

Modern Slavery Statement for the year ended 31 December 2018

Smith & Nephew plc and its subsidiaries (together Smith & Nephew) are committed to preventing slavery and human trafficking in its corporate activities, and its supply chains. This statement sets out our approach to achieving this in our business operations, third party sellers and supply chains. It is published in accordance with the requirements of the UK Modern Slavery Act 2015 Section 54 and relates to actions and activities during the financial year 1 January 2018 to 31 December 2018. This statement has been approved by the Board of Smith & Nephew plc and each of its relevant subsidiaries, T.J.Smith and Nephew, Limited, and Smith & Nephew UK Limited. Publication approval was granted by Smith & Nephew plc's Disclosure Committee on 17 April 2019.

Details of our subsidiaries are set out in Smith & Nephew plc's 2018 Annual Report.

Smith & Nephew's commitment – our Code of Conduct

Smith & Nephew earns trust with customers, healthcare professionals, government authorities, patients and the public by acting in an honest and fair manner in all aspects of its operations. We expect the same from those with whom we do business, including vendors who provide us with services and distributors and independent agents that sell our products. Our Code of Conduct and Business Principles governs the way we operate.

“Acting with integrity is more than just compliance with the law. Those who deal with us should also expect that we will meet accepted ethical standards. We should always behave ethically even in situations where the law is unclear or is still developing. You must follow this Code and related procedures. Nothing – not making the numbers, competitiveness or direct orders from a supervisor – should ever compromise our commitment to integrity. We all count on each other to uphold these standards to make sure that we keep our reputation for integrity.”

Chief Executive Officer, introducing Smith & Nephew's Code of Conduct

Smith & Nephew is committed to:

- Taking a robust approach to preventing slavery and human trafficking in its corporate activities and supply chains
- Supporting the Universal Declaration of Human Rights of the United Nations. This means we respect the human rights, dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right to be heard.
- Not using any form of forced, compulsory or child labour.
- Helping third party organisations working for and on our behalf through additional guidance to explain how our Code of Conduct and Business Principles specifically relates to those who perform services for and on our behalf (“third parties”). Our third parties include any individual, corporation, partnership or organisation that is not part of the Smith & Nephew Group, but that will provide a product or service to us or on our behalf. Adhering to Smith & Nephew's Code of Conduct is a contractual obligation for all third parties working with Smith & Nephew, including our supply chain.

About Smith & Nephew

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

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

Care: 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

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

Smith & Nephew is a portfolio medical technology company with a broad and deep range of high quality products.

Our main business areas are **Orthopaedics, Sports Med & ENT, and Advanced Wound Management:**

- Our **Orthopaedics** franchise includes an innovative range of Hip and Knee Implants used to replace diseased, damaged or worn joints and Trauma products used to stabilise severe fractures and correct bone deformities.
- 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.
- Our **Advanced Wound Management** portfolio provides a comprehensive set of products to meet broad and complex clinical needs, to help healthcare professionals get CLOSER TO ZERO human and economic consequences of wounds.

Manufacturing

Smith & Nephew takes great pride in its expertise in manufacturing products to the highest quality and ensuring they reach our customers in a timely manner. We operate manufacturing facilities in a number of countries across the globe, and a number of central distribution facilities in key geographical areas.

Smith & Nephew's supply chain network includes more than 1,500 individual suppliers. Our primary manufacturing and distribution sites are located in the US, UK, Germany, Switzerland, China, India, Russia, and Costa Rica. Additionally, we partner with third-party manufacturing and distribution suppliers in North America, South America, Europe, India, Russia and Asia. Products are shipped to individual country locations which hold small amounts of inventory locally for immediate supply to meet customer requirements.

Third Parties & our Code of Conduct

We respect the rights of all our stakeholders and seek to build open, honest and constructive relationships. We take account of ethical, social, environmental, legal and financial considerations in our planning and business decisions.

We are committed to establishing mutually beneficial relationships with all our business partners, suppliers and other stakeholders. We will only work with stakeholders who adhere to business principles and health, safety, social and environmental standards consistent with our own.

Third parties working with us may not use any form of forced, compulsory or child labour. They must maintain a work environment in which all feel welcome and free of harassment, discrimination or other improper conduct. They must respect the human rights, dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right to be heard.

The **Guidance to our Code of Conduct and Business Principles** helps third parties understand, follow and meet our expectations for them to:

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

Compliance with our Code of Conduct

Third parties working with us must commit to adhere to the law and our Code of Conduct. This is a contractual obligation, and all suppliers agree to abide by this. Contracts contain the following clauses:

Company shall conduct business on Smith & Nephew's behalf in an ethical manner and in accordance with Smith & Nephew's Code of Conduct and applicable procedures. Smith & Nephew's Code of Conduct and applicable procedures are available on Smith & Nephew's corporate website: www.smith-nephew.com.

Company shall notify Smith & Nephew without delay of any allegation received of breach of any law that may relate to or affect Smith & Nephew, or any breach of Smith & Nephew's Code of Conduct.

Any breach of applicable laws or Smith & Nephew's Code of Conduct by Company or any of its Representatives will entitle Smith & Nephew to terminate this Agreement immediately upon written notice of termination by Smith & Nephew to Company.

All employees and other persons subject to this Code are required to report all breaches of this Code to a compliance officer or through other authorised reporting procedures. Any employee or person subject to this Code who is aware of a violation and fails to report it may face disciplinary action by the Company, subject to compliance with applicable laws.

We have a robust whistle-blowing system in all jurisdictions in which we operate. We are committed to upholding our promise in our Code of Conduct that we will not retaliate against anyone who makes a report in good faith. The Company will not criticise any employee for any loss of business resulting from adherence to these principles and other mandatory policies and instructions.

The Chief Compliance Officer is responsible for reviewing Smith & Nephew's Code of Conduct and for addressing compliance-related concerns. The Chief Compliance Officer may, depending upon the nature of the violation, report it to the Ethics & Compliance Committee of the Board.

Due Diligence and Training

All Smith & Nephew employees receive annual training on the Code of Conduct.

We have a strong vetting process before we engage with a distributor or agent. We provide training to reinforce our expectations for compliant and ethical behaviour, and clear rules for third parties to follow. Guidance supports the Smith & Nephew employees who manage and work with our distributors and

agents, including a requirement to conduct a bi-annual report and to include a performance objective specific to effectively managing these third parties and mitigating compliance risks.

Controls around vendors, suppliers and service providers were enhanced in 2016 to make it easier for employees to understand the next steps once the risk level has been identified. In some cases, these steps may include due diligence, training or adding compliance standards in the contract. We are integrating these controls into the Company's purchasing system.

Our procurement team currently undertakes due diligence with a subset of suppliers which includes evaluating the modern slavery and human trafficking risks. In light of the Modern Slavery Act of 2015, Smith & Nephew is expanding this due diligence to include all new suppliers prior to new spend, and all existing large suppliers (>\$1.5 million) in quarter 1, 2019.

All direct and indirect procurement employees and buyers completed training entitled **Modern Slavery Act: Practical steps for Procurement** in early 2018. In 2019, the training will be extended to include our Human Resources teams.

The training includes:

- Purchasing practices which influence supply chain conditions and which should therefore be designed to prevent purchases at unrealistically low prices, the use of labour engaged on unrealistically low wages or wages below a country's national minimum wage, or the provision of products by an unrealistic deadline;
- How to identify the signs of slavery and human trafficking;
- What initial steps to take if slavery or human trafficking is suspected; and,
- What steps to take if suppliers or contractors do not implement anti-slavery policies in high-risk scenarios, including their removal from our supply chains.

Further steps

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

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

Yours sincerely,



Namal Nawana
Chief Executive Officer

10 April 2019