

Mölnlycke Health Care AB

Statement on slavery and human trafficking – for the financial year ended 31 December 2018

1 Introduction

Sustainability and social responsibility is a part of our DNA. As a large company with almost eight thousand employees and a truly global supply chain, we seek to affect working conditions in a positive way – and to prevent slavery and promote workers' rights within our business and our suppliers. We understand that ethical behaviour is about the culture of an organisation as well as its policies and processes. By 2020, we wish to be the preferred employer in medical devices – which we can only be if we are ethical and socially responsible in our approach to workers' rights.

This statement is made by Mölnlycke Health Care AB on behalf of itself and its subsidiaries. It constitutes our slavery and human trafficking statement for the financial year ended 31 December 2018 in accordance with section 54 of the UK Modern Slavery Act 2015.

2 Our business and supply chains

Mölnlycke is a world-leading medical products and solutions company that equips healthcare professionals to achieve the best patient, clinical and economic outcomes. We design and supply products and solutions for use in wound treatment, pressure ulcer and infection prevention and surgery. Our products and solutions provide value for money supported by clinical and health economic evidence.

The corporate headquarters and research and development hub are in Gothenburg, Sweden. Our employees operate worldwide, with sales office coverage in 35 countries throughout Europe, the Middle East and Africa, the Americas and the Asia Pacific Region. An additional 63 countries are covered through distributors. We have 17 manufacturing sites in Belgium, the Czech Republic, Poland, Finland, France, Malaysia, Thailand, the UK and the USA.

We manufacture around 20,000 different stock items at our manufacturing sites. While we manufacture the large majority of our products and solutions, we buy in raw materials and components. We use more than 650 direct suppliers and 40 contract manufacturers geographically spread across Europe (60%), the Americas (25%) and Asia (15%).

3 Our policies

Within our business

We have developed policies which govern the behaviour of our employees and are designed to ensure the protection of workers' rights. These rights are communicated to our employees through the Code of Conduct and the Global Trade Policy:

- Employment should be freely chosen and no individual should be subject to forced, bonded, or compulsory labour.
- No form of child labour under 15 years is accepted.
- Employees should not be prevented from associating freely.
- Working conditions should be safe and hygienic.
- Wages and working hours should meet national legal standards.
- Discrimination is prohibited.

To help make sure these rights are respected within our organisation, we have in place a Code of Conduct hotline which is available to our employees in local languages. Hotline reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation. We do not make the hotline available to our suppliers but we do require suppliers to operate or adopt their own reporting procedures.

Overall responsibility for setting appropriate anti-slavery and human trafficking policies sits with the Corporate Compliance Committee (CCC). The CCC is composed of representatives of the Legal, Human Resources, Operations, Research & Development, Finance, Commercial, and Quality departments. Co-led by the Corporate Compliance Officer, the CCC is chaired by the Chief Executive Officer, and is responsible for managing risk by ensuring that the company complies with key ethical, legal, and regulatory obligations. Responsibility for the implementation of appropriate internal processes to ensure compliance with those policies is delegated to each relevant department as appropriate.

Within our supply chains

We have a Supplier Performance Management process to help us assess, monitor, and improve the performance of our medical suppliers, as set out in our Supplier Standard. In addition to minimum competencies on quality and environmental impact, the Supplier Standard incorporates our Code of Conduct for Suppliers (which refers to the same rights as our own Code of Conduct).

4 Due diligence processes in our business and supply chains

Within our business

Our local HR representatives for all our factories, sites and sales offices across the globe are charged with implementing the policies enshrined in the Code of Conduct. We conduct periodic reviews of our sites to check compliance against the Code of Conduct. In addition, we perform Employee Engagement Surveys on a regular basis to find out how our employees feel about their work, the company and the way they are managed. The information collected in the survey is extremely valuable when planning for the development and well-being of our employees, as well as ensuring their rights are respected in accordance with our policies. The results from the most recent survey is summarised in our Sustainability Report.

Within our supply chains

We recognise the importance of our suppliers to our own business. But we also acknowledge the challenge of working with a global supply chain. Many of our medical suppliers purchase their own raw materials or component products and rely on other service providers for transport, warehousing etc. As a consequence our supply chain is large and complex. We seek to share our culture with our suppliers and ask our suppliers in turn to promote good practice among their partners and suppliers.

The diligence steps we take depend on our initial risk assessment of our suppliers. We use the ranking indicators published by the Business Social Compliance Initiative (BSCI) to assess the country-related risk of our suppliers but our assessment methodology also allows for the consideration of other factors such as the nature of the product/service delivered, the volumes purchased and any other relevant indicators of labour standards risk.

We focus our efforts on medical direct suppliers and contract manufacturers in BSCI risk countries. For these suppliers we complete an internal assessment form to evaluate compliance against the Code of Conduct for Suppliers. Wherever possible, the form is completed following a site visit. Where a supplier falls short of our required labour standards, we seek to agree to a corrective action plan to allow the supplier to remedy areas of non-compliance. Materials are gathered to support statements made to us and a follow-up site visit may be undertaken. We expect our suppliers to engage with us constructively and responsibly but if a supplier is not willing or able to demonstrate compliance, our supply and procurement teams are empowered to end negotiations with that supplier.

For medical direct suppliers and contract manufacturers in low risk countries, we communicate our expectations through the Code of Conduct for Suppliers. We ask such suppliers to confirm their ability to meet the labour standards and share them with relevant personnel.

5 Steps taken to manage the ongoing risk in our supply chains

Over the course of our relationship with a medical supplier, we will hold discussions concerning our business needs including on quality assurance, product specification, and order volumes. As part of that interaction we may also hold conversations on labour standards, to reinforce their significance to us.

We also have more formal procedures for managing the ongoing risk in our supply chains. Our BSCI risk suppliers are subject to a monitoring assessment every three years or sooner in the event of a material change in the business relationship. The methodology for the review broadly follows that carried out during the initial engagement. In addition, every year we select certain of our BSCI risk suppliers for a more detailed assessment which entails following up with site visits to better understand how those suppliers are complying with our Code of Conduct for Suppliers. We work with them to address any shortcomings that are identified. In 2018 we carried out 14 such assessments.

As mentioned above, we ask suppliers to affirm they can meet the standards in our Code of Conduct for Suppliers prior to contracting with them. That statement is supported by an undertaking in the relevant supply agreement that if breached may result in termination of the contract.

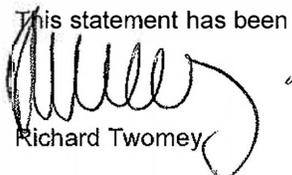
6 Monitoring effectiveness

During the next financial year we will continue to consider the way in which our existing policies and procedures on labour standards identify and address potential modern slavery issues. As summarised in this statement, we have a number of existing controls that allow us to track the effectiveness of our processes such as hotline reports, employee survey scores, supplier corrective action plans, supplier site visits etc. We also check how we are doing against our own business standards – set out in the Code of Conduct – and publish a summary of the results annually as part of our Sustainability Report.

7 Training

In addition to annual training on our Code of Conduct which is undertaken with our employees, we have also carried out targeted training for those individuals most likely to encounter or be responsible for the remediation of labour issues. In 2018 key individuals from our Operations, Legal, Human Resources and Regulatory teams attended training on the revised Global Trade Policy.

This statement has been approved by the board of Mölnlycke Health Care AB.



Richard Twomey

CEO