

+ Life Unlimited

Sustainability Report 2021



Smith+Nephew



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Welcome to our 21st annual Sustainability Report. We are pleased to provide an update on the actions taken in 2021 to deliver our sustainability strategy and a detailed update for each of our priority areas: People, Planet and Products.

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When you see the icon above, this highlights a story which illustrates the progress we have made across our key focus areas in 2021.

Welcome

Our purpose, culture pillars and strategy

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 Strategy for Growth

- 1 **Strengthen** the foundation to serve customers sustainably and simply.
- 2 **Accelerate** profitable growth through prioritisation and customer focus.
- 3 **Transform** our business through innovation and acquisition.

» See page 12 for how this links to our Sustainability strategy

Life Unlimited in action

Life Unlimited captures the essence of our purpose to improve the health issues that hinder people from living their lives to the fullest. We design and make technology that takes the limits off living, and we help healthcare professionals achieve the same goal.

People are at the core of our purpose, whether they are patients empowered by our innovative medical devices or healthcare professionals delivering high-quality care using our market leading technologies.

To celebrate the positive impact our work has on people we've designed a series of pages within this year's report called 'Life Unlimited in action.' These pages aim to showcase the variety of ways in which our work has a positive impact on people's lives: from improving patient access to Advanced Wound Management products, to innovative reductions in plastic which improve customer experience and developing technologies that bring versatility for surgeons.



Reducing the human and economic cost of burns
Page 17



Innovative packaging components reduce plastic waste
Page 31



Efficiency and versatility in the operating room
Page 40

An interview with our Chief Executive Officer

Our purpose is to restore and promote health and wellbeing



Q: What do you see as your most significant achievements in sustainability in 2021?

We are making good progress in meeting our sustainability targets and long-term goals. I'm particularly pleased to see the real benefits of our efforts to increase inclusion, diversity and equity in our workplace. We now have nine active Employee Inclusion Groups (EIGs) and as one example, I have been inspired by the way that our teams across the world have focused on mental health and workplace wellbeing. These are subjects that have become even more centre stage during the pandemic. We are proud to address them openly. We are also pleased to announce our commitment to net zero carbon emissions with more details available in this report.

Q: How has Smith+Nephew progressed against its sustainability strategy and targets this year?

We have made progress in each of our sustainability focus areas: People, Planet and Products. In 2021, we committed to net zero and adopted a revised sustainability target. Our goal is to achieve net zero Scope 1 and Scope 2 greenhouse gas (GHG) emissions by 2040 and net zero Scope 3 GHGs by 2045. So far, we are on track to achieve a 70% reduction in Scope 1 and Scope 2 GHGs by 2025 compared to a 2019 baseline. You will read more about this in detail throughout this report.

Q: What are your next priorities in reducing Smith+Nephew's carbon footprint?

We will further develop our plan to reduce our carbon footprint and start to deliver against it. We are confident that our initiatives around energy saving and renewable energy generation and procurement will have significant impacts as we strive to achieve net zero across all our operations.

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

The global transition to a low-carbon economy is accelerating due to strengthened commitments from governments, corporations and the demands of customers and wider society. As our Scope 3 emissions are the largest part of our footprint, our challenge is to fully understand these GHG emissions and implement phased targets to reach net zero by 2045. I'm pleased that our sustainability strategy is now challenging us in all areas of our business to find technical and commercial solutions to meet our targets. We are working hard to integrate sustainability into the way we work so it becomes part of how we do business every day. Our commitment to net zero is a strong signal of our plan to work this way.

Q: What will Smith+Nephew focus on next to achieve further positive sustainable impact?

Despite the pandemic, we have remained focused on delivering our purpose of Life Unlimited to our customers and their patients. Our priorities continue to be the safety and wellbeing of our employees, supporting our customers and patients and identifying a clear plan to deliver our net zero commitment.

In the UK, I have joined NHS England's International Leadership Group for a Net Zero NHS. Joining this Group shows our active engagement to help this organisation, which is one of our key customers, to meet its targets: net zero carbon emissions by 2040 for the emissions it controls directly, and 2045 for broader impact. The Group's main focus in 2021 was on the run-up to COP 26 in Glasgow in November 2021, where world leaders took on the challenge to limit global warming. The members of the International Leadership Group for a Net Zero NHS, are standing side by side with the NHS, its staff, patients and the public, in support of a net zero health service and the improvement of health now and for future generations, by committing to reach net zero emissions by 2045 or earlier across Scopes 1, 2, and 3.

Our people deliver on our purpose of Life Unlimited every day that they come into work.

Roland Diggelmann
Chief Executive Officer

"As a portfolio medical technology company, Smith+Nephew's purpose is to restore and promote health and wellbeing. We believe that this applies not just to the benefits our products deliver to patients, but also to the wider health of the planet and society. Our net zero pledge will help each of us view our actions here and now through the lens of the long-term good we can do."



About us



Who we are

We are a leading portfolio medical technology company

We serve our customers through our three global franchises.

Orthopaedics

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



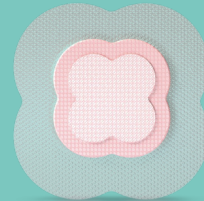
Sports Medicine & ENT

Our Sports Medicine & 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, and to help healthcare professionals reduce the human and economic consequences of wounds.



We invest in innovation, sustainability and medical education to help build a better, healthier world.

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.



Sustainability

We strive to make a sustainable impact on health and wellbeing through a sustainability strategy with challenging targets across the three areas of people, planet and products. This means creating a lasting positive difference to our communities, being a medical technology business that protects our environment, and innovates sustainably.



Medical education

Smith+Nephew is committed to educating and training healthcare professionals on the safe and effective use of our products. Every year we provide tens of thousands of surgeons and nurses with opportunities to evaluate the latest evidence, and learn innovative surgical techniques and effective use of our products through our medical education programmes.





Our business model

How we create value

Value creation is driven by our purpose-driven culture, strategy, customer-centricity, strong product portfolio and commitment to sustainability.

Our resources

Our people & culture

Attracting, developing and retaining high calibre 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.

Research & development

Innovation is at the heart of our business and we are sustaining our levels of investment in new products, technologies and services.

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.

Creating value through

Life Unlimited

Purpose-driven culture

Having the clear purpose of Life Unlimited gives employees a sense of belief, 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.

Strategy for Growth

Focuses our efforts to strengthen the foundation, accelerate profitable growth and transform our business through innovation and acquisition.

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.

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.

Sustainability

Our sustainability strategy sets challenging targets across the three areas of people, planet and products. This means creating a lasting positive difference to our communities, being a medical technology business that protects our environment, and innovates sustainably.

Value delivered in 2021

\$5,212m

Group revenue

\$593m

Operating profit

\$936m

Trading profit¹

c.\$40m

Efficiency savings

156,255

Practitioner training instances

9%

Less waste to landfill vs 2019

10,000

Hours volunteered

\$329m

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 218-222 of the 2021 Annual Report.

Access to healthcare

We aim to help people live their lives to the fullest. Wherever they live in the world, we want people to be able to benefit from the best cost-effective solutions to meet their needs.



At Smith+Nephew, sustainability in healthcare means that patients can access the solutions that will help them achieve Life Unlimited.

With quality healthcare, it's possible to achieve healthcare equity for all – promoting and maintaining health, preventing and managing disease and reducing disability.

Access to healthcare is typically defined as the ease with which someone can obtain the medical care they need. The barriers to it are largely social, cultural, economic and geographic. Removing them can help improve patient outcomes.

Smith+Nephew aims to help remove the barriers to healthcare access in different ways. In developed markets, we work to enable healthcare systems to improve. Our products make it possible to carry out surgical procedures more quickly and accurately, so throughput and efficiency are higher. And our innovations improve patient outcomes and reduce rehabilitation times.

In developing markets that don't have the same access to healthcare, we price our solutions competitively and run an active product donation programme. We are uniquely placed to help improve access to healthcare because we are involved throughout the care process, from surgical devices to wound care.

Keeping medical education going throughout the pandemic

During the COVID pandemic, the Smith+Nephew medical education team expanded our medical education and surgeon training programme to include virtual interactive education programmes.

In 2021, the team provided education and training to approximately 150,000 healthcare professionals globally. Of those, over 80,000 were trained via webcasts, webinars or virtual classrooms. Globally, the medical education team has moved to a balance of virtual and in-person symposia and laboratory education sessions. We have also actively participated in third party events that have begun to be held again.

The team continues to explore technologies to provide efficient, globally consistent education. This includes developing our Education Unlimited website and procedure simulations. All our Smith+Nephew franchises work together to keep the patient's care pathway at the centre of what we do.

A look at our world

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

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 provide better care for individuals and better health outcomes for populations.

1 Affordability of healthcare

Affordable healthcare helps ensure people continue to have opportunities in life. But there's a tension between innovation and cost. Although technology is developing rapidly, resource constraints mean that not everybody can be treated with new solutions. We recognise this need and respond by maintaining a strong focus on the affordability and value of care.

2 Growing concerns about healthcare inequality

We're hearing more and 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's 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 review and work to incorporate these considerations at an early stage in our new product development process and during acquisitions.

4 Climate change

Climate change is impacting health and causing significant stress to healthcare systems. Climate-related health risks, such as rising global temperature and extreme weather events, are not equally distributed and exacerbate inequalities. As a healthcare company, we are partnering with customers and suppliers to decrease our emissions, protect the environment and minimise the impacts on healthcare.

Smith+Nephew's response

Our challenge 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 to the full. We actively design high-quality, low-cost new products for both developed and emerging markets.

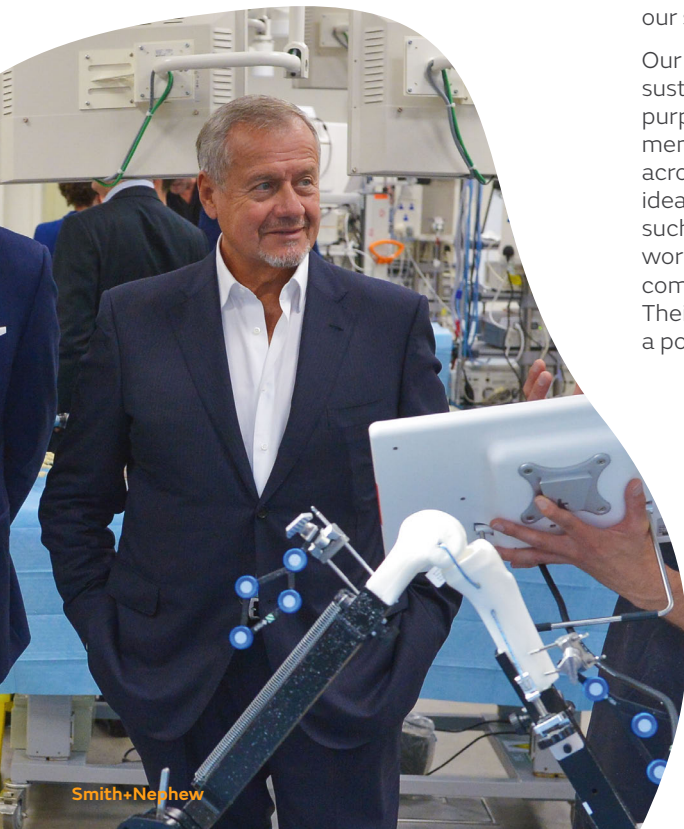




Our sustainability approach

A message from our Chair

Shaping how we work together



At Smith+Nephew, it is our responsibility to deliver sustainable business practices across our key areas of focus: People, Planet and Products.

Sustainability shapes how we work together as a business and with our customers. For example, Smith+Nephew's Workplace Unlimited principles show how we can enable many of our employees to choose freely when and where they work. We plan to introduce these principles at all our sites around the world next year. We are proud of our commitment to achieve net zero. I'm confident that with the people and processes that we have in place, we will be able to deliver on this commitment. I look forward to sharing our successes.

Our Sustainability Council continues to drive our sustainability strategy, which is built around our purpose, culture pillars and strategy. The Council members are experienced executives from across many Smith+Nephew functions and are ideally placed to deliver programmes in areas such as environmental and social responsibility, workplace conditions, supply chain impacts, community involvement and philanthropy. Their enthusiasm for sustainability is having a positive effect on our programmes.

Our challenge remains continuing to integrate sustainability into the way we do business every day. At Smith+Nephew, we serve shareholders and investors, but we continue to prioritise our employees, customers, local communities and the broader world around us. The journey to integrating sustainability into the way we work will be led by our Sustainability Council and supported by the innovation of all our employees.

Finally, along with the Board, I am very proud of how we have continued to respond to the pandemic, both for our employees and customers.

This report provides a detailed update on progress across each of our sustainability focus areas: People, Planet and Products.

Roberto Quarta
Chair

"We are proud of our commitment to achieve net zero. I'm confident that with the people and processes that we have in place, we will be able to deliver on this commitment. I look forward to sharing our successes."



Our sustainability strategy

Our sustainability strategy, which was developed by our Sustainability Council and approved by the Board, was inspired by the United Nations' Sustainable Development Goals (SDGs). It is directed by our business strategy that forms the basis of our value creation plan for the medium term. It is 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 sustainability strategy reflects the social, environmental and economic aspects of sustainable development. As a profit-seeking enterprise, our challenge is to focus our efforts on meeting our economic objectives whilst at the same time optimising the social impact and reducing the environmental impact of our work.

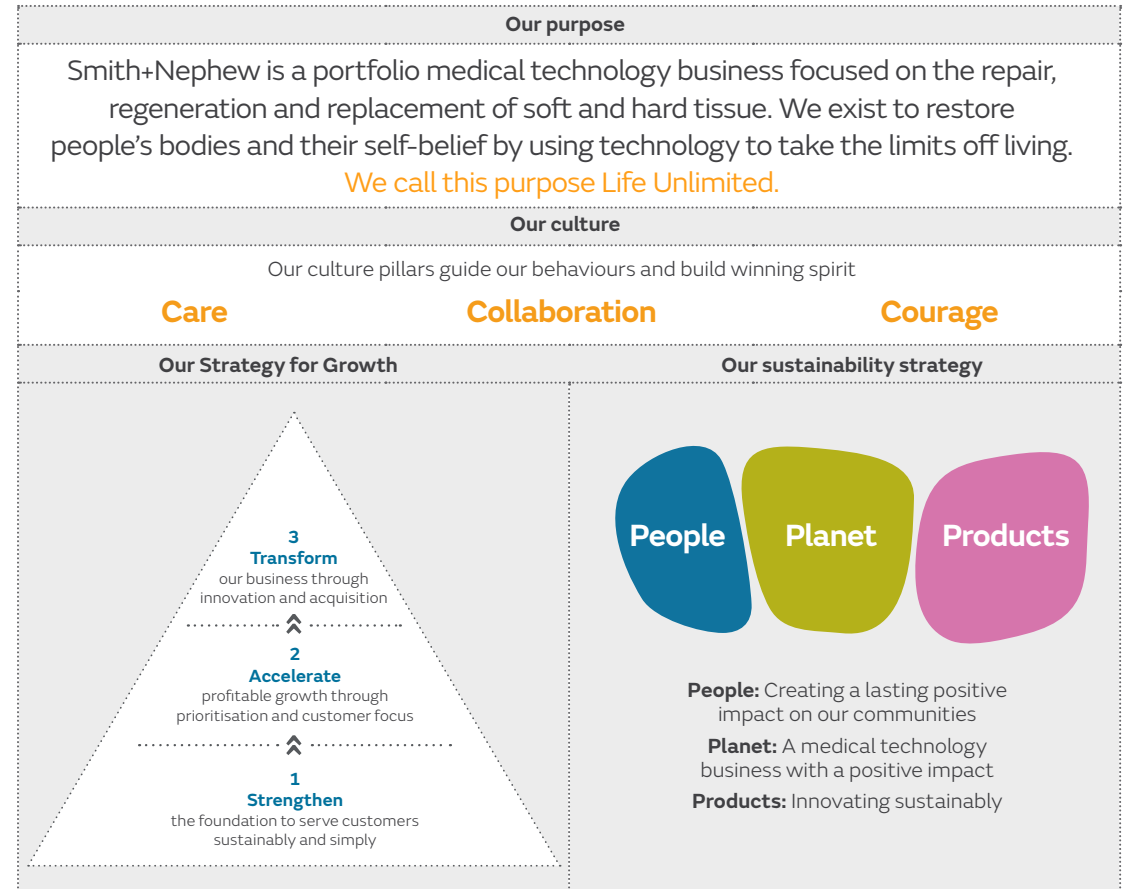
Smith+Nephew has been and remains committed to working in a sustainable, ethical and responsible manner everywhere we do business. We are proud of our achievements over many years, including our recurring inclusion in leading indices, such as FTSE4Good, ISS and the Dow Jones Sustainability Index.

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

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

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

See the next page for targets and progress against the three focus areas of our sustainability strategy.





Our sustainability targets

People +

Creating a lasting positive impact on our communities

Our targets

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

10,000

Hours of volunteering in 2021.
Total since 2020 = 18,000

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

\$1.4m

Product donations in 2021.
Total since 2020 = \$6.1m

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

Nine

Global Employee Inclusion Groups are now established, up from eight in 2020.

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 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

Achieve **net zero** Scope 1 and Scope 2 GHGs by 2040 and Scope 3 GHGs by 2045, beginning by achieving a 70% reduction in Scope 1 and Scope 2 GHGs by 2025.

Our progress in 2021

We have made a commitment to achieve net zero by these dates. A carbon roadmap for Scopes 1 and 2 through 2025 has been developed and one for Scope 3 is being developed.

76,222 tonnes

CO₂e emitted (location-based), a 1% reduction since 2019.

46,797 tonnes

CO₂e emitted (market-based), a 30% reduction since 2019.

All

Sites in Memphis continued to source renewable electricity.

Our new site in Malaysia is making progress with options to both source and generate renewable electricity in 2022.

1,829 tonnes

We sent 9% less waste to landfill during 2021 compared to 2019.

Our target prior to September 2021:

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 our strategic manufacturing facilities by 2025.

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

Additional actions

- Develop and implement a 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

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

Our progress in 2021

Sustainability is now part of our NPD Phase Review process, ensuring that we discuss, consider and implement sustainability in our product design.

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

Initiated supplier discussions to collaborate on material portfolio. Developing a database to provide visibility of all packaging materials and their composition in order to assess status and progress against target.

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

Established packaging sustainability strategy and roadmap. Working with our top packaging suppliers to investigate and select more sustainable materials for new packaging parts.

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

We have completed the internal screening due diligence for 100% of our Tier 1 suppliers.

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 compliance with the customer and regulatory requirements (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)

We can be a positive force

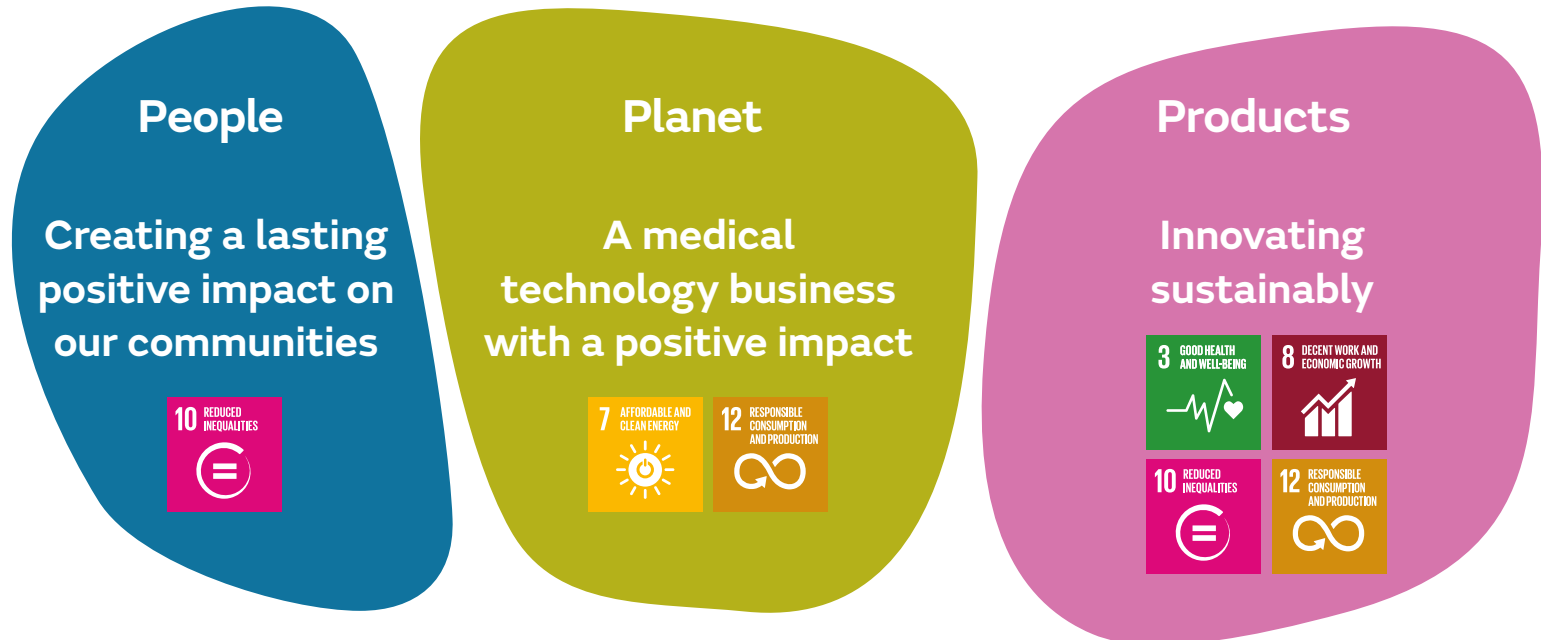
We have identified the SDGs most important to Smith+Nephew, where we can make the most significant contribution.

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, its focus is on progressing the most important opportunities to accelerate sustainable human development.

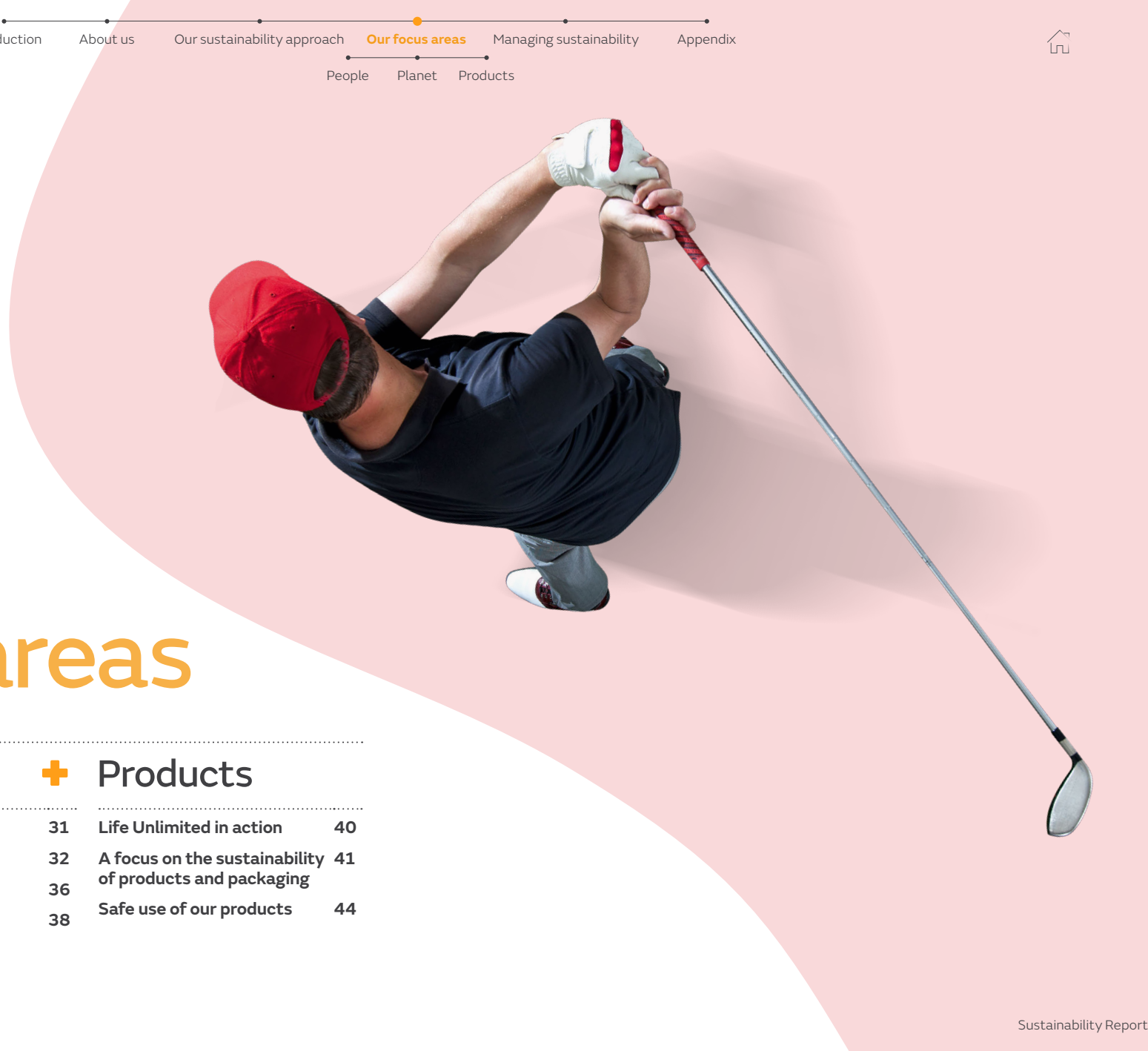
Smith+Nephew can only have a limited impact on many of these targets. However, we can be a positive force in several areas. Whilst our goals and targets are fundamentally derived from our Group business strategy, it is important that these align with and support global sustainable development efforts.

Using a structured approach, we have identified the SDGs most important to Smith+Nephew and to which we can make the most significant contribution. We then better mapped our sustainability goals against these five SDGs. By focusing on them over the long term, we will ensure we select targets that have the 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 aspirational goals and targets but is not a strategic priority.



» For more details on how our sustainability targets relate to specific SDGs, please see pages 51 & 52.



Our focus areas

People



Planet



Products

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People

Creating a lasting positive impact on our communities

“Our culture guides every decision we make and every action we take. It is more than words – it is who we are at Smith+Nephew.”

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



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Why is this important?

People are at the heart of our purpose, Life Unlimited. Putting them first will help us to achieve our vision of a world where healthcare professionals and patients are able to help restore health, wherever they are.

We prioritise people in three different ways. Firstly, we support our own employees' wellbeing, by ensuring their work environment is healthy and safe and by continuing to build up employee wellness programmes that enable healthy life choices.

Secondly, our business is focused on helping improve patients' wellbeing and on empowering the healthcare professionals who treat them. And thirdly, we engage with the communities where we operate. We encourage our people to volunteer in local communities, offer paid volunteering time and match employee charitable donations. We have continued to offer additional volunteering for employees with healthcare training to serve on the front line during the pandemic.

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.



Life Unlimited in action

Reducing the human and economic cost of burns

Improving patient access to burns treatment in South Africa.

During the month of May, which was dedicated as National Burn Awareness Month, Smith+Nephew handed out 770 care packages to children and adult patients at 19 burn centres across the country. Alongside our work to improve access to Advanced Wound Management products, this social initiative is helping to improve outcomes for underprivileged patients.

770

care packages



19

burn centres



“Burns have a high human and economic cost on both healthcare systems and the patient. Smith+Nephew has always strived to reduce this cost in South Africa. We have put in place modern burn wound management protocols that have become the gold standard of burns treatment in South Africa. We will continue to strive to put our patients first and ensure every single person receives the best treatment.”

Sabashini Naicker
Managing Director South Africa





Responsible global citizen

We believe that everyone needs to play their part in helping to tackle today's many challenges. This includes 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 social responsibility programmes are directed at the local level to ensure positive impacts in the communities where we operate.

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

- **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.
- **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. This is to provide education with the goal of improving the standard of care as well as access to beneficial healthcare procedures.

- **Matching gifts:** We match employees' eligible charitable donations up to \$500 per employee on an annual basis.
- **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. More details are available within the Global Policy on Sustainability and Corporate Social Responsibility (CSR) available on the website at www.smith-nephew.com/sustainability/policies.

Key areas of focus

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

Health & human services (People + Products)

As a leading medical technology 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 2021

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. Progress against this target has been slowed by the pandemic but we remain confident that we can increase these hours in the coming years.

We have additionally made 240 volunteering hours available to employees with a healthcare professional background, so they can use their skills to work directly in response to the pandemic. The COVID Global Volunteer Policy for registered healthcare professionals was made permanent in 2021 to support the communities in which we live and work. Intended to address the pressure on healthcare services, it enables employees to support healthcare organisations, services and healthcare professionals for this and future crises.

The total number of hours volunteered by Smith+Nephew employees in 2021 was 9,675 hours of which 698 hours were part of the registered healthcare professionals programme. This takes our total to over 18,000 hours since the beginning of 2020.

10,000

hours volunteered by our employees in 2021, including hours as part of the registered healthcare professionals programme.

Product donations to underserved communities in 2021

In support of our target, between 2020 and 2030 to donate \$125 million in products to underserved communities, we delivered \$1.43 million in product donations, in addition we made donations of \$62,000 in cash and \$73,000 from matching employee gifts to qualified charities. In 2021, our philanthropic activities totalled \$1.56 million.

Our social responsibility strategy continues to build employee enthusiasm for charitable giving and to demonstrate how it is linked with our success as a company.

In 2021, we also provided \$19.2 million in educational grants and sponsorships across the world. This funding is intended to help surgeons learn the safe and effective use of our products and technologies, and ultimately to make world-class healthcare solutions more accessible.

Future focus

As COVID restrictions are lifted and more opportunities become available, we intend to reinvigorate our product donation and volunteering programmes in 2022.

\$1.4m

in product donations made during 2021 to underserved communities.



A selection of stories highlighting progress made across key focus areas in 2021

Martha's Table in Washington, DC

Smith+Nephew volunteers helped bag groceries for underserved communities in parts of Washington, DC. The charity supports children, families and communities by increasing access to quality education, health and wellness. This event not only gave us an opportunity for team building but also the chance to connect with members of our local community.

'Walk-N-Roll' in aid of spina bifida

Smith+Nephew donated \$8,000 to the Spina Bifida Association (SBA) in 2021, with five employees (pictured below) taking part in the SBA's annual walk in Washington, DC. Smith+Nephew supports SBA for the services and advocacy it provides. People with spina bifida have mobility challenges and significant wound care needs, so they are a population whose total health and welfare we want to support.

'Walk-N-Roll' is the organisation's largest fundraising event. It features a non-competitive one-mile walk/roll, educational resource fair, and opportunities to connect with spina bifida patients and their families. The event rallied over 2,700 participants from across the country, raising a total of \$390,000.



Volunteering and philanthropy at Smith+Nephew in Russia

A dozen employees volunteered at a nature reserve for bison near Moscow, helping by cleaning and levelling the ground for the animals in the reserve.

Other colleagues in Russia chose to support 'Gift of Life', one of the largest charitable foundations in Russia that is focused on supporting children with cancer. Their donation of \$1,200 was matched by Smith+Nephew and this was gratefully acknowledged by the foundation.

Our employees enjoyed the interactions with other colleagues alongside whom they would not normally work in the office environment. Both events raised team morale and engagement with the local community.

'These boots are made for walking'

Our team in the Netherlands set themselves a challenge of improving their physical and mental health by interacting with colleagues in a fun way and raising money for Stichting Vlinderkind, a foundation supporting patients with epidermolysis bullosa, a hereditary and as yet incurable skin condition. Over 50% of our Dutch employees took part during the 'lockdown' period so it served as a fun way to keep in touch with colleagues and introduce a competitive element to the challenge. The 47 participants raised €3,000 to support valuable scientific research into this condition.

Hull (UK) Charities Team

Following an employee vote, this year the Charities Team has focused on four charities, each of which received £5,000 from Smith+Nephew in Hull: Children's Heart Foundation, East Riding Foodbank, Mires Beck Nursery, and Mind. Our donation helped the East Riding Foodbank move to larger premises, while Mires Beck Nursery can now support children to attend more gardening classes. The Children's Heart Foundation has used our donation to help families of children undergoing surgery to stay in special family rooms.

In Hull, we have also engaged with Sight Support for Hull and East Yorkshire, with four employees using their volunteering time to help at a fundraising abseil event to raise awareness and money for this charity. Vanessa Lucas (Senior Director, Human Resources) also ran the Great North Run this year to raise funds for the same charity.



Empowering our employees

We succeed because of our employees. Their hard work and dedication improve patients' lives every day, across the world. So that we attract and retain talented employees, we work to be an 'employer of choice' – by empowering our managers, building a sustainable and diverse talent pipeline, and operating more effectively and inclusively.

Smith+Nephew's approach

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

We remain proud of our response to COVID and the way in which we have transitioned our employees to a 'new normal'. Whilst employee health and safety continues to be our priority, we want our people to feel included, connected, supported and engaged. We have run several initiatives throughout 2021 focused on mental health and physical wellbeing. For example, 'WELLFEST' events have been held across the UK, we have supported Mental Health Awareness Week (in May and October) as well as running global events that support maintaining mental health and physical wellbeing.

The 'new normal' way of working

Alongside our culture, insights from employees have guided us to define how we will work together in the future 'new normal', which we call Workplace Unlimited. We have defined new working practices, building on the positive lessons learned throughout 2020 and 2021 as our employees have continued to work effectively throughout the pandemic, whether working remotely from home or at our sites around the world.

At Smith+Nephew, we define flexibility as WHERE, HOW and WHEN we work. Workplace Unlimited provides our employees with the information and tools to make flexibility a reality regardless of job role or team. The principles and frameworks will be implemented at a country level and may look different from site to site.

Inclusion at Smith+Nephew is where:



WHERE we work



Offering flexibility in the spaces in which we work

HOW we work



Offering flexibility in our ways of work

WHEN we work



Offering flexibility in work patterns

Empowering our employees continued

Employee engagement survey

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 second time, the survey featured an Inclusion Index to give us a baseline measure of how included all our employees feel. This aligns with our overall Inclusion, Diversity and Equity 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 raise concerns. 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.

42,000+

Our online learning platform supports all Smith+Nephew employees. With over 42,000 resources – videos, courses, books, book summaries, bootcamps and live events.

Our Performance

Winning Behaviours

Winning Behaviours define the winning culture we want to drive at Smith+Nephew and the behaviours that will deliver our strategic pillars and build our inclusive culture. Following their launch in 2019, we continue to embed them across the business. They guide decision-making and play a key role in recruitment, where a new methodology also enhances the diversity of our hiring. Embedding Winning Behaviours in our performance and talent processes also helps us to assess performance and future talent and enhance the experience for new hires.

Development

To help deliver our purpose of Life Unlimited, we must realise every employee's full potential. To achieve this, all our employees have 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. Today, 89% of all employees now have a development plan in Workday (our HR system). We have also created an e-learning module to help employees and managers build meaningful development plans.

Leadership development

In 2021, a record 335 leaders joined our Pioneer and Leadership Edge programmes. These focus on skills most critical in the current situation: the 2021 Pioneer theme was 'Leading High-Performing (Hybrid) Teams', and the Leadership Edge theme was 'Leading through Change and Ambiguity'.

Based on the mid-programme feedback, the participants appreciate the opportunity to continue strengthening their capabilities and enjoy this learning experience:

“I believe this programme will really be useful for my professional career development in the future and for managing my team in a more effective way.”

“It is worthwhile and aligns with our goals as an organisation. Especially helpful for new managers.”

“Appreciate the opportunity to improve my performance as a leader and the fact that the Company is investing in us as leaders.”

Senior leaders are supported by our executive development programme, which was piloted and launched in 2020. In 2021, a further 22 senior leaders have participated in nine courses offered by business schools including Columbia, Yale, MIT and Berkeley.

In 2021, we developed and piloted a new programme for first-time leaders, which focuses on must-have skills such as how to understand customer needs, how to manage and measure teams' delivery and how to coach and provide effective feedback. The programme will be rolled out globally in early 2022.

Our online learning platform supports all Smith+Nephew employees. With over 42,000 resources – videos, courses, books, book summaries, bootcamps and live events – the platform supports learning needs in the areas of leadership, technical and professional development. This is a comprehensive and extensive library of online learning resources

that is available for all 18,000 employees at Smith+Nephew to access via Learning Unlimited. Resources are made available in a range of languages.

People Leader Fundamentals

Our people leaders at Smith+Nephew play a vital role in engaging and developing high-performing teams, driving our business success and enabling our purpose of Life Unlimited. They are important advocates for creating a culture where we Care, Collaborate and show Courage.

As we continue to evolve and improve our culture, our global employee survey has identified opportunities for further employee engagement and development, as well as greater flexibility and new ways of working. To support this, we launched 'People Leader Fundamentals' in mid 2021. This programme aims to help our leaders understand what is working and what is not, and then work together to find solutions. We have hosted 39 workshops with 360 people leaders and employees and have also sought the perspective of our Executive Committee. In summary, we heard Smith+Nephew is a great company with an inspiring purpose and culture and employees, and people leaders really appreciated the opportunity to share their perspective. Of course there are opportunities to build on this further, and these will form the basis of plans to be rolled out in 2022. Central to these plans, will be an assessment measure and how we drive accountability. Overall success will be reflected in higher levels of engagement, retention and better quality development plans.



Empowering our employees continued

Global mobility

In 2021, our Global Mobility team launched a new Virtual Assignment (VA) policy, which gives employees cost-effective opportunities for international experience and career development without the need to physically relocate. As well as reducing the carbon footprint from travel, VA supports our inclusion, diversity and equity strategy. It provides development opportunities for employees who may not be able to relocate due to child/dependent care, disability or restrictions related to gender identity or costs.

Performance and talent management

Our performance management process aligns each individual's objectives with our strategic pillars and Winning Behaviours, and aligns individual with business performance. It has been particularly helpful for our people leaders and employees in light of the continuing challenges seen through 2021 and moves to hybrid ways of working. We also provided extra support to help people leaders encourage more frequent feedback, and introduced a new global feedback framework and a supporting e-learning module on how to deliver and receive feedback. We also supported people leaders to re-align objectives and manage performance conversations in hybrid environments.

In 2021, we continued our twice-yearly Global Talent Review process in June and October virtually. In Q2, we focused on High Value Roles (HVRs), those that create or enable the most value for the organisation. We looked at how we could accelerate development plans to mitigate retention risk and increase the readiness of successors. To support this process, we launched a new High Value Role assessment tool to prioritise and pressure-test our most critical roles.

We were successful in identifying several HVRs from both the Commercial and Global Operations functions as being critical to our ability to execute our strategic pillars.

Our key successes this year included having succession options in place for most HVRs, with many having at least one 'ready now' or later successor identified. A further five female 'ready now' successors were added this year. Our internal hiring at senior leader levels has risen from 17% to 58% over the last 12 months.

In Q4, we took a deep dive into critical talent topics such as diversity. We also introduced bi-monthly Talent Spotlights, where we review the organisational and people actions agreed to mitigate risks and improve our bench strength. A more regular cadence of talent discussion in our Executive Committee has allowed for better visibility of top talent (successors to HVRs) and a more proactive approach to retention risk management and development.

We have also invested in getting to know our key talent better, using virtual coffee meetings with the Chief Executive Officer and regular listening sessions with key talents at all levels. These sessions help strengthen retention and follow-through of our Global Talent Review actions. Employees were motivated by having direct 'airtime' with the Chief Executive Officer.

We have also run listening sessions more broadly to understand what we can do to increase diversity and inclusion. These have been supported by investments in executive-level sponsorship and Employee Inclusion Groups, which cover different areas of diversity.

To help our managers to assess potential, we have provided an enhanced tool and built a supporting e-learning module. Finally, to address development gaps in the succession pipeline to our managing director roles, we have launched an aspiring Managing Director (MD) development programme and associated competency framework. The aim is to address internal progression opportunities to MD level and fill any capability gaps in the existing succession pipeline. The pilot programme aims to offer a series of talent development components underpinned by an MD competencies and experiences framework to help bridge identified gaps to accelerate readiness of our future MDs and help mitigate against retention challenges.

Leadership development

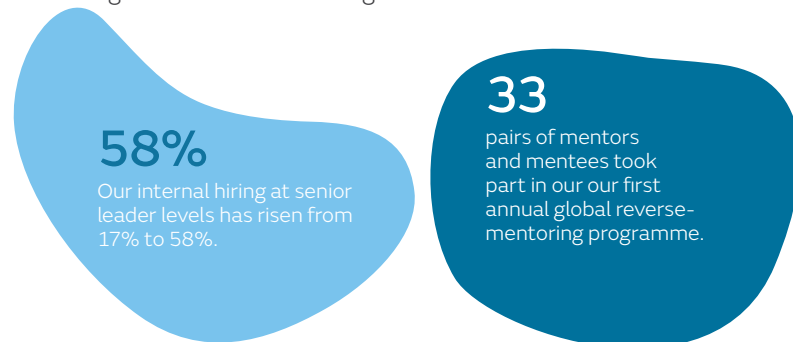
Emerging Talent Programme

In 2021, we launched our first annual global reverse-mentoring programme, in which 33 pairs of mentors and mentees took part. The programme aimed to encourage intergenerational connections with participants who represent different cultures, backgrounds and disciplines. Mentees, who are our senior leaders, were educated in areas such as new ways of working, inclusion and diversity and social media.

Results confirm that it is a mutually beneficial learning opportunity. They confirmed that 99% are very satisfied and/or satisfied with the programme. All participants wanted to continue their mentor/mentee relationships and would also recommend the programme to a partner.

Inclusion, Diversity + Equity

Smith+Nephew is committed to Inclusion, Diversity + Equity (ID+E). We aim to create an environment that values difference, where every individual can achieve their fullest potential and be proud ambassadors for Smith+Nephew, our customers and their patients. In 2021, we updated our definitions of Inclusion, Diversity and added 'Equity' to reflect our overarching ambition – to create and foster a sense of belonging for our employees.



Empowering our employees continued

We now have nine Employee Inclusion Groups (EIGs) that cover areas of diversity such as gender, race and ethnicity, veterans, mental health and physical wellbeing, generations, and LGBTQ+. Our PRIDE EIG launched in June to coincide with Pride month, with communications going out to our employees to raise awareness and provide education.

Towards the end of Pride month, we also hosted a guest speaker event, which was our first global, intersectional event that PRIDE co-delivered with Veterans Unlimited. Our PRIDE EIG became our fastest growing group, with membership surpassing 150 in the first two to three weeks post launch with a total of seven chapters formed so far around Smith+Nephew.

We also saw a successful launch in the US of our UNITY EIG that covers race and ethnicity, with more UNITY chapters forming in the months following. Meanwhile, our UK UNITY EIG received external recognition from Investing in Ethnicity, leading to Smith+Nephew achieving the organisation's STAR employer status. We also have one member of UNITY's steering committee shortlisted as a top ten inspiring leader in the 'Workplace Hero' category.

In 2021, Smith+Nephew was recognised as one of the World's Top Female Friendly Companies by Forbes and independent research company Statista Inc.

Throughout 2021, our priorities have been to raise awareness, provide education, and deliver training to increase capability relevant to Inclusion, Diversity and Equity. Building on the work started in 2020, we have hosted training events for our hiring managers to reduce bias in the interview process. Five sessions have been delivered to over 600 leaders globally in multiple languages throughout 2021, with more planned for next year. Our focus on inclusive hiring practices is about ensuring they are free from any potential biases. For example, we aim to have diverse slates of candidates for every role we hire into and a panel of diverse interviewers supporting our recruiting efforts.

We have also actively engaged externally to attract diverse talent to Smith+Nephew. In 2021, we were proud sponsors of several programmes and societies, including the Scientist Mentoring Diversity Program (SMDP), the National Society of Black Engineers (NSBE) and the Society of Women in Engineering (SWE). Our EIGs were involved as brand ambassadors, in activities that promote recruitment of diverse talent.

Increased representation of more diverse talent across all management levels is an important part of our strategy and we continue to see progress in female representation. To help accelerate progression, we provide programmes for female employees, including our Elevate programme designed to support professional development, whilst building engagement and retention in our female talent pipeline.

In addition, we introduced a female sponsorship programme that has been running throughout 2021, where members of our Executive Committee sponsor female talent at more senior levels. Aligned to our priority to continue to raise awareness for under-represented groups of employees, we have run events through our EIGs where we hear from senior leaders about their own career journeys to traditionally non-diverse roles.

Future focus

Inclusion, Diversity and Equity were at the core of our culture throughout 2021 and we are actively working to increase inclusion across all our workplaces. With involvement and support from the Executive Committee, we are proud of the way we have all responded to the global challenges of the last two years and the ways in which our employees have shown care for each other.

In 2022, we will build on the initiatives around people development, Winning Behaviours and inclusion, diversity and equity to reinforce our culture of Care, Collaboration and Courage. We will continue to develop our managers to support their teams to empower and promote the inclusion of all.

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We now have nine Employee Inclusion Groups (EIGs) that cover areas of diversity such as gender, race and ethnicity, veterans, mental health and physical wellbeing, generations, and LGBTQ+.

Inclusion... is a choice

Inclusion is **embracing** our unique differences and strengths, and **finding new ways to involve one another** so as to garner the benefits of diverse experiences and perspectives.



Diversity... is a fact

Diversity is the **collective of our differences and similarities** that can be inherent or acquired such as physical characteristics, values, beliefs, experiences, backgrounds and behaviours.



Equity... is an action

Equity is when we are treated **fairly and respectfully**, and given **appropriate access** to opportunities and resources to be able to **thrive and contribute** fully to Smith+Nephew's success.



Belonging... is the outcome

We apply our **best selves** to our work when we **feel safe, accepted and respected**.

- + SWE + WIN + UNITY
- + VETERANS+UNLIMITED
- + CARE + HERIZON
- + GLOBAL SNYP + GAIN
- + PRIDE

>> See page 24 for more on our EIGs

Empowering our employees continued

A selection of stories highlighting progress made across key focus areas in 2021

Summer intern programme

Part of our global drive to invest in future talent, this programme is a route to full-time positions and a way for students to experience meaningful and challenging work. Our intern programme provides mentoring, community service and a senior leader lecture series.

Interns spent the summer with us completing challenging projects in most functional areas at Smith+Nephew.

Interns participated in a poster competition where they shared the work that they did over the summer and winners were identified.



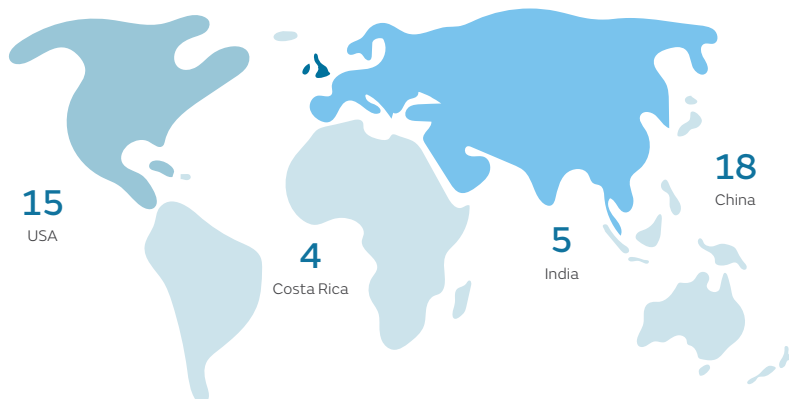
Giving young people a chance in Malaysia

To support our ambition to build a sustainable and diverse talent pipeline, we are pleased to partner with the Penang Skills Development Centre. We sponsored 26 students this year through the Centre's practical and skills-based Technical Vocational Education and Training programme. A very warm welcome was expressed to the first six students graduating from the programme, who have now joined us as full-time employees.



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interns across the world and the business in 2021



Society of Women Engineers (SWE) 2021

In October 2021, Smith+Nephew attended WE21 in Indianapolis, Indiana (US), a global conference targeting women engineers and technologists and hosted by the SWE. At the event, the Smith+Nephew SWE EIG and our recruiting team introduced visitors to Smith+Nephew and showcased CORI[®], our handheld robotic surgical system.

This event directly supported our Inclusion, Diversity and Equity initiative, as well as our SWE EIG goals in three ways:

1. Providing STEM exposure and growth opportunities to young aspiring engineers.
2. Promoting engagement in STEM fields for both new and established engineers.
3. Demonstrating the value of diversity in STEM fields through access to webinars, social networking events and conferences.

We have also seen a growing number of EIG chapters forming more generally across the globe, expanding our networks for employees.



We have a total of nine EIGs

Our EIGs provide a network for employees to engage and collaborate as part of a global framework and be empowered to drive local/site events and activities. Together these groups have grown from launch in 2020 to have approximately 1,500 members drawn from many countries and levels of Smith+Nephew.



Pride day celebrated in Wroclaw (Poland).

EIG	Mission + Goals
SWE Society of Women Engineers	Empower women to achieve their full potential in careers as Engineers and Leaders.
WIN Women's Inspired Network	To foster an inclusive culture with a focus on strengthening and retaining female sales reps across all franchises.
UNITY Race and Ethnicity	To increase the ethnic diversity at all levels and unlock the potential of all employees.
VETERANS+ UNLIMITED Veterans	To educate, train to, and inspire a culture of understanding and inclusion for military veterans.
CARE Mental Health + Physical Wellbeing	To create an environment to promote a state of health and wellbeing contentment.
HERIZON Women's Network	A women's network, where we share our best practices, support each other, share stories and solutions to the shared challenges, and build a more inclusive team.
GLOBAL SNYP Smith+Nephew Young Professionals	To engage, develop and accelerate the personal and professional development of emerging talent.
GAIN Gender Alliance for INclusion	To promote meaningful gender diversity – in Smith+Nephew globally – by advocating, educating and connecting colleagues to dissolve barriers and empower progression for women.
PRIDE LGBTQ+ Community and Allies	Smith+Nephew Pride strives towards a fully inclusive workplace where LGBTQ+ employees are free to be themselves.

Health, safety and wellbeing

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 ensure that the safety and wellbeing 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 or interact with customers.

Smith+Nephew's approach

We use a combination of actions to improve workplace safety. We continually develop and apply our sustainability management system, run an active health, safety and wellbeing 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. We have increased our focus on the mental health and wellbeing of our employees in recognition of its importance in the workplace.

Our performance

Smith+Nephew has a culture of shared responsibility for employee health, safety and wellbeing. We continued to build it in 2021, 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 audits by video link.

Our headline safety rates improved in 2021, with no fatalities during the year. Where travel restrictions allow and it is safe to do so, we are starting to 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.

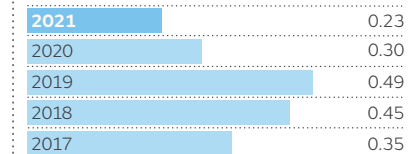
In 2021, given the challenges of working during the pandemic, we have maintained a strong focus on mental health and wellbeing for our employees and their families. This has involved working closely with our Employee Inclusion Groups to foster care throughout the business and ensure that everyone has opportunities for positive interactions and development opportunities so that they feel truly included. See pages 26-28 for more details on our initiatives.

Safety and occupational health

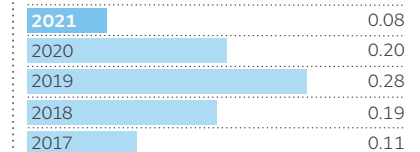
Our headline safety performance includes all employees and supervised contractors and excludes unsupervised contractors. We adopt the industry standard US Occupational Safety and Health Administration (OSHA) system to record incidents of occupational injury and ill health.

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



Lost time incident frequency rate, LTIFR



Health, safety and wellbeing continued

bizSAFE certificate awarded in Singapore

Singapore colleagues achieved the bizSAFE Level 3 certification awarded by the Workplace Safety and Health (WSH) Council of Singapore.

bizSAFE is designed to help companies build workplace safety and health capabilities and includes helping companies to manage potential terror threats.

The bizSAFE award independently certifies that Smith+Nephew Singapore is a safe and healthy work environment and is compliant with Risk Management regulations. It will increase Smith+Nephew's competitive edge in a marketplace where customers and public institutions prefer working with companies that are bizSAFE certified.

Our continued response to the COVID pandemic

The pandemic has been challenging for all aspects of society and at Smith+Nephew. Our employees had to quickly adapt and work differently to continue to serve our customers while keeping the Smith+Nephew community safe.

As a response to frequently changing government mandates and guidelines, our Global Crisis Management Team (CMT) has continued to review and update our Smith+Nephew measures and guidance to maintain employees' health and safety, always guided by our culture pillar of Care.

We have had to adapt to different working conditions and environments, with many people working remotely for over a year as part of our resilience and continuity strategies. We implemented additional protocols at our critical global sites to provide a safe working environment while ensuring continued quality and service levels to our customers.

For example, across our sites we have carried out temperature checks, reconfigured our facilities to better enable social distancing, offered pandemic leave for employees who needed to quarantine/ self-isolate, or care for their dependants. We also promoted vaccination clinics.

The Global CMT's Minimum Global Smith+Nephew COVID Safety Standards set our expectations for how we will operate worldwide.

These standards also empower Regional CMTs to determine if any additional rules are required due to local conditions, regulatory, legal or health authority requirements. Each Smith+Nephew location has been risk-assessed to ensure adequate measures are implemented, to facilitate a safe and structured reopening of offices, or enhanced capacity planning.

Smith+Nephew vaccination support

At Smith+Nephew, our focus has recently turned to doing all we can to enable our employees to have access to the COVID vaccine, particularly in countries where access for the wider population is limited. As a result, we have participated in several vaccination efforts across our global locations. Here are a few examples:

- Penang (Malaysia) – vaccination programmes for all employees organised in collaboration with adjacent factories: 92% colleagues vaccinated.
- Costa Rica – a drive-in vaccination campaign aimed at local employees and other opportunities offered to our employees contributed to over 1,800 vaccinations to date.

- Memphis (US) – on-site voluntary vaccination clinics that offered first and second vaccinations to our employees, contractors and their immediate families.
- India – six vaccination days hosted across the country for over 500 of our employees and their family members.

Smith+Nephew also provides additional COVID support for employees:

- Vaccination reimbursement for employees and their families.
- Safety essentials such as masks, sanitisers, face shields and other personal protective equipment.
- Procurement of oxygen concentrators.
- Focus on wellbeing through the Employee Assistance Programme (EAP) to address emotional, financial, physical and social needs.

Flu vaccinations offered

As this is more important than ever, we encouraged employees to receive the annual flu vaccine. Flu vaccines were offered on-site or supported by many locations.

"This award reinforces Smith+Nephew's commitment to prioritise health and safety for all our employees and visitors to the office. I would like to give a big thank you to the team who have been instrumental in making this happen!"



Chiew Leong Ong
Country Director Singapore and
Senior Business Unit Director

"I'm really pleased to see these vaccination drives starting. The vaccination drives are just one of the ways that we are supporting our colleagues in India through the current crisis, and I am proud to see our values of Care, Collaboration and Courage shining through."

Joaquin Lasso de la Vega
Managing Director South Asia



Health, safety and wellbeing continued

Business Resilience and Continuity Management (BRCM) activities

Global events and trends leave businesses susceptible to a variety of risks. The frequency and severity of weather-related and man-made events seem to be increasing and reliance on a complex network of technology and supply chains is expanding. Managing these risks by developing business resilience and continuity strategies is critical to the survival of our organisation in these unprecedented times.

Mental health and physical wellbeing

Our focus on mental health and physical wellbeing has been a priority throughout 2021 as we recognised the importance of supporting all our employees during the pandemic. We have mobilised several committees, working groups and leveraged our CARE EIG to continue to make this an absolute priority. We have also run internal events and campaigns such as ‘WELLFEST’ and ‘FebYOUary’, which focused on employee wellbeing, where we heard from senior leaders about their own personal experiences and challenges resulting from the pandemic.

There have been many other initiatives supported throughout 2021 to promote the importance of mental health and physical wellbeing, such as Mental Health Awareness Week and World Mental Health Day.

Events and initiatives like this enable dialogue about mental health to continue, focusing on topics that help promote employee wellbeing, such as connecting with nature, taking time out for more social connection, building resilience and leading with empathy. We encourage people to talk openly about any aspect of mental health, creating a safe environment for our people, and signposting employees to the many resources we have in place to provide the support needed.

We have continued to build on the success of our approach to mental health and the training of mental health first aiders. We now have mental health champions in many countries including the UK, US, Poland, Malaysia, Australia, Canada, China, Costa Rica and India.

Our mental health champions are often just ‘someone to talk to’. This can be about a specific issue such as feeling overwhelmed or anxious, or needing tips on remote working or returning to the office as countries begin to open up after the pandemic lockdowns.

These colleagues are trained to help identify the right level of support required and when help is needed, to point people towards doctors, helplines or external organisations who may offer counselling, professional support and treatments. Privacy is always respected, and conversations are never shared with direct managers.

One key success in 2021 has been the development of podcasts for mental health awareness. Colleagues have talked openly about their own challenges, which has inspired many people to come forward and recognise where help might be useful in their own situation.

We’re dedicated to raising awareness and support around mental wellbeing, 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.

Future focus

In 2022, we will continue our focus on safety awareness, behaviours and training, not only for our employees working at our sites around the world but also those who are field-based or working remotely. We also want to extend the care provided to support our employees and their families as we emerge from the pandemic.

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

“If it wasn’t for a Mental Health First Aider, I would not only have left Smith+Nephew but probably wouldn’t be in work, the support given has shown people do care. Employees are not seen as failing because they have a problem.”

Employee testimonial

“Don’t wait for stress, a worry, or a potential mental health challenge to grow into something more significant. Reach out and have a conversation.”

Jon Allanson
Portfolio Compliance Director
and mental health champion



‘Tea and talk’ sessions have helped colleagues to reconnect.

Health, safety and wellbeing continued

A selection of stories highlighting progress made across key focus areas in 2021

Critical Safety and Supplies support, Smith+Nephew South Africa

Civil unrest in South Africa resulted in many of our employees and their families in Johannesburg, Pretoria, and Westville finding themselves at home unable to go out to buy food, supplies, and water. Working with our emergency response partners, Smith+Nephew procured and delivered emergency supplies to our 260+ employee families affected, providing each family one weeks' worth of rations and supplies. Subsequently, when it was safer to leave their homes, we continued to provide additional support.

"I would like to extend my sincere gratitude during a time when South Africa was crippled. Basic commodities were not available to us. Safety of our families was a major concern. Smith+Nephew showed a true example of our culture pillars in action. I'm proud to be part of this amazing organisation."

Basel AbouJalala

Managing Director MEA



The Hull team receiving their Diamond Safety Certificate from Chris Defraine (centre), HSE Regional Director UKI & Nordics, in recognition of the two million hours milestone achievement.

A focus on Hull (UK): injury-free for over a year

In Hull, we strive to ensure that our activities do not cause injury or illness and that we promote wellbeing. Our current performance is something we are all very proud of. We have worked over two million hours since our last Lost Time Incident and the same number of hours since we had an OSHA recordable incident (a much tougher measure of performance). Our annual incident frequency rate is now zero for the first time since we started to measure this key performance indicator. We have also seen a 60% reduction in minor injuries since 2016.

However, we're not complacent. Excellent performance can change in a heartbeat, so we encourage everyone to take care of themselves and their colleagues, raise safety observations and 'near misses' and always follow risk assessments and safe operating procedures.

What's on your mind?

This podcast series was led by two members of our UK, Ireland and Nordics Commercial team and members of our CARE EIG. Mark Duff, Senior Business Unit Director and Barry Heaton, National Sales Manager, decided to start a company-wide podcast covering topics ranging from addiction to trauma, and featuring different guest speakers from across the globe each month to talk about mental health and wellness – raising awareness of important topics and how vital it is to talk.

The podcast video conversation had a far better impact than other forms of communication such as emails or intranet articles. We have seen an improved sense of awareness of the difficulties people face behind closed doors or outside of the work environment. People are now less afraid to seek out support or opportunities to chat through their concerns.

"As people leaders, to change a culture you need to walk the talk and live by our culture pillars. Sometimes doing the right thing, speaking up and showing genuine CARE for others takes a level of COURAGE. Putting others before yourself isn't always human nature but when we do, we get a deeper sense of reward than that of a gift. That we do this together is key to highlight that we stand together, in COLLABORATION, to bring awareness and change to how we address difficult topics."

Barry Heaton

National Sales Manager Ireland

#ItsOkNotToBeOk

APAC Employee Wellbeing Week

In September, across our APAC region, we ran a full week of events sharing with employees how simple adjustments in a daily routine can have long-lasting positive effects. Maintaining a healthy lifestyle can feel like a challenge at times, especially when we were dealing with the ongoing impact of the pandemic and its restrictions. We therefore prioritised the health of our employees across the APAC region, focusing on physical and mental health. Topics such as anxiety, the benefits of exercise, staying well hydrated and wellness were all featured. Sometimes it's the small and consistent changes that make the biggest impact.





The Smith+Nephew Sustainability Challenge

Smith+Nephew Young Professionals (SNYP) jointly sponsored the third edition of the annual Sustainability Challenge for Smith+Nephew sites across the globe.

This year, all SNYP members were encouraged to submit ideas with a particular focus on carbon reduction. The challenge was held virtually, with teams pitching their ideas to the judging panel in a video format.

In 2021, the prizes were opportunities for the winners to receive individual mentoring sessions from a member of the Sustainability Council.

The runners-up included a team from Tuttlingen (Germany) who presented an idea to implement paper recycling and reduce paper consumption on their site, in a proposal that could save over €5,000 per year. A contribution from our Supply Chain and Procurement graduate team focused on energy and carbon savings from more energy efficient and sustainable IT equipment.

The 2021 challenge winners were a team from Memphis (US) who championed an idea to replace some liquid propane gas (LPG)-powered forklift trucks with more efficient electric forklifts. This promised significant carbon and cost savings, moving us closer to our net zero carbon commitment. The winning idea is being looked at by our maintenance and facilities leadership during 2022.



“Being able to investigate ways to help the Company achieve their sustainability goals meant so much, and we learned a lot. It was rewarding to be able to collaborate with individuals separate from our direct work functions to initiate our project, and it was encouraging to see so many wonderful ideas submitted from all the other teams who put a lot of care into making our company a more sustainability-conscious workplace!”

Hannah Frankel, Sany Nguyen,
SNYP 2021 winning team
from Memphis

“From our perspective, the Sustainability Challenge has two positive effects: not only does it help Smith+Nephew meet our sustainability targets, but also provides opportunities for young professionals to interact with their colleagues across other sites and continents, thus creating a global professional network.”

Andrea Karduss (Chair),
Ming Ming Khov and Olga Neufeld
Global SNYP Committee



Planet

A medical technology business with a positive impact

“Smith+Nephew is proud of its sustainability strategy and how we are working to create an ever more positive impact on our communities, our planet and through our products. We want to challenge ourselves to find new ways to make a meaningful difference. Our net zero commitment raises the bar and is the right thing to do as a responsible business.”

Andrya Clark
Senior Director
Sustainability



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Why is this important?

The strong worldwide focus on the need to protect our planet continued into 2021. 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 2021, our environmental impacts continued to be affected by the global pandemic, for example with changes where colleagues are now working remotely more regularly. Some offices continued to see lower occupancy levels. However, the reduced impact of this has been offset by higher energy requirements in active buildings that need additional ventilation.

Along with our customers and stakeholders, we continue to focus on the environmental footprint of our products and services. We have focused on our 'internal' environmental footprint for a number of years, improving our performance in waste recycling, water use and GHG emissions.

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. We are also working 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 positive impact.

We are mindful of the importance of biodiversity, particularly in some of the countries in which we operate including Costa Rica and Malaysia. With effect from the beginning of 2022, we shall consider the impact on local biodiversity when approving capital expenditure within our Global Operations business.

How it links to our targets

In 2021, we updated our targets to include our commitment to net zero carbon emissions.

We also report on our targets as stated previously:

Net zero

We will achieve net zero Scope 1 and Scope 2 GHG emissions by 2040 and Scope 3 GHGs by 2045, beginning by achieving a 70% reduction in Scope 1 and Scope 2 GHGs by 2025.

100%

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

Zero waste

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



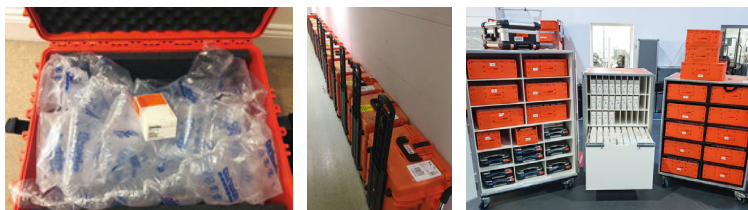
Life Unlimited in action

Innovative packaging components reduce plastic waste

Improving the customer experience

Shipping the REDAPT® Revision Hip System to our hospitals within the UK for revision hip surgeries used to require 28 flight cases for each surgical procedure, including all instruments and implants. The plastic air pockets needed to protect all of our loan equipment used half a kilometre of plastic each week, at an annual cost of about £25,000. Customers had to dispose of the plastic waste themselves.

In response, the UK product loans team are now moving to specially designed 'wardrobes', which need only three flight cases and aims to remove the need for plastic air pockets, reducing the need for 56m of plastic per loan of this product. The result is a much-improved customer experience, less waste, improved warehouse efficiency and reduced turnaround time from 1.5 hours to just 25 minutes.



“With customers, patients and employees becoming more conscious about plastic waste, we are proud to deliver initiatives such as these to drive sustainable change for the benefit of all.”

Fraser Farren
Marketing Manager Recon
UKI & Nordics



56 metres

of plastic waste
reduced per loan.

25 mins

turnaround time.

Reducing emissions

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 responsibly, everyone, including businesses, needs to take action to use energy responsibly and reduce emissions. Widespread adoption of renewable energy technologies will help the global community curb climate change acceleration.

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: tackling energy efficiency and sourcing lower-carbon energy. To achieve both, we invest in technological solutions at many of our sites with the aim of achieving net zero status in the medium term.

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 (see page 29) 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 GHG 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:

- Detailed analysis of our energy usage data to identify anomalies and savings opportunities.
- Solar panel installations, with more being planned.
- LED lighting installations in offices and manufacturing areas.
- 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.
- Replacing old inefficient equipment with highly efficient equipment such as compressors, chillers, pumps, fans and motors.
- Changing service and maintenance strategies to ensure machinery operates more efficiently.
- Starting to migrate the leased car fleet from fossils fuels to electric vehicles.
- Procurement of renewable energy.

Our performance

In-line with our long-term target to achieve net zero emissions by 2045, we have been working with our global energy partner, and have assessed our Scope 1 and Scope 2 emissions and formulated a carbon reduction roadmap for key locations, aimed at reducing them by 70% by 2025 compared to a 2019 baseline. We are currently assessing our Scope 3 emissions to prepare a similar roadmap.

In 2021, we continued to source renewable wind electricity for all our locations in Memphis (US). This is significant, as the Memphis sites consume around 40% of the Group's electricity.

In Malaysia, the construction of our new site is complete. The installation of solar panels is at the planning stage. To ensure that the site operates using renewable electricity during 2022 when production comes online, we are working with our energy partners to identify options to buy renewable energy or renewable energy certificates.



Reducing emissions continued

Our carbon reduction roadmap steps

We have been working with our global energy partner to scope a carbon reduction roadmap aimed at delivering our sustainability targets in the short, medium and long term. These are defined as within one year, three years or more than three years.

Following a detailed carbon emissions benchmarking project, again with our global energy partner, the roadmap identified four key initiatives as shown in the diagram.

We will now work with the roadmap to put actions in place using the most appropriate solution to deliver against our net zero commitment.

Our sites in Memphis (US), once again 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 makes it possible to track ownership of it.

Each REC represents one megawatt-hour 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 electricity generation from non-renewable sources. Environmental benefits include reduced greenhouse gas emissions.

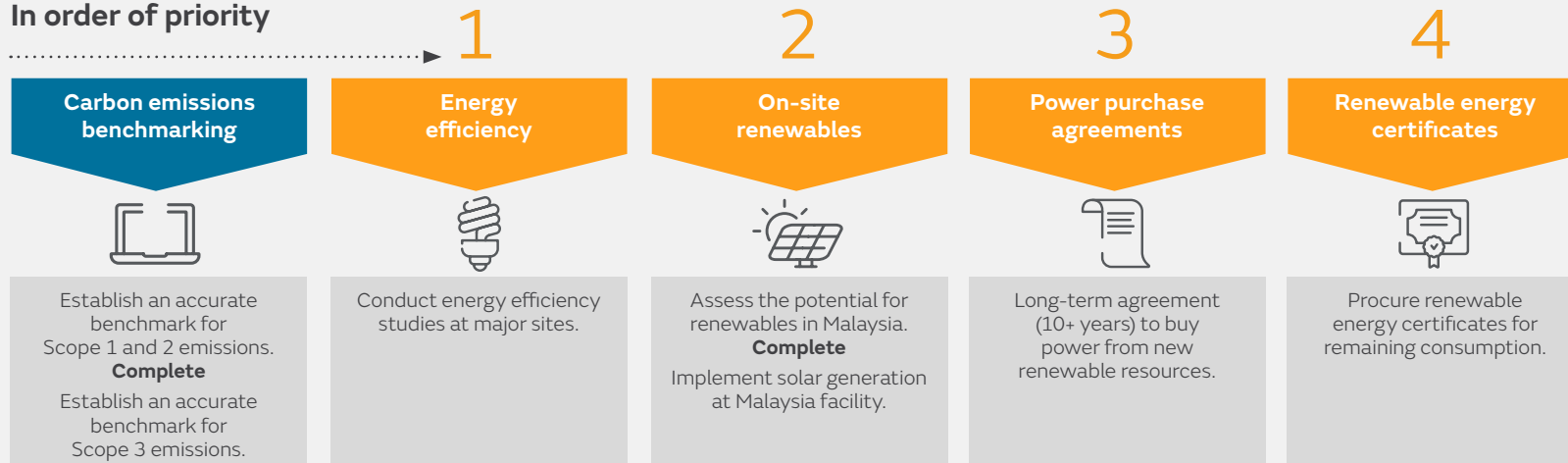
Our participation in this scheme underscores our commitment to supporting renewable energy and helps to reduce our carbon footprint.

In 2021, the location-based carbon footprint of business operations was 76,222 metric tonnes of CO₂e, a small decrease compared to 2019 (our baseline year). Some savings were achieved as a

result of our energy-saving initiatives and also from lower grid factors (the amount of CO₂e emitted per MWh generated) being published for some locations. We did however see an annual increase in energy usage and carbon emissions as a result of the new facility in Malaysia being commissioned. Elsewhere, additional conditioning and air filtering to increase safety as manufacturing operations continued during the pandemic and some colder outside temperatures were responsible for increases in power consumption.

Our carbon reduction roadmap steps

In order of priority



What is net zero?

Organisations around the world are making pledges to reduce GHG emissions. These commitments can play a key role in achieving the Paris Agreement, which aims to curb global emissions enough to cap global mean temperature increase to 1.5-2°C relative to the pre-industrial era. 'Net zero' means that the activities within a company's value chain result in no net impact on the climate from GHGs.

What are Scope 1, 2 and 3 emissions?

Scope 1 – 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 – Indirect sources of emissions such as purchased electricity and steam we use at our sites.

Scope 3 – All other emissions in the value chain, including both upstream (for example, emissions relating to raw materials) and downstream (emissions relating to products in use).

Reducing emissions continued

CO₂e reporting methodology, materiality and scope

We report the carbon footprint of our Scope 1 and 2 GHG emissions in tonnes of CO₂ equivalent from our business operations for the calendar year ended 31 December 2021. More details are given in the appendix on page 53. 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.

Market-based carbon emissions

In-line with dual reporting, we report emissions using both location-based and market-based methodologies. We apply the relevant market-based emission factors, where available, to provide a more accurate report of the emissions for which we are responsible. Market-based emissions are based on contractual or supplier-specific emission factors that can be applied when procuring low-carbon energy or siting facilities in areas with lower emissions but also recognising that this might be higher than the grid average in some cases. 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 2021, the market-based carbon emissions footprint was 46,797 metric tonnes of CO₂e, a 30% reduction since our baseline year of 2019. This reduction was primarily due to the RECs purchased in Memphis (US). We did however see an annual increase due to the reasons already reported on page 33.

Energy (GWh)

2021	232
2020	212
2019	213
2018	209
2017	209

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

2021	76,222
2020	72,945
2019	77,212
2018	77,842
2017	85,558

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

2021	46,797
2020	40,132
2019	67,040
2018	76,431
2017	77,136

The plan to convert company leased vehicles to an electric fleet in Europe

In 2021, we introduced the ‘Blue Fleet Trial’, a six-month trial of electric cars compared to our internal combustion engine (ICE) fleet. The goal was to see how the battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) would deliver on driver satisfaction, environmental impact and reliability. There were both upsides and downsides to the trial, with one driver in a rural location leaving the trial as they were unable to have a home charger fitted and found public charging too time-consuming; this was an important learning in itself. However, the overall feedback was positive, and it was clear that BEVs and PHEVs would be a beneficial addition to the 200+ car fleet Smith+Nephew currently has provided by our fleet provider in the UK.

As a result of the trial, we now have 26 electric vehicles on order in the UK, with 10 new vehicles already ‘live’ in the UK fleet. An Electric Vehicle Policy has also been implemented for the Netherlands, while we are working on implementation in Denmark, Norway, Finland, Sweden and Germany. The next countries in scope will be France, Italy, Spain and Portugal.

We now have car chargers in place at the majority of our UK offices and manufacturing facilities, available for employees to encourage greener commuting.



Gary Carr, Manufacturing Director and Hull Site Leader, charging his electric car on site in Hull (UK).

“It’s an amazing car – a totally different experience to anything I’ve ever had in the past and the amount of people who have come up to me to ask about the car has been incredible. I can definitely see the shift towards EVs happening.”

Nadeem Choudhry
UK Territory Manager (ENT)

Reducing emissions continued

ISO 14001 environmental audits and recertification

Our ISO 14001 audits have continued throughout 2021, in some cases using remote auditing during the pandemic. During 2021, 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.

Environmental controls for contractors

During the year we received one fine of approximately \$6,000 in China for a violation when welding and painting activities were conducted outside by a contractor during the construction of a forklift truck battery charging area. We identified gaps keeping up with changes in local environmental laws, not updating work permits accordingly and a lack of additional specificity needed in vendor contracts around environmental regulation compliance. Corrective actions have been put in place to prevent a reoccurrence involving retraining and maintaining an awareness of local regulations.

Future focus

Given the global focus and the adoption of our sustainability strategy within Smith+Nephew, our employees are increasingly mindful of GHG impacts when carrying out projects and are taking more ownership of reducing emissions. For the third successive year, this has been demonstrated by the SNYP Challenge (see page 29), which this year was aimed at GHG reduction. This continues to be a key development and source of new ideas for the future.

We expect remote working and the continued adoption of our Workplace Unlimited programme to positively impact areas such as commuting, business travel and how we use our office spaces.



A story highlighting progress made across a key focus area in 2021

Costa Rica warehouse achieves LEED certification

Our new warehouse in Costa Rica has been awarded the Silver LEED v4 Certification by the US Green Building Council for its sustainable approach and considerations in the design and construction of the warehouse. Some of the features evaluated as part of the accreditation included water efficiency, location and transportation, energy and atmosphere, material and resources, indoor environmental quality and innovation.

Plans are in place to achieve similar accreditation for the new building in Penang (Malaysia) in early 2022.



Costa Rica manufacturing (pictured) and warehouse facilities are both LEED certified.

1,750

dedicated employees
delivering more than

5 million+

units every year.

“Investors are rightly expecting businesses to operate sustainably across all areas of environment, social and corporate governance. It is clear to us that sustainability and profitable growth are not mutually exclusive, but rather mutually dependent. That is why we continue to embed sustainability into our business strategy and our Sustainability Council is best placed to lead delivery of our sustainability strategy.”

Marc Owen

Independent
Non-Executive Director and
Chair of the Compliance &
Culture Committee



Minimising waste

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.

Key areas of focus

Recycling

We promote recycling at all our manufacturing, distribution and office locations. This includes paper, cardboard, plastic, glass bottles, metals and chemicals. We collect, sort and recycle over 8,700 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 zero waste to landfill.

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, that cannot readily be recycled, are incinerated at waste facilities that reuse the heat to generate energy in place of burning fossil fuels.

Our performance

Our 2021 growth has not had a material impact on our environmental footprint for waste, with total waste generated 2% lower than the previous year. We continue to identify and implement opportunities for waste reduction at source, and to reuse, recycle and divert waste from landfill. In 2021, we recycled 79% 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 eliminate landfill waste at our key manufacturing locations.

Landfill waste (t)

2021	1,829
2020	1,853
2019	1,996
2018	1,940
2017	2,196

Total waste (t)

2021	11,034
2020	11,233
2019	11,837
2018	11,034
2017	10,496

% waste to recycling incl. waste to energy

2021	79%
2020	78%
2019	76%
2018	79%
2017	77%

Minimising waste continued

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 conducted waste stream mapping in 2021 to identify waste reduction opportunities and alternatives to landfill disposal. One production-related waste stream identified during mapping was a sludge from the manufacture of femorals. The sludge is currently in a waste-to-energy pilot programme, which could decrease landfill impact next year if it is successful.

Another identified waste stream, plastic turnings, is under examination for its ability to be recycled, which may also reduce the volume of waste sent for landfill disposal.

In Memphis, we are working to identify new vendors, where possible, to divert remaining waste streams away from landfill. This will include the deployment of a combination of recycling, reuse, composting and incineration (with energy recovery) opportunities.

We are also engaging all employees in Memphis and planning training to develop a culture where diverting waste away from landfill is part of our everyday work practices.

-500kg

The Memphis sites held an Electronics Recycling Collection event specifically for employees that diverted approximately 500 kg from landfill disposal.

The team in Malaysia have partnered with local waste management companies and identified outlets for all anticipated waste streams prior to manufacturing operations commencing next year. In December, Smith+Nephew was one of a few companies recognised for our sustainability achievements by the United Nations Global Compact Malaysia and Brunei. We won the category of Sustainable Development Goal (SDG) Benchmark 4: Zero Waste to Landfill and Incineration for our 'zero waste to landfill' accomplishment.

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 again in 2021, with most waste being recycled or sent for incineration and energy recovery, and the remainder incinerated. Our emphasis is now on moving to eliminating some waste streams and reusing or repurposing materials and promoting more true recycling as opposed to waste being sent for incineration with energy recovery.

Minimising waste

One of Memphis' larger production-related wastes, abrasive garnet media, was scheduled for a recycling programme with the manufacturer. Meeting the recycler's criteria proved difficult and the return programme has not been as successful as hoped. The focus for this production line has now shifted to eliminating this waste, with laser technology replacing the current process. The new process is expected to be installed during 2022 and will impact over 200 tonnes of waste.

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 from all our strategic manufacturing facilities by 2030. 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 pages 41-43.

"Smith+Nephew has demonstrated its strong commitment to deploying sustainable practices in the manufacturing sector and we hope other manufacturers in Tennessee follow suit."

Kendra Abkowitz
Director of TDEC's Office of Policy and Sustainable Practices



A story highlighting progress made across a key focus area in 2021

Memphis joins the TDEC partnership

We're pleased to join the Tennessee Green Star Partnership in recognition of our efforts in Memphis to reduce our impact on the environment and provide affordable, accessible healthcare, sustainably.

In July 2021, the Memphis manufacturing locations were inducted into the Tennessee Green Star Partnership (TGSP) by the Tennessee Department of Environment and Conservation (TDEC). TGSP recognises manufacturers who are committed to sustainability and exhibit continuous improvement throughout their operation. Smith+Nephew is the first medical device manufacturer to be accepted into the programme. Networking with TGSP members is beneficial and allows various manufacturers across Tennessee to share best practices.

To become a TGSP member, a manufacturer must operate under an ISO 14001 certification, a voluntary environmental management standard developed by the International Organization for Standardization, and/or an environmental management system that conforms to ISO 14001 and must have a minimum of three years of exceptional environmental compliance with TDEC.

TDEC recognised Smith+Nephew's significant sustainability commitments, in particular decreased water consumption, energy-saving initiatives and longer-term commitments to reduce waste being sent to landfill.



Angela Horton and Billy Powell, members of the Memphis HSE team with the award.

Water efficiency

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 2021 was 633,000m³ which represents a 5% increase compared to 2020.

Future focus

We recognise our responsibility to mitigate our environmental impacts from water use at all our locations, ensuring we consume natural resources responsibly as part of our manufacturing processes.

Learnings from our successes to date have been compiled and we continue to evaluate and implement opportunities for water use reduction. These include converting chiller units to air-cooled systems and eliminating cooling towers. In addition, we have improved our ability to detect and respond to leaks by monitoring water use more closely and reacting to any unforeseen increases in consumption.

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.



A story highlighting progress made across a key focus area in 2021

Preventing unnecessary use of water in Hull (UK)

In 2021, as part of our Utilities Improvement Project, we identified a potential improvement on a system within the laboratories. A piece of equipment was using a steam bath to heat toluene to clean testing plates and using mains water to condense the vaporised toluene. However, although this was only in use from Monday-Friday 08:00 to 16:00, the mains water would always remain on, constantly running to drain. Installing control valves and a setback switch enabled the labs to switch off the water during evenings and weekends. Before we implemented this, we fitted a water meter to measure the water we would save, and it worked out at two million litres per year. This is a substantial saving for a project that cost just £200.

Water (1,000m³)



Products

Innovating sustainably

“Innovation is critical to fulfilling our promise of Life Unlimited. I am excited to see the progress we are making in using technology to provide meaningful solutions that improve clinical outcomes and build economic value.”

Vasant Padmanabhan
President Research & Development



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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 later.

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 products

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.



Life Unlimited in action

Efficiency and versatility in the operating room

Smith+Nephew's advanced knee replacement technologies can be combined to make surgical procedures more efficient.

The LEGION[®] CONCELOC[®] Cementless Total Knee can be used together with our VISIONAIRE[®] Patient Matched Technology and SYNC Instrumentation. These technologies along with CORI Handheld Robotics within our Real Intelligence ecosystem for Smith+Nephew implants brings versatility for surgeons to increase accuracy and operating room efficiency¹⁻⁴ by reducing surgical steps,⁵⁻⁷ instrument footprint and time.⁸

» See Appendix for references

LEGION CONCELOC



“I’m excited for how this technology may lead to improved operating room efficiency while eliminating many of the past and current challenges of cementless knee designs.”

Dr. Mathias Bostrom
Orthopaedic surgeon at the Hospital for Special Surgery in New York City



A focus on the sustainability of products and packaging

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 has incorporated a sustainability review into their product development process.

Our packaging teams have continued to work on incorporating post-consumer recycled content into non-sterile packaging materials and sourcing more sustainable packaging materials.

Our performance

Innovating sustainably in new product development and acquisition

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.

This means we can still deliver Life Unlimited through increased access to care, but with lower environmental impact and costs.

We have integrated sustainability as a specific topic in our NPD Phase Review process to ensure that we intentionally discuss, consider and implement sustainability and efficiency in our product design. This will ensure that our future Smith+Nephew product portfolio has intentional consideration for material and energy usage during production, a reduced product footprint for shipping/transportation implications, as well as recyclability of waste products (eg packaging) for the life cycle of the product. Sustainability will be considered from 'cradle-to-grave' for our product portfolio.

Here are a few examples of how sustainability considerations impact or feature in some NPD projects.

Robotics

Our next-generation robotics system, CORI, which is used for knee replacement surgery, is much smaller and lighter than its predecessor, NAVIO[®]. This has dramatically reduced the material and energy used during manufacturing as well as the weight of product for transportation. The handpiece has also been redesigned to make it easier to clean and sterilise, so it has a longer service life.

Sports Medicine & ENT

Material waste reductions have been achieved in new slim packs in the FAST-FIX[®] FLEX portfolio. These will reduce the waste of instruments and their associated packaging in cases where more than one FAST-FIX FLEX device is used.

CORI



FAST-FIX FLEX



A focus on the sustainability of products and packaging continued

Advanced Wound Management

A programme to reduce the packaging on our biggest brand within AWM is underway. By resizing the pouch, carton and case of ALLEVYN® bordered dressings we anticipate a 25% reduction in the packaging materials used to deliver dressings to patients. This reduction in packaging will result in less storage space being required and the added environmental benefit of less packaging waste for our customers.

Within our test labs, we have typically used a significant volume of single-use flasks and commodities during product testing. We are now actively looking to eliminate these items and find alternative reusable options.

For example, we have moved away from single-use pipettes to reusable graduated cylinders.



JOURNEY II BCS

Orthopaedics

Traditionally, we would use one casting tool for each design of our LEGION orthopaedic products. We are currently working on design feasibility for one porous casting to make several designs – this approach will reduce our casting tool footprint by 75%. It reduces the materials used in tool production, making the manufacturing process more efficient.

For our JOURNEY® II CR and BCS knee products, we also have designed for one casting to feed different versions. Like LEGION, this significantly increases manufacturing efficiency and reduces material consumption.

The examples illustrate our culture of sustainability in the testing and manufacturing of our product portfolio. Of course, there are challenges in determining a compromise between ‘grandfathering’ past materials and processes against programme timelines and development efforts, but we are actively looking at short-term wins whilst driving long-term efficiency.

The importance of packaging

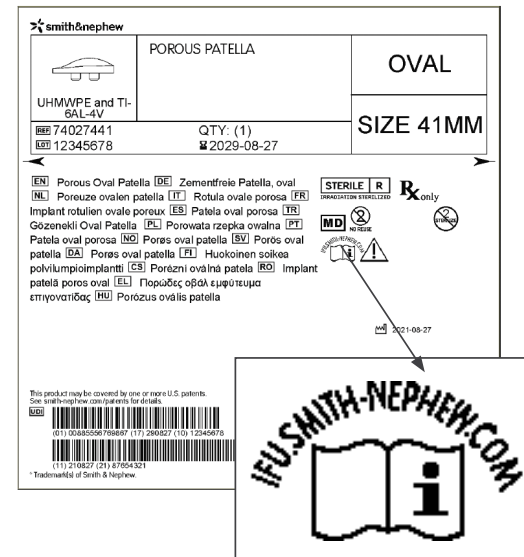
During 2021, we continued to make progress towards our targets to incorporate at least 30% post-consumer recycled content into all non-sterile packaging, and to incorporate packaging materials from sustainable sources for new packaging parts by 2025.

Packaging sustainability continued to be a key area of importance. Over the last year, our Smith+Nephew global packaging community has continued to support these efforts in a limited capacity, while balancing COVID-related packaging supply disruptions and cost controls throughout 2021. However, we have engaged some of our key internal marketing and commercial stakeholders to understand their perspective on our manufacturing, distribution and commercial teams as well as external customers (end-users) to understand where they find the most value.

One specific example worth noting would include efforts to improve sustainable sourcing including our regionalisation strategy to purchase more packaging materials from local suppliers where possible.

At our Memphis (US) location the packaging team was able to implement a digital paperless platform, eliminating paper use by 30%.

Additionally, we continue to leverage our electronic Instructions For Use (eIFU) platform for our products, which further eliminates paper waste, as seen on the example below where the eIFU symbol is printed on the label.



A focus on the sustainability of products and packaging continued

Our packaging experts across the business continue to challenge the way we operate day-to-day and are committed to delivering sustainable change. While we anticipate the COVID-related global packaging supply headwinds to continue in 2022, we will strive to mitigate any impacts to our long-term sustainability efforts. We look forward to sharing our continued progress as we transform the way we deliver.

Because of the way our products are boxed and shipped on pallets, it was evident that we were transporting a lot of free space or ‘air’ along with the products. Eliminating air from packaging allows for more products to be packed into the same volume of transport unit, reducing pressure on the distribution network and reducing our overall GHG emissions.

For example, re-sizing the packing case and re-configuring the pallet can increase the load quantity.

Optimisation of pallet loading is an ongoing programme. During 2021, for some ALLEVYN product ranges, we were able to increase the number of cases shipped on each pallet by 10-20%, therefore reducing the number of pallets shipped globally and decreasing the environmental impact of our products.

We are also 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. We continue to work with our packaging suppliers to ensure that local purchasing is available.

Supply chain assessments

We have completed the internal screening due diligence with 100% of our Tier 1 suppliers. We have conducted additional due diligence with our potential high-risk Tier 1 suppliers.

By 2025, we aim to have completed supply chain assessments for all our suppliers. We have a detailed five-year plan that includes 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.

Supplier Diversity Programme

We are also developing a Supplier Diversity Programme at Smith+Nephew, which aligns to our core values as an organisation and promotes competition and innovation in our supplier base, whilst delivering on our supplier diversity commitments. The strategy for this spans a five-year period. We are currently in the planning stages.

Future focus

We recognise that 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 NPD 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.

100%

Supply chain due diligence assessments were completed for our Tier 1 suppliers.



Re-sizing packing cases and re-configuring pallets can increase the load quantity and deliver environmental benefits.

Safe use of our products

Our business depends on the manufacturing and supply of safe and effective products. Our Strategy for Growth 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 business strategy and align with our three strategic pillars.

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. It establishes appropriate processes and procedures to facilitate compliance with applicable global laws and regulations and implements supporting technologies to increase visibility of areas requiring improvement while also driving efficiency across the business.

Our performance

Throughout 2021, 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 by implementing improved processes, technologies and management oversight.

The team is currently leading a major Group-wide programme to meet the requirements of a significant regulatory change, the European Union (EU) Medical Device Regulation (MDR). This came into force in May 2017 and became directly applicable in May 2021 in all EU Member States. We've been proactively addressing the EU MDR requirements over the last four years and are working with Notified Bodies to CE-mark our devices under the new regulation. Thanks to a significant collective effort across our organisation, we successfully completed all activities required for the date of application (May 2021). This included remodelling our EU supply chain to ensure that Economic Operator requirements were met, updating our Quality Management Systems and CE-marking Smith+Nephew Class I devices.

We are also making great progress with Notified Body audits and product reviews. Work continues to bring all Smith+Nephew devices to EU MDR compliance by the May 2024 deadline, and to remove inventory compliant with the former regulation, EU MDD, from our supply chain by May 2025.

Future focus

In 2022, 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

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 annually 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' as described more fully in the 2021 Annual Report on page 107.

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 pillars.

The Council includes members of our Executive Committee and other senior leaders to ensure a top-down approach to sustainability, and to guarantee visibility to the Board through quarterly updates to the Compliance & Culture Committee. The Sustainability Council is made up of executives from Human Resources, Global Operations, Quality and Regulatory Affairs, Research & Development, Public Policy & Government Affairs, Commercial, Finance, 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 2021 Annual Report on page 85.

Our sustainability governance framework



Our approach to risk

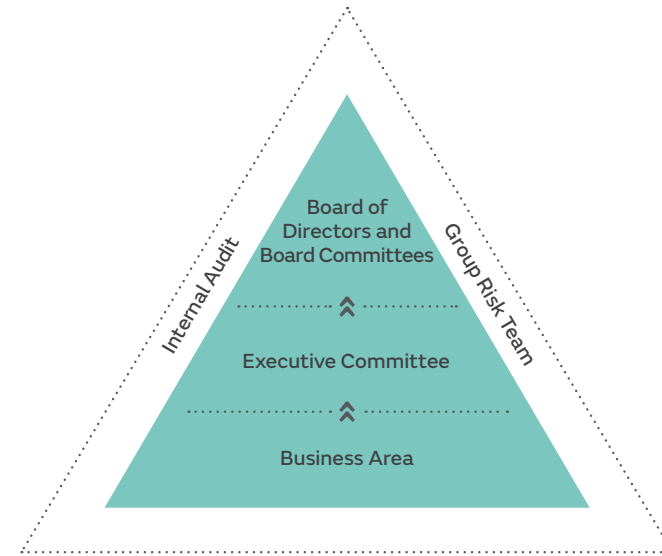
Our risk management process

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 (ERM) process remains based on a holistic approach to risk management that is aligned with the organisation's strategic and operational goals.

The year 2021 has seen a further maturing of risk management. We added dedicated Sustainability and Business Continuity risk champions and risk registers to the ERM scope. We increased collaboration between the Group Risk team and Business Area Risk Champions to discuss emerging risks more frequently. We also enriched the partnership between ERM and business resilience and continuity management to align on management actions. We improved reporting by adding quarterly qualitative updates on risk changes to the Audit Committee. A formal ERM survey was introduced to identify improvement opportunities for 2022.

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 from 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 Strategy for Growth 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. Global supply chain	Board
5. Legal and compliance risks	Compliance & Culture Committee
6. Mergers and acquisitions	Board
7. New product innovation, design & development including intellectual property	Board
8. Political and economic	Board
9. Pricing and reimbursement	Board
10. Quality and regulatory	Compliance & Culture Committee
11. Talent management	Board
12. Taxation and foreign exchange	Audit Committee

The impact of climate change

One of the United Nations 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 2021, 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 increased extreme weather events. 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.

As discussed elsewhere in this report, our aim is to minimise the disruption to our manufacturing and distribution network. In 2021, we updated our target to achieve net zero Scope 1 and Scope 2 GHG emissions by 2040 and net zero Scope 3 GHGs by 2045, beginning by achieving a 70% reduction in Scope 1 and Scope 2 GHGs by 2025. 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 Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) framework for our sector of Medical Equipment and Supplies are in our 2021 Annual Report on pages 54-56 and 232-233 respectively. The Compliance & Culture Committee and the Audit Committee received updates on TCFD and SASB in 2021.

As part of our ERM process, we added a sustainability risk register and a business resilience process review which was incorporated into our review of our Principal Risks. We believe climate change is not currently a Principal Risk; however, we will continue to monitor and mitigate risks, as appropriate.

Future focus

In 2022, we will refine our climate-related risks and use the results of our risk assessment to inform our next steps.

TCFD reporting

Building a healthy and sustainable future (continued)

Pages 54 to 56 in our 2021 Annual Report describe our TCFD disclosures. Our TCFD report is available at: www.smith-nephew.com/annual-report-2021

TCFD Reporting	TCFD Reporting	TCFD Reporting
Governance	Strategy	Risk Management
TCFD Reporting	TCFD Reporting	TCFD Reporting

SASB reporting

SASB Reporting	SASB Reporting	SASB Reporting
TCFD Reporting	TCFD Reporting	TCFD Reporting

» See our Annual Report 2021

Acting with integrity

“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.”

Alison Parkes
Chief Compliance Officer



At Smith+Nephew we are committed to integrity, honesty and professionalism. These principles are reflected in our culture pillars: Care, Collaboration and Courage. Our Code of Conduct and Business Principles (Code) reflects the pillars and defines our values as a company.

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

When healthcare professionals’ clinical decision-making is improperly influenced, it impacts healthcare budgets and patient access to quality healthcare. Our industry remains an area of focus for investigation and enforcement action. To deliver new products and services to benefit patients and ensure the safe and effective use of our products, we need to interact with government officials and healthcare professionals (HCPs). We must engage with government officials to obtain the necessary licences to manufacture, sell and distribute our products. We work with HCPs to support the design, development and testing of new products, and to provide peer-to-peer training in their appropriate use. 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.

Ethics oversight

Our compliance programme is led by our Chief 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 Chief Executive Officer and business and corporate function heads. Accountability is also crucial, and our top leaders certify to our Chief Executive Officer every year that required policies have been implemented in their businesses.

Increasing our understanding of compliance

All new employees receive training on our Code, anti-bribery and corruption and data privacy, and all employees certify their compliance with the Code and associated global policies on an annual basis. Additional role-based training is issued to key functions including Sales, Medical Education and HR. Role-based training aims to help employees navigate ‘real-life’ compliance challenges and scenarios specific to their roles.

We remain focused on simplifying our Compliance programme and integrating Compliance by design into existing business process wherever possible. During 2021 we launched a revised set

of Global Policies covering key topics such as anti-bribery, privacy, sustainability and corporate social responsibility, and commercial practices. These new policies reflect the same accessible and inclusive tone as our Code. In parallel with the launch of the new policies we also released a multi-language interactive tool to improve employee access to information about requirements in our global markets.

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. These reviews include Compliance Validation Assignments (CVA) of our markets, franchises, functions and higher risk third parties, centralised and local monitoring, and data analytics. In light of continuing travel restrictions arising from the COVID pandemic we have continued to conduct assignments remotely throughout 2021, thus ensuring continued oversight whilst protecting our employees and partners.

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 take appropriate actions. The ability for people to raise reports of potential non-compliance with confidence that

those reports will be effectively investigated is central to any effective Compliance programme. We regularly test the effectiveness of our hotline system and have made several enhancements to improve the experience for reporters, including the addition of dedicated hotlines in certain markets.

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 CVA assignments. This additional data will help us further target improvement efforts.



Examples of new Global Policies

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 parties 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. We expect vendors who share our vision to be integral partners in our new products, current requirements and ongoing services.

Our 'Third Party Guide to Working with Smith+Nephew' explains what we expect from partners. It is available on our website and translated into multiple languages. We strive to ensure that the supply chain we manage adheres to these standards. We conduct risk-based due diligence and provide support to ensure vendors are aware of and comply with the standards we expect of them. Additionally, we have a Supplier Relationship Management team that manages supplier alignment with corporate social responsibility and environmental standards, as well as other key risk areas.

In 2021, we made a significant change to the way we onboard and manage our supplier data and interactions. With the upgrade of our SAP Ariba platform to include Supplier Life Cycle and Performance functionalities, suppliers can easily inform us of any changes that we would need to reflect in our downstream systems. The new functionality has also given us a platform to deliver our Corporate Social Responsibility (CSR) due diligence assessments to relevant suppliers and to see this against their supplier profile. To date, we have completed the CSR risk screening process for all Tier 1 suppliers and over 90% of additional due diligence assessments for potential high-risk suppliers. We are therefore well on our way to completing a supply chain assessment of all suppliers and subsequent tier levels to assure compliance with our sustainability requirements by the end of 2025.

Many of our third party distributors work with other companies in the medical device and pharmaceutical sectors and those companies also provide codes, policies, training and tools for them to follow. As active members of the Advanced Medical Technology Association (AdvaMed) we participated in the development of a comprehensive Global Distributor Compliance Toolkit, launched in March 2021.

This is intended for use by all organisations in the global medical technology supply chain and provides an extensive and consistent set of tools, including training slides, compliance forms and communication templates, to help third parties establish their own compliance programmes.

Sourcing minerals responsibly

We are committed to only sourcing minerals from responsible suppliers and support ending violence and human rights violations in Conflict Affected and High Risk Areas (CAHRA) including parts of the Democratic Republic of the Congo and surrounding countries. In May 2021, 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 2020, 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 Cooperation and Development (OECD) Due Diligence Guidance.

Our submission to the SEC indicated that all these smelters have been certified by the Responsible Minerals Assurance Process (RMAP) and the OECD process audited by an Independent Private Sector Audit (IPSA) to be recognised as conflict-free. 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. We publish statements in compliance with the UK Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018.

We have published our UK statement on this issue online. This is available at www.smith-nephew.com/sustainability/policies. We will continue to monitor developments in other geographies and be prepared to respond accordingly.

Appendix

How targets relate to specific SDGs

What's in this section

How targets relate to specific SDGs	51
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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 **net zero** Scope 1 and Scope 2 GHGs by 2040 and Scope 3 GHGs by 2045, beginning by achieving a 70% reduction in Scope 1 and Scope 2 GHGs 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.

Our target prior to September 2021:

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 our strategic manufacturing facilities by 2025.

Achieve **zero waste to landfill** at our facilities in Memphis and Malaysia by 2025 and at all 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.



How targets relate to specific SDGs continued

Products

Innovating sustainably

Our 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.

Innovating sustainably

Our targets

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

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

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



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

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



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.

Footnotes from page 40

1. CORI Surgical System vs conventional surgery.
2. Batailler C, White N, Ranaldi FP, et al. Improved implant position and lower revision rate with robotic assisted unicompartmental knee arthroplasty. *Knee Surg Sports Traumatol Arthrosc.* 2019;27:1232.
3. Herry Y BC, Lording T, Servien E, Neyret P, Lustig S. Improved joint-line restitution in unicompartmental knee arthroplasty using a robotic-assisted surgical technique. *Int Orthop.* 2017;41:2265-2271.
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5. VISIONAIRE Patient Matched Technology vs conventional TKA.
6. Smith+Nephew 2020. Systematic literature review and meta-analysis of the accuracy, efficiency and satisfaction using VISIONAIRE. Internal Report. EA/RECON/ VISIONAIRE/001/v6.
7. Abane L, Anract P, Boisgard S, Descamps S, Courpied JP, Hamadouche M. A comparison of patient-specific and conventional instrumentation for total knee arthroplasty: A multicentre randomised controlled trial. *Bone and Joint Journal.* 2015;97(1):56-63.
8. SYNC Instrumentation vs conventional.

Absolute data for environmental performance

We report our GHG 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 2021.

We have applied the emission factors most relevant to the source data, including Defra 2021 (for UK locations), International Energy Agency (IEA) 2019 (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 2021.

	2017	2018	2019	2020	2021
Waste					
Non-hazardous waste (tonnes)	2,196	1,940	1,996	1,853	1,829
Hazardous waste (tonnes)	259	335	857	635	487
Waste recycled for energy recovery (tonnes)	2,406	2,481	2,521	2,626	2,682
Waste recycled (tonnes)	5,635	6,278	6,463	6,119	6,036
Total waste (tonnes)	10,496	11,034	11,837	11,233	11,034
Energy, Emissions and Water					
Total energy (GWh)	209	209	213	212	232
Emissions to air (tonnes CO₂e)					
Scope 1.					
Combustion of fuel and operation of facilities (process and fugitive)	9,451	9,956	9,888	9,754	11,335
Scope 2 (location-based).					
Purchased electricity and steam	76,107	67,886	67,324	63,191	64,887
Total (location-based)	85,558	77,842	77,212	72,945	76,222
Scope 2 (market-based).					
Purchased electricity and steam	67,685	66,475	57,152	30,378	35,462
Total (market-based)	77,136	76,431	67,040	40,132	46,797
Water usage (1,000m³)	614	538	650	600	633

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 2021 are included.



Contact us

We welcome your feedback on this Sustainability Report.

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