

## Modern Slavery Statement for the year ended 31 December 2020

4 March 2021

Smith & Nephew Pty Limited (ACN 000 087 507) (**Smith+Nephew**) is a subsidiary of Smith & Nephew plc. Smith & Nephew plc and its subsidiaries (including Smith+Nephew) (the **Group**) are committed to preventing slavery and human trafficking in its corporate activities, and supply chains. Smith & Nephew plc publishes a modern slavery statement pursuant to the UK *Modern Slavery Act 2015 Section 54* which covers all its subsidiaries, a copy of which is located at <https://www.smith-nephew.com/sustainability/policies/modern-slavery-statement/>.

This Modern Slavery Statement (**Statement**) has been developed by, and is published by, Smith+Nephew in accordance with the *Modern Slavery Act 2018* (Cth). It relates to the financial year ending 31 December 2020. This Statement sets out the approach taken to preventing modern slavery in our commercial operations, including our relationships with third party sellers and vendors in our supply chains. The Board approved the statement and granted publication approval on 4 March 2021.

Smith+Nephew does not own or control any reporting entities.

### **Smith+Nephew's structure, operations and supply chain**

Smith+Nephew is a portfolio medical technology business that exists to restore people's bodies and their self-belief by using technology to take the limits off living. Through its 330+ employees in Australia, Smith+Nephew provides its products to a variety of customers, including public and private hospital systems, aged and community care facilities, and pharmacies.

Smith+Nephew's product portfolio is across its three franchises of **Orthopaedics, Advanced Wound Management and Sports Medicine & ENT**.

- **Orthopaedics** includes an innovative range of hip and knee Implants used to replace diseased, damaged or worn joints, robotics-assisted enabling technologies that empower surgeons, and Trauma products used to stabilise severe fractures and correct bone deformities.
- Our extensive **Advanced Wound Management** portfolio provides a comprehensive set of products to meet complex clinical needs, to help healthcare professionals get CLOSER TO ZERO human and economic consequences of wounds.
- Our **Sports Medicine and Ear, Nose and Throat (ENT)** businesses offer advanced products and instruments used to repair or remove soft tissue. They operate in growing markets where unmet clinical needs provide

opportunities for procedural and technological innovation.

Smith+Nephew's supply chains are significant and complex. It has over 500 suppliers to its Australian operations, which includes members of the Group from whom Smith+Nephew purchases the majority of its product portfolio. The Group has over 3,000 direct suppliers of goods and services, and itself manufactures products in factories in various countries around the world.

### **Risks of modern slavery practices in the operations and supply chains of Smith+Nephew**

Smith+Nephew conducts its business with integrity, honesty and professionalism. These principles are embodied in its Culture Pillars: Care, Collaboration and Courage and are set out in the Group Code of Conduct and Business Principles (**Code of Conduct**). These Culture Pillars guide the behaviour of everyone at Smith+Nephew. Everyone at Smith+Nephew must all also follow and understand applicable laws, the Code of Conduct and relevant Group and company policies and procedures.

Smith+Nephew assess the risk of modern slavery practices within its directly employed workforce to be low. This assessment is based on the nature of staff are employed (direct employees of Smith+Nephew and very few labour agency contractors) and regular reviews undertaken to ensure that our work conditions and salaries are at or above the relevant awards and legislative requirements.

An increased operational risk of modern slavery has been identified when engaging third-party providers within Australia to provide Smith+Nephew with good or services. Some of these providers are in higher risk areas such as catering, cleaning and transportation. However, this risk is still assessed as low.

With respect to suppliers situated outside Australia, the risk of modern slavery practices is higher. For many suppliers the risk is still considered relatively low due to the highly regulated nature of the medical technology industry and the need for quality control of the final products.

However, Smith+Nephew acknowledge that there are suppliers located outside Australia where the risk is assessed to be medium- or high-risk. This assessment is due primarily to:

- (a) the countries within which some of the products are manufactured and/or the raw materials are sourced are noted as high risk countries for modern slavery practices;
- (b) the raw materials for a number of products are in industries that are considered high risk for modern slavery practices (such as mining); and,
- (c) some of the products manufactured utilise low skilled labour.

Smith+Nephew note that there is an increased risk of modern slavery practices with indirect suppliers due to the more limited visibility of Smith+Nephew with respect to these suppliers.

## **Actions taken by Smith+Nephew to assess and address modern slavery risks**

At Smith+Nephew, we conduct our business with integrity, honesty and professionalism. These principles are embodied in our Culture Pillars: Care, Collaboration and Courage. These Culture Pillars guide the behaviour of everyone at Smith+Nephew, no matter where in the world we are located. We must all also follow and understand applicable laws, our Code of Conduct and relevant Company policies and procedures.

We work with third parties who adhere to business principles and health, safety, social and environmental standards consistent with our own. Third parties who carry out business on our behalf, directly or indirectly, must also understand and follow applicable laws when carrying out that business, and manage their suppliers in accordance with the same standards.

Smith+Nephew is committed to:

- Taking a robust approach to preventing slavery and human trafficking in its corporate activities and supply chains
- Supporting the Universal Declaration of Human Rights of the United Nations. This means we respect the human rights, dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right to be heard.
- Not using any form of forced, compulsory or child labour.
- Helping third parties working for and on our behalf through additional guidance to explain how our Code of Conduct specifically relates to those who perform services for and on our behalf. We have provided the Third Party Guide to working with Smith+Nephew on our website in order to support this initiative: <https://www.smith-nephew.com/compliance/code-of-conduct-and-business-principles/third-party-guide-to-working-with-smith---nephew/>.

The **Third Party Guide to working with Smith+Nephew** states that third parties working with us may not use any form of forced, compulsory or child labour. They must maintain a work environment in which all feel welcome and free of harassment, discrimination or other improper conduct. They must respect the human rights, dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right to be heard. The guidance helps third parties understand, follow and meet our expectations for them to:

- Always respect the human rights, dignity and privacy of the individual.
- Not use forced, bonded, or indentured labour or involuntary prison labour.
- Provide a workplace free of harassment and discrimination.
- Build a diverse workforce based on an employee's qualifications and

abilities needed for the work to be performed.

- Observe applicable laws and regulations governing wages and work hours.

### **Compliance with our Code of Conduct**

Third parties working with us must commit to adhere to applicable laws and we seek assurances (whether through contract or due diligence) that each third party who works with us:

- *conducts all business on Smith+Nephew's behalf in an ethical manner that is compliant with all applicable laws, regulations and industry codes of conduct;*
- *manages their suppliers in accordance with the same standards;*
- *notifies Smith+Nephew without delay of any allegation received of a breach of our Code, applicable laws and industry codes that they discover, even if they are not directly involved; and,*
- *protects whistleblowers' confidentiality and prohibits retaliation against workers who make a report in good faith.*

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

The Group has a robust whistle-blowing procedure in all jurisdictions in which we operate (subject to local legal requirements), including Australia. The Group, including Smith+Nephew, are committed to upholding the promise in the Code of Conduct that there will be no retaliation against anyone who makes a report in good faith.

Actions undertaken in 2020 by Smith+Nephew with respect to addressing modern slavery risks include:

1. All Smith+Nephew employees received annual training on the Code of Conduct.
2. Relevant employees (including procurement staff) undertake training on modern slavery issues and risks.
3. Our Third Party Seller Global Compliance Programme ensures that due diligence is cleared before we engage with a distributor or agent who generates demand for our products. We provide training to reinforce our expectations for compliant and ethical behaviour and clear rules for third parties to follow. Guidance supports the Smith+Nephew employees who manage and work with our distributors and agents.
4. We continue to enhance our due diligence and other controls around vendors, suppliers and service providers to make it easier for employees to evaluate supplier and third party related risks. We continue to integrate



these controls into the Company's purchasing system in parallel with our commitment to continuous improvement of our operating systems, controls and procedures across the group.

5. Our procurement team undertakes due diligence with new suppliers prior to onboarding which includes evaluating modern slavery and human trafficking risk.

Suppliers are required to provide information regarding their labour standards in the following areas:

- Employment being freely chosen
- Freedom of association and the right to collective bargaining
- Working conditions
- Child labour
- Minimum wage laws
- Working hours
- Discrimination
- Regular employment
- Harsh and/or inhuman treatment

Supplier responses are reviewed and follow up due diligence with the supplier is conducted where necessary to evaluate supplier risk. If the information obtained through the due diligence process substantiates a modern slavery risk, the relevant supplier will not be onboarded or used.

6. We appointed a dedicated Procurement Manager to lead supplier Corporate Social Responsibility (CSR) efforts as a key focus for the group.
7. We completed a plan to assess our supplier CSR risks. Labour standards risks are assessed based on supplier country or commodity. New suppliers are assessed prior to onboarding, and all Tier 1 legacy suppliers will be assessed in 2021 (see our Sustainability Report for further details: <https://www.smith-nephew.com/sustainability/>).

The procurement team undertakes enhanced due diligence with an identified subset of existing suppliers, which includes evaluating modern slavery and human trafficking risk. If issues are identified, we will work with the supplier to mitigate risks and, if risks cannot be mitigated to our reasonable satisfaction, take steps to terminate the supplier relationship.

8. In accordance with our Conflict Minerals Policy, we encourage transparency in our supply chain. Our conflict minerals due diligence process was designed in accordance with the five step Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance. In 2019 (the latest available information), for the fifth consecutive year, Smith+Nephew declared conflict-free on US Securities and Exchange Commission Form SD.

### **Assessment of the effectiveness the actions taken to address modern slavery risks**

Our CSR risk management process includes:

- Screening potential suppliers for labour standards risks prior to onboarding;
- Identifying and screening approved suppliers for labour standards risks;
- Conducting further due diligence with suppliers identified as having potential labour standards risks; and,
- Raising corrective action requests and tracking mitigating actions through management review.

### **Future action plans**

The Group has implemented what is believed to be a world-class Global Compliance Programme that helps our businesses comply with applicable laws and regulations. This includes compliance with the letter and spirit of modern slavery legislation. We benchmark our performance, assess the compliance controls in Smith+Nephew's businesses and continuously seek ways to improve our performance.

In addition to the measures noted above, we will continue to review our practices related to modern slavery and human trafficking and comply with the requirements of the *Modern Slavery Act 2018* (Cth).



Vassie Ponsamy  
Managing Director

23 March 2021