

Smith & Nephew's 2016 Statement pursuant to Section 54 of the Modern Slavery Act 2015

This statement sets out Smith & Nephew's actions to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and its supply chains. This statement relates to actions and activities during the financial year 1 January 2016 to 31 December 2016.

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

Smith & Nephew is committed to preventing slavery and human trafficking in its corporate activities, and to ensuring that its supply chains are free from slavery and human trafficking.

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.

Our main business areas are Orthopaedic Reconstruction, Advanced Wound Management, and 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.

More information is available at www.smith-nephew.com.

Our Supply Chain

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.

Smith & Nephew produces an annual Conflict Minerals statement pursuant to the requirements of the US Securities Exchange Act of 1934 (<http://www.smith-nephew.com/sustainability/policies/conflict-minerals/>).

The President Global Operations is responsible for implementing Smith & Nephew's Conflict Minerals Policy. Procurement is responsible for qualifying suppliers, which includes questionnaires on labour practices for limited suppliers.

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

Relevant policies

- **Code of Conduct and Business Principles:** The Code of Conduct and Business Principles, which expressly prohibits the use of any form of forced, compulsory or child labour, sets out our legal and ethical principles for carrying out business and applies both to employees and to others who act for us. Any breach of Code of Conduct and Business Principles can be reported via the Ethics hotline or <https://www.smith-nephew.com/compliance/compliance-at-smith-and-nephew/report-a-concern/>. No retaliatory action is taken against anyone who reports, in good faith, actual or suspected misconduct.
- **Guidance on the Smith & Nephew Code of Conduct and Business Principles for Third Parties:** In addition to the Code of Conduct and Business Principles, Smith & Nephew has developed Guidance specifically related to third parties, including but not limited to, individuals, corporations, partnerships or organisations that are not part of the Smith & Nephew Group but provide a product or service to us or on our behalf. This Guidance specifically:
 - prohibits the use of any form of forced, compulsory or child labour (including forced, bonded indentured or involuntary prison labour);
 - respects the human rights, dignity and privacy of the individual;
 - respects the right of employees to freedom of association, freedom of expression and the right to be heard; and
 - requires compliance with applicable laws and regulations governing wages and work hours.

If a third party violates our Code, we review the business relationship and take appropriate action, such as terminating the relationship within our contract rights.

Due diligence

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.

Additionally, Smith & Nephew will provide training specific to modern slavery to all Procurement personnel in 2017. Training will include:

- 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.

Approval:

This statement has been approved by Smith & Nephew's Board of Directors, who will review and update it annually.



Chief Executive Officer