

Independent assurance statement

Scope and approach

Smith & Nephew UK Limited (“Smith & Nephew”) commissioned **DNV GL Business Assurance Services UK Limited** (“DNV GL”) to undertake independent assurance of the Smith & Nephew Sustainability Report 2016 (the “Report”) for the year ended 31 December 2016.

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the AA1000 Assurance Standard, International Standard on Assurance Engagements 3000 (ISAE 3000), and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We evaluated the report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We evaluated the performance data associated with Smith & Nephew’s 15 targets using the reliability principle together with Smith & Nephew data protocols for how the data is measured, recorded and reported. The 15 Smith & Nephew targets are as follows:

Caring for customers

- Incorporate sustainability-related Supplier Information Management score for major suppliers into purchasing decisions
- Establish and document core sustainability criteria for new product development
- Maintain 100% compliance to Code of Conduct and Business Principles training

Caring for employees

- Reduce Total Injury Rate and Lost Time Injury Rate by 10%
- Maintain top quartile industry safety performance
- Expand and extend worker wellness programmes to more effectively address lifestyle impact awareness and healthy choices
- Achieve at least 40% women in the global talent pool (mid-level and higher)

Caring for environment

- Reduce non-renewable energy use by 3%
- Reduce Scope 1 and Scope 2 CO₂ emissions by 3%
- Reduce water use by 3%
- Identify opportunities for packaging material reduction and implement where possible
- Reduce total waste by 3%
- Increase percentage of total waste recycled by 3%

Caring for society

- Deliver a higher return to shareholders than our peer group
- Contribute at least 1% of adjusted pre-tax profits towards corporate citizenship/philanthropy

Our scope included all data and claims associated with the above 15 targets on a sample basis within the Smith & Nephew Sustainability Report. Excluding case studies and performance data associated with acquisitions made during 2016. All new acquisitions within the reporting period are out of reporting scope until a full year’s data is available.

We understand that the reported financial data and information are based on data from Smith & Nephew’s Annual Report and Accounts 2016, which are subject to a separate independent audit process. Financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'moderate level' of assurance. A 'high level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of Smith & Nephew and of the assurance providers

The Directors of Smith & Nephew have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Smith & Nephew; however our statement represents our independent opinion and is intended to inform all Smith & Nephew's stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Independence

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals.

We have no other contract with Smith & Nephew and this is the fourth year that we have provided assurance.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

- Review of the current sustainability issues that could affect Smith & Nephew and are of interest to stakeholders;
- Review of Smith & Nephew's approach to stakeholder engagement including recent outputs and future plans for engagement;
- Review of information provided to us by Smith & Nephew on its reporting and management processes relating to the Principles;
- Interviews with selected senior management responsible for management of sustainability issues and review of selected evidence to support issues discussed. Seven senior managers were interviewed to gain an overview of strategy and management and DNV GL was free to select those involved. Those interviewed were the Senior Vice President of Global Talent, the Director of Social Responsibility, the Company Secretary, the Group Director of Global Compliance Policy & Training, the Director of EHS & Facilities, the Director of Enterprise Risk Management and the Vice President of Health, Safety and the Environment;
- Site visits to Smith & Nephew's offices in Croxley Park, UK and Suzhou, China production facility to review process and systems for preparing site and group level sustainability data and implementation of the sustainability strategy. DNV GL was free to select these sites. The Suzhou site was selected based on its materiality to the group for environmental and health and safety impacts. The Suzhou site is in the

top three of Smith & Nephew's largest production facilities globally in terms of energy use and GHG emissions as well as production volumes;

- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated Group level;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation;
- Sampled selected evidence back to source to conduct checks of consolidated datasets against raw data; and
- Conducted a review of the draft and final 2016 Sustainability Report to ensure consistency with assured data.

Opinion

Based on the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Smith & Nephew's adherence to the Principles.

In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that any assumptions used were inappropriate.

Observations

Without affecting our assurance opinion we also provide the following observations.

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability

Smith & Nephew has started formalising and implementing a stakeholder engagement process to help shape its new sustainability strategy. However, this continues to focus on internal stakeholders, with a reduced number of external stakeholders (i.e. investors and Social Responsibility Investment firms) informally consulted on an ad hoc basis. We believe that, by not systematically seeking external stakeholder views, Smith & Nephew may be at risk of not prioritising the most relevant issues to its stakeholders.

Going forward, we recommend that Smith & Nephew maps its key stakeholders and seeks their views over its evolving sustainability strategy. This should include the validation of what the company thinks to be its material issues and how they help shape its strategy.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

We recognise as part of Smith & Nephew's new sustainability strategy that it continues to demonstrate a good understanding of the issues that are likely to be material to its sector and its internal stakeholders. This is evident through the linking of the Sustainable Development Goals to their aspirational goals and impacts. However, we continue to note that the material aspects have not been validated through a formalised materiality process. Therefore, we reiterate our recommendation to conduct a formal materiality assessment informed by stakeholder feedback.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

Smith & Nephew generally has a good approach to responding to internal stakeholder needs and expectations demonstrated by their commitment to employee diversity, wellness, health and safety. This is evident in their new strategy and aspirational 2020 targets. We have seen examples which illustrate how Smith & Nephew is continuing to understand and take account of the impact of its products on wider society, and this is evident through their commitment to access to healthcare. We recommend that specific objectives and impact measures are further developed in access to healthcare as part of the ongoing evolution of Smith & Nephew's future sustainability strategy.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

In the absence of a materiality assessment, it is hard to judge the completeness of this year's Report from the view of external stakeholders, however based on the work undertaken we do not believe that Smith & Nephew failed to report on any of its material issues. The Report provides a good overview of performance across the organisation and includes upstream and downstream impacts of its operations and products, however we cannot fully assess the extent to which the information provided is material to external stakeholders. Commentary is provided in relation to customers, employees, environment and society.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

The report is generally well balanced and discloses both favourable and unfavourable performance in relation to the 2016 target areas. The report highlights how low performance against energy, carbon and waste targets during 2016, and previous years, has been a direct result of environmental targets not being core to business operations. We are pleased to observe that Smith & Nephew have committed to integrate the principles of sustainable development into their environmental resource policies and programs as part of their new sustainability strategy and that they have challenging targets in place for carbon reduction.

Reliability

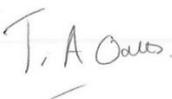
The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

Overall we have confidence in the processes in place to ensure reasonable accuracy for the information presented in the Report and data management systems have continued to improve.

For and on behalf of DNV GL Business Assurance Services UK Limited

London, UK

20th April 2017



Tracy Oates
Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance



Gareth Manning
Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business Assurance

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