



**Smith+Nephew**

Sustainability Report 2022

**Life Unlimited**



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Welcome to our 22nd annual Sustainability Report. We are pleased to provide an update on the actions undertaken in 2022 and the progress in each of our focus areas: People, Planet and Products.

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# Welcome

### Our performance

When you see this icon, this highlights our performance across our key focus areas in 2022.



### Highlights

When you see this icon, this highlights a story which illustrates the progress we have made across our key focus areas in 2022.



Physical health is never just about our body. It's our mind, feelings and ambitions. When something holds us back, it's our whole life on hold.

We're here to change that, to use technology to take the limits off living, and help other medical professionals do the same.

So that farmworkers, athletes, grandads, parents and rugby players stare down fear, see that anything's possible, then go on stronger. Inspired by a simple promise. Two words that bring together all we do...

# Life Unlimited

[▶ To learn more about our purpose click here](#)

A message from our Chief Executive Officer

## Sustainability is important for our success

For more than 165 years, Smith+Nephew's innovation has improved lives. This extends not only to the customers and patients we serve, but to our employees, investors, suppliers and the communities in which we live and work.

With our guiding purpose of Life Unlimited, we are committed to ensuring that the work we do leaves a positive imprint on the world around us. To ensure this, we've set an ambitious sustainability strategy aligned to the United Nations' Sustainable Development Goals (SDGs). This strategy has three areas of focus: People, Planet and Products.

The People focus area of our sustainability strategy ensures we are acting as responsible corporate citizens, giving back to the communities where we live and work and contributing to the wider global community. It also underpins our commitment to create a diverse and equitable workplace where all colleagues feel a sense of belonging and respect. To support this, each employee receives eight hours of paid time to volunteer at a charitable organisation of their choosing. In 2022, our employees logged 11,500 volunteer hours. In addition, we donated a total of \$5 million in products to respond to natural and man-made crises around the world, including the war in Ukraine. Within our own walls, we strengthened our culture by increasing the number of our Employee Inclusion Groups to 10.

I'm pleased to report that our sustainability targets linked to our key focus area of Planet, specifically Scope 1 and Scope 2 greenhouse gas (GHG) emissions and waste to landfill, have been independently assured in 2022. We've also made progress against our commitment to achieve net zero GHG emissions by 2045. For the first time, in 2022, we have reported certain 2021 baseline Scope 3 GHG emissions, having measured some of the larger categories relevant to Smith+Nephew, and have commenced work on a roadmap for reduction.

In January 2023, we streamlined the governance and operational structure around the delivery of our ESG strategy. We established the ESG Operating Committee to implement and execute our ESG strategy across all business areas, reporting directly into the Executive Committee. The Executive Committee will continue to formulate and drive our ESG strategy with oversight from the Board and its Committees.

We've also made strides in reducing the environmental impact of our Products. Sustainability is now embedded as part of our New Product Development (NPD) phase review process, ensuring sustainability is built into our product design from concept through production. Similarly, we established a packaging sustainability strategy and roadmap to reduce packaging across our product lines. We've also put in place screening for our Tier 1 suppliers and enhanced due diligence to ensure that they comply with our sustainability principles.

We are very proud to have our efforts and results recognised through inclusion in leading sustainability indices, such as FTSE4Good, ISS and the Dow Jones Sustainability Index. Yet we are also aware there is more to do. Sustainability is not only inextricably linked to the delivery of our purpose and business strategy, but also part of both our heritage and our future. We look forward to continuing our journey to build a more sustainable Smith+Nephew in 2023 and beyond.



**Deepak Nath, PhD**  
Chief Executive Officer



**Further details of our Strategy for Growth and our 12-point plan may be found in our 2022 Annual Report on page 10.**

"I am confident that our sustainability programme will help us deliver against our Strategy for Growth to strengthen the foundation to serve customers sustainably, accelerate profitable growth and transform our business."



# About us

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Our technology takes the limits off living

Getting a farmer back to work

Life Unlimited

Who we are

We are a leading portfolio medical technology company. We exist to restore people's bodies and their self-belief.

Serving healthcare customers

We serve our markets through three global franchises of Orthopaedics, Sports Medicine & ENT and Advanced Wound Management.

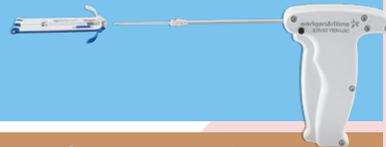
Orthopaedics

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 and services to meet broad and complex clinical needs, delivering on our mission to shape what is possible in wound care.



19,000

Employees supporting healthcare professionals worldwide

121,963

Medical training sessions provided by Smith+Nephew in 2022

Building a winning culture

We strive to build a purpose-driven culture based on strong and authentic values of Care, Courage and Collaboration.

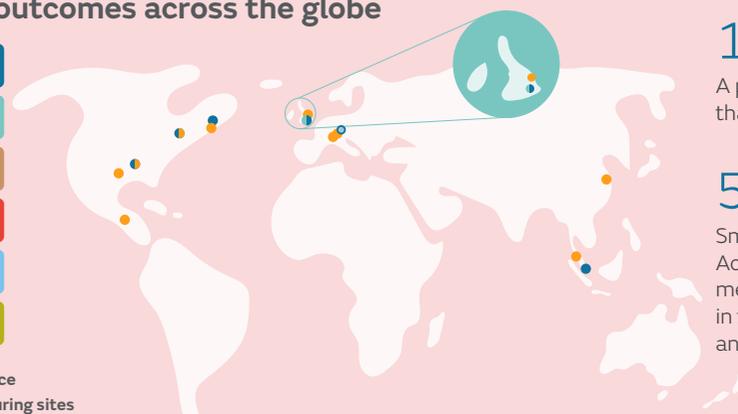
- » **Care:** A culture of empathy and understanding for each other, our customers and patients.
- » **Courage:** A culture of continuous learning, innovation and accountability.
- » **Collaboration:** A culture of teamwork, based on mutual trust and respect.

Working with integrity, transparency and accountability:

- » **Innovation:** Developing new technology through our Research & Development (R&D) programme, and acquiring exciting technologies where we can add value.
- » **Medical education:** Supporting the safe and effective use of our products and providing opportunities to learn innovative surgical techniques.
- » **Sustainability:** Addressing the requirements of our stakeholders, creating a lasting positive difference for our customers and minimising our impact on the environment.

Improving outcomes across the globe

- Africa
- Asia
- Europe
- Americas
- Australasia
- Middle East



- Global Head Office
- Major manufacturing sites
- Smith+Nephew Academies
- Smith+Nephew Academy opening in 2023

100+

A presence in more than 100 countries

5+

Smith+Nephew's Academies provide medical education in the US, Europe and Asia Pacific

Our business model

# How we create value

Through our business model we strive to transform outcomes for the patients we serve, for clinicians and the healthcare systems we support, for the company and our shareholders. Our Strategy for Growth focuses our efforts, and our purpose of Life Unlimited inspires us every single day.

### What we need to create value



**People**

A purpose-driven culture based on authentic values committed to doing business the right way.



**R&D**

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



**Financial strength**

A robust balance sheet and capital allocation framework balancing investments in the future and returns today.



**Sustainability**

Addressing the long-term needs of our customers, employees, communities and stakeholders, reducing our impact on the environment.



**Global operations**

Resilient manufacturing and supply chains to ensure quality and competitiveness.



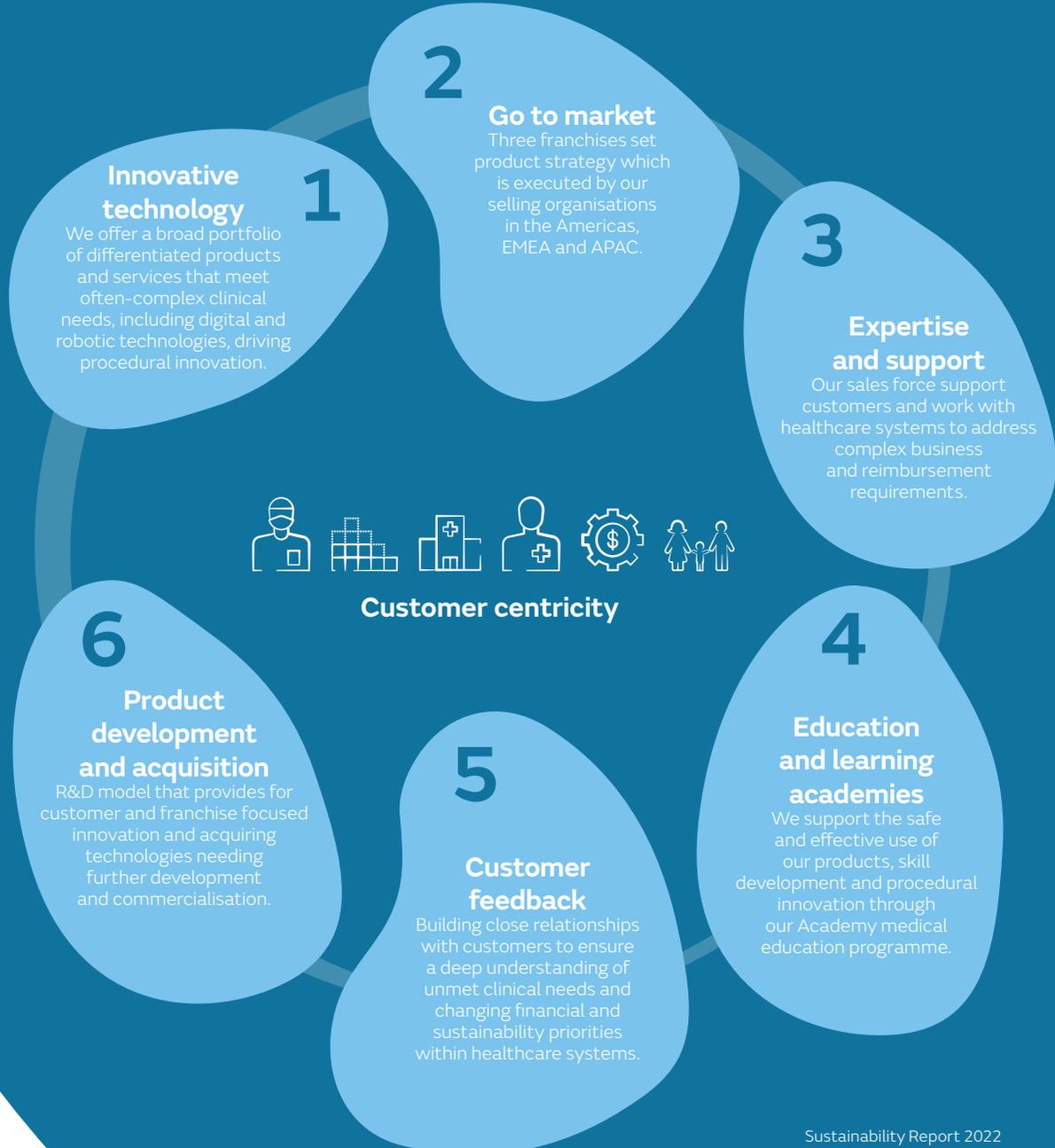
**Medical education**

Committed to educating and training healthcare professionals on the safe and effective use of our products.

### Delivering value for stakeholders

Investors		Community		Employees
Dividend	Group revenue	Operating profit	Volunteer hours	Engagement score
\$327m	\$5,215m +0.1%	\$450m -24%	11,500	4.12 +0.04
Customers		Employees		
Operating profit margin	Trading profit <sup>1</sup>	Trading profit margin <sup>1</sup>	Training sessions	Product launches
8.6% -280bps	\$901m -4%	17.3% -70bps	121,963	12

<sup>1</sup> This non-IFRS financial measure is explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 236–240 of the 2022 Annual Report.



## Access to healthcare

### Helping to remove barriers

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

We aim to help people take the limits off living. Wherever they live in the world, we want people to be able to benefit from our products and healthcare solutions to meet their needs.

Access to healthcare typically means how easy it is for people to get the medical care they need. The barriers to it are largely social, cultural, economic and geographic. For example, healthcare systems may not work efficiently or providers may not have the resources they need. Removing these barriers can help improve patient outcomes. Smith+Nephew helps remove the barriers to healthcare access in a number of different ways.

In developed markets, our work enables healthcare systems to improve. Our products make it possible to carry out surgical procedures more quickly and accurately, thus improving throughput and efficiency. Our innovations improve patient outcomes and reduce rehabilitation times.

In developing markets where access to healthcare may be more limited, we support training and education initiatives and seek to offer a product portfolio which addresses market and customer needs. We strive to provide support and training to healthcare professionals in these markets to enable them to understand the range of products available to support patient care, from surgical devices to wound care.

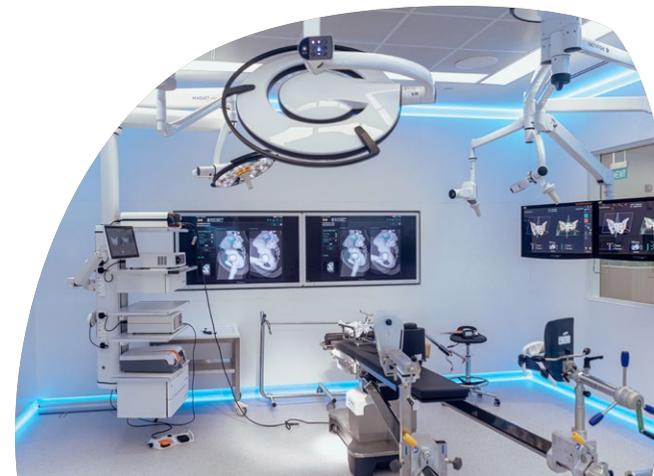
#### Expanding medical education

In 2022, our medical education team continued to provide education and training to healthcare professionals globally. Providing a comprehensive, accessible learning environment tailored to the needs of the healthcare professional is central to our commitment to improving patient outcomes and being a global leader in medical education. During 2022, the team delivered education and training to over 120,000 healthcare professionals globally.

We are transforming the way we educate our customers around the world with the Smith+Nephew Academy, which was introduced in 2022. The Academy surrounds customers with leading-edge technology, clinical content, and scientific data. The learning environment blends state-of-the-art digital interaction, symposia and hands-on experience with virtual reality simulations.

In November 2022, we were pleased to announce the opening of the Smith+Nephew Academy Singapore, a major medical education and digital innovation centre covering the Asia-Pacific region. Supporting our purpose of Life Unlimited, this offers an engaging, immersive and interactive training environment in which healthcare professionals can experience the latest products and technologies, and refine their techniques under the guidance of expert peers.

The Smith+Nephew medical education team works together with customers to keep the patient's care pathway at the centre of what we do. We look forward to opening the next Smith+Nephew Academy in Munich (Germany), in 2023.



“In November, we marked a significant milestone in the APAC region with the opening of the Smith+Nephew Academy Singapore. This world-class centre forms a key piece of the APAC growth strategy, which will position us as leaders in medical education. With our strong pipeline of innovative products, the Academy Singapore will be a critical lever to educate and demonstrate our technologies to our customers.”

**Myra Eskes**  
President APAC Region & Global Service

A look at the world around us

## Providing affordable, accessible healthcare sustainably

Around the world, there is an increasing demand for healthcare caused by factors such as expanding and ageing populations, and an increase in chronic illnesses. Patients expect better treatment and improved outcomes.

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

### 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, in some markets resource constraints mean that not everybody can be treated with new solutions. We recognise this need as we innovate and drive toward more cost-effective solutions for patients and healthcare systems.

### The chemicals and materials used in healthcare solutions

Regulations applicable to the chemicals and materials used in the manufacture of healthcare products are continually evolving. As a result, we receive an increasing number of requests from customers who are interested in understanding more about the constituents of our products, the product life cycle and the nature of the packaging solutions that we use. Regulation and customer requirements are often focused on use of sustainable materials, for example use of recyclable materials for packaging. We address regulatory and customer requirements at an early stage in our new product and manufacturing cycles, including when we are considering the purchase of new products or technologies and as part of procurement processes or acquisitions.

### Climate change

Climate change is impacting health and causing significant stress to healthcare systems. Climate-related 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 GHG emissions, reduce our impact on the environment and minimise the impacts on healthcare.

### 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 developed markets but not in developing markets. 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 all patients should have access to healthcare to help them achieve Life Unlimited. In order to support this objective we deliver innovative and competitively priced solutions across Orthopaedics, Sports Medicine & ENT and Advanced Wound Management franchises.

### Smith+Nephew's response

Our challenge is to provide affordable, accessible healthcare sustainably, and to do this in a way that enables people to live life to the full. Smith+Nephew's franchise structure, global footprint and innovative technologies enable us to design new products for both developed and emerging markets.

#### Innovation and leveraging new technologies

Innovation lends itself to different ways of thinking and doing things. Improving patient outcomes opens up more progressive ways of delivering healthcare solutions. We aim to explore and implement new technologies to better serve our customers and deliver value. Robotics-assisted surgery is just one example of a digital technology that can help improve accuracy and deliver improved patient outcomes while maintaining a high quality of care.

#### Building strong partnerships

As the immediate demands of the pandemic response diminish, healthcare systems around the world continue to face pressure. Collaboration and consultation with our customers and all stakeholders will be an important factor in building for the future. New partnerships can lead to better care, greater efficiency, and new revenue streams. These include remote treatment pathways such as telemedicine, remote patient monitoring and medical education. Partnerships around sustainability will also help Smith+Nephew and our customers to reach environmental targets.

## Listening to our stakeholders

# Being a force for positive change

Every year, people expect more from the healthcare sector. In line with our purpose of Life Unlimited, Smith+Nephew is well placed to provide better care for individuals and better health outcomes for populations with new technologies that we have both developed and acquired. One important way to achieve this is by listening and responding to our key stakeholders.

### Our stakeholders' priorities

Through our sustainability strategy we are addressing the needs and expectations of our stakeholders.

#### Customers

Building sustainability principles into the delivery of healthcare is of growing importance to our customers. Increasingly, customers require us to provide details of our sustainability strategy and targets. Customers place increasing importance on these responses when making contract decisions.

#### Employees

Employees are looking for companies with strong values and culture, that operate with integrity, transparency and accountability, and offer satisfying career opportunities for all. Living our values and being a force for positive change is part of our sustainability strategy.

#### Investors

Investors are prioritising investments based on corporate ESG programmes and outputs. Our sustainability programme provides evidence of our progress in these areas.

#### Communities

The communities where we are located want to see support for local education, health and volunteer programmes from businesses which operate there. Our sustainability strategy prioritises giving back to local communities, for example through our employee volunteering programme.



### What our customers are asking of us locally

What is your sustainability strategy and how does it help us achieve ours?

Can you help us meet our net zero targets?

Do your products use reusable plastics?

How do you ship products?

How does your local manufacturing operation reduce carbon?

What are you doing locally to reduce carbon emissions?

How will you reduce and minimise single-use plastic?

How are you reducing carbon emissions in your supply chain?

What materials make up your packaging?

Can you use cardboard instead of plastic for transit protection?

Why do you ship so much air in your packaging?

**We aim to address the questions our customers are asking us through our disclosures and narrative in this Sustainability Report.**

# Our sustainability approach

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Our technology takes the limits off living

Helping an athlete back to competing

**Life Unlimited**

A message from our Chair

## Sustainability shapes how we work together

As I enter my final year as your Chair, I want to recognise the progress made across our three key focus areas of People, Planet and Products. Across Smith+Nephew, in all regions and in each global franchise, our products are designed with not just the patient in mind, but also of the wider impact our business has on the world around us.

We will continue to strengthen our focus on the challenges and headwinds we face in delivering our targets because we want to deliver more: by continuing to promote inclusion, diversity and equity in our workplaces, improving employee wellbeing and career development.

Our ESG Operating Committee, formed in January 2023, will continue to execute our sustainability strategy. The committee members, including experienced executives from across many Smith+Nephew functions, are ideally placed to deliver programmes in areas such as environmental and social responsibility, workplace conditions, supply chain impacts, community involvement and volunteering initiatives.

The Board members were gratified to see that sustainability considerations had been carefully considered in the decision to build a new Advanced Wound Management facility at Melton on the outskirts of Hull (UK) and we look forward to opening a new facility which we believe will greatly reduce our impact on the local environment and delivers for our employees, our communities and our investors.

The Board and its Committees have closely followed developments on Scope 3 GHG emissions reporting. We will review the emissions reduction roadmap when finalised and will monitor progress with management.

During the Board visit to Memphis in September 2022, we were able to take part in an employee wellness session at our Brooks Road facility and we were also able to see the innovation and developments in 3D printing and other manufacturing processes which will support the efforts to reduce our impact on the environment.

Throughout my time at Smith+Nephew as your Chair, we have striven to serve shareholders and investors, and continued to prioritise our employees, customers and local communities as well as the broader world around us. Smith+Nephew's sustainability journey will continue with the enthusiasm and hard work of our employees.

Sustainability shapes how we work together as a business and with our customers. I remain confident that with the people and processes that we have in place, we will be able to deliver improved patient outcomes globally, to foster engagement of our employees and produce products with a reduced environmental footprint. I look forward to monitoring progress closely over the coming years.



**Roberto Quarta**  
Chair

“I’m proud of our achievements. People are at the heart of what we do, both within Smith+Nephew but also as we deliver our purpose of Life Unlimited to our customers and patients. I look forward to following the progress of Smith+Nephew in the years to come.”



## Our sustainability strategy

# Creating a lasting positive impact

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

### Our purpose

Smith+Nephew is a portfolio medical technology business focused on the repair, regeneration and replacement of soft and hard tissue. We exist to restore people's bodies and their self-belief by using technology to take the limits off living. We call this purpose Life Unlimited.

### Our business strategy

Through our Strategy for Growth, we are working to strengthen the foundation of the business to serve customers sustainably and simply, to accelerate profitable growth through prioritisation and customer focus, and to transform our business through innovation and acquisitions.

Our sustainability strategy supports this by helping us to address the requirements of our stakeholders, creating a lasting positive difference to our communities, and protecting our environment.

### Our culture

Our culture pillars of Care, Courage and Collaboration guide our behaviours and build winning spirit:

- We demonstrate Care by respecting global resources, aiming to minimise our impact on the environment and striving to protect the safety and wellbeing of our employees.
- 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.
- We demonstrate Collaboration by working together with our suppliers and partners who share our commitment and contribute to local communities through individual and team volunteering initiatives.

### Inspired by the UN SDGs

Our sustainability strategy is inspired by the United Nations' Sustainable Development Goals (SDGs). Taking into account the social, environmental and economic aspects of our business, it reflects the fact that sustainability and financial performance are closely linked. As a profit-seeking business, we therefore aim to meet our economic objectives whilst at the same time managing the social and environmental impact of our work.



**Further details of our Strategy for Growth and our 12-point plan may be found in our 2022 Annual Report on page 10.**

### Our sustainability strategy

Our sustainability strategy focuses on People, Planet and Products. Our targets and progress against these three focus areas are summarised on pages 13-14.

## People

Creating a lasting positive impact on our communities

## Planet

Aiming to reduce our impact on the environment

## Products

Innovating sustainably



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

Our sustainability targets

# Delivering on our sustainability ambitions

Our sustainability strategy focuses on three areas: People, Planet and Products. Within these three areas we have also developed bold and comprehensive targets to help us deliver on our sustainability ambitions. Each year we measure and report progress against these targets. We recognise that in some areas such as employee volunteering and product donations we are behind where we expected to be at this stage. During 2023, we intend to review options to ensure our targets remain meaningful. In 2022, we revised our Products supply chain due diligence target (see page 14).

## Contributing to the UN SDGs

The United Nations' 2030 Agenda for Sustainable Development is an internationally agreed framework of goals, each with subsidiary targets, to end poverty, protect the planet and ensure prosperity for all. Its focus is to stimulate action in areas of critical importance for humanity and the planet.

We make a positive impact in several of these areas, although our impact on many SDG targets may be limited. 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.

We identified five SDGs to which Smith+Nephew can make the most significant contribution, and then mapped our sustainability goals against them. By focusing on these SDGs over the long term, we will ensure our actions have the maximum positive impact on sustainable development.

One further SDG (Goal 6 – clean water and sanitation) aligns with our aspirational goals and targets but is not a strategic priority as we are not a large consumer of water, including in water-stressed areas.

### People Creating a lasting positive impact on our communities



### Planet Aiming to reduce our impact on the environment



### Products Innovating sustainably



» 57-58

For more details on how our sustainability targets relate to specific SDGs.

## People

Our targets	Our progress in 2022	Progress since 2020 baseline
Between 2020 and 2030, contribute <b>1 million</b> volunteer hours to the communities in which we live and work.	11,500 hrs	29,500 hrs
Between 2020 and 2030, donate <b>\$125 million</b> in products to underserved communities.	\$5.0m	\$11.1m
Empower and promote the <b>inclusion of all</b> .	10 Global Employee Inclusion Groups are now established.	3,000+ Employees now engaged with Employee Inclusion Groups.

### Additional actions

- Global consolidation and implementation of social responsibility strategy, including guidance to all locations on social contribution and volunteering activities.
- Continue to measure and report on health and safety metrics (eg incident rates) at our operations and commercial (non-manufacturing) sites.
- Implement tailored HSE training for our commercial sites.
- Enhance HSE audit programme and governance framework to include additional commercial sites.
- Continue to share HSE and sustainability best practices across operations sites.

## Our sustainability targets continued

### Planet

#### Our targets

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

#### Our progress in 2022

A carbon roadmap for Scopes 1 and 2 through 2025 has been developed and a roadmap for Scope 3 is being developed. We have calculated our baseline 2021 Scope 3 GHG emissions data.

#### Scopes 1 and 2 (total)

**73,985 tonnes**

CO<sub>2</sub>e emitted (location-based)<sup>1</sup>

**48,847 tonnes**

CO<sub>2</sub>e emitted (market-based)<sup>1</sup>

Our manufacturing sites in Malaysia and Suzhou have installed solar photovoltaic panels and will start generating on-site renewable energy in early 2023.

#### Scope 3

**1.6 million tonnes**

CO<sub>2</sub>e emitted

#### Progress since 2019 baseline

#### Scopes 1 and 2 (total)

**4% reduction**

CO<sub>2</sub>e emitted (location-based)<sup>1</sup>

**27% reduction**

CO<sub>2</sub>e emitted (market-based)<sup>1</sup>

**All**

Sites in Memphis continued to source renewable electricity.

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

**1,473 tonnes**

Waste sent to landfill from the Group.<sup>1</sup>

Our Malaysia facility has achieved zero waste to landfill. The Memphis facilities sent 1,106 tonnes of waste to landfill in 2022 compared to 1,462 tonnes in 2019.

**26%**

Less waste was sent to landfill during 2022 compared to 2019.

The Memphis facilities sent 24% less waste to landfill.

#### Additional actions

- Develop and implement a GHG emissions reduction programme.
- Determine local human and ecosystem water needs at each significant location.
- Develop and implement a water reduction programme targeted to water-stressed locations.
- Develop and implement a waste reduction programme.
- All current metrics (eg water usage and recycling percentages) will continue to be measured and reported.

<sup>1</sup> Data independently assured by ERM CVS. The full assurance statement is included in this report on pages 60-61.

### Products

#### Our targets

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

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 a focused risk-based due diligence of our **Tier 1 suppliers**, including risk-based analysis of sub-tier suppliers, to assure compliance with our sustainability requirements.<sup>a</sup>

#### Additional actions

- Identify and catalogue the sustainability attributes in existing products and services.
  - Apply identified international labour standards to our third party sellers as part of our Third Party Seller Compliance Programme.
  - Identify sustainability requirements which are significant for 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 through collaborative working across our NPD, manufacturing, commercial and operations teams.
- <sup>a</sup> We have revised our Products supply chain due diligence target as a result of a strategic and operational review which took into account a range of factors including the impact of the pandemic on access to supplier locations, supplier resources and availability of data sets required to verify compliance with the target. We will continue to take a risk-based, proportionate approach to supply chain verification in compliance with all applicable laws and regulations. We will also continue to drive continuous improvement in our programmes in line with guidance and we will continue dialogue with suppliers to proactively guide improvement in their approach to sustainability, aligned with our policies and procedures.

#### Our progress in 2022

#### Complete.

Sustainability is embedded as part of our NPD phase review process, ensuring that we discuss, consider and implement sustainability in our design of new products.

Identified US-based paper board for packaging that contains up to 30% recycled content. Formal testing is planned to start in 2023. On successful completion of testing, non-sterile material specifications will be updated to allow the use of this material before the 2025 target.

Established packaging sustainability strategy and roadmap. Supply chain challenges continued to limit our ability to pursue innovative, more sustainable materials.

We have completed due diligence and assessments of all Tier 1 suppliers according to our risk-based procedure. We have implemented a supplier on-site audit programme for suppliers identified through risk-based analysis. On-site audits include worker interviews and practical assessment of the implementation of supplier policies and procedures to assure compliance with modern slavery, human trafficking, HSE and sustainability requirements.



# Life Unlimited in action

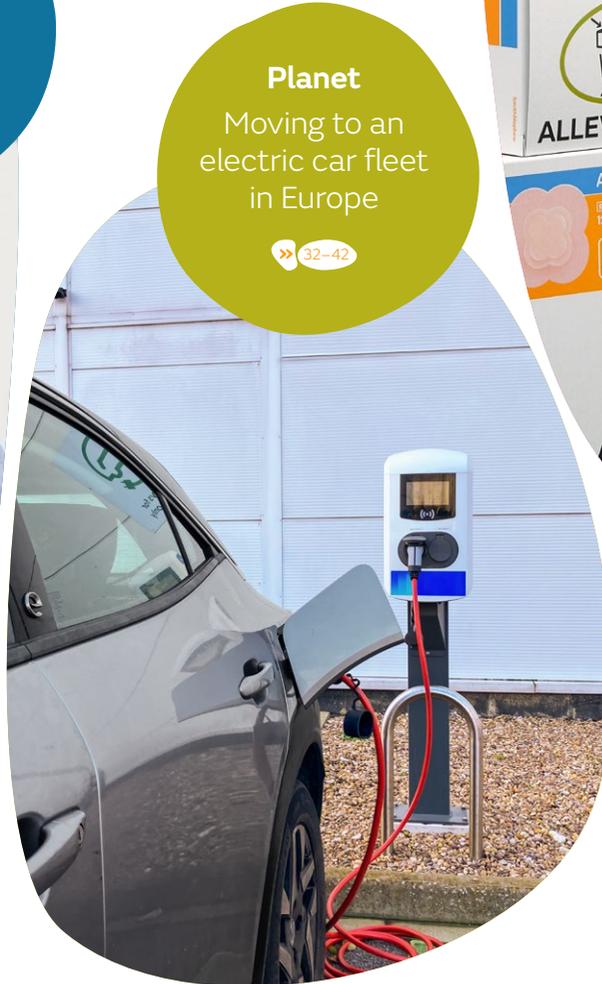
Life Unlimited captures the essence of our purpose, which is to restore people's bodies and their self belief by using technology to take the limits off living and helping healthcare professionals work towards the same goal.

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

To celebrate the positive impact of our work on people, for the second year our report features 'Life Unlimited in action' stories. These pages aim to showcase the variety of ways in which our work has a positive impact on people's lives. This ranges from encouraging young people to consider careers in STEM to transitioning our company car fleet to electric vehicles and projects to reduce the amount of packaging that we ship with our products.



**People**  
Opening the window on a world of opportunity  
» 17-31



**Planet**  
Moving to an electric car fleet in Europe  
» 32-42



**Products**  
Less waste, more care  
» 43-48

# Our focus areas

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Our technology takes the limits off living

Getting a grandad back to playing with his grandchild

**Life Unlimited**

# People

Creating a lasting positive impact on our communities

## What's in this section

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## Why is this important?

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

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

Second, we help improve patients' wellbeing and empower the healthcare professionals who treat them.

And third, 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 hours for employees with healthcare training to serve on the front line and continue to stand ready to provide support during global, regional and local health emergencies.

"People are at the heart of our purpose - Life Unlimited."

**Elga Lohler**  
Chief Human Resources Officer

## 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

# Opening the window on a world of opportunity

## Encouraging STEM careers with Migrant Leaders

Smith+Nephew partners with Migrant Leaders, an independent UK charity that “inspires and develops disadvantaged young migrants across the UK to broaden their horizons and capture opportunities well beyond their aspirations”.

Young adults considering their next steps following school were invited to spend the day at the Smith+Nephew Academy London, where they toured the facilities and learned about our business and products, and discovered the range of science, technology, engineering and mathematics (STEM) careers available at Smith+Nephew.

The event inspired the young people to consider a career that many would have felt was out of reach. The attendees were excited following the visit to Smith+Nephew and determined to achieve their full potential.

The Migrant Leaders workshop proved to be a very informative careers day, attended by over 100 students. The day was filled with numerous engaging activities ranging from Smith+Nephew product demonstrations to a tour of our medical training facilities, as well as being able to network with current employees.

It was a fun-filled day that students will definitely not forget. Every member of Smith+Nephew staff, including our STEM Ambassadors, enjoyed motivating the young visitors for their future. Many career opportunities are available with Smith+Nephew.



**“If you want to pursue something, keep motivating yourself to achieve your goals.”**

Migrant Leaders



## Being a responsible global citizen

Everyone can play a part in tackling today's challenges. This includes the growing number of people who want to work for companies that act responsibly. We're proud that our people can improve health and quality of life around the world.



ALLEVYN® LIFE Foam Wound Dressing

### Smith+Nephew's approach

We're committed to conducting business in a socially responsible manner. This means considering all stakeholders in our business decisions including: investors, employees, customers, suppliers and the communities in which we live and work. Our social responsibility programmes are directed at the local level so they have positive impacts in the communities where we operate. They include:

- **Employee volunteering:** We encourage volunteering to build teamwork, support personal development and give back to local communities. Every employee has up to eight hours of paid volunteering time per year.
- **Product donations and grants:** We provide grants and donations to charitable or not-for-profit organisations, medical institutions, accredited educational programme vendors, medical foundations and professional societies. They support education that aims to improve care standards and provide access to beneficial healthcare procedures. This activity is governed by our Global Policy and Procedure on Grants and Donations.
- **Matching gifts:** We match employees' eligible charitable donations up to \$500 per employee on an annual basis.
- **Wellness:** 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.

### How we choose charitable organisations and activities

We believe that charitable and not-for-profit organisations and activities are best selected at a local level. Each location's Site Leadership Council and Life Council run 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. Smith+Nephew Life Councils create a friendly, inviting workplace environment while promoting teamwork, employee engagement and supporting local communities.

Strict criteria ensure that we only support charities and other not-for-profit organisations that meet appropriate ethical standards.

More details are available within the Global Policy on Sustainability and Corporate Social Responsibility (CSR) available at:

[www.smith-nephew.com/sustainability/policies](https://www.smith-nephew.com/sustainability/policies)

## Being a responsible global citizen continued

### Key areas of focus

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

#### » Health and 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.



### Our performance

#### Employee volunteering in 2022

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 significantly slowed as a result of the pandemic. We continue to seek innovative opportunities and to support our employees as they volunteer for causes that are important to them.

In 2020, we introduced our Covid Global Volunteer Policy for registered healthcare professionals, which made 240 volunteering hours available to employees with a healthcare professional background so they could use their skills in response to the pandemic. Having made this policy permanent in 2021 to support the communities in which we live and work, we have extended it to provide volunteering support during other global, regional and local health emergencies. The initiative is intended to help address the pressure on healthcare services and it enables our employees to support healthcare organisations, services and healthcare professionals.

The total number of hours volunteered by Smith+Nephew employees in 2022 was 11,500 hours, of which 580 hours were part of the registered healthcare professionals programme. This takes our total to over 29,500 hours since the beginning of 2020.

#### Product donations to underserved communities in 2022

We set a target to donate \$125 million in products to underserved communities between 2020 and 2030. In support of this, we delivered \$5.03 million in product donations, including \$3.5 million of wound care products to support those affected by the war in Ukraine, and donated \$0.13 million from matching employee gifts to qualified charities. In 2022, our giving activities totalled \$5.16 million.

Our social responsibility strategy continues to build employee enthusiasm for charitable giving, further demonstrating how positive initiatives are linked with our success as a company.

In 2022, we also provided \$12.9 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.

### Looking ahead

As Covid restrictions are lifted, we recognise the need to reinvigorate our product donation and volunteering programmes. As more opportunities become available, we are planning a focused communication plan to encourage the involvement of teams from all areas of the business.

# 11,500

hours volunteered by our employees in 2022.

# \$5m

in product donations made during 2022 to underserved communities.

## Being a responsible global citizen continued



### A selection of stories highlighting progress made across key focus areas in 2022

#### Support for people affected by the war in Ukraine

Many employees in Poland and other countries throughout Europe have opened their homes to refugees. To support employees in Poland, which borders Ukraine, we have arranged support through our Employee Assistance programme.

In 2022, in partnership with the Polish Red Cross, we donated over \$3.5 million of wound care products, and have also matched individual employee donations of approximately \$40,000 to date. We have more than 100 colleagues in Russia who continue to work to provide our products to patients in need. We believe all people deserve to live their lives fully and peacefully.

We donated all profits from our Russian business in 2022 to humanitarian causes through International Red Cross and Médecins Sans Frontières.



#### Donations and fundraising events

The past year saw targeted donations and colleagues around the world raising money for good causes. For example:

- London to Amsterdam bike ride: €5,000 raised by 19 colleagues for a charity that supports sufferers of rare disease PSC, with Smith+Nephew matching the donation.
- Amsterdam City Swim: €5,000 raised for research into muscle disease ALS, raised in a 2km swim by members of the Smith+Nephew Dutch Life Council (see image below).
- Spina Bifida Association: \$5,000 donated to the annual 'Walk-N-Roll' fundraising event with 12 Smith+Nephew employees taking part in Oklahoma City.
- Congressional Black Caucus Foundation: \$5,000 donated to support this organisation's Annual Legislative Conference.



**“The ride itself was an unbelievable experience! We had such a wide range of levels within the group, the team spirit was unreal. We all went out and gave it everything, and the celebration as a team was epic.”**

**James Sharratt**  
Account Manager, UK

#### Teaming up with Memphis Youth Athletics

The Memphis Youth Athletics (MYA) programme helps third to eighth grade girls and boys to develop stronger physical abilities, athletic confidence, and an appetite to learn about physical fitness and wellness. The Smith+Nephew team sponsored a summer programme that immersed more than 80 students in the world of MedTech. The goal was for the students to walk away with a renewed sense of confidence, healthier habits, and a joy for sports. The Smith+Nephew Memphis team organised a STEM day with the MYA, where students learned about careers in the medical device industry, participated in a role play of a trauma accident, and walked through an operating room using virtual reality headsets.

Kelley Grusin, Senior Director of product development, demonstrates (in the image below) activities to help the MYA students understand the science of exercise.



#### Volunteering projects

Employees around the world gave their time to a wide range of projects aligned with Smith+Nephew's values:

- Beautifying a local school: more than 25 employees helped a Mumbai school to beautify parts of its campus by creating a flowerbed and painting colourful murals (see image below).
- Support for a South African children's home: the team in Durban helped to paint a local orphanage that relies solely on community donations and sponsorships.
- Better futures for UK students: in support of charity Future Frontiers, UK colleagues delivered coaching sessions to young people from disadvantaged backgrounds.



#### Penang Skills Development Centre

Our Malaysia team welcomed 28 sponsored students and their teachers from the Penang Skills Development Centre to our new facility in Malaysia. Students were able to immerse themselves in their future workplace, meet the team and learn about the equipment and processes. So far, Smith+Nephew have sponsored 36 students on the Centre's Precision Machining Programme, offering full financial aid through their two-year programme.

**“Aligning with our core values of Care, Courage and Collaboration, I would like to thank the Smith+Nephew Malaysia team for focusing on investing in our people and in the Malaysian workforce. I could not be more proud to be helping drive this collaboration with Penang Skills Development Centre and helping out those in need. With our successful partnership, we hope to create a critical talent pipeline from now and into the future.”**

**Mark Arthun**  
Managing Director and Site Leader,  
Smith+Nephew Malaysia site



## Empowering our employees

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



### Smith+Nephew's approach

Inclusion, Diversity and Equity (IDE) 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, through awareness and training, and by promoting IDE in our daily activities. By empowering our employees we aim to help attract, engage and retain the best people.

### Key areas of focus

#### » A culture of Care, Courage and Collaboration

We've been improving health around the world for more than 165 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, Courage and Collaboration – 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.

Whilst employee health and safety continue to be our priority, we want our people to feel included, connected, supported and engaged. We have continued to run several initiatives throughout 2022 focused on mental health and physical wellbeing. For example, we have supported the UK's Mental Health Awareness Week and run global events to support mental health and physical wellbeing.

### Inclusion at Smith+Nephew is where:



Everyone is encouraged to be themselves, appreciated for their unique characteristics and contributions, valued for their strengths, and treated fairly and respectfully.



Everyone is empowered to speak up, has the opportunity to engage, are honest and hold one another to account and our leaders do what's right and are recognised for this.



Everyone is united behind our purpose, respected as an individual and team, given appropriate access to opportunities and resources and able to thrive and contribute to our success.

## Empowering our employees continued

### Key areas of focus

#### » New flexibility in ways of working

Alongside our culture, insights from employees have guided us to define how we will work together in the future. We have embraced new working practices, building on the positive lessons learned as our employees have continued to work effectively throughout the pandemic, whether from home or at our sites around the world. At Smith+Nephew, we define flexibility as WHERE, HOW and WHEN we work. We provide our employees with the information and tools to make flexibility a reality regardless of job role or team.

#### The 'new normal' way of working



##### 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

#### » A new recruitment marketing platform

Our Talent Acquisition team is making more use of technology to create an efficient recruitment journey and provide an excellent candidate experience to new hires. This includes building our Smith+Nephew talent community, holding online recruitment events and digital interviews, and using a new recruitment marketing tool to create landing pages designed to attract the best candidates.

#### » Our Employee Value Proposition (EVP)

Our EVP formalises what employees can expect from Smith+Nephew as an employer. It defines the essence of our Company, how it is unique and what it stands for. Smith+Nephew's purpose of Life Unlimited is at the heart of our EVP. It demonstrates that we believe there are no limits. At Smith+Nephew you can go as far, high, fast or deep as your imagination and professional ambition allow. "You Unlimited" is the spirit in which our employees challenge themselves individually and collaboratively.



**In Malaysia, we wrapped a bus to promote our new manufacturing facility.**

**Our new recruiting tool also supports email campaigns aimed at our talent community. A July newsletter sharing news and updates on Smith+Nephew saw a 67% open rate and over 4,000 views for the related landing page.**



Readers who are interested in joining the Smith+Nephew talent community can do so by scanning the QR code.

#### » Employee engagement survey

We continue to use the Global Engagement Survey administered by Gallup, a leader in survey research, to measure how well our employees are engaged, and to determine where we need to improve the employee experience.

The survey was carried out in June 2022 and again featured an Inclusion Index to give us a measure of how included all our employees feel. In 2022, we saw a strong response rate of 88% and an overall upward trend of our results compared with last year. The survey highlighted overall strengths in employee connection to our purpose and culture, and the feeling that opinions count. Given some of the recent challenges around supply chain it was not surprising to see that our greatest areas of opportunity are having the materials and equipment, as well as the opportunity, to do one's best work.

Survey results are reviewed by the Board's Compliance & Culture Committee, and our culture and its development are regular topics at Executive Committee meetings. We use the results of our Engagement Survey to equip every manager in the Company with tools to live our culture.

## Empowering our employees continued

### Introducing our Commitments

At Smith+Nephew, we have a compelling purpose, a strong culture and a clear strategy. In 2022, using results from our Global Employee Survey as well as inputs from leaders and employees across the business, we defined the specific expectations and behaviours needed to deliver our strategy and support our culture. Our new commitments define the specific ways in which we expect our employees to demonstrate our culture every day. These commitments were launched through a leader-led cascade so that our leaders truly owned them and made them relevant for their teams.

As we defined what we need to do to deliver our strategy, crystallised in our 12-point plan, we recognised how we will deliver this is also important. Our leaders and employees have told us they want to know more clearly what is expected of them and how they can better understand how they contribute to our collective success.

We recognised to truly transform our business, we need clearer expectations, so we all take personal accountability. For this reason, we will replace our Winning Behaviours with our Commitments.

Our Commitments define the specific ways in which we expect all leaders and employees to demonstrate our culture every day. Most importantly, they reflect the feedback from our Global Employee Survey as well as deeper insights gathered through the feedback of people leaders and employees across our Company.

We have taken a different approach to the introduction of our commitments – engaging in a very structured leader-led cascade, starting with the Executive Committee. The Executive Committee spent time as a team to reflect on our commitments to identify our greatest opportunities to drive engagement and delivery of our strategy. It has run engagement sessions with its senior leadership teams to support the immersion and cascade process. Our senior leaders will replicate this approach with their teams and onwards through the organisation. The levels of engagement have been extremely encouraging and this is being supported with an engaging communications and change management plan to support the launch and throughout the next 12 months. A detailed integration plan will ensure we embed and align to all our people and business processes.

» **Further details of our Strategy for Growth and our 12-point plan may be found in our 2022 Annual Report on page 10.**

## Our Purpose Life Unlimited

### Our Culture



Care

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



Courage

A culture of continuous learning, innovation and accountability



Collaboration

A culture based on mutual trust, respect and belonging

### Our new Commitments

#### Deliver for our customers

Understand our customer needs. Constantly deliver the products and services they need, when they need them, every time.

**Show empathy**  
Be authentic, respectful and transparent. Listen, seek to understand and adapt appropriately.

**Develop and grow**  
Foster your own development and that of your teams. Share honest feedback, coach, support and celebrate progress.

**Take initiative**  
Pursue possibilities and take appropriate risks. Speak up and respectfully challenge to improve our Company.

**Take accountability**  
Set priorities and associated KPIs. Take ownership for your decisions, actions and outcomes.

**Be adaptable**  
Learn from successes and failures. Be brave, challenge and be open to change. Try new things and celebrate our wins.

**Be inclusive**  
Value difference and foster diversity and open communication. Always encourage and respect alternative perspectives.

**Build trust**  
Act with integrity, honesty and consistency. Keep commitments and deliver on promises.

**Find solutions**  
Work together to address the root cause of issues. Have the difficult conversations and make decisions. Act in the best interest of our Company.

## Empowering our employees continued



### Our performance

#### People development

To help deliver our purpose of Life Unlimited, we must realise every employee's full potential. All 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. We have also created an e-learning module to help employees and managers build meaningful development plans. Our performance management process aligns each individual's objectives with our strategy.

#### Leadership development

There has been a five-fold increase in the number of leadership programme participants in 2022 compared to the previous year, with almost 1,900 Smith+Nephew employees successfully completing programmes. Examples include:

- **Leadership Beginnings:** A 12-week virtual introduction to leadership for first-time and aspiring leaders. 135 participants completed the programme in its 2022 launch year.
- **Pioneer:** Strengthening team leadership skills for people leaders early in their leadership journeys. This programme saw 147 participants in 2022.
- **Aspiring Managing Director programme:** This blended learning programme, new for 2022, received great feedback from the 14 participants.

- **Executive Development programme:** 27 senior leaders completed a selection of 3/6-week blended learning programmes from elite business schools, aligned to our strategy and culture.
- **Challenge24:** Focuses on collaborative strategic-level problem solving based on real business challenges hosted by participating companies. 12 Smith+Nephew senior leaders completed the programme in 2022.

Leadership development and learning resources include:

- **Accelerated Leadership Collection:** Access to 70+ courses created by elite business schools for all Smith+Nephew employees. 1,547 employees successfully completed programmes in 2022.
- **Elevate:** Interactive webinars and interviews for female employees who want to develop new capabilities, overcome challenges and get ready for their next move.
- **Learnship:** Blended learning for colleagues who want to learn English or improve their current proficiency level.
- **Learning Unlimited:** Online learning library for all Smith+Nephew employees. In 2022, 2,000 learners accessed over 12,000 unique resources.

#### Investing in emerging talent

In 2022, we launched our Commercial and Global IT Leadership Development Programmes (LDP) which complements our current programmes in Supply Chain, R&D and Field Operations. We also hosted our first Smith+Nephew Accelerated Leadership Development Programme (SNAP) with over 20 participants globally. This year-long development opportunity is led by our current second-year LDP participants and includes two summits, SNAP Chats, monthly meetings with small groups and social events. The goal of the programme is to provide a comprehensive and consistent professional development curriculum for all LDP participants grounded in our culture and national standards for leadership programmes. We also provide the opportunity to develop personal networks across functions and regions.

#### Empowering our people leaders

In 2022, we launched the People Leader Hub, which contains resources to support our key people practices, skills and behaviours and includes more than 400 learning and development resources. In its first four months the People Leader Hub had around 14,000 views and 6,500 users.

All employees have 70-20-10 development plans

27 senior leaders completed an Executive Development Programme

2,000 employees accessed resources in our online learning library

## Empowering our employees continued

### Performance and talent management

We continue to promote agility with regard to the alignment of objectives and development plans, and provide support materials to help identify unconscious bias in the area of performance assessment. This ensures employees are assessed consistently and fairly whether they are co-located with their manager or working remotely some or all of the time.

In 2022, in light of the changing nature of work, we identified systems, processes and cultural norms to be transformed and promoted a culture of strong execution and delivery. The outcome of this strategy is intended to be the achievement of our business objectives, including the 12-point plan, using predictable and repeatable processes to set direction, align resources, and manage delivery. For our people, the result is clear priorities, strong organisational alignment, relevant and timely performance feedback, and attractive incentive plans that motivate and reward enterprise-wide contributions. The strategy will be underpinned by an overriding culture of accountability set by our senior leadership team.

We have made progress on strengthening the diversity of our succession pipeline, in particular female diversity. We engaged with our senior female leaders to better understand strategies that can help women thrive and advance within our organisation. These insights are being shared with our Executive Committee to set focused priorities, further investment in female leaders and strengthen our female succession pipeline to high-value roles.

To accelerate the development of diverse talent, 12 middle-senior managers will receive 1:1 executive sponsorship over an 18-month period, plus executive coaching and the opportunity to form a network with other diverse talent across the business.



### Connecting the generations

In 2022, we launched our third and fourth global reverse-mentoring programmes, and to date have had 142 participants. The programme aimed to encourage inter-generational connections with participants who represent different geographies, generations, 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. We have expanded the programme to include 'Speed Networking Sessions' and have created an alumni board to advise the programme leads. The satisfaction rate continues to be extremely high and mentors and mentees have continued their relationship long after the programme officially ended.

### Inclusion, Diversity and Equity (IDE)

We aim to attract, develop and retain diverse talent. At the same time, we're focused on embedding IDE by fostering and nurturing an inclusive and equitable culture that has belonging at its core. This is so that our employees can thrive and achieve their potential while contributing to Smith+Nephew's growth.

We have seen great progress over the last two years, thanks to our Employee Inclusion Groups (EIGs) and Life Councils. EIGs are voluntary, employee-led groups whose purpose is to create an inclusive culture that supports diversity of thought, background and perspective. Our Life Councils create a friendly, inviting workplace environment while promoting teamwork across the functions, employee engagement and support for our local communities.

#### 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 whole self

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

## Empowering our employees continued

### Employee Inclusion Groups (EIGs)

EIGs cover a broad spectrum of diversity and provide a network for employees to engage and collaborate. During 2022, we had 10 EIGs covering gender, race and ethnicity, veterans, mental health and physical wellbeing, generations, and LGBTQ+. We officially launched our tenth EIG, EMPOWER (centred around the differently abled/disabled area of diversity) in December to coincide with disability awareness month. EIGs currently reach over 3,000 employees, with more than 20 engagement activities per month.

Our UNITY EIG UK leader Ashrina Parmar was nominated for the UK Ethnicity Awards, and we expanded the UNITY EIG with the initiation of a new chapter in our Fort Worth, Texas location in December 2022. We continue to see growth in our VETERANS UNLIMITED EIG that launched in 2021 and in our four women's networks (SWE, GAIN, HERIZON and WIN). In 2023, we will combine our four women's networks into one global unified Smith+Nephew Women's Network.

Throughout the year, our EIGs hosted numerous events and we continue to use them to raise awareness and provide education to employees. Guest speakers including authors and educators participate in webinars with our EIGs throughout the year.

### Training and raising awareness

Throughout 2022, we continued to prioritise cultural awareness, education and training to embed IDE. In 2023, we will form an Inclusion Council, add more defined metrics of accountability, and solidify our internal and external partnerships. We will continue to help our leaders in reducing bias in the interview process, leverage our global rewards team with equity analysis, and partner with our EIGs for better allyship and support of diverse employees.

In 2022, more than 2,000 leaders globally received training to reduce bias in the interview process. We aim to practice 'bias interruption', which involves diverse sourcing, diverse slates of candidates, and diverse interview panels.

### Talent management

We continue to actively engage externally to attract diverse talent. In 2022, we sponsored the Scientist Mentoring Diversity Program (SMDP), the National Society of Black Engineers (NSBE) and the Society of Women Engineers (SWE), for which we are also a key corporate sponsor. Our EIGs were involved as brand ambassadors in activities that promote recruitment of diverse talent.

We will continue to emphasise diverse talent across all management levels and we continue to see progress in female representation. We aim to strengthen our approach towards diversity by setting more goals to progress our racial and ethnic diversity in 2023/24.

Our Elevate programme to support female professional development saw 200 participants in 2022 and we continue to build engagement and retention in our female talent pipeline. In 2022, we enhanced and streamlined our female sponsorship programme, which is now called our Diverse Sponsorship programme. We have 12 senior-level employees strategically aligned to each Executive Committee leader to foster leadership transfer of knowledge and professional development.

In 2022, Smith+Nephew was recognised by Forbes as a 'Top Female Friendly Company' for a second year running.

We continue to explore opportunities to develop a more caring and inclusive environment for all people to be their best selves at Smith+Nephew.

Some feedback on Elevate:

"Great session. Very well presented. Very thought provoking and useful for future interviews."

"It was one of the best training sessions I have attended at Smith+Nephew!"

"The training was excellent, and the topic was very relevant."

### Looking ahead

Our focus is to achieve 'inclusive sustainability', where we all feel we belong. In 2023, we will implement an Inclusion Council made up of eight leaders from within the business to drive our enterprise-wide IDE strategy.



Read more on our EIGs

"We aim to attract, develop, accelerate and retain the growth of diverse talent. We're focused on nurturing an inclusive and equitable culture, one that has belonging at its core. This is so that our employees can thrive and achieve their fullest potential, while contributing to Smith+Nephew's continuing growth."

**Natasha Berry**  
Vice President, Global Inclusive Culture, Diversity & Equity

## Empowering our employees continued



### A selection of stories highlighting progress made across key focus areas in 2022

#### EIG activities

As part of Mental Health Awareness Week, our CARE EIG helped launch this year's campaign theme of 'Together for Mental Health', with a focus on caring for ourselves and having consideration for others, while we all work together on our mental health and wellbeing. The CARE and GAIN EIGs also promoted awareness of 'imposter syndrome', with a live session sharing research explaining it and what you can do about it. We also continued the successful 'What's on your mind?' podcasts that cover real-life challenges faced by colleagues throughout the business.

Members of our UNITY EIG in Memphis (see image below), which focuses on race and ethnicity within the workplace, used their volunteering hours to build a house in partnership with Habitat for Humanity of Greater Memphis. The not-for-profit charity aims to provide homes for the less fortunate.



#### Our 10 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, now reaching over 3,000 employees from many countries and levels within Smith+Nephew.

EIG	Mission + Goals
<b>+ SWE</b> Society of Women Engineers	Empower women to achieve their full potential in careers as engineers and leaders.
<b>+ WIN</b> Women's Inspired Network	To foster an inclusive culture with a focus on strengthening and retaining female sales reps across all franchises.
<b>+ UNITY</b> Race + Ethnicity	To increase ethnic diversity at all levels and unlock the potential of all employees.
<b>+ VETERANS+UNLIMITED</b> Veterans of Military Service and Active Reservists	To educate, train to, and inspire a culture of understanding and inclusion for military veterans.
<b>+ CARE</b> Mental Health + Physical Wellbeing	To create an environment to promote a state of health and wellbeing contentment.
<b>+ HERIZON</b> We care, we bond...	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.
<b>+ GLOBAL SNYP</b> Engage, Develop, Grow, Excel	To engage, develop and accelerate the personal and professional development of emerging talent.
<b>+ GAIN</b> 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.
<b>+ PRIDE</b> LGBTQ + Community + Allies	Smith+Nephew Pride strives towards a fully inclusive workplace where LGBTQ+ employees are free to be themselves.
<b>+ EMPOWER</b> Support, Advocate, Educate	The voice within Smith+Nephew for all employees affected by, or living with, a visible or invisible disability, chronic health condition, neurodiversity and/or mental health difficulties.

# Prioritising health, safety and wellbeing

Every day we help each other 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 offices and warehouses, driving on company business, and those who need to work in operating theatres during live surgery. We have continued our focus on the mental health and wellbeing of our employees in recognition of its importance in the workplace, which was particularly highlighted throughout the pandemic and as we begin to emerge from it.

“The importance of ensuring a healthy and safe working environment cannot be underestimated. It is fundamental to the way we work at Smith+Nephew.”

**Mike D'Eufemia**

Senior Director Global HSE



## Our performance

Smith+Nephew has a culture of shared responsibility for employee health, safety and wellbeing. Throughout 2022, we continued to build on it with behaviour-based safety programmes and a focus on reporting and investigating incidents and their causes. Our ability to travel and perform more on-site safety audits increased in 2022. The personal interactions and face-to-face sharing of best practices have been welcomed by all employees.

Our headline safety rates remained consistent in 2022 with previous years but we recognise there is no room for complacency. In October, we were saddened to report the tragic death of one of our employees as a result of a motor vehicle accident in Italy.

The easing of travel restrictions has enabled us to reinstate both internal and external HSE audits across both manufacturing and the commercial areas of the business. These improve safety awareness and instil a strong safety culture across all areas of the business.

In 2022, with challenges to our everyday lifestyles still posed by the global 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 EIGs 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 27-28 for more details on our initiatives.

## Prioritising health, safety and wellbeing continued

### 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

2022	0.22
2021	0.23
2020	0.30
2019	0.49
2018	0.45

#### Lost time incident frequency rate, LTIFR

2022	0.12
2021	0.08
2020	0.20
2019	0.28
2018	0.19

### 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. Alignment with our sustainability initiatives is important for our business continuity and resilience. Poor alignment with customers' values and expectations is a threat to our business continuity. The BRCM and sustainability teams at Smith+Nephew work closely together to develop business resilience and continuity strategies through our critical functions, global supply chain, technology and infrastructure to manage the consequences of changing climate conditions and risks associated with reputational degradation and sustainable product and service delivery.

### Mental health and physical wellbeing

During 2022, we have continued to focus and drive our Mental and Physical Wellbeing agenda through our CARE EIG. CARE has continued to grow; it has now expanded into 11 countries: UK, Australia, Canada, China, Costa Rica, India, Ireland, Japan, Malaysia, Poland and US.

Each country has a dedicated team of volunteers, with a global EIG lead, country leads and local site teams of mental health first aiders or champions.

These colleagues are trained to help identify when help is needed, identify the level of support required and signpost people towards doctors, helplines or organisations that may offer counselling, professional support and treatments. Privacy is always respected, and conversations are never shared with direct managers. Our mental health champions are often just 'someone to talk to'. This can be about a specific issue such as feeling overwhelmed or anxious, needing tips on remote working or returning to the office after pandemic lockdowns.

We have offered further training for champions and have begun to expand this to manager awareness training. We have extended WELLFEST wellbeing events from the UK and Ireland to attendees globally and continued with the popular 'What's on your mind' podcast.

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.

### Looking ahead

In 2023, we will continue to emphasise safety awareness, behaviours and training, both for employees working at our sites and for those who are field-based, driving on company business or working remotely. We also want to extend the care provided to support our employees and their families in countries that are affected by the pandemic and adverse economic conditions.

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

## Prioritising health, safety and wellbeing continued



### A selection of stories highlighting progress made across key focus areas in 2022

#### Key milestone for Hull (UK) site

The Advanced Wound Management facility in Hull achieved a key milestone in 2022 by exceeding three million hours without a lost-time accident. The site leader and regional HSE Director (on the left and right respectively in the image below) were presented with their certificate by Deepak Nath during his first visit to the site as Chief Executive Officer.



#### Occupational health management in Germany

At our Tuttlingen site, we implemented a health management system to introduce health promotion. The aim was to support our employees to behave in a health-conscious manner. We began by evaluating the current situation with employees and identifying potential improvements. As a result of this consultation, in 2023, we will launch a range of new measures, including: ergonomic office workstations, seminars on stress management and time management, running groups and information on nutrition in everyday working life.

As a start to the campaign, employees from the site took part in the City Cycling Campaign, a competition to cycle the longest distance and save CO<sub>2</sub> emissions. Our team of 11 participants cycled 3,175 km, saving 488.9 kg of CO<sub>2</sub>.

#### Malaysia achieves Gold Award

In 2022, our new facility in Malaysia was awarded the Gold Class 2 Award by the Malaysian Society for Occupational Safety and Health (MSOSH) in recognition of a very good occupational health and safety achievement at the 40th annual MSOSH awards ceremony. In the image below, site leader Mark Arthun and HSE Senior Manager Chee Wei Ng (holding the award and certificate) are accompanied by fellow Smith+Nephew employees Nor Azirah Zakaria and Rashuria Balan.



#### Celebrate Mental Health Awareness Week

In October 2022, with the theme 'Together for Mental Health', our Mental Health Awareness Week events focused on care for ourselves and consideration for others while we work together on our mental health and wellbeing. Opened by Chief Human Resources Officer Elga Lohler and wrapped up by Chief Quality and Regulatory Affairs Officer Mizanu Kebede, the event demonstrated Smith+Nephew's senior-level commitment to mental health awareness and to removing the stigma around mental health issues.

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 signpost employees to the many resources we have in place to provide the support needed.

#### Mental health and wellbeing initiatives across the globe

- On-site interventions: activities at our Memphis (US) sites included healthchecks, clinics, and training in mental and physical wellbeing.
- Health, Safety and Environment mentorship: this programme in Memphis gave participants opportunities for personal and professional growth.
- Mental health awareness: 12 employees in Australia received formal accreditation as mental health first aiders, gaining the skills to provide initial help to colleagues.

#### Participation in the 2022 Safety First Pledge campaign

Employees and leadership from key sites across North America participated in the "2022 Safety First Pledge" banner commitment signing to start the year. Everyone was encouraged to participate, including our Chief Executive Officer during his first visit to the OXINIUM<sup>®</sup> facility in Memphis. This demonstrated a clear commitment by our senior leadership team to ensuring health and safety is foremost in our minds. From left to right (in the image below) Ashok Srinivasan (Vice President Operations), Deepak Nath (Chief Executive Officer) and Paul Connolly (President Global Operations) can be seen signing the safety pledge.



# Planet

Aiming to reduce our impact on the environment

## What's in this section

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## Why is this important?

We recognise the need to protect our planet and help mitigate against the impacts of climate change. In response, we manage resources efficiently, reduce our GHG emissions where possible and are mindful of the impact our decisions have on the environment.

In 2022, our impact on the environment continued to be affected by the global pandemic, with many colleagues choosing to adopt remote or hybrid working. Accordingly some offices continued to see lower occupancy levels and we are adapting to those situations. Combined home and office working can have a higher environmental impact as the conditioning of our buildings is often independent of occupancy levels.

Along with our customers and stakeholders, we work to manage the environmental footprint of our products and services. Internally, we have made progress over several years, improving our performance in waste recycling, water use and GHG emissions.

Our sustainability strategy 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 and 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. For example, successful projects to reduce the amount of packaging we use can be seen on page 44.

We are mindful of the importance of biodiversity, particularly in some of the countries in which we operate, including Costa Rica and Malaysia. The impact on local biodiversity is one of our considerations when we approve capital expenditure within our Global Operations business. Biodiversity will also be considered in the planning for our new Advanced Wound Management facility in Melton (UK) including impacts on the local landscape, ecosystems and climate stability.

## How it links to our targets

### Net zero

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

### Zero waste

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

“Our approach to achieving net zero emissions includes tackling energy efficiency, generating our own renewable energy, and buying power from renewable resources.”

**Andrya Clark**

Senior Director Sustainability



## Life Unlimited in action

# Moving to an electric car fleet in Europe

The move from conventional internal combustion engines to electric vehicles is underway.

Following our successful UK electric vehicle (EV) trial in 2021, driver appetite for EVs has continued to grow. In the UK, over 26% of our leased car fleet are now fully electric and over 45% of new cars on order, awaiting delivery, are electric vehicles. Fully electric business miles driven in the UK since the introduction of electric vehicles in 2021 are now in excess of 650,000.

The EV policy, offering a choice of company vehicles available in each country, is now implemented in the Netherlands, Denmark, Finland, Norway, Sweden, Germany and Ireland, and is in progress in France and Spain.

The EV scheme is having a positive impact on people as it contributes towards an improvement in air quality in our towns and cities, and represents a great step towards our commitment to achieve net zero GHG emissions. Our drivers have reported increased motivation and satisfaction as the take-up rate for the new EVs is high.

The in-country charging infrastructure and the current supply chain issues for the delivery of new vehicles has hindered the speed of the transition as we estimate approximately 6% of the European leased car fleet is now fully electric.

With EV chargers in place at the majority of our UK offices and manufacturing facilities, all employees are being encouraged to commute with more consideration for the environment. The EV policy is currently for company car drivers, but we have announced a salary sacrifice scheme to make EVs available to all employees in the UK in early 2023.



In the UK  
**26%**  
of the leased car  
fleet are now EVs.

**45%**  
of new cars on  
order, awaiting  
delivery, are EVs.



**650,000+**  
business miles covered  
by fully electric vehicles  
in the UK since 2021.



# Innovating to reduce our emissions

The impacts of climate change are increasingly evident around the world, including rising global temperatures and more severe extreme weather events. Every country is affected.

For example, in 2022, the UK has seen record high temperatures. To tackle this challenge, everyone, including businesses, needs to take action to use energy responsibly and reduce GHG emissions.

Widespread adoption of renewable energy technologies will help the global community curb climate change acceleration.

## Smith+Nephew's approach

Our approach to cutting emissions is three-fold: tackling energy efficiency, generating our own renewable energy on-site and sourcing lower-carbon energy. To achieve these goals, we evaluate new ideas and invest in technological solutions at many of our sites, with the aim of achieving net zero status.

We 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.

## Key areas of focus

We have started to measure our Scope 3 GHG emissions to help us apply our resources more effectively, thus reducing our overall GHG emissions footprint. Refer to page 37 for further details.

We have also implemented numerous energy efficiency and low-carbon initiatives during 2022, including installing new solar photovoltaic panels at two of our manufacturing sites in Asia (see page 37).

Examples of our ongoing actions to reduce emissions and energy usage include:

- Detailed analysis of the energy usage data across our global operations to identify anomalies and savings opportunities.
- Solar photovoltaic panels installed in Malaysia and China.
- LED lighting installations in many offices and manufacturing areas.
- Reducing the number of lights in certain areas but maintaining the necessary lux levels for safe working.
- Using Building Energy Management Systems (BEMS) for controlling equipment to maximise its efficiency and automating climate control or occupancy-related heating and lighting.
- Monitoring and reacting to on-site energy usage in real time.
- Conducting compressed air leak assessments and remediating leaks.
- Using variable frequency drives for motors on fans and pumps.
- Replacing inefficient compressors, chillers, pumps, fans and motors with highly efficient equipment.
- Changing service and maintenance strategies to ensure machinery operates more efficiently.
- Continuing to migrate the leased company car fleet to electric vehicles.
- Procurement of renewable energy and renewable energy certificates.

## Innovating to reduce our emissions continued



### Our performance

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

Many of our customers expect their suppliers to publish GHG emissions data and this year we disclosed our baseline 2021 Scope 3 GHG emissions for the first time. This will further support our responses to investors with specific interest in ESG performance.

In 2022, we continued to source renewable wind energy for all our locations in Memphis (US). This is significant as the Memphis sites consume over 40% of the Group's total electricity. Sourcing renewable energy reduces our market-based GHG emissions (the emissions from the electricity and steam that we purchase).

### Our carbon reduction roadmap steps

We have been working with our global energy partner to develop a Scope 1 and Scope 2 carbon reduction roadmap aimed at delivering our sustainability targets in the short, medium and long term. These are defined as within one year, within three years and after more than three years respectively.

Following a detailed carbon emissions benchmarking project, again with our global energy partner, the Scope 1 and Scope 2 carbon reduction roadmap identified four key initiatives as shown in the diagram below.

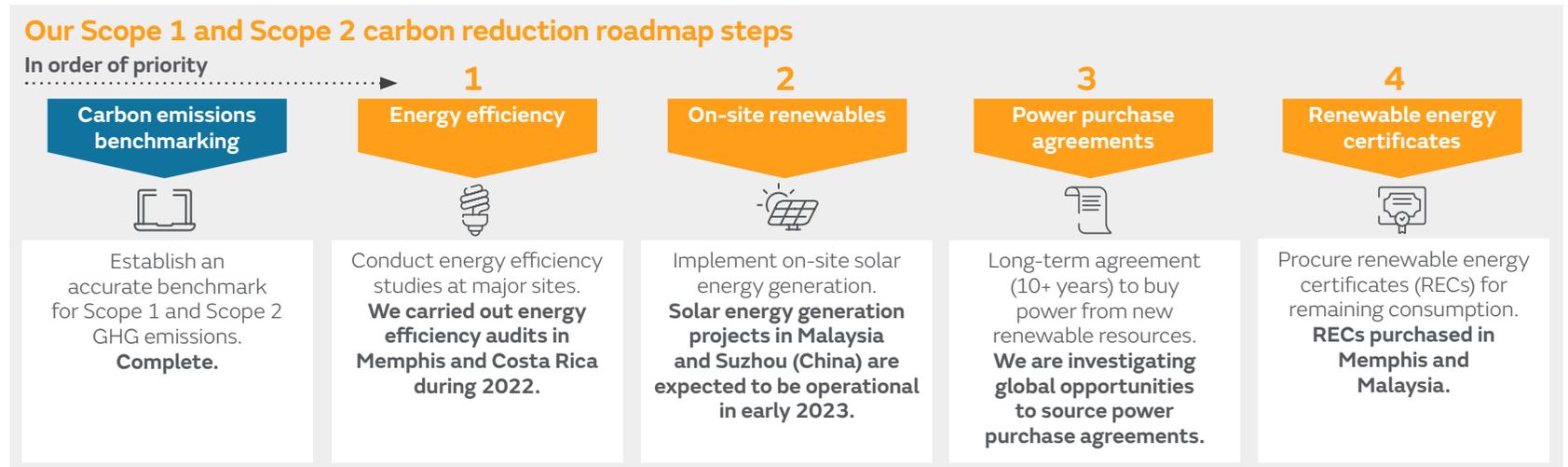
We will now continue work with the roadmap to put actions in place using the most appropriate solution to deliver our net zero commitment.

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 of the US. Purchasing RECs gives buyers the right to renewable energy and makes it possible to track ownership.

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 GHG emissions.

Our participation in this scheme underscores our commitment to supporting renewable energy and helps to reduce our carbon footprint. We are looking at other options, including self-generation and power purchase agreements, to complement or replace the purchase of RECs in the future.

In Malaysia, we purchased RECs in December 2022. Combined with newly installed solar panels, this sets a new standard as we enter 2023 with the site on a path toward achieving net zero Scope 2 GHG emissions.



## Innovating to reduce our emissions continued

### 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 GHG emissions.

### 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).

### Location-based carbon emissions

In 2022, the total location-based carbon footprint of business operations was 73,985 tonnes of CO<sub>2</sub>e, representing a 4% decrease when 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 CO<sub>2</sub>e emitted per MWh generated) being published for some locations. We did, however, see a small annual increase in energy usage and GHG emissions as a result of the new facility in Malaysia opening and further expansion of our facility in Costa Rica. 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.

### 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 for the remaining US locations where the eGRID factors (including subregional) were applied. In 2022, the total market-based Scope 1 and Scope 2 GHG emissions footprint was 48,847 tonnes of CO<sub>2</sub>e, a 27% reduction since our baseline year of 2019. This reduction was primarily due to the RECs purchased in Memphis (US). This represents good progress towards our interim target to achieve a 70% reduction in market-based Scope 1 and Scope 2 GHG emissions by the end of 2025. We did, however, see an annual increase due to the reasons already reported as the new site opened in Malaysia and other sites expanded their output.

### Energy usage (GWh)

2022	237
2021	232
2020	212
2019	213
2018	209

### Scope 1 and Scope 2 GHG emissions (location-based), (tonnes CO<sub>2</sub>e)

2022	73,985
2021	76,222
2020	72,945
2019	77,212
2018	77,842

### Scope 1 and Scope 2 GHG emissions (market-based), (tonnes CO<sub>2</sub>e)

2022	48,847
2021	46,797
2020	40,132
2019	67,040
2018	76,431

## Innovating to reduce our emissions continued



### New solar panel installations

In support of our carbon reduction roadmap and our pathway to net zero, we installed solar photovoltaic (PV) panels at two of our manufacturing sites in Asia. We have installed a 1.7 MW capacity system in Suzhou (China) and a 1.4 MW system in Malaysia. They will account, respectively, for around 10% and 20% of annual electricity use at these sites. Both will be operational in early 2023. Combined, we expect the two solar systems to reduce our annual Scope 2 GHG emissions by over 2,000 tonnes CO<sub>2</sub>e in 2023 and beyond.

Both installations have been put in place using long-term power purchase agreements with local developers. In Malaysia, we purchased renewable energy certificates in December 2022, prior to the solar PV system coming online.

We will continue to investigate other renewable energy opportunities at our sites globally.

### CO<sub>2</sub>e reporting methodology, materiality and scope

We report the carbon footprint of our Scope 1 and Scope 2 GHG emissions in tonnes of CO<sub>2</sub> equivalent from our business operations for the calendar year ended 31 December 2022. More details are given in the appendix on page 59. 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 2022 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.



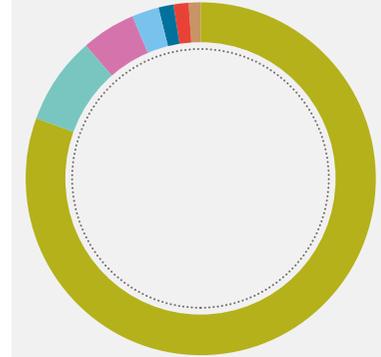
### More on our environmental performance data

### Reporting our Scope 3 emissions

During 2022, we worked with our global energy partner to measure our 2021 Scope 3 GHG emissions for the first time using a recognised protocol, CEDA (Comprehensive Environmental Data Archive). Our estimation of Scope 3 GHG emissions was 1.6 million tonnes of carbon dioxide equivalent from the eight categories that we have measured. See chart on the right for more details.

This estimate was from the best available 2021 data and is intended to be a baseline benchmark from which we will begin our Scope 3 GHG emissions reduction journey. As expected, and in line with our peer group, purchased goods and services contributes the most significant proportion of our Scope 3 GHG emissions (over 80%) which we believe will remain the case as we calculate more categories. In 2023, we intend to prepare an emissions reduction plan which will cover all three emission scopes.

During 2022, we have worked on assessing our benchmark 2021 Scope 3 GHG emissions and have data available from eight of the fifteen categories within Scope 3.



<b>Purchased goods &amp; services</b> 1,306,147tCO <sub>2</sub> e 80.9%	<b>Capital goods</b> 23,523tCO <sub>2</sub> e 1.4%
<b>Investments</b> 126,892tCO <sub>2</sub> e 7.9%	<b>Employee commuting</b> 23,002tCO <sub>2</sub> e 1.4%
<b>Upstream transportation</b> 81,837tCO <sub>2</sub> e 5.1%	<b>Other energy related</b> 13,573tCO <sub>2</sub> e 0.8%
<b>Business travel</b> 38,078tCO <sub>2</sub> e 2.4%	<b>Waste generated in company operations</b> 1,521tCO <sub>2</sub> e 0.1%

“We recognise the need to protect our planet and help mitigate against the impacts of climate change. Our stakeholders expect us to operate sustainably across all areas of ESG. That is why we continue to embed sustainability into our business strategy. Our newly formed ESG Operating Committee will implement and execute our sustainability strategy.”

**Marc Owen**  
Senior Independent Director  
and Chair of the Compliance & Culture Committee

## Innovating to reduce our emissions continued



### ISO 14001 environmental audits and recertification

Our ISO 14001 audits have continued throughout 2022. Many of our largest manufacturing sites including those in Costa Rica, Hull (UK), Suzhou and Beijing (China), Malaysia and Memphis (US), all successfully achieved certification, recertification or passed surveillance audits to the ISO 14001 environmental standard.

Our commercial sites in Barcelona (Spain) and Milan (Italy) also achieved certification to ISO 14001.

### New UK Advanced Wound Management facility

Subject to planning approval, this new facility will be in Melton, near to the current site in Hull that it will replace and where we have been located for more than 100 years.

Manufacturing will focus on the production of high-technology products, supporting the fast and efficient launches of new products, and manufacturing complex materials used across Smith+Nephew's Advanced Wound Management portfolio.

The new facility will be designed to high sustainability standards with a focus on energy and resource efficiency. The site aims to generate on-site renewable energy and maintain the 'zero waste to landfill' credentials of the current site in Hull.

### Looking ahead

The increasing importance of sustainability, together with our own strategy, has made Smith+Nephew employees more mindful of GHG emissions when carrying out projects. They are also taking more ownership of reducing emissions.

We anticipate that remote working and the continued adoption of hybrid or flexible working will impact areas such as employee commuting, business travel and how we use our office spaces in the future.

"This major investment demonstrates our commitment to the UK and to building our leadership in Advanced Wound Management. Our vision is for a world-class working environment that encourages innovation and collaboration to deliver next-generation products that improve the standard of care for the NHS and customers around the world. Smith+Nephew was founded in Hull in 1856 and we are proud to make this major investment in the region for future generations."

#### Simon Fraser

President Advanced Wound Management and Global Commercial Operations



### A story highlighting progress made across a key focus area in 2022

#### Providing a new woodland for the local community

In October, over 150 employees participated in a Smith+Nephew sponsored tree-planting activity.

Our Hull Leadership Council worked with the Plant A Tree Today (PATT) foundation to help clear 10 acres of land owned by a charitable trust in Cottingham, near Hull.

Over the course of five days, the team (in the image below) planted 6,000 trees, representing around 600 volunteering hours spent to provide a new woodland for the local community.



## Minimising the waste we generate

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.



Our new site in Malaysia started manufacturing with its 'zero waste to landfill' plans already in place.

### Smith+Nephew's approach

Our goal is to minimise all our waste streams at 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, and 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. In 2022, we collected, sorted and recycled over 10,300 tonnes of materials, 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.

Our new site in Malaysia started manufacturing with its 'zero waste to landfill' plans already in place, having secured recycling opportunities for its anticipated waste streams. Working with a local waste contractor, the site will avoid sending waste to landfill by ensuring general waste is either recycled, composted or sent for energy recovery. Only a small amount of hazardous waste leaves site for incineration.

#### » Packaging

Where possible, we minimise unnecessary packaging for shipping at our warehouses. We are regularly talking with 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.

## Minimising the waste we generate continued



### Our performance

During 2022, we continued to identify and implement opportunities for waste reduction at source, and to reuse, recycle and divert waste from landfill. As a result of new production lines and increased output of some products, the total waste generated was 12% higher than in the previous year. In 2022, we recycled 83% of our total waste, including waste diverted to energy recovery. This is in-line with our aim to exceed 80% recycling. We are now looking for more opportunities to eliminate landfill waste at our strategic manufacturing locations and also direct more waste to true recycling rather than energy recovery.

### Moving to zero waste to landfill

Our facilities in Memphis (US) were responsible for 75% of our waste sent to landfill in 2022, mainly as a result of some waste streams being more difficult to recycle. However, as part of their goal to send zero waste to landfill by 2025, we have been able to reduce and divert away from landfill some waste streams produced during the manufacturing processes. The facilities in Memphis reported a steady annual decrease in waste sent to landfill, achieving a 24% decrease since the 2019 baseline year.

For example, waste reduction was achieved in the machining process for some products in our range of orthopaedic trauma implants. During the year, 21 new milling machines were commissioned to allow for product growth but the pre-setting for the milling machines' chip conveyors required them to run constantly, and resulted in excess coolant ending up in the scrap chip collection barrels. Working with the manufacturer, we were able to adjust the run time of the chip conveyors, resulting in a significant reduction of coolant waste. This run time adjustment was applicable to more than three dozen mills across multiple production areas, and it is estimated to eliminate more than 10,000 gallons of coolant waste that had previously been handled and disposed of alongside scrap metal.

### Waste sent to landfill (tonnes)

2022	1,473
2021	1,829
2020	1,853
2019	1,996
2018	1,940

### Total waste generated (tonnes)

2022	12,389
2021	11,034
2020	11,233
2019	11,837
2018	11,034

### % waste to recycling incl. waste to energy

2022	83%
2021	79%
2020	78%
2019	76%
2018	79%



**Kevin Thomas, Sr. CNC Programmer, and Burch Walker, Staff Manufacturing Engineer in front of a Makino Mill in Memphis.**

In Memphis, we continue working to identify new vendors to divert remaining waste streams away from landfill. This will include combining recycling, reuse, composting and incineration (with energy recovery) opportunities. We are also engaging with all employees in Memphis and planning training to develop a culture where diverting waste away from landfill is part of our everyday working practice.

83%

of our total waste was recycled in 2022.

24%

less waste sent to landfill from our sites in Memphis.

## Minimising the waste we generate continued



### Looking ahead

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 practicable and then promoting reuse and recycling. A continued focus on sustainability in our New Product Development phase reviews and in our packaging design teams will also help us achieve our innovation targets.

### Moving beyond zero waste to landfill

We are delighted that our Advanced Wound Management sites in Suzhou (China) and Hull (UK) both achieved their target of sending zero waste to landfill again in 2022. Most waste was recycled or sent for 'incineration with energy recovery', with the remainder incinerated. Our emphasis is now on eliminating some waste streams, reusing or repurposing materials and promoting more true recycling rather than sending waste for incineration with energy recovery.



### A story highlighting progress made across a key focus area in 2022

#### Breathing new life into furniture to avoid waste

Rather than throw away unwanted office furniture and equipment from an office in San Diego (US), Regional Facilities Director Laura Maginnis identified a donation and recycling opportunity with a local charity. Reality Changers is a not-for-profit organisation in San Diego, California that prepares young people to become first-generation college graduates and agents of change in their community. Over 3.2 tonnes of furniture was put back into good use, avoiding landfill and the associated carbon emissions.

"I wanted to say thank you so much to Smith+Nephew for your work and co-ordination of the furniture donation. The lounge area and high-top table are BIG hits with the students and staff."

#### Ashley Morgan

Senior Vice President, Reality Changers, San Diego.



Some of our recycled furniture in place at Reality Changers



# Improving our 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, in parts of India, there is water scarcity. We challenge ourselves to save water at all our locations.

## Smith+Nephew's approach

We aim to reduce 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 2022 was 694,000m<sup>3</sup> which represents a 10% increase when compared to 2021. The primary reason for this change was the opening of the new facility in Malaysia.

## Looking ahead

We recognise our responsibility to mitigate 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 locations with water scarcity.

## Water usage (1,000m<sup>3</sup>)

2022	694
2021	633
2020	600
2019	650
2018	538



## A story highlighting progress made across a key focus area in 2022

### Rainwater harvesting in Malaysia

At our new facility in Malaysia, we installed a 23m<sup>3</sup> rainwater harvesting tank that provides all the water needed for the gardens around the site.



# Products

## Innovating sustainably

### What's in this section

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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 other 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.

"Our aim is to develop products that are designed with sustainability built in. This will improve the environmental impact of our own operations and those of our customers, and reduce costs."

**Vasant Padmanabhan**  
President Research & Development

### 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 a focused risk-based due diligence of our Tier 1 suppliers, including risk-based analysis of sub-tier suppliers, to assure compliance with our sustainability requirements by 2025.



Life Unlimited in action

# Less waste, more care

Daily wound care practice involves the routine use of supplies that, in turn, creates substantial amounts of packaging waste. With a focus on reducing carbon emissions and respectful use of global resources, our Advanced Wound Management business spearheaded a 2022 initiative to optimise packaging across a range of ALLEVYN® Foam Dressings.

The new reduced packaging dimensions eliminate some of the 'air' that was being shipped therefore reducing the overall volume of packaging being used. The redesign will eliminate the need for 334 tonnes of packaging material for our bordered dressings, equating to 2.7 million square metres. Ultimately, this could save 92 tonnes of CO<sub>2</sub> emissions into the atmosphere (equivalent to 13 car trips around the globe) when compared to 2021.<sup>1,2</sup>

Retaining the same high standards of manufacturing and sterilisation, as an example, the ALLEVYN LIFE Foam Dressings will now use 28% less packaging material compared to our 2021 design.<sup>3</sup>

For healthcare practices and clinicians, we hope this translates to efficiencies in the use of storage space and alignment with their own sustainability objectives.

Looking ahead, we'll continue to expand the 'Less waste, more care' initiative across further dressing and product ranges; reinforcing our commitment to deliver medical technology in a sustainable manner that helps to protect our environment.



**Less waste  
+ more care**



**334**  
tonnes of packaging material  
eliminated with the redesign  
which is equivalent to 2.7 million  
square metres.



**28%**  
less material used in  
the ALLEVYN LIFE  
Dressing packaging  
material compared to  
our 2021 design.

1 Smith+Nephew 2022. Internal report CSD. AWM.22.064.

2 Smith+Nephew 2022. Internal report CSD. AWM.22.072.

3 Smith+Nephew 2022. Internal report CSD. AWM.22.045.

# Designing sustainable products and packaging



ENGAGE° Cementless Partial Knee system

## Smith+Nephew's approach

Our new product development (NPD) and packaging teams incorporate sustainability initiatives into our new products and processes.

## Key areas of focus

Our NPD team has incorporated a sustainability review into its new product development process. Packaging teams have continued to work on incorporating post-consumer recycled content into non-sterile packaging materials and on sourcing more sustainable packaging materials. Global supply chain issues affecting the economy have made this challenging in 2022.



## 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 new products and their packaging to support delivery of our sustainability targets and those of our customers.

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 discuss, consider and implement sustainability and efficiency in our product design. This will ensure that our future Smith+Nephew product portfolio considers: 1) material and energy usage during production; 2) reduced product footprint for shipping/transportation; and 3) recyclability of waste products (e.g. packaging) for the life cycle of the product. Sustainability will be considered from 'cradle-to-grave' for our product portfolio. We are now looking to track specific deliverables in projects such as product carbon footprinting, energy and material usage.

The next page provides a few examples of how sustainability considerations impact or feature in some NPD projects.

## Designing sustainable products and packaging continued



### Reduction in packaging and waste with FAST-FIX<sup>®</sup> FLEX

**FAST-FIX FLEX is our next-generation meniscal repair device that will improve on the FAST-FIX 360 predicate design. It offers reliable deployment of implants, minimal disruption to the meniscus and accessibility to the tear location. Launched in 2021, FAST-FIX FLEX uses existing Smith+Nephew accessory devices to reduce its packaging and waste footprint.**

**As well as offering a unit carton with the implant plus the instrumentation required for the meniscal repair procedure, the FAST-FIX FLEX portfolio can also be delivered in an implant-only pack. This eliminates the waste of unused instruments in procedures where multiple implant kits are required.**

### The importance of packaging

During 2022, 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. Currently, less than 10% of our shelf cartons and about 30% of our corrugated shipping boxes have some recycled content. To improve these metrics, alternative materials have been identified and we are finalising our test strategy for execution in 2023-2024.

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 while balancing supply chain disruptions and cost controls. Efforts have continued to improve sustainable sourcing, including our 'regionalisation strategy' to purchase more packaging materials from local suppliers where possible. We continue to use our electronic Instructions For Use (eIFU) platform for our products, which further eliminates paper waste.

### Challenges for our packaging targets

Throughout 2022, we have seen supply chain challenges and disruptions. These have constrained resources and limited our suppliers' ability to pursue innovative, more sustainable materials as much as we would have liked. We have nonetheless had some success in sourcing packaging materials locally to resolve supply issues and maintain production output levels.

### Localising packaging suppliers

We recognise that sourcing packaging raw materials nearer to our manufacturing locations will reduce the costs and environmental impacts of long-distance shipping, specifically to our locations in Asia.

Advances in 2022 have identified opportunities to source label stock, cartons and Instructions For Use (IFU) locally. This has saved on freight costs and customs fees, and helped free up capacity at other manufacturers in light of global supply chain issues.



### ENGAGE<sup>®</sup> Uni-Knee instrument sets

**By refining the design of the upcoming ENGAGE Uni-Knee instrument sets, we can reduce the footprint for transportation and sterilisation, and the operating room footprint. We are also working to ensure that this next-generation instrumentation can be used in combination with our CORI<sup>®</sup> robotics system.**

**The project is focused on developing a next-generation ENGAGE Instrumentation system that also leverages JOURNEY<sup>®</sup> II UK (JUK) instruments, design intent and workflow. Surgeons will be able to use this simplified instrumentation set for both traditional and robotic approaches to implant placement for both the JUK and ENGAGE implants, eliminating duplication of sets in the market for the different implant systems.**

**Using fewer instruments reduces both the financial and environmental costs of manufacturing, transportation, sterilisation and storage, while sharing common instruments between manual and robotic approaches reduces duplication of inventory.**

## Designing sustainable products and packaging continued

### Recycled packaging content

Currently, we use mostly 100% virgin materials for packaging, as most commercially available board with recycled content has not met our requirements for strength and integrity. In 2022, we identified an improved US-sourced paper board with up to 30% recycled content without compromising the strength and integrity of packaging. We are moving into formal testing of this material in early 2023. Once this testing is formally completed, some non-sterile material specifications will be updated to allow the higher percentage of recycled content to be used prior to our 2025 target date.

A project was also started to create a website that contains information on how to recycle certain packaging components based on new legislation in the EU. The goal is to create a repository for sustainability and recycling-related information in the future for other applications which will be used internally and also be visible to our customers.

At our packaging technology centre, we have invested in precision sample cutting technology that enables us to develop new packaging designs without depending on external suppliers for prototypes.

We have transitioned all E-flute corrugated cartons to board that contains on average 50% recycled content. This is an improvement from the previous maximum allowable recycled content of 30%.

### Working with our suppliers

In 2022, we asked 262 of our significant suppliers to respond to the annual CDP climate change questionnaire. A good response rate was achieved with 117 organisations taking part, of which 50 were first-time respondents to CDP. Working with them, their data helps us understand and improve our Scope 3 GHG emissions data, and learn about our suppliers' maturity in their net zero plans.

### Supplier Diversity Programme

We are also developing a Supplier Diversity Programme that aligns to our core values 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 still in the planning stages due to other business priorities.

### Supply chain assessments

We have completed internal due diligence and assessments of all Tier 1 suppliers according to our risk-based procedure.

We have implemented a supplier on-site audit programme for suppliers identified through risk-based analysis. On-site audits include worker interviews and practical assessment of the implementation of supplier policies and procedures to assure compliance with modern slavery, human trafficking, HSE and sustainability requirements.

Supplier risk criteria includes country, commodity and spend, and we have again updated our global process for managing Corporate Social Responsibility (CSR) supplier risk in the spirit of continuous improvement in this area.

### Looking ahead

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, and by investigating potential carbon footprinting models.

When practicable, we will continue to improve legacy packaging by reducing the number of packaging components and consolidating the number of packaging configurations used overall. Using newer materials and technologies, we aim to standardise packaging configurations for our steady product lines and streamline the supply chain efforts to source critical components.

### Supplier on-site social audit

**In 2022, we enhanced our supply chain assessment programme by implementing supplier on-site social audits.**

**In November, we undertook an on-site audit of one of our raw material suppliers in APAC in accordance with our policies and procedures. We selected the supplier following an initial desktop audit which identified responses and documents for further assessment. The on-site audit focused on supplier compliance with our policies and procedures and applicable law and regulations, including Modern Slavery, HSE and sub-tier supplier management. We conducted interviews with employees in various positions, including shop floor workers, and spent time in the factory to enable verification of the information previously provided.**

**The audit provided the opportunity to openly discuss suggestions for improvement and collaboration. This was followed up with written analysis from Smith+Nephew identifying recommended improvements and suggestions on how they could be implemented, including requesting the supplier to establish processes to ensure policies are regularly reviewed and updated in alignment with local law, processes for specific risk assessments and cascading information are formalised, and they publish their own Third Party Guide to enhance supply chain management. We will review the supplier's progress as part of our ongoing assessment programme. Employees participating in interviews demonstrated transparent two-way dialogue and information exchange. The supplier welcomed our input to collaboratively enhance their operations.**

# Helping others use our products safely

Our business depends on the manufacturing and supply of safe and effective products. Our Strategy for Growth includes a commitment to uphold the highest standards of quality and compliance.

Across Smith+Nephew, our teams have goals that are linked directly to our Strategy for Growth and our culture.

## 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 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 2022, 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 leading a major Group-wide programme to meet the requirements of the European Union (EU) Medical Device Regulation (MDR). We've been proactively addressing the EU MDR requirements over the last five years and are working with Notified Bodies to CE-mark our devices under the new regulation. Thanks to a significant 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 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 Medical Devices Directive (MDD) from our supply chain by May 2025.

We are also monitoring the progress of the European Commission's proposal to amend the EU MDR transitional period including its proposed extension.

## Looking ahead

In 2023, we will continue to execute the 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.

We are moving from paper records to electronic systems to manage elements of our Quality System framework and regulatory processes.

# Managing sustainability

## What's in this section

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Our technology takes the limits off living

Helping a parent back to a normal life

Life Unlimited

## Our sustainability governance framework

The way in which we evaluate, manage and embed sustainability within our business and culture is directly linked to our Strategy for Growth through a focus on People, Planet and Products. Oversight of our sustainability strategy is one of the Matters Reserved to the Board. The Board reviews the sustainability strategy, key risks and opportunities and progress on a regular basis. The Board ensures the Company reports in-line with the recommendations of the TCFD framework, reviews the climate-related disclosures in the Annual Report and approves the Sustainability Report annually.

Our Chief Executive Officer, Deepak Nath owns our sustainability strategy and our President Global Operations, Paul Connolly, has executive responsibility for the implementation of our sustainability strategy and regularly reports on our progress to the Board, its Committees and our Executive Committee.

In January 2023, we streamlined the governance and operational structure around the delivery of our ESG strategy. We established the ESG Operating Committee to implement and execute our ESG strategy across all business areas, reporting directly into the Executive Committee. The Sustainability Council no longer operates as a result of the changes to the governance structure. The Executive Committee will continue to formulate and drive our ESG strategy with oversight from the Board and its Committees.

Three Board Committees are also closely involved in reviewing the elements of sustainability which impact the key areas of our business. All Committees receive regular updates on sustainability strategy, implementation, objectives and targets, and climate-related financial risks and opportunities. The Committee Chairs report to the Board at each Board meeting.

### The Compliance & Culture Committee

Chaired by Marc Owen, this committee has oversight of reviewing how we implement our sustainability strategy in the core areas of People, Planet and Products. This encompasses the Group's impact on employees, the environment, the local communities in which it operates, customers, suppliers and other key stakeholders. The Compliance & Culture Committee also tracks progress of delivery against sustainability objectives and metrics.

### The Audit Committee

Chaired by Rick Medlock, this committee is responsible for ensuring oversight of the process by which risks relating to the Group and its operations are managed and reported. The Audit Committee receives regular updates on sustainability and climate-related financial risks and opportunities, and assesses whether climate change has a material impact on our financial statements and ensures the Company reports in-line with the recommendations of the TCFD framework. It also reviews the climate-related disclosures in the Annual Report.

### The Remuneration Committee

Chaired by Angie Risley, this committee is responsible for ensuring that the Remuneration Policy and related incentive schemes incorporate sustainability targets and metrics where appropriate. The Committee determined that effective from the 2022 financial year, 5% of the Annual Bonus Plan for Executive Directors would be dependent on the achievement of ESG targets.



Further details of the Company's governance framework may be found in our 2022 Annual Report on page 92.

"As a Company, our stakeholders include payers, customers, and their patients, the communities in which we live and work, our talented team members, and investors. We put their collective interest at the centre of everything we do, which is why we are diligent about fully aligning business goals with our Environmental, Social and Governance standards."

**Paul Connolly**  
President Global Operations

## Our sustainability governance framework continued

Board	Audit Committee	Compliance & Culture Committee	Remuneration Committee	Executive Committee	Sustainability Council
<ul style="list-style-type: none"> <li>– Oversight of sustainability strategy and risk management programme.</li> </ul>	<ul style="list-style-type: none"> <li>– Oversight of the risk management process and reviewing its operating effectiveness.</li> <li>– Receives regular updates on sustainability and climate-related financial risks and opportunities.</li> <li>– Assesses whether climate change has a material impact on our financial statements.</li> <li>– Ensures the Company reports in-line with the recommendations of the TCFD framework.</li> </ul>	<ul style="list-style-type: none"> <li>– Oversight of sustainability policy and performance versus targets, with reviews undertaken at each committee meeting.</li> <li>– Receives regular updates on sustainability and climate-related risks and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>– Oversight and review of sustainability metrics within Remuneration Policy, and compensation and incentive plans generally.</li> <li>– Determined that effective from the 2022 financial year, 5% of the Annual Bonus Plan for Executive Directors would be dependent on the achievement of ESG targets.</li> </ul>	<ul style="list-style-type: none"> <li>– Driven by the Chief Executive Officer, determination and management of sustainability strategy, with President Global Operations accountable for leading on implementation.</li> <li>– Ensures that sustainability risks and opportunities are included in decision making as part of each project, initiative and the 12-point plan.</li> </ul>	<ul style="list-style-type: none"> <li>– Develops and implements our sustainability strategy.</li> <li>– Responsibility for setting, implementing and achieving operational objectives, KPIs and targets.</li> <li>– Membership includes: Human Resources, Global Operations, Quality and Regulatory Affairs, Research &amp; Development, Public Policy &amp; Government Affairs, Commercial, Finance, Procurement and Supply Chain.</li> </ul>

“In January 2023, we streamlined the governance and operational structure around the delivery of our ESG strategy and established the ESG Operating Committee to implement and execute the ESG strategy. The Sustainability Council no longer operates as a result of this change to the governance structure. The ESG Operating Committee reports directly into the Executive Committee.”

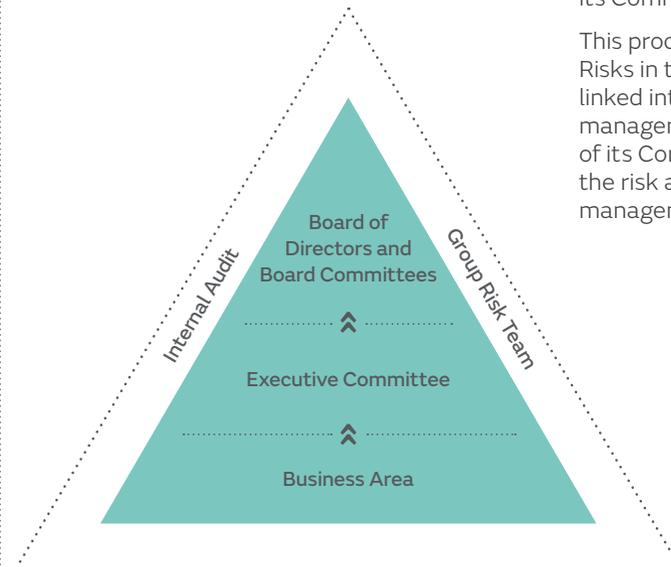
**Deepak Nath, PhD**  
Chief Executive Officer

# Our holistic approach to risk

Like all businesses, we face risks and uncertainties.

Successful management of existing and emerging risks is critical to the achievement of our strategic objectives and to the long-term success of our business. Risk management is therefore an integral component of the Group’s Corporate Governance. Our Enterprise Risk Management (ERM) process is based on a holistic approach to risk management that is aligned with the organisation’s strategic and operational goals.

The year 2022 has seen a further maturing of risk management. We introduced quarterly Risk Champion workshops focused on specific risks. Topics covered in 2022 include Sustainability, Global Supply Chain, and Data Privacy. These workshops increased awareness of risks and management actions across the Group, and opportunities to collaborate cross-functionally were identified. We implemented a new and easier-to-use central risk register system, which has built-in quality checks to ensure that all risks are fully analysed. We also developed data analytics and reporting dashboards to share regular ERM insights with Risk Champions and Executive Management. Monthly reporting of Principal Risk trends by Executive Committee risk owners has been added to the Executive Committee presentation.



Our risk governance framework is comprehensive. At the top of our structure, the Board sets our risk appetite and monitors the application of our risk framework, including strategy, execution and outputs of risk reviews by the business and the Group Risk team. The Board cascades our risk appetite throughout our organisation through the Executive Committee, the risk owner community and our management group. A formal ‘bottom up’ exercise ensures that risks are escalated back through the process to our Board and form our Principal Risks as appropriate. Our Executive Committee and the Group Risk team provide guidance and rigour across this process. Our Internal Audit Function provides an annual opinion on the effectiveness of our Risk Management process to the Executive Committee, which is chaired by the Chief Executive Officer, and then to the Board and its Committees.

This process has led us to identify the Principal Risks in the table to the right. Principal Risks are linked into our 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
Business continuity and business change	Board
Commercial execution	Board
Cybersecurity	Audit Committee
Global supply chain	Board
Legal and compliance	Compliance & Culture Committee
Mergers and acquisitions	Board
New product innovation, design & development including intellectual property	Board
Political and economic	Board
Pricing and reimbursement	Board
Quality and regulatory	Compliance & Culture Committee
Talent management	Board
Taxation and foreign exchange	Audit Committee

## Responding to climate change

Climate change is now widely recognised as affecting every continent and continued emission of greenhouse gases will cause further warming of the planet. These impacts are giving rise to severe social and economic consequences.

To address climate change, countries adopted the Paris Agreement, which aims to curb global emissions enough to cap global mean temperature rises to well below 2°C above pre-industrial levels and to pursue efforts to limit temperature increase even further to 1.5°C. One of the United Nations' SDGs specifically calls for urgent action to combat climate change and its impacts.

During 2022, 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 and more severe and frequent 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.

Our target is to achieve net zero Scope 1 and Scope 2 GHG emissions by 2040 and net zero Scope 3 GHG emissions by 2045, beginning by achieving a 70% reduction in Scope 1 and Scope 2 GHG emissions 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 aim is to minimise the disruption to our manufacturing and distribution network.

Our Task Force on Climate-related Financial Disclosures (TCFD) reporting and Sustainability Accounting Standards Board (SASB) framework reporting for our sector of Medical Equipment and Supplies are in our 2022 Annual Report on pages 64-67 and 250-251 respectively. The Compliance & Culture Committee and the Audit Committee received updates on TCFD and SASB reporting in 2022.

As part of our enterprise risk management process, we added a sustainability risk register and a business resilience process review into our review of our Principal Risks. We believe climate change is not currently a Principal Risk for Smith+Nephew as we do not expect it to fundamentally alter the demand for our products or our ability to manufacture and supply them. However, we will continue to monitor and mitigate risks as appropriate.

## Looking ahead

We will continue to monitor and refine our climate-related risks and use the results of our risk assessment to inform our next steps.



» Read more on TCFD reporting on pages 64-67 of our Annual Report



» Our SASB framework can be found on pages 250-251 of our Annual Report

## Acting with integrity

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

“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.

This year, we launched a new hotline system which we believe will improve the reporter experience and also help us to ensure we comply with the new EU Whistleblower Protection Directive.”

**Alison Parkes**  
Chief Compliance Officer

### **We believe that trust is one 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.

As the employer of over 19,000 individuals and as a provider of products and services to the healthcare sector, our teams may have access to sensitive and personal data. These data need to be carefully managed in accordance with recognised data privacy principles.

### **Ethics oversight and awareness**

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 comprises 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.

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. We continue to develop role-based training for key functions and in 2022 we launched new courses for our colleagues in Marketing, and have further strengthened the data privacy content of other modules. We use role-based training to help employees navigate 'real-life' compliance challenges and scenarios specific to their roles.

### **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 (CVAs) of our markets, franchises, functions and higher-risk third parties, centralised and local monitoring, and data analytics. 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. In addition to reviewing and reporting on compliance programme implementation across the organisation, our compliance programme is also subject to review. During 2022, we conducted a self-assessment of our compliance programme against the U.S. Department of Justice 'Evaluation of Corporate Compliance Programs' guidance, and our Internal Audit team conducted a review of our data privacy programme.

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. This year, we launched a new hotline system which we believe will improve the reporter experience and also help us to ensure we comply with the new EU Whistleblower Protection Directive. 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.

### **Data privacy**

We continue to develop and enhance our data privacy programme in light of evolving legislation, and track our programme improvements against a series of regional and global roadmaps. We have continued to grow the Data Privacy team, with the addition of new roles in the US, South Korea and China during 2022. During the year, we improved our governance of the data privacy programme by including privacy updates and key performance indicators into the Board and Executive Compliance Committee reports, and we are integrating operational aspects of the privacy programme into the wider compliance programme where it is reasonable to do so, including the management of policies and procedures, CAPA management and investigations.

## Working with responsible third parties

As a global company with a presence in more than 100 countries, Smith+Nephew relies on a worldwide network of third parties who enable us to manufacture and sell our products.

### Third party compliance

We work with third party suppliers, distributors and agents to uphold our purpose of Life Unlimited. Our 'Third Party Guide to Working with Smith+Nephew' explains what we expect from third parties that we work with. It is available on our website and translated into multiple languages. We work to ensure that organisations within our supply chain comply with these standards through our supplier management processes. We conduct risk-based due diligence as part of our supplier on-boarding and annual review programmes and provide support to ensure suppliers comply with the standards we expect of them. This includes requiring suppliers to provide additional compliance evidence and to produce and implement action plans where necessary. Our supplier relationship management and sustainability team, manage supplier alignment with corporate social responsibility (CSR) and environmental standards, as well as monitoring and addressing key risk areas.

We continue to review and improve our global third-party seller management process to ensure it is efficient and maintaining a high level of oversight as part of our compliance programme.

We have continued to undertake our CSR due diligence assessments for relevant suppliers using the SAP Ariba platform to include supplier life cycle and performance functionalities. To date, we have completed the internal CSR risk screening process for all Tier 1 suppliers and over 70% of additional due diligence assessments for potential higher risk suppliers. In addition, we have commenced on-site social audits for potentially high risk suppliers.

### Sourcing minerals responsibly

We are committed to 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 2022, 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 2021, 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 of 3TG 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 to be recognised as conflict-free. In furtherance of our commitment for a responsible mineral supply chain, we will work towards voluntary compliance with EU Regulation 2017/821 (Conflict Mineral Regulation).

### Working 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. We will continue to monitor developments in other geographies and be prepared to respond accordingly.



Full details of the Company's sustainability policies may be found on our website.

# Appendix

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Our technology takes the limits off living

Getting a rugby player back to the game

Life Unlimited

## How our targets relate to specific SDGs

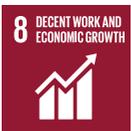
### People

Our targets	SDG goal	SDG targets
Between 2020 and 2030, contribute <b>1 million</b> volunteer hours to the communities in which we live and work.	 <p>10 REDUCED INEQUALITIES</p>	<p>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.</p>
Between 2020 and 2030, donate <b>\$125 million</b> in products to underserved communities.		
Empower and promote the <b>inclusion of all.</b>		

### Planet

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.	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7.a By 2030, enhance international co-operation 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.</p>
Achieve <b>zero waste to landfill</b> at our facilities in Memphis and Malaysia by 2025 and at all our strategic manufacturing facilities by 2030.		 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>

## How our targets relate to specific SDGs continued

Products					
Our targets	SDG goal	SDG targets	Our targets	SDG goal	SDG targets
By 2022, include sustainability review in New Product Development phase reviews for <b>all new products</b> and product acquisitions.	 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>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.</p>	By 2025, incorporate <b>at least 30%</b> post-consumer recycled content into all non-sterile packaging materials.	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
	 <p>10 REDUCED INEQUALITIES</p>	<p>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.</p>	By 2025, incorporate packaging materials from <b>sustainable sources</b> for new packaging parts.		12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>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.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>	By 2025, complete a focused risk-based due diligence of our <b>Tier 1 suppliers</b> , including risk-based analysis of sub-tier suppliers, to assure compliance with our sustainability requirements.		 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>

## Data on environmental performance

### We report our GHG emissions in three scopes

Scope 1: Direct sources of emissions which mainly comprises the fuels we use on-site, such as gas and heating oil, and fugitive emissions arising mainly from the losses of refrigerant gases. We have included UK vehicle emissions from leased cars since 2020.

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

Scope 3: Indirect value chain emissions that arise as a result of activities from assets or processes not owned or controlled by Smith+Nephew, these can be further divided into upstream and downstream emissions and fall into 15 defined categories. During 2022, we have worked on assessing our 2021 baseline Scope 3 GHG emissions and have data available for eight categories.

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 2022.

We have applied the emission factors most relevant to the source data, including Defra 2022 (for UK locations), International Energy Agency (IEA) 2020 (for overseas locations) and for the US we have used the most recent US Environmental Protection Agency (US EPA) 'Emissions and Generation Resource Integrated Database' (eGRID) for the subregions in which we operate.

All other emission factors for gas, oil, steam and fugitive emissions are taken from Defra 2022.

Scope 3 Category	tonnes CO <sub>2</sub> e	% contribution
Purchased goods and services	1,306,147	80.9
Investments	126,892	7.9
Upstream transportation	81,837	5.1
Business travel	38,078	2.4
Capital goods	23,523	1.4
Employee commuting	23,002	1.4
Other energy related	13,573	0.8
Waste generated in company operations	1,521	0.1

To calculate our Scope 3 emissions we used the recognised protocol, CEDA (Comprehensive Environmental Data Archive). Our estimated total was 1.6 million tonnes of carbon dioxide equivalent from the eight categories that we measured.

### Waste reporting

Waste from our direct operations is reported from all Smith+Nephew locations based on waste collection data. If data are not available, an internal assessment may be used based on the size and frequency of collections. For shared offices, waste generation is sometimes estimated from the percentage of building occupancy by our staff. The waste streams are split by waste category with a focus on the final destination of the waste: landfill, hazardous waste for incineration, waste recycled for energy recovery and recycling.

### Water reporting

We report water usage from our facilities where data are available or apply estimates for some smaller, multi-tenanted office locations based on our occupancy.

	2018	2019	2020	2021	2022
<b>Waste</b>					
Waste to landfill (tonnes)	1,940	1,996	1,853	1,829	1,473 <sup>1</sup>
Hazardous waste for incineration (tonnes)	335	857	635	487	595 <sup>1</sup>
Waste recycled for energy recovery (tonnes)	2,481	2,521	2,626	2,682	3,416 <sup>1</sup>
Waste recycled (tonnes)	6,278	6,463	6,119	6,036	6,905 <sup>1</sup>
<b>Total waste (tonnes)</b>	<b>11,034</b>	<b>11,837</b>	<b>11,233</b>	<b>11,034</b>	<b>12,389</b>
<b>Energy and GHG emissions</b>					
<b>Total energy (GWh)</b>	<b>209</b>	<b>213</b>	<b>212</b>	<b>232</b>	<b>237</b>
<b>Emissions to air (tonnes CO<sub>2</sub>e)</b>					
Scope 1					
Combustion of fuel and operation of facilities (process and fugitive)	9,956	9,888 <sup>1</sup>	9,754	11,335	12,168 <sup>1</sup>
Scope 2 (location-based)					
Purchased electricity and steam	67,886	67,324 <sup>1</sup>	63,191	64,887	61,817 <sup>1</sup>
<b>Total (location-based)</b>	<b>77,842</b>	<b>77,212<sup>1</sup></b>	<b>72,945</b>	<b>76,222</b>	<b>73,985<sup>1</sup></b>
Scope 2 (market-based)					
Purchased electricity and steam	66,475	57,152 <sup>1</sup>	30,378	35,462	36,679 <sup>1</sup>
<b>Total (market-based)</b>	<b>76,431</b>	<b>67,040<sup>1</sup></b>	<b>40,132</b>	<b>46,797</b>	<b>48,847<sup>1</sup></b>
Scope 3 (Other indirect emissions) <sup>2</sup>			1,614,573		
<b>Water</b>					
<b>Total water usage (1,000m<sup>3</sup>)</b>	<b>538</b>	<b>650</b>	<b>600</b>	<b>633</b>	<b>694</b>

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 2022 are included.

- 1 Data independently assured by ERM CVS for 2019 (baseline year) and 2022, the full assurance statement is included in this report on pages 60-61.
- 2 Estimation of 2021 Scope 3 GHG emissions from the eight categories measured. Refer to 'Reporting our Scope 3 emissions' on page 37 for more details.

## Independent assurance

### Independent Limited Assurance Statement

ERM Certification and Verification Services Limited (“ERM CVS”) was engaged on behalf of Smith & Nephew plc, (“Smith+Nephew”) to provide limited assurance in relation to the selected information set out below and presented in Smith+Nephew’s 2022 Sustainability Report (the “Report”).

## Engagement summary

### Scope of our assurance engagement

Whether the following selected performance data, as indicated on pages 14 and 59 in Smith+Nephew’s 2022 Sustainability Report are fairly presented, in all material respects, in accordance with the reporting criteria:

- 2019 and 2022 Total Scope 1 GHG emissions (tCO<sub>2</sub>e)
- 2019 and 2022 Total Scope 2 GHG emissions (market-based) (tCO<sub>2</sub>e)
- 2019 and 2022 Total Scope 2 GHG emissions (location-based) (tCO<sub>2</sub>e)
- 2019 and 2022 Total Scope 1 and Scope 2 GHG emissions (location-based) (tCO<sub>2</sub>e)
- 2019 and 2022 Total Scope 1 and Scope 2 GHG emissions (market-based) (tCO<sub>2</sub>e)
- 2022 Total Scope 1 and Scope 2 (location-based) GHG emissions reduction (% against 2019 baseline)
- 2022 Total Scope 1 and Scope 2 (market-based) GHG emissions reduction (% against 2019 baseline)
- 2022 Total Waste to landfill (tonnes)
- 2022 Total Hazardous waste Incinerated (tonnes)
- 2022 Total Waste recycled for energy recovery (tonnes)
- 2022 Total Waste recycled (tonnes)

Our assurance engagement does not extend to information in respect of other reporting periods or to any other information included in the Report.

### Reporting period

- 1 January 2022 – 31 December 2022 (all data in scope)
- 1 January 2019 – 31 December 2019 (GHG emissions only)

### Reporting criteria

- WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (2004, as updated January 2015) and GHG Protocol Scope 2 Guidance
- Smith+Nephew’s own Basis of Reporting (for waste metrics detailed on page 59 of the Report.)

### Assurance standard and level of assurance

We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Standards Board.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Respective responsibilities

Smith+Nephew is responsible for preparing the Report and for the collection and presentation of the information within it, and for the designing, implementing and maintaining of internal controls relevant to the preparation and presentation of the selected performance data.

ERM CVS’ responsibility is to provide conclusions to Smith+Nephew on the agreed scope based on our engagement terms with Smith+Nephew, the assurance activities performed and exercising our professional judgement. We accept no responsibility, and deny any liability, to any party other than Smith+Nephew for the conclusions we have reached.

## Independent assurance continued

### Independent Limited Assurance Statement continued

#### Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the selected performance data and information for the disclosures listed under 'Scope' above are not fairly presented, in all material respects, in accordance with the reporting criteria.

#### Our assurance activities

Considering the level of assurance and our assessment of the risk of material misstatement of the performance data, a multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Assessing the appropriateness of the reporting criteria for the selected performance data.
- Interviews with management representatives responsible for managing the selected issues.
- Interviews with relevant staff to understand and evaluate the relevant management systems and processes (including internal review and control processes) used for collecting and reporting the selected disclosures.

- In-person visits at sites Hull (UK) and Memphis Brooks, TN (US) to review local reporting processes and consistency of reported annual data with selected underlying source data for each indicator.
- A review at corporate level of a sample of qualitative and quantitative evidence supporting the reported information.
- An analytical review of the year-end data submitted by all locations included in the consolidated group data for the selected disclosures which included testing the completeness and mathematical accuracy of conversions and calculations, and consolidation in line with the stated reporting boundary.
- Confirming conversion and emission factors and assumptions used.
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

#### The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

#### Our independence, integrity and quality control

ERM CVS is an independent certification and verification body accredited by UKAS to ISO 17021:2015. Accordingly, we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a Code of Conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of Parts A & B of the IESBA Code relating to assurance engagements.

The team that has undertaken this assurance engagement has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to Smith+Nephew in any respect.



**Gareth Manning**  
Partner, Corporate Assurance  
UK, London

20 February 2023



We welcome your feedback on this Sustainability Report.

## Contact us

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You can find out more about our sustainability practices online:  
[www.smith-nephew.com/sustainability](http://www.smith-nephew.com/sustainability)

### Product names

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

 Read more online at [www.smith-nephew.com](http://www.smith-nephew.com)

### Forward-looking statements

This document may contain forward-looking statements that may or may not prove accurate. These statements concern or may affect future matters, including but not limited to: the Group's future financial performance; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of ESG measures; and statements of assumptions underlying such statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements.

For Smith+Nephew, these factors include: risks related to the impact of Covid, such as the depth and longevity of its impact, government actions and other restrictive measures taken in response, material delays and cancellations of elective procedures, reduced procedure capacity at medical facilities, restricted access for sales representatives to medical facilities, or our ability to execute business continuity plans as a result of Covid; economic and financial conditions in the markets we serve, especially those affecting healthcare providers, payers and customers (including, without limitation, as a result of Covid); price levels for established and innovative medical devices; developments in medical technology; regulatory approvals, reimbursement decisions or other government actions; product defects or recalls or other problems with quality management systems or failure to comply with related regulations; litigation relating to patent or other claims; legal and financial compliance risks and related investigative, remedial or enforcement actions; disruption to our supply chain or operations or those of our suppliers (including, without limitation, as a result of Covid); competition for qualified personnel; strategic actions, including acquisitions and dispositions, our success in performing due diligence, valuing

and integrating acquired businesses; disruption that may result from transactions or other changes we make in our business plans or organisation to adapt to market developments; relationships with healthcare professionals; reliance on information technology and cybersecurity; disruptions due to natural disasters, weather and climate change related events; changes in customer and other stakeholder sustainability expectations; changes in taxation regulations; effects of foreign exchange volatility; and numerous other matters that affect us or our markets, including those of a political, economic, business, competitive or reputational nature. Please refer to the documents that Smith+Nephew has filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended, including Smith+Nephew's most recent annual report on Form 20-F, which is available on the SEC's website at [www.sec.gov](http://www.sec.gov), for a discussion of certain of these factors.

Any forward-looking statement is based on information available to Smith+Nephew as of the date of the statement. All written or oral forward-looking statements attributable to Smith+Nephew are qualified by this caution. Smith+Nephew does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Smith+Nephew's expectations. The terms 'Group' and 'Smith+Nephew' are used for convenience to refer to Smith & Nephew plc and its consolidated subsidiaries, unless the context requires otherwise.