

Modern Slavery Statement for the year ended 31 December 2017

Smith & Nephew is 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 2017 to 31 December 2017.

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

Enshrined within our Code of Conduct is our commitment not to use any form of forced, compulsory or child labour.

We support 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.

As a global medical technology business, Smith & Nephew recognises that we have a responsibility to take a robust approach to preventing slavery and human trafficking.

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To help third party organisations working for and on our behalf, we have created **additional third-party 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

Smith & Nephew supports healthcare professionals in more than 100 countries in their daily efforts to improve the lives of their patients. We do this by taking a pioneering approach to the design of our advanced medical products and services, by securing wider access to our diverse technologies for more customers globally, and by enabling better outcomes for patients and healthcare systems

Pioneering Approach

We take a pioneering approach to the design of our products and services. Smith & Nephew has a long history of innovation, dating back to our foundations in the 19th century, and today we support customers to manage and prevent disease states, and enable swifter recovery for their patients

Ensuring Wider Access

We strive to secure wider access to our advanced technologies for more customers globally. In emerging markets we have built an entrepreneurial business resourced to reach and support an ever greater number of customers in delivering affordable healthcare.

Enabling Better Outcomes

We seek to enable better outcomes for patients and healthcare systems, providing high quality products and appropriate training to improve clinical outcomes, enabling healthcare professionals to treat more patients and improving the economic outcome for payers.

Our main business areas are **Orthopaedic Reconstruction, Advanced Wound Management, Sports Medicine and Trauma:**

- **Orthopaedic Reconstruction** primarily includes implants for the full or partial replacement of the hip and knee joints.
- **Advanced Wound Management** provides high-quality products, medical education and services supporting initial wound bed preparation through to full wound closure, enabling better outcomes for patients and healthcare systems.
- **Sports Medicine** offers surgeons a broad array of instruments, technologies and implants necessary to perform minimally invasive surgery of the joints, including the repair of soft tissue injuries of the knee, hip and shoulder.
- **Trauma** products consist of both internal and external devices, as well as other fixation and orthobiologic materials used in the stabilisation of severe fractures and deformity correction procedures.

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.

Our Code of Conduct

Smith & Nephew helps people regain their lives by developing and providing innovative, high quality medical device products that repair and heal the human body.

We accomplish this by incorporating our Company Values – Performance, Innovation and Trust – into all aspects of our daily business life.

Our Values

Performance

Performance means being responsive to customer needs. We set clear goals and standards – and achieve them. We deliver quality and value. We drive for continuous improvement. As a result, our customers, colleagues and shareholders have confidence in our products and in us.

Innovation

We are energetic, creative, passionate – always seeking to improve. We are forward looking, anticipating customers' needs, overcoming barriers and developing opportunities. We learn from our successes and failures. We encourage and support new ideas.

Trust

Trust is something we earn. We win it by being personable; by building close relationships with our customers, colleagues and communities; by listening to, understanding and respecting people's needs; and by being straightforward and doing what we say. We have integrity, and an ethical, honest approach to business.

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

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.

The chief compliance officer may, depending upon the nature of the violation, report it to the Ethics and Compliance Committee of the Board.

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.

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.

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, in 2017, 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 also working to integrate these controls into the Company's new 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 committed to expanding this due diligence to include all new suppliers prior to new spend, and all existing large suppliers (>\$1.5 million) by the end of 2018.

Arrangements were made in 2017, and training entitled **Modern Slavery Act: Practical steps for Procurement** was assigned in early 2018 to all direct and indirect procurement personnel and buyers. We intend extending the training to include our Human resources teams in 2018.

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.

The Chief Compliance Officer is responsible for reviewing Smith & Nephew's Code of Conduct and for addressing compliance-related concerns.

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

20 June 2018