliers.”

Maggie Short
Procurement Manager, CSR

Future focus

Most of the environmental footprint of our products and services is locked in during the design phase. This makes it difficult to make significant headway during the product's life. We are addressing this by applying agreed product sustainability attributes to both our products and their packaging through our New Product Development and Operations processes. These attributes include decreasing energy use and packaging waste for our customers, reduced material handling risk, and the use of robotics to cut procedural complexity. They remain key areas of focus going forward.

Safe use of our products

Why is this important?

Our business depends on the manufacturing and supply of safe and effective products. Our strategic imperative to ‘Become the best owner’ includes our commitment to uphold the highest standards of quality and compliance. We endeavour to effectively and efficiently deliver products that provide safe and effective solutions to our customers and patients.

Across Smith+Nephew, our teams have goals linked directly to our strategic imperative to ‘Become the best owner’. These goals are aligned to our core operating principle of upholding high standards of quality and compliance.

Smith+Nephew’s approach

Product safety is at the heart of our business. Regulatory authorities across the world enforce a complex series of laws and regulations that govern the design, development, approval, manufacture, labelling, marketing and sale of healthcare products. Our internal processes and procedures are established to ensure product safety and efficacy across the full life cycle of our products and services. We actively encourage the reporting of any observation that indicates a potential concern with product performance. We listen to feedback – from customers, patients, sales representatives, employees and regulatory authorities.

Key areas of focus

Our global Quality and Regulatory Affairs function supports the full product life cycle management of Smith+Nephew’s global product portfolio from design and development through manufacturing and post-market surveillance. This function establishes appropriate processes and procedures to facilitate compliance to applicable global laws and regulations and

implements supporting technologies to increase visibility of areas requiring improvement while also driving efficiency across the business.

The team is currently leading a major Group-wide programme to prepare for implementation of the European Union (EU) Medical Device Regulation (MDR), which came into force in May 2017. The date of application for this new regulation was delayed by the European regulatory authorities from May 2020 to May 2021. The regulation includes new requirements for the manufacture, supply and sale of all CE marked products sold in Europe and requires the re-registration of medical devices with CE marking, regardless of where the devices are manufactured.

Our performance

Throughout 2020, our Quality and Regulatory Affairs function continued to focus on improving overall Company compliance while supporting our growth objectives by delivering multiple new product approvals as well as registering hundreds of existing products in new markets. The function also improved key quality and regulatory metrics through implementation of improved processes, technologies and management oversight.

Future focus

In 2021, we will continue to execute all elements of our global strategic roadmap, ultimately improving our compliance position and carefully evaluating key metrics associated with our external and internal quality measures to ensure we identify and act upon opportunities for improvement. We are simplifying our processes and implementing supporting technologies in our journey of continuous improvement. We take pride in our work, and take seriously our commitment to provide safe and effective products for patients.

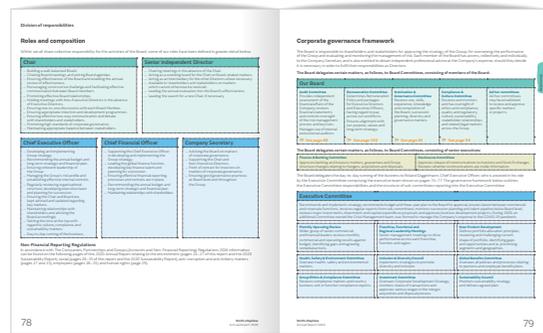
Managing sustainability



Managing sustainability as part of our corporate governance framework

Why is this important?

Smith+Nephew's true value is not seen solely through our financial reports. Our value to society is reflected in our long-term impact on people's quality of life and the health of our communities.



The way in which we manage sustainability is directly linked to our business strategy. This is because, as a healthcare organisation, we cannot realise our purpose, 'Life Unlimited', without working to optimise the economic, social and environmental impacts of what we do. Robust overall governance in general management, risk management, and integrity guides our direction and pace.

The Board

The Board is responsible to shareholders for approving the strategy of our Group, overseeing performance, and evaluating and monitoring the management of risks. Oversight of our sustainability strategy is one of the Matters Reserved to the Board. The Board reviews the sustainability strategy and its progress on a regular basis and approves the Sustainability Report annually, prior to publication.

The Compliance & Culture Committee

The Board delegates some of its work to Board Committees comprised entirely of Independent Non-Executive Directors. The Compliance & Culture Committee, chaired by Marc Owen, reviews and monitors ethics and compliance, quality and regulatory matters and has oversight of culture, sustainability, and stakeholder relationships. This committee is also responsible for listening to the 'employee voice'.

The Chief Executive Officer

The Board delegates the day-to-day running of the Company to Chief Executive Officer Roland Diggelmann, who is supported and advised by the Executive Committee, which meets regularly and makes decisions collectively. The Executive Committee recommends and implements strategy, recommends a budget and three-year plan to the Board for approval, ensures liaison between commercial and corporate functions, receives regular reports from sub-committees, reviews major investments, divestment and capital expenditure proposals, and approves business development projects.

The Sustainability Council

The Sustainability Council develops and implements our sustainability strategy. This aligns with our business strategy and will create long-term stakeholder value. It is also tied to our purpose, culture pillars, and strategic imperatives.

The Council is set at executive level to ensure a top-down approach to sustainability, and to guarantee visibility to the Board through regular updates to the Compliance & Culture Committee.

Our Sustainability Council includes members of our Executive Committee and other senior leaders and it maintains visibility to the Board through regular updates to the Compliance & Culture Committee. The Council drives sustainability, and the new sustainability strategy is directly linked to our purpose, culture pillars, and strategic imperatives. The Sustainability Council is made up of executives from Human Resources, Global Operations, Quality and Regulatory Affairs, Research & Development, Public Policy & Government Affairs, Commercial, Procurement and Supply Chain. Their diversity of thought, experience and knowledge makes this an excellent team to drive sustainability.

Further details of the Company's governance framework may be found in our 2020 Annual Report on pages 78 to 79.

How it links with our targets

Our Chief Executive Officer leads our sustainability efforts whilst our Sustainability Council oversees target-setting and achievement. Smith+Nephew leaders use rational, informed, and empowered processes to address sustainability risks and opportunities. We also have strong arrangements to ensure that fair and open business practices are universally applied. Together, these systems guide our progress towards the goal of sustainable operation.

Our approach to risk

Like all businesses, we face risks and uncertainties

Successful management of existing and emerging risks is critical to the achievement of our strategic objectives and to the long-term success of our business. Risk management is therefore an integral component of the Group's Corporate Governance.

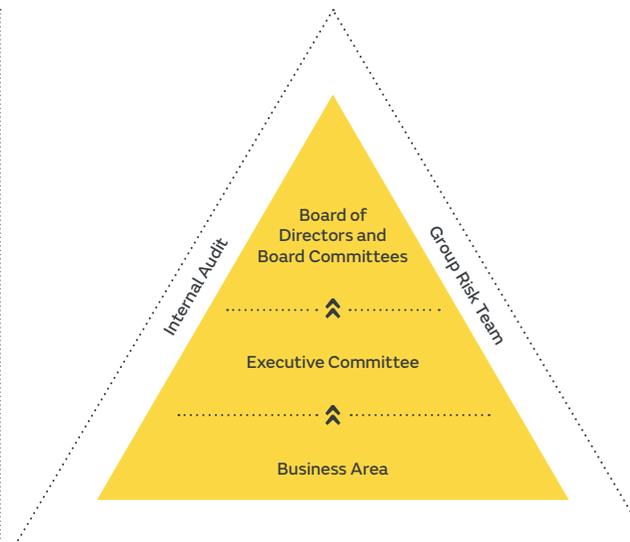
Our Enterprise Risk Management process remains based on a holistic approach to risk management that is aligned with the organisation's strategic and operational goals.

The current financial year has seen a further maturing of risk management. As a result of the global pandemic, we have convened the Crisis Management Team, which is part of the existing business continuity and incident management framework. This has increased senior management engagement in risk and continuity themes.

Our risk governance framework is comprehensive. At the top of our structure, the Board sets our risk appetite and monitors the application of our risk framework, including strategy, execution and outputs of risk reviews by the business and the Group Risk Team. The Board cascades our risk appetite throughout our organisation through the Executive Committee, the risk owner community and our management group. A formal 'bottom up' exercise ensures that risks are escalated back through the process to our Board and form our Principal Risks as appropriate. Our Executive Committee and the Group Risk Team provide guidance and rigour across this process.

Our Internal Audit Function provides an annual opinion on the effectiveness of our Risk Management process to the Executive Committee, which is chaired by the Chief Executive Officer, and then to the Board and its Committees.

This process has led us to identify the Principal Risks in the table to the right. Principal Risks are linked into our Strategic Priorities and their management is overseen by our Board or one of its committees. This work includes defining the risk appetite for each risk and reviewing management reports into the risk.



Principal risk	Oversight
1. Business continuity and business change	Board
2. Commercial execution	Board
3. Cybersecurity	Audit Committee
4. Finance	Audit Committee
5. Global supply chain*	Board
6. Legal and compliance risks	Compliance & Culture Committee
7. Mergers and acquisitions	Board
8. New product innovation, design & development including intellectual property	Board
9. Political and economic	Board
10. Pricing and reimbursement	Board
11. Quality and regulatory	Compliance & Culture Committee
12. Talent management	Board

* The breadth of the risk has expanded from Supply to the full Global Supply Chain, which now includes manufacturing and third party suppliers, specifically due to COVID-19.

Our approach to risk continued

The impact of climate change

One of the United Nations' Sustainable Development Goals (SDGs), is to 'take urgent action to combat climate change and its impacts'.

It is widely recognised that continued emission of greenhouse gases will cause further warming of the planet which could have damaging social and economic consequences. During 2020, we have continued to consider, and mitigate against, the potential impact of climate change on our business operations.

Our physical assets and supply chains are vulnerable to weather and climate change, for example through sea-level rise, more frequent extreme weather events and stress on water resources. In our Orthopaedics business, mineral-based raw materials depend on energy-intensive processes such as smelting. Patients are vulnerable to a potential rise in infectious disease propagation. Governments and corporations alike are under increasing pressure to mitigate the expected effects of climate change, potentially resulting in infrastructure projects which would require large capital outlays and further increase pressure on healthcare payments.

Our aim is to minimise the disruption to our manufacturing and distribution network. We have adopted a goal aligned with the recommendations of the Intergovernmental Panel on Climate Change to reduce total life cycle greenhouse gas emissions by 80% by 2050. We understand how important it is to balance environmental initiatives with business activities, and strive to reduce emissions through new technology development, renewable energy use and other measures.

Our Board of Directors is supportive of implementing the Task Force on Climate-related Financial Disclosures (TCFD) recommendations over time. The Compliance & Culture Committee and the Audit Committee received updates on TCFD in 2020. We have

Task Force on Climate-related Financial Disclosures

TCFD theme	Focus areas	Actions in 2020	Planned actions
Governance	Consider short-, medium- and long-term climate-related issues	Sustainability Council updated Board committees regularly on climate-related risks	We plan to conduct scenario analyses and use the data to inform our decisions and prioritise actions on climate-related risks and continue to update the Board committees
Strategy	Ensure sustainability strategy addresses the risks and opportunities of climate change	We began to assess which of our major sites were most likely to be impacted by climate change	In 2021, we will review and update the strategy as climate-related risks and opportunities are identified
Risk Management	Full consideration given to climate-based impacts on business continuity and recovery	Continually assessed business continuity plans to ensure appropriate mitigation actions	We will continue to consider climate-related risks in our business continuity and recovery plans
Metrics & Targets	Commitment to implement 100% renewable electricity at our strategic manufacturing sites by 2025	Our Memphis, US, location began sourcing 100% of its electricity from renewables	We are engaging an energy partner to develop a carbon roadmap to inform the best route to achieve our targets

conducted a review of our current state and capture related business risks in our risk register. We plan to conduct scenario analyses and use the data to inform our decisions and prioritise actions.

We have assessed our business activities against the sustainability disclosure topics and accounting metrics included in the Sustainability Accounting Standards Board (SASB) framework for our sector of Medical Equipment and Supplies and we have determined them not to be Principal Risks to the business.

Future focus

We will continue to examine how we adhere to the principles set out in the TCFD Framework. It has structured its recommendations around four areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These overarching themes will guide our assessment of climate-related risks and opportunities.

In 2021, we will conduct scenario analyses to ensure our climate change risks are appropriately characterised and will use the data to inform our next steps.

Acting with integrity

Why is this important?

At Smith+Nephew we are committed to integrity, honesty and professionalism. These principles are reflected in our culture pillars of Care, Collaboration and Courage, which guide the behaviour of everyone at Smith+Nephew.

We believe that it's a privilege to provide products and services for patients and healthcare professionals. And we believe that it's up to everyone who works for us – or on our behalf – to share that responsibility by upholding our reputation for integrity and ethical conduct, because the sustainability of our business depends on doing things the right way.

We believe that trust is the most important driver for long-term business success

Bribery and corruption in the healthcare sector is a cause for concern for governments across the world. When healthcare professionals' clinical decision-making is improperly influenced, impacts can be seen on healthcare budgets and patient access to quality healthcare. More and more countries are enacting anti-bribery legislation, and our industry remains an area of focus for investigation and enforcement action.

In our business, we need to interact with government officials and healthcare professionals (HCPs) to deliver new products and services to benefit patients, and to ensure the safe and effective use of our products. We must engage with government officials to obtain the necessary licences to manufacture, sell and distribute our products. In addition, our partnerships with HCPs are essential to supporting the design, development and testing of new products, and to providing peer-to-peer training in the appropriate use of our products. All these interactions need to be carefully managed to

ensure they are done in the right way, and to avoid even the perception of impropriety in our relationships with these key partners.

We earn people's trust by working in an ethical way and complying with applicable standards. Our Code of Conduct and Business Principles (Code) defines our values as a company. Our Code is supported by global policies that specifically define behaviours, ensuring that our actions strengthen our reputation, and that we follow relevant anti-bribery and anti-corruption laws.

Ethics oversight

Our compliance programme is led by our Chief Legal & Compliance Officer and supported by a global Office of Ethics and Compliance. Our Board maintains oversight of our Compliance programme through our Compliance & Culture Committee and the Executive Committee maintains oversight through our Group Executive Compliance Committee. The latter is made up of our CEO and business and corporate function heads. In 2020, we introduced changes to the Group Executive Compliance Committee meeting structure to further enhance the quality and consistency of information provided for review. We also introduced new Key Performance Indicators to monitor the effectiveness of the Compliance function. Accountability is also crucial, and our top leaders certify to our CEO every year that the required policies have been implemented in their businesses.

Increasing our understanding of compliance

Training on our Code of Conduct is issued to all new hires when they join Smith+Nephew, with refresher training given to all employees every year. All new employees also receive online awareness training on anti-bribery and corruption and on data privacy, and we provide additional role-based modules to certain higher-risk functions. Additional face-to-face training is provided by Regional Compliance Officers as needed.



We continue to focus on simplification of our compliance processes and embedding compliance requirements into all our core processes to make it even easier for our employees and third parties to understand our expectations and do the right thing.”

Catheryn O'Rourke
Chief Legal & Compliance Officer

Acting with integrity continued

We are focused on simplifying our Compliance programme and have initiated a project to review and revise all global policies to improve awareness, understanding and accessibility. The project also aims to develop simplified tools to help employees understand local market rules in different countries. The global Compliance team is collaborating with our Medical Education colleagues to identify opportunities to simplify our HCP consultant engagement processes, whilst introducing improved system controls. As a result of this project, we launched a new platform in Q4 2020 to support the full life cycle of HCP consultant interaction, from initiation of intent to engage, to contracting, payment and governmental reporting.

Monitoring the effectiveness of our programme

We conduct regular reviews to monitor compliance with our Code, policies and procedures, and to identify opportunities for improvement. We group these activities under our Compliance Verification Programme (CVP), which includes Compliance Validation Assignments (CVAs) of our internal business units and functions, centralised and local monitoring, reviews of higher-risk third parties, reviews of global processes and data analytics to identify potential compliance risks. In light of the COVID-19 pandemic, we revised our planned 2020 CVAs to include reviews of activities with new or changed risk profiles. The revised plan included reviews of controls over virtual training events, and donations and volunteering by employees, particularly those who are qualified HCPs. We also revised our processes to enable the remote conduct of assignments, ensuring continued oversight whilst protecting our employees and partners.

Our Regional Compliance Officers also conduct on-site assessments of third parties. These provide opportunities for the Compliance team to help third parties understand our expectations and also give the Regional Compliance teams an insight into how key partners operate. During 2020 we conducted these reviews remotely, ensuring oversight despite travel restrictions imposed by the pandemic. As appropriate, Corrective and Preventive Actions (CAPAs) are created to address findings arising from any compliance oversight activities, including investigations and CVAs. CAPAs are tracked to closure and metrics reported to the Board Compliance & Culture Committee. We have introduced additional recording and tracking of root cause analysis for all our investigations and have introduced improved root cause analysis reporting for CVAs. This additional data will help us further target improvement efforts. We continue to enhance our use of data analytics and business intelligence to provide early warning of potential violations and to improve our ability to identify emerging trends and to take appropriate actions. Regional Compliance Officers now receive regular reports on potential red flags in their region and we continue to gain access to new data sources to continuously improve the scope of these reports.

Working with responsible third parties

Third party compliance

As a global company in more than 100 countries, Smith+Nephew relies on a worldwide network of third party suppliers who enable us to manufacture and sell our products. We work with third party vendors, distributors and agents to uphold our vision of Life Unlimited. Our sustainability strategy incorporates a focus on people, planet and products. Whilst our third party suppliers contribute to all these focus areas, we expect vendors who share our vision to be integral partners in our new products, current requirements and ongoing services.

We conduct risk-based due diligence and training to ensure vendors are aware of and comply with the standards we expect of them. Additionally, we have a Supplier Relationship Management team who work with our quality and regulatory organisation to manage supplier alignment with corporate social responsibility and environmental standards.

In 2020, we launched a new 'Third Party Guide to Working with Smith+Nephew'. This provides clarity for partners on the standards that we expect of them, is available on our website and translated into multiple languages. Onboarding training for high-risk third parties has been revised to reflect the content of the guide. We continue to review our Global Third Party Seller Management processes to identify operational efficiencies and to simplify and expedite the third party onboarding process whilst maintaining a high level of oversight. Smith+Nephew's third party suppliers enable us to deliver the best products and services to our customers. We strive to ensure that the supply chain we manage adheres to these standards. To this end, by 2025 we are aiming to complete a supply chain assessment of all suppliers and subsequent tier levels to assure compliance with our sustainability requirements.

The spread of COVID-19 in 2020 created new supply chain risks that had the potential to disrupt manufacturing operations and impact customers. In March, the Smith+Nephew procurement organisation began a weekly forum with our manufacturing sites to review and manage COVID-19 related supply

challenges. As a result, Smith+Nephew was able to reduce the number of suppliers at high and moderate risk of creating supply disruptions due to COVID-19 impacts.

Sourcing minerals responsibly

We are committed to only sourcing minerals from responsible suppliers and support ending violence and human rights violations in all Conflict Affected and High Risk Areas (CAHRA) including parts of the Democratic Republic of the Congo and surrounding countries.

In May 2020, we reported our status on conflict minerals in accordance with the 2010 US Dodd-Frank Act and US Securities and Exchange Commission (SEC) rules.

In 2019, we were one of few in our industry group to declare our conflict-free status. We performed an annual Reasonable Country of Origin Inquiry (RCOI) on suppliers believed to supply materials or components containing tin, tantalum, tungsten and gold, collectively known as '3TGs', necessary to the functionality or production of our products. We designed our supplier RCOI process to identify, to the best of our efforts, the smelters in our supply chain in accordance with the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance. Our submission to the SEC indicated that all these smelters have been audited and recognised as conflict-free by the Responsible Minerals Assurance Process (RMAP).

In furtherance of our commitment for a responsible mineral supply chain, we will work towards voluntarily complying with EU Regulation 2017/821 (Conflict Mineral Regulation). We will continue to monitor developments and be prepared to respond appropriately. Full details are available at www.smith-nephew.com/sustainability/policies.

Against modern slavery

We will only work with suppliers who share our opposition to modern slavery. In compliance with the UK Modern Slavery Act 2015, we have published our statement on this issue online. This is available at www.smith-nephew.com/sustainability/policies.

In 2020, we have incorporated the requirements of the Australian Modern Slavery Act 2018. We will continue to monitor developments in other geographies and be prepared to respond accordingly.

How our targets relate to specific SDGs

People +

Creating a lasting positive impact on our communities

Our targets	SDG goal	SDG targets
-------------	----------	-------------

Between 2020 and 2030, contribute **1 million** volunteer hours to the communities in which we live and work.



10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Between 2020 and 2030, donate **\$125 million** in products to underserved communities.

Empower and promote the **inclusion of all**.

Planet +

A medical technology business with a positive impact

Our targets	SDG goal	SDG targets
-------------	----------	-------------

Achieve an 80% absolute reduction in total life cycle greenhouse gas emissions by 2050, beginning by implementing **100% renewable electricity** (eg solar or wind) plans at our facilities in Memphis, US, and Malaysia by 2022, and at all of our strategic manufacturing facilities by 2025.



7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Achieve **zero waste to landfill** at our facilities in Memphis, US, and Malaysia by 2025 and at all of our strategic manufacturing facilities by 2030.



12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Products

Continues overleaf

Innovating sustainably

Our targets	SDG goal	SDG targets
-------------	----------	-------------

By 2022, include sustainability review in New Product Development phase reviews for **all new products** and product acquisitions.



3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

How our targets relate to specific SDGs continued

Products

Innovating sustainably

Our targets

SDG goal SDG targets

By 2025, incorporate **at least 30%** post-consumer recycled content into all non-sterile packaging materials.



12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

By 2025, incorporate packaging materials from **sustainable sources** for new packaging parts.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

By 2025, complete supply chain assessment of **all suppliers**, including subsequent tier levels, to assure compliance with our sustainability requirements.



8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Absolute data for environmental performance

We report our emissions in two 'scopes'.

Scope 1 figures include: Direct sources of emissions, which mainly comprise the fuels we use on-site, such as gas and heating oil, and fugitive emissions arising mainly from the losses of refrigerant gases.

Scope 2 figures include: Indirect sources of emissions such as purchased electricity and steam we use at our sites.

Location-based emissions are calculated in compliance with the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) GHG Protocol Corporate Accounting and Reporting Standard and have been calculated using carbon conversion factors published by the UK Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (DEFRA) for 2020. We have applied the emission factors most relevant to the source data, including DEFRA 2020 (for UK locations), International Energy Agency (IEA) 2018 (for overseas locations) and for the US we have used the US Environmental Protection Agency (US EPA) 'Emissions and Generation Resource Integrated Database' (eGRID) for the regions in which we operate. All other emission factors for gas, oil, steam and fugitive emissions are taken from DEFRA 2020.

Waste	2016	2017	2018	2019	2020
Non-hazardous waste (tonnes)	2,281	2,196	1,940	1,996	1,853
Hazardous waste (tonnes)	327	259	335	857	635
Waste recycled for energy recovery (tonnes)	2,152	2,406	2,481	2,521	2,626
Waste recycled (tonnes)	5,362	5,635	6,278	6,463	6,119
Total waste (tonnes)	10,122	10,496	11,034	11,837	11,233

Energy, emissions and water

Total energy (GWh)	2016	2017	2018	2019	2020
207	209	209	213	212	
Emissions to air (tonnes CO₂e)					
Combustion of fuel and operation of facilities (process and fugitive)	9,822	9,451	9,956	9,888	9,754
Purchased electricity (location-based) and steam	82,415	76,107	67,886	67,324	63,191
Total (location-based)	92,237	85,558	77,842	77,212	72,945
Purchased electricity (market-based) and steam	–	67,685	66,475	57,152	30,378
Total (market-based)	–	77,136	76,431	67,040	40,132
Water usage (1,000m³)	683	614	538	650	600

All emissions have been calculated using the most up-to-date emission factors available for each location according to GHG Protocol guidance. GHG Protocol supplies the world's most widely used greenhouse gas accounting standards. Acquisitions completed prior to 2020 are included.

Contact us

We welcome your feedback on this Sustainability Report.

Chief Human Resources Officer

Smith & Nephew plc
Building 5, Croxley Park
Hatters Lane, Watford
Hertfordshire, WD18 8YE
United Kingdom

Email: sustainability@smith-nephew.com

You can find out more about our sustainability practices online:

www.smith-nephew.com/sustainability

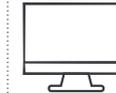
Product names

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

Product names followed by the ™ symbol are not owned by the Group.

Patient Testimonials

The patient testimonial(s) depicted herein represents the individual patient's own opinions, findings, beliefs, and/or experiences. Patients featured may have been compensated by Smith+Nephew for their time. Individual results will vary. Not everyone who receives a product or treatment will experience the same or similar results; results may vary depending on a number of factors, including each patient's specific circumstances and condition, and compliance with the applicable Instructions for Use. Smith+Nephew is not responsible for the selection of any treatment by a healthcare professional to be used on a particular patient. Smith+Nephew makes no representations, warranties, guarantees or assurances as to the availability, accuracy, currency or completeness of the information presented or its contents.



Read more online at
www.smith-nephew.com