Sustainability report
2019
Report based on facts from 2018
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Our sustainability approach

In 2015, countries within the UN adopted a set of 17 sustainable development goals to be achieved by 2030; national and supra national regulations are also tackling these. At the same time, companies and other organisations, including our customers, are driving sustainability through procurement practices, by ensuring that the companies they use take responsibility for their people, suppliers, the environment and the communities where they operate.

In today’s world, it’s essential for Mölnlycke to have a sustainable long term vision – and to constantly monitor and refine our actions and strategies to meet the needs of all our stakeholders.

As a healthcare company and a significant employer and user of suppliers, we have chosen to focus on UN sustainable development goals ‘#3: ‘Good health and wellbeing for all’ and #8: ‘Decent work and economic growth’ as we believe that this is where we can create the most value.

Our Executive Management Team have further focused on six strategic priorities, after assessing how we can create most value from a sustainability perspective and after reviewing, together with internal specialists, where the company and our solutions can have the greatest impact:

• Product quality
• Minimising environment impact
• Anti bribery and corruption
• Sustainable supply chains and supply chain resilience
• Health and safety
• People diversity and equality.

These priorities have also been informed by materiality assessment reviews, the policy of our owners, Investor AB, requirements from EU directives, legal reporting and public tender requirements.

Report aim, scope and structure

The report covers Mölnlycke’s main operations around the world and our market sites between January and December 2018. Our previous Sustainability Report covered the 2017 calendar year, and our report is issued annually.

We take inspiration from the Global Reporting Index (GRI) guidelines to structure our report. The content for 2018 has been gathered from different internal specialists and approved by our Executive Management Team. We have also carried out analyses of our sustainability impact, preventative work, and the areas in which we need to improve.

We have assurance processes to ensure our sustainability reporting is transparent and reliable.

We have set out to be as transparent as we can in disclosing information. This report intends to give readers a picture of our sustainability approach, performance and risk assessments. While we are ahead in some areas, we recognise we have work to do in others.

We will strive to review the scope of our reporting over time to continuously improve our performance – while leveraging the value creation opportunities that a sustainable perspective gives.

We encourage feedback from our stakeholders to help us improve our sustainability work as well as to improve the report. If you have any comments or feedback, please email us at: corporate.communication@molnlycke.com
Responsibility: towards our customers, our environment and our people

We live in a time of global transformation. As people live longer and enjoy higher standards of living, they are demanding more from their healthcare – increasing the pressure on already burdened systems.

Our purpose statement
Mölnlycke is a world-leading medical solutions company. Our purpose is to advance performance in healthcare across the world, and we aspire to equip everybody in healthcare with solutions to achieve the best outcomes.

As a world-leading medical solutions company, we have a key responsibility to help providers worldwide meet this demand in a way that’s sustainable over the long term. Through advances in wound management and surgical solutions and strong clinical evidence to support decision-making, we aim to empower healthcare professionals to deliver better care for more people. Our goal is to increase the overall health economic value of our solutions for society while reducing patient suffering.

Reducing unnecessary cost and suffering
Mölnlycke’s investment in solutions to treat chronic wounds demonstrates examples of this. Today foot ulcers and other chronic wounds have a higher mortality rate than both breast and prostate cancer.

Our new wound care product Mepilex® Border Flex, which we launched in 10 markets worldwide during 2018, promotes undisturbed healing of chronic wounds. This minimises patient suffering and is expected to have a positive impact on health economics by freeing up staff time.

Additionally, we are now offering our customers the haemoglobin spray Granulox®, which by accelerating healing reduces patient suffering. It is also estimated to reduce the cost of treating diabetic foot ulcers by up to 60%.

There are examples within our surgical portfolio too. In particular, Mölnlycke® Procedure Trays are recognised for improving health economic outcomes by reducing surgery preparation time by 40% and thereby increasing the number of surgeries that can take place.

In a small way, by improving health and health economic outcomes, we believe our work contributes to the UN’s global sustainability goal #3: ‘Good health and wellbeing for all’.

Implementing ethical standards
Sustainability is central to our whole business approach. We aim to be a long-term partner in society. That means acting in a socially responsible and ethical way, not just with our customers and patients, but also towards the environment, our people and the communities we serve.
We take product responsibility very seriously. We’re passionate about developing strong clinical evidence to back up our solutions – empowering healthcare professionals by supporting their decision-making.

Our standards are underpinned by rigorous compliance with the laws and regulations applicable to the regions where our products are sold, including the FDA Quality System Regulation, and the EU 93/42/EEC and 2007/47 EC Medical Devices Directive, with transition in 2020 to the EU Medical Device Regulation. We also meet key industry standards such as the quality management systems ISO 9001, the Medical Device Single Audit Program (MDSAP), ISO 14001 for environmental management, ISO 13485 for medical devices, and Occupational Health and Safety Standard (OHSAS) 18001 for health and safety.

Our Code of Conduct sets out the high standards we expect from ourselves and our suppliers. We carry out regular audits of our performance to ensure we live up to the spirit and letter of the Code and follow up if we’ve fallen short in any area.

We have an established whistleblowing hotline that our employees can use if they spot bad practice in any of our operations. And if we find incidents, or if incidents are reported, we follow up with appropriate actions.

**Continuously improving what we do**

As a responsible company, our goal is to continuously improve so that we can create long-term value for all our stakeholders. We constantly evaluate our procedures, looking for new and better ways to do things. We also seek to become more rigorous about measuring and following up opportunities for improvement using the most appropriate tools.

We are investing to improve our production and distribution facilities, create efficiencies and ensure quality for customers and patients. In 2018, we introduced a new transportation management system, which has optimised our supply chain and flows worldwide.

Efficiency is key to our business. We strive to become more efficient and less wasteful every year. This also favours our customers, as the increasing demand on healthcare organisations means they operate in a cost-constrained environment.

**Reducing our environmental impact**

As a growing business, we are aware that, to be sustainable, we need to minimise the impact of our activities on the environment. We constantly look for ways to reduce our consumption of materials and resources, avoiding waste wherever possible, as well as driving down CO₂ emissions from our transportation network.

We set targets for improvement and, where we miss them, we investigate the reasons, so that we can implement corrective actions.

An example of our progress in this area is that in 2018, we succeeded in increasing the part of our waste that is recycled or reused from 39 percent to 43 percent. It is all small step in the
right direction on our journey to do more with less as a responsible company.

**A responsible employer**
As an employer, we aim to provide the best working environment, with safe and fair working conditions, where we show respect for every individual. Our approach relates to the UN’s global sustainability goal #8 ‘Decent work and economic growth’. We make sure that everyone has the chance to develop their potential and give them the pay, working conditions and support they need to improve. And we have quality procedures to ensure that suppliers treat their staff well – which is particularly important in developing countries.

In 2019 and beyond, we will continue to focus on increasing diversity throughout the organisation, ensuring that we don’t discriminate on the basis of race, nationality, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation. We will place a particular focus on growing the number of female leaders. Read more in Our people, page 19.

**Doing more for our communities**
Our company and our people always strive to do better for the communities we serve. We have made long-term commitments to support our charity partners Operation Smile and DEBRA, which represent some of our core patient groups. During 2018, our efforts resulted in a total donation of USD 180,000 to both charities – from fundraising efforts by colleagues and matched by donations from the company. We also donate products and time to these causes and have provided volunteers for Operation Smile’s surgical missions in developing countries over many years.

I truly believe that sustainability is a core part of our business approach and key to our continued success. We are committed to acting in a socially responsible way that benefits customers, patients and society over the long term.

![Signature]

Richard Twomey
Chief Executive Officer
About the company

Mölnlycke is a world-leading medical products and solutions company. We aspire to equip everybody in healthcare to achieve the best clinical, patient and economic outcomes.

Our solutions
Our medical solutions enhance performance in healthcare – from the hospital to the home.

Wound management
We advance wound healing with wound care solutions that are backed by clinical evidence, including dressings with Safetac® and negative pressure wound therapy systems. We also provide education and expert support.

We reduce the risk of pressure ulcers with prevention solutions such as prophylactic dressings, devices that help healthcare professionals turn and reposition patients and supporting educational and consultancy services.

Surgical solutions
We improve safety and efficiency in and around the operating room with surgical procedure trays including surgical instruments. We also protect staff and patients from infection with surgical drapes, staff clothing, antiseptics and surgical gloves, and provide education and expert support.

Our customers
Our surgical solutions are marketed to hospitals and healthcare providers in the acute sector, while our wound management and pressure ulcer prevention solutions are aimed at both the acute and the community healthcare sectors. In many markets, tenders are used to procure our solutions. We also sell some of our wound management solutions directly to patients through pharmacies.

Our business model
We offer around 20,000 different stock items to our customers around the world. While we manufacture the large majority of them, we buy in raw materials and components. We use more than 550 direct suppliers and contract manufacturers. In 2018, there were over 600,000 deliveries to 15,000 partners worldwide.

Commercial
Our Commercial strategy teams map market and customer needs in order to determine how we can best assist our customers to deliver their objectives, and which markets and product segments to expand. This work is supported by our Research and Development (R&D) function. Our Commercial strategy function is based at our headquarters (HQ) in Gothenburg, Sweden.

Within Commercial, our sales and marketing teams are responsible for identifying, targeting and engaging with our customers around the world. Our global sales and marketing teams set strategies and are based at our HQ in Gothenburg. Our sales and marketing operations are carried out with regional setups in the US, Asia Pacific (APAC) and emerging markets in Europe, the Middle East, Latin America and Africa. UK, France, Germany/ Austria and Region North are also managed directly. In 2018, there were 38 sales offices around the world and our products are available in over 100 countries.
Our main brands

WOUND MANAGEMENT
- **Mepilex®**: A wide range of dressings for acute and chronic wounds.
- **Mepitel®**: A gentle, effective wound contact layer.
- **Exufiber®**: A gelling fibre dressing to manage the challenges of highly exuding wounds.
- **Mepilex® Border**: Prophylactic dressings for targeted areas of the body such as the sacrum and heel.
- **Mölnlycke® Tortoise™ Turning and positioning system**: A support surface making it easier for caregivers to reposition patients and redistribute pressure.
- **Mölnlycke® Z-Flo™ Fluidised positioner**: Positioners that conform to the body and remain in place.

SURGICAL SOLUTIONS
- **BARRIER® staff clothing**: A wide range of protective clothing for the safety and comfort of healthcare professionals and patients.
- **BARRIER® drapes**: A range of drapes specifically designed for different types of surgical procedures.
- **Biogel® surgical gloves**: For protection and double-gloving, featuring a puncture indication system. Also the preferred choice for fit, feel and comfort.
- **Mölnlycke® surgical instruments**: A wide assortment of single-use instruments, including trocars, for minimally invasive surgery.
- **Mölnlycke® Procedure Trays**: All the single-use items needed for a specific surgical intervention, conveniently assembled in a sterile pack to give healthcare professionals a truly customised and complete solution.
- **Hibi® antiseptics**: Solutions for preventing infection include hand hygiene, disinfectant and pre-surgery whole body wash.

Research and Development
Our R&D team is responsible for developing and upgrading our products and solutions in consultation with our manufacturing, procurement, regulatory and commercial teams. We also collaborate with external partners to strengthen our in-house R&D resources. Our R&D function is based at our HQ in Gothenburg.

Supply Chain Management, Manufacturing and Procurement
Supply Chain Management is responsible for the management of supply planning, inventory planning and replenishment.

We have 15 manufacturing sites around the world: in Belgium, the Czech Republic, Denmark, Finland, Malaysia, Thailand, the United Kingdom and the US. We produce some of the components for our products in-house, such as the hydrophilic polyurethane foam for our wound treatment solutions. We also buy
in from around 40 contract manufacturing suppliers. Our procurement teams support our manufacturing team and are responsible for the identification and selection of suppliers of raw materials, components and services, contract negotiations and supplier relationship management.

**Operations: Distribution, logistics and customer care**
Our distribution and logistics teams are responsible for warehousing and distributing our solutions. We distribute both directly to customers and to third parties, such as distributors and logistics partners.

Our supply chain is complex. It varies depending on the different products that are produced, the customers and countries delivered to, and the kind of healthcare system in the country we are delivering to. Finished goods are usually shipped to our eight distribution centres:

- two in the US: Anderson, South Carolina; and Sparks, Nevada
- five in Europe: Waremme, Belgium; Lyon, France; South Normanton, UK; Landskrona, Sweden; and Sosnowiec, Poland
- one in Asia Pacific: Malaysia.

Our five European distribution centres serve our distribution centres in the US as well as our customers in Western Europe and Canada, customers in the rest of the world and our 14 local warehouses. Our two US distribution centres serve our US customers and also house solutions manufactured in the US for non-US markets.

We use third-party suppliers to move raw materials, components and finished solutions, by sea, air and road. We strive to keep the number of journeys our solutions take throughout the supply chain to a minimum. Where possible, we move goods by sea, but as they near their destination, we rely more heavily on road. Very occasionally, we use air freight when customers have an urgent need for our solutions.

Our customer care team is responsible for after-sales activities, such as order

**OUR BUSINESS MODEL**

**INPUTS**
We buy in raw materials and components from more than 500 direct suppliers and contract manufacturers.

**MANUFACTURING**
We have 15 manufacturing sites around the world. We also buy in from around 40 contract manufacturing suppliers.

**LOGISTICS**
Finished goods are usually shipped to our distribution centres. We use 3rd-party suppliers to move materials and finished goods, by sea, air, and road.

**COMMERCIAL**
Our sales and marketing teams are responsible for identifying, targeting, and engaging with our customers.

**CUSTOMER**
Surgical solutions are sold to hospitals and healthcare providers in the acute sector. Wound management solutions are sold to both acute and community health sector.
management, order processing, reverse logistics, post-sales follow-up, complaints handling and product recall management. They also provide customer analytical support to our sales and marketing teams.

**Our sustainability model**

**Ownership**
Mölnlycke Health Care AB is a limited liability company and was acquired by Investor AB in January 2007. Today, Investor AB owns 99 percent of the company, with the remaining minority share owned by management.

**Our sustainability approach**
As a long-term, responsible and active owner, Investor AB sets out sustainability guidelines for their holdings, which we follow.

These consist of ten expectations to:

- act responsibly and in an ethical manner
- comply with all applicable laws, regulations and industry standards
- continuously improve social, environmental and economic impact
- support and invest in innovation
- analyse risks, formulate objectives and have adequate processes to manage and monitor sustainability risks
- sign and adhere to the UN Global Compact and its 10 principles as well as the OECD guidelines for multinational enterprises
- in an appropriate form, transparently report sustainability objectives, risks and progress
- encourage and promote diversity
- have an active dialogue with stakeholders such as suppliers and trading partners
- have a secure and anonymous reporting channel (helpline) in place.

**Our structure, history and performance**

**Core and support functions**
Our core functions include Commercial, Operations and Research and Development. These are backed by a wide range of support functions including Regulatory, Quality Assurance, Environment, Health and Safety, Finance, IT, Legal & Compliance, Human Resources, Corporate Communications, Corporate Strategy and Business Development.

Additionally, the company has five cross-functional franchises: Wound care, Operating Room (OR) solutions, Antiseptics and Surgical Gloves. Additionally, during 2018, Mölnlycke acquired the German oxygen therapy company SastoMed, which complements our Wound management offering and adds another franchise, Biologics, to our structure.
About the company

History
Mölnlycke was founded in 1849 in Sweden as a textile manufacturer and pioneered the industrial manufacture of wound dressings. Since then, the company has grown through innovation and acquisition into the global company we are today.

Our name, Mölnlycke (pronounced ‘Monlicka’), reflects the town of Mölnlycke, which grew up around the company. We are now based nearby in the city of Gothenburg.

Financial performance
Our net sales during 2018 were EUR 1,491 million. Operating costs amounted to EUR 431 million, employee compensation EUR 345 million, retained earnings EUR 1,195 million, paid interest EUR 19 million and paid taxes EUR 32 million. EUR 450 million was distributed to the owner Investor AB.

There were no financial implications due to climate change activities, nor did the company receive any direct financial assistance from governments.

Our governance
The board
In 2018 the company operated under a ten-member board of directors, comprising of six independent members, our CEO, one member from Investor AB and two employee representatives. The chairman is one of the independent board members. In 2018 the board held eleven meetings.

The Executive team
In 2018, the nine-member Executive team had day-to-day responsibility for the operational parts of the business:

CEO: overall corporate responsibility

Executive Vice President (EVP) Commercial: global sales, commercial excellence, EVP Marketing and Wound care: global marketing, marketing communications and branding, and Corporate Social Responsibility (CSR)

EVP Operations and RQA: global end-to-end supply chain process, Mölnlycke Business Model (MBM) process, lean standardised manufacturing, procurement, distribution, logistics, customer care, quality assurance, Environment, Health and Safety (EHS), Quality and Regulatory Affairs

EVP Research and Development and MCMA: R&D, portfolio management, Medical, Clinical and Market access (MCMA)

EVP Finance, IT and Business Development: finance business partners, finance expertise teams, transactional finance teams, IT and business development

EVP Legal and Compliance and General Counsel: legal affairs, compliance, intellectual property and trademarks

EVP Human Resources and Corporate Communications: HR business partners, HR expertise teams, working environment and internal and external corporate communication

EVP Operating Room (OR) Solutions: full organisational responsibility for the product areas of Mölnlycke® Procedure Trays, staff clothing and drapes

When determining the composition of the highest governance body and its committees, an adequate mix of qualification, gender and nationalities are prioritised.
Compliance
The Global Compliance Committee (GCC) consists of the CEO (chairman of the committee), the EVPs and the Chief Compliance Officer. The GCC defines our Compliance Programme framework and related principles as promulgated in our Code of Conduct, policies and procedures. The GCC is complemented by regional as well as local affiliate compliance committees. The Compliance committees promote a compliant culture and maintain the standard of compliance governance across Mölnlycke. This ensures compliance with all applicable laws and regulations and industry standards where Mölnlycke does business.

Corporate governance
In terms of corporate governance, we comply with Swedish company law.

We ensure our employees and shareholders have a say in decision-making at the highest level of governance in accordance with Swedish law. We employ staff to guarantee that we meet all the necessary rules in areas such as employment and environmental impact.

Dealing with complaints, accusations and concerns
There are multiple mechanisms that allow employees (who may also be shareholders) to report concerns related to legal, financial, environmental ethical and social issues: the Compliance Committees, the CSR Panel, our local Environment, Health and Safety (EHS) teams and our global EHS team in Gothenburg.

We also deploy a helpline through which employees around the world can anonymously report any incidents of corruption, illegal or unethical behaviour whenever they occur in local language. The helpline connects to a team consisting of the Chief Compliance Officer, the EVP Human Resources and the General Counsel. This team decides on what department is most appropriate to investigate and escalate each incident. We investigate reported incidents and take appropriate disciplinary action following defined procedures and follow-up measures where necessary.

Our relationships with others
Our stakeholders
We define a stakeholder as anyone who has an interest in, or interaction with Mölnlycke. We have conducted extensive stakeholder analysis to define our stakeholders and our obligations to them.

We are committed to doing business in a sustainable manner to benefit stakeholders: our customers, consumers, employees, suppliers, authorities, non-governmental organisations (NGOs), the media, and the local communities where we operate.

We are committed to comply with applicable laws, regulations and standards around the world. The safety of the people who use our products is paramount and we comply with inter alia, local laws and regulations, the EU 93/42/EEC and 2007/47 EC Medical Devices Directive as well as other standards relating to product responsibility. We also set objectives and target our efforts to prevent harm to employees and others who come on to our sites. Our community support approach is designed to benefit both communities worldwide and local communities in the places where we do business.

Strategic partnerships
We have always had strong relationships with our suppliers. As a large medtech company, we are also in a position to strengthen our
innovation offer through external strategic agreements.

**Understanding our stakeholders**
In several of our markets, important stakeholders – such as healthcare organisations, hospital purchasers, healthcare professionals and patients – have high expectations of the environmental, ethical and social standards of their suppliers. We conducted around 10 substantial market research projects during the year – mostly among healthcare professionals – to gain a greater understanding of their needs.

At Mölnlycke, we are dedicated not only to living up to, but also to exceeding those expectations. Therefore, we engage in written and oral communication, advisory panels and surveys in order to get a better understanding of issues that are most important so that we can take appropriate action. While we still have some way to go in reaching some of our targets, we are, and always will be, transparent in our reporting.

**Engaging in public policy**
We take an active role in promoting good practice within the medical supply and healthcare industries through engagement with public policy. We develop public policy positions and take part in responsible lobbying, principally through our membership of the MedTech Europe, which represents the medical technology industry in the EU. We are also a member of the following trade associations: the Advanced Medical Technology Association (AdvaMed) in the US, the Medical Technology Association of Australia, Canada’s Medical Technology Companies and Swedish Medtech.

In 2018, we actively engaged in MedTech-sanctioned and -driven lobbying and public policy activity.
Our global footprint

1 global HQ and R&D
   Gothenburg, Sweden

15 manufacturing sites

36 sales offices

countries with sales through distributors
Responsibility for our products

Mölnlycke provides medical solutions for wound treatment, prevention and for use in surgery. The quality and safety of our products is at the core of our business. Through our process-based quality management system, we constantly analyse and review quality throughout the product life cycle and seek to continuously improve everything we do.

Our quality policy

Mölnlycke® is a world leading medical solutions company. Our purpose is to advance performance in healthcare across the world.

Every Mölnlycke employee shares ownership and maintains the effectiveness of our quality management system, we strive for continuous improvement and maintain and encourage an environment which promotes proactive change.

We aspire to equip everyone in healthcare with solutions to achieve the best outcomes through our commitment to patient safety and compliance to applicable regulatory and quality requirements.

Our quality management system

Mölnlycke has established, documented, and implemented a process-based quality management system as a means of providing a structure for maintaining effectiveness and initiating continual improvement. The quality system is defined and managed as a series of interlinked processes based on:

- identifying the inputs and outputs required at each step in the process
- determining what activities are needed to get from input to output
- defining roles and responsibilities for each step of the process.

The systematic approach gives us a high level of transparency, allowing us to view and analyse the way we work in detail. This, in turn, provides a solid foundation for improvements and change management.

Mölnlycke operates a global quality system and our sites have complementary local quality systems and staff who are responsible for local quality management and compliance.

Quality – how we monitor performance

To continuously deliver customer improvements and benefits, we focus on the following:

Design controls

During R&D, we follow a product development process to ensure that our ideas not only meet customers’ needs but also satisfy safety standards. All ideas are thoroughly assessed, and those that receive positive evaluation continue to the development phase where potential design hazards are identified and risks are eliminated or minimised. We conduct clinical trials to test our product solutions and follow all applicable regulations and standards. We restrict the use of animal testing in clinical trials and work actively to develop alternative test methods. We only test our
products and materials on animals when this is required by law.

**Quality control**
Mölnlycke production facilities operate an effective quality system including quality control (QC) processes. The quality teams operate under stringent controls, continuously monitor processes and products during the production phase to make sure our products meet the quality specifications, and proactively look for opportunities to improve.

**Corrective action and preventive action**
We drive continuous improvements via our corrective and preventive action (CAPA) process. We conduct root cause investigations of any process issues, followed by corrective action to resolve the issue and prevent the problem recurring.

**Audits**
We verify conformance and effectiveness of the quality system and our ability to meet regulatory and quality requirements through internal and external audits.

**Management review**
Mölnlycke management undertakes a review starting at the corporate and executive level and extending through our manufacturing sites and distribution centres. We document and escalate quality and process issues, as appropriate.

**Managing suppliers**
Our primary suppliers are assessed to ensure they meet our quality requirements. We evaluate suppliers and use third-party auditors to conduct supplier assessments, where necessary. The suppliers’ manufacturing sites should provide a safe working environment and comply with local laws such as fair remuneration, minimum age of employees and working hours. We visit suppliers to ensure that the materials and products we purchase from them are being produced in a way that provides dignity and respect for workers in the supply chain.

**Customer feedback**
We consider all customer complaints related to the quality and safety of our products. We review, evaluate, investigate, and take corrective and preventive actions, where necessary. And we periodically measure customer satisfaction through surveys to make sure we continue to meet customer expectations.

**Post-production surveillance**
After product launch, we monitor products through our post-clinical follow-up, product risk management, and post-market surveillance processes. We review product use and determine if it meets customer needs and quality standards. We use this feedback and the insight it generates to adapt and improve the product design.

**Managing our products’ life cycle**
We take a 360-degree approach to product manufacture, considering our customers’ health and safety as well as our environmental impact at every stage of the product life cycle. We have internal processes that govern how we develop, manufacture and supply our products to minimise risk to users and patients in accordance with ISO 14971.

**In production**
During implementation, we set up systems for the supply of materials, production and distribution of the product, as well as how we will handle any waste generated.
Responsibility for our products

The steps in the product development process are documented and stored in product data management.

Labelling and marketing
The labelling of our products follows regulations applicable to the regions where our products are sold. Our marketing material undergoes a review process including approval by our legal and regulatory departments.

Professional sponsorships
Sponsorships and interactions with healthcare professionals are governed by our Compliance Programme policies and procedures. The Corporate Compliance Committee (made up of our Executive team and Chief Compliance Officer), are responsible for approving and implementing the Compliance Programme policies and procedures.

Promoting industry standards
Mölnlycke has a strong track record of helping to develop industry standards and awareness. In the 1980s, we worked to establish Eucomed, the trade association for medical device manufacturers in the EU. Mölnlycke continues to contribute to developing and raising industry standards, especially within wound care and surgical equipment.

Certification and compliance
Our quality, environment, health and safety systems are certified to standards applicable to the products we manufacture. As a global medical solutions company, Mölnlycke complies with the regulations applicable to the regions where our products are sold.

OUR CERTIFICATIONS INCLUDE:

ISO 9001 Quality Management
ISO 14001 Environmental Management
OHSAS 18001 Occupational Health and Safety Management
ISO 13485 Quality Management System
MDSAP Medical Devices
Mölnlycke ensures that all of its employees worldwide have basic human rights with regard to their employment with the company. We also strive to create an environment where our people feel empowered to develop to their full potential, wherever they work.

Our policy

It is Mölnlycke’s policy to support and respect the protection of internationally proclaimed human rights and make sure that the company is not complicit in human rights abuses.

To this end, Mölnlycke is committed in its global business practices to the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

Social conditions and human rights

Workers’ rights are set out in our Code of Conduct and Modern slavery statement:

• 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.

Social conditions and human rights – our approach

To help make sure that human and social rights are respected, we have a whistleblowing hotline available to our employees in local languages.

Hotline reports are promptly investigated, and appropriate corrective action is taken.

Overall responsibility for setting appropriate anti-slavery and human trafficking policies sits with the Global Compliance Committee (GCC).

Human rights – Our performance 2018

None of our operations were subject to a human rights review or impact assessment. We conducted human rights training in our high-risk markets, as well as within our manufacturing, legal, procurement and regulatory teams.

We received no report of wrongdoing in 2018 through our helpline. We have dealt with all human rights grievances in an appropriate way.

Social conditions – Our performance 2018

We follow employer regulations and local laws in all countries. We act as a responsible employer and have salaries and benefits that correspond to market levels. In factories where there are unions, we have collective bargaining agreements and as applicable by country, we have work councils.

Diversity

With almost 8,000 employees spread across the world in a wide variety of jobs, we are a diverse, multicultural organisation. We know a good mix of employees in a global company has different characteristics, experiences, backgrounds and mindsets. We believe our diversity enables us to truly understand and
deliver what healthcare professionals and
patients need around the world. When we enter
new markets, we invest in local employees on
all levels, including management, to ensure
full understanding of local market conditions.
This is balanced with the multicultural ambition
of our company to promote a mix of people
different cultures, ages, sexes, religions,
working patterns, and abilities to facilitate
innovation and out-of-the-box thinking. In
2018, women made up 65 percent of our staff,
were strongly represented in our factories and
performed 45% of our middle-management
roles, however they made up a third of our
senior leaders. We therefore recognised that
we need to take action on gender diversity,
particularly at a senior leadership level. During
the year, we launched a gender diversity
charter. Our ambition is for women to make up
40 percent of our senior leaders (Director level
and above) by 2023.

Learning and development
To drive our business forward, we have four
high-performance behaviours we expect of
all our employees, and which we use to recruit
and manage them: Customer at heart; Own the
outcome; Appropriate urgency; and Teamwork.

Leadership capabilities
Four leadership capabilities have been
developed, applicable for all managers of
people. These will be used to inform and
improve recruitment, training, development
and internal promotions for future leaders
in 2019 and beyond. Our four Leadership
Capabilities are:

- Set direction
- Motivate and inspire
- Be authentic
- Develop talent and capabilities

Talent development
Part of our HR strategic focus on Capabilities
and Leadership excellence is to identify,
recognise, develop and promote internal
talent. During 2018, 60 percent of director
positions were recruited from inside the
company, compared to an average 50 percent
in 2017 and 35% in 2016. Developing leaders
and employees with top class capabilities is
crucial for Mölnlycke to stay competitive in a
demanding global environment. We have set
an aspirational target for 70 percent of our
director level and above positions to be filled
with internal talent by 2023. This represents
a healthy ratio of internal versus external
recruitments, as there will always be a need
to attract talent from outside Mölnlycke to
stay abreast of external market dynamics and
acquire new capabilities where necessary.

Talent acquisition
To support our growth and deliver on our
strategy, Mölnlycke continues to build a
diverse, multi-cultural global workforce and
as the talent market remains competitive and
challenging, we look for new ways to attract
the right talent with the right capabilities to our
business and deliver on the right candidate
experience.

During 2018, we prepared to launch our new
Talent acquisition model in the first quarter of
2019. We introduced a new careers page in our
website, advertising our vacancies globally
alongside other widely used recruitment
channels and where applicants can apply
quickly online as well as complete a candidate
profile and create job alerts. This will improve
our candidate reach and build a talent
community for those interested in working for
Mölnlycke. Internally it will automate, speed
up and streamline our overall recruitment and
selection process.
We also updated our Employer Value Proposition (EVP) to truly represent our ambitions as a global employer. In addition, we have introduced a dedicated recruitment team working across 24 countries. We have contracted with Korn Ferry Recruitment Process Outsourcing to deliver this specialist team. They partner with our hiring managers and HR to deliver the Mölnlycke global talent acquisition strategy by sourcing and attracting talented people who have the skills we need attracting talented people who have the skills and capabilities we need.

Overall, these new ways of working simplify our internal processes; provide greater visibility of our opportunities externally; deliver the right candidate experience and build our Mölnlycke talent community with individuals who are also committed to improving outcomes for healthcare professionals and patients.

Learning and development – our approach
Our learning philosophy is based on the 70–20–10 principle that states learning is gained:

- 70 percent from on-the-job experiences
- 20 percent from coaching and feedback
- 10 percent from instructor-led courses or e-learning courses.

Some of the learning available includes:

- mandatory e-learning courses for all employees, covering topics such as our quality and information security policies
- e-learning and instructor-led courses offering training in topics such as IT knowledge and soft skills
- instructor-led and e-learning courses that relate to employees’ specific jobs such as health and safety, sales management and product launch training programmes.

We train our employees regularly to ensure that they are aware of our Code of Conduct, our Global Code of Ethics and Integrity and what is required of them. We further invest in those who have the potential and willingness to do more by supporting their development through global leadership programmes.

Learning and development – Our performance 2018
A total of 93 percent of our employees completed and signed the Code of Conduct training.

Employee surveys
We perform regular employee surveys to understand the level of engagement employees have with the company and the drivers affecting that engagement. The information collected in the surveys is extremely valuable to support the sustainable development of our company, our culture and our employees.

In autumn 2018, we conducted a cultural survey among 2,806 white-collar workers across the globe, and 93 percent of our employees responded. The next survey will take place in autumn 2019.

Engagement Index
In the 2018 employee survey, we achieved an Engagement Index (a composite of four engagement-related questions) of 74 percent. The global external benchmark for 2018 was 72 percent.
Our people

### People data

#### Gender split

**Employees globally**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>2,718</td>
<td></td>
<td>7,807</td>
</tr>
<tr>
<td>Female</td>
<td>5,089</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,807</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Leaders (Director level and up)**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>94</td>
<td></td>
<td>139</td>
</tr>
<tr>
<td>Female</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>139</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Employees Americas

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>398</td>
<td>320</td>
<td>718</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>718</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Employees Asia/Pacific

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1,015</td>
<td>2,584</td>
<td>3,599</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,599</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Employees Europe, Middle East/Africa

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1,248</td>
<td>2,212</td>
<td>3,460</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,460</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Leadership diversity

Approximately 34 percent (46 of 136) of our most senior leaders (director and above) are women.

**Mölnlycke Board of Directors, 31 December 2018**

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gunnar Brock</td>
<td>Swedish</td>
<td>M</td>
</tr>
<tr>
<td>Christer Eriksson</td>
<td>Swedish</td>
<td>M</td>
</tr>
<tr>
<td>John Hepburn</td>
<td>Canadian</td>
<td>M</td>
</tr>
<tr>
<td>Clare Hollingworth</td>
<td>British</td>
<td>F</td>
</tr>
<tr>
<td>Sharon James</td>
<td>British</td>
<td>F</td>
</tr>
<tr>
<td>Johan Malquist</td>
<td>Swedish</td>
<td>M</td>
</tr>
<tr>
<td>Karl-Henrik Sundström</td>
<td>Swedish</td>
<td>M</td>
</tr>
<tr>
<td>Richard Twomey</td>
<td>British</td>
<td>M</td>
</tr>
<tr>
<td>Caroline Jakobsen</td>
<td>Swedish</td>
<td>F</td>
</tr>
<tr>
<td>David Valham</td>
<td>Swedish</td>
<td>M</td>
</tr>
</tbody>
</table>

**Mölnlycke Executive Management Team, 31 December 2017**

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Twomey</td>
<td>British</td>
<td>M</td>
</tr>
<tr>
<td>Anders Andersson</td>
<td>Swedish</td>
<td>M</td>
</tr>
<tr>
<td>Cathy Dalene</td>
<td>Norwegian</td>
<td>F</td>
</tr>
<tr>
<td>Stefan Fristedt</td>
<td>Swedish</td>
<td>M</td>
</tr>
<tr>
<td>Kristin Hedlund</td>
<td>Swedish</td>
<td>F</td>
</tr>
<tr>
<td>Eric de Kesel</td>
<td>Belgian</td>
<td>M</td>
</tr>
<tr>
<td>Martin Lexa</td>
<td>German</td>
<td>M</td>
</tr>
<tr>
<td>Barry McBride</td>
<td>British</td>
<td>M</td>
</tr>
<tr>
<td>Gavin Wood</td>
<td>Canadian</td>
<td>M</td>
</tr>
</tbody>
</table>

#### By employment type

**Blue collar/white collar**

**Americas**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White collar</td>
<td>543</td>
<td>243</td>
<td>786</td>
</tr>
<tr>
<td>Blue collar</td>
<td>175</td>
<td></td>
<td>175</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>718</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Asia/Pacific**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White collar</td>
<td>625</td>
<td>252</td>
<td>877</td>
</tr>
<tr>
<td>Blue collar</td>
<td>2,892</td>
<td></td>
<td>2,892</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,517</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Europe, Middle East/Africa**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White collar</td>
<td>1,991</td>
<td>1,124</td>
<td>3,115</td>
</tr>
<tr>
<td>Blue collar</td>
<td>1,579</td>
<td></td>
<td>1,579</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,570</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Permanent/temporary employment

**Americas**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>709</td>
<td></td>
<td>709</td>
</tr>
<tr>
<td>Temporary</td>
<td>9</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>718</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Asia/Pacific**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>3,501</td>
<td>2,052</td>
<td>5,553</td>
</tr>
<tr>
<td>Temporary</td>
<td>16</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,517</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Europe, Middle East/Africa**

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>3,056</td>
<td>2,712</td>
<td>5,768</td>
</tr>
<tr>
<td>Temporary</td>
<td>514</td>
<td></td>
<td>514</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,570</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>
For the purpose of this report, the number of employees is our headcount: all employees, including temporary employees, with an employment contract with Mölnlycke, who are also paid through the company pay-roll.
Minimising environmental impact

Managing the environmental impact of what we do is a high priority for Mölnlycke. We continuously work to prevent harm to the environment by adopting and implementing best practice through our supply chain. As a result of this, we have a global ISO 14001 certification for environmental management since 2002. We continuously monitor our environmental performance and compliance with relevant laws and regulations wherever we operate.

Our policy

We want our business to be conducted in a long-term sustainable way. In the short and long term, we take responsibility for protection of the environment from impact and pollution caused by our activities, products and services. We contribute to sustainable development by:

• our commitment to fulfilment of compliance obligations
• conducting our business activities to minimise our impact on the planet and its natural resources. We strive for continuous reduction of the environmental impact caused by our business through setting and continuously monitoring suitable environmental objectives. We use environmental resources as effectively as possible and strive to minimise use of substances and materials that are harmful to humans and our environment
• securing our company’s future and business position in the best way by taking into account our stakeholders’ expectations and requirements
• striving for continuous improvement of our environmental performance, maintaining and encouraging an environmental management system which promotes proactive change.

Environmental management – our approach

Environmental management is a core part of our corporate management system. At a global level, we develop strategies, policies and objectives to ensure fulfilment of our compliance obligations and continuous improvement. At a local level, all of our sites are responsible for complying with environmental legislation, implementing our Sustainability policy and meeting our environmental objectives. We have systems and procedures in place to monitor performance against environmental targets at all of our manufacturing sites and certified offices.

Climate impact

We are firmly committed to reducing climate impact. To achieve this, we are actively working to reduce air freight, to optimise the fill rate of trucks and to optimise transport routes and deliveries to our customers, so fewer product transport journeys are needed. In collaboration with our transportation partners, we measure climate impact from transport of raw materials to factories, goods travelling between factories, and finished goods going to our warehouses.

We have included energy in our measurement of climate impact and are working on expanding it further.
Energy consumption
We measure and monitor our consumption of energy. Some of the processes required to produce high-quality, sterile medical and surgical products are energy-intensive and we are constantly evaluating how we can make these processes more energy efficient.

Waste management
We seek to use materials more efficiently to reduce the amount of potentially harmful waste we generate. This includes reviewing the type and quality of materials we source as well as the way we make and package our finished goods.

Since the majority of our products are single-use and must be burnt to prevent the spread of infections and bacteria, it is often not possible for our clients to recycle the used products. We are, however, committed to good recycling practices in our factories and have targets and actions in place to reduce waste.

We also recommend that our customers recycle packaging materials such as plastics, cardboard and corrugated board. We take responsibility for waste from our electrical products, such as negative pressure wound treatments, and have systems in place for the collection of waste electronics and used batteries.

Materials and chemicals
We strive to remove potentially hazardous chemicals from our manufacturing processes and products, and replace them with equally effective, but less harmful solutions. We systematically strive to minimise the environmental impact of our products.

However, the primary purpose of our products is to heal wounds, prevent medical conditions, or enable improved results in the operating room. We can never endanger the health outcomes of patients only to minimise environmental impact. For example, the process we use to sterilise our products may lead to small increases in our use of chemicals and electricity – but it is essential to guarantee patient safety. This means that we have to be cautious but also curious when looking at new chemicals, materials or products.

How we assess new materials and chemicals
We comply with the EU regulations and directives that apply to our products, such as REACH – Registration, Evaluation, Authorisation and Restriction of Chemicals, Restriction of Hazardous Substances (RoHS), and the Waste Electrical and Electronic Equipment (WEEE) directive. During product development, we categorise raw materials according to potential harm to the environment and we strive to minimise or substitute the ones that are potentially hazardous. All our factories continuously monitor the amount of chemicals used on site to minimise their consumption.

Water consumption
We continuously strive to reduce the amount of fresh water we use for our production processes.
Our environmental management system
Mölnlycke has established, documented, and implemented a process-based environmental management system which is integrated with our quality management system. This system provides a structure for maintaining effectiveness, continuous proactive change and improvement. Mölnlycke operates a high-level management system at a global level and, in addition, our operational sites also have local systems established.

Environment – How we monitor and improve our performance
To continuously improve our environmental performance, we focus on:

Corrective action and preventive action
We drive continuous improvement through our corrective and preventive action (CAPA) process. We conduct root cause investigations of any process issues, followed by corrective actions to resolve the issue and prevent the problem recurring.

Accident investigation
We conduct root cause investigations of all environment-related accidents at our sites, followed by corrective actions to resolve root causes and prevent them from happening again. Experiences from accidents are shared between our sites in the global EHS team.

Audits
We carry out internal and external audits to verify the effectiveness of our environmental management system and our ability to fulfil compliance obligations.

Management review
Mölnlycke’s management conducts reviews of our environmental performance regularly, starting at the executive management level, throughout the organisation, to the manufacturing sites. We document and escalate identified issues, as appropriate.

In production
The environmental performance is frequently followed up and discussed in our factories. For example, we conduct regularly inspections of all our manufacturing sites, we discuss environmental issues in different forums, we measure environment-related parameters in the factories and ensures our environmental protection equipment is sufficient.

Reporting
Our environmental performance is monitored systematically and measured at our manufacturing sites, distribution centres operated by us and certified offices. The results are presented in a global report and evaluated with regard to set objectives and targets.

Training
We have programs of regular and ad-hoc environmental training courses for employees, subcontractors and visitors at our sites.

Certification and compliance
As a global company, Mölnlycke complies with local regulations as well as relevant global frameworks. Mölnlycke is globally certified for fulfilling ISO 14001:2015 standard requirements.

Legal compliance
We have policies, processes and procedures to assure legal compliance.
Environment – Our objectives
During 2018 we set ourselves six objectives:

- No legal proceedings for environmental related issues
- No accidents resulting in external environmental pollution
- Improve utilisation of working materials, thereby continuously reducing manufacturing waste, manufacturing emissions harmful to the atmosphere, water or land and use of environmental resources
- Reduce emissions from product transport related carbon dioxide by working internally and with our external partners to drive efficiency throughout the entire supply chain
- Strive to remove hazardous chemicals from all areas of the business and replace them with chemicals less hazardous to the environment
- Get all relevant manufacturing sites certified for ISO 14001 by end 2019

CO₂ How we performed: Climate impact

Target 2018
To reduce CO₂ from product-related transportation by 2 percent in relation to the produced weight of finished goods

Our performance 2018
Climate impact from transports
CO₂ emissions from transportation increased by 3% in 2018 to 22,177 tons. This was mainly due to a temporary increase in the use of air freight, as shown in the table below.

<table>
<thead>
<tr>
<th>Transport method</th>
<th>2018</th>
<th>2017</th>
<th>Diff [ton]</th>
<th>Diff [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air</td>
<td>1,050</td>
<td>469</td>
<td>581</td>
<td>124%</td>
</tr>
<tr>
<td>Boat</td>
<td>9,668</td>
<td>9,782</td>
<td>-114</td>
<td>-1%</td>
</tr>
<tr>
<td>Truck</td>
<td>11,459</td>
<td>11,216</td>
<td>243</td>
<td>2%</td>
</tr>
</tbody>
</table>

We used air freight as a fall back because of temporary capacity problems at some of our key suppliers. We have now resolved these issues and expect air freight to be reduced again in 2019. Emissions from truck transportation also increased slightly over 2017. This was due to changes at our manufacturing sites, particularly the start up of our new factory in Havirov.

CLIMATE IMPACT FROM TRANSPORTS

Improvements begun at our distribution centres in 2018 will help to reduce transport-related emissions in the coming years. These include:

- Switching from truck to intermodal rail and motor transport between our distribution centres in Waremme, Belgium and Landskrona, Sweden. This has already resulted in a truck related product transport CO2e saving of 60%. Since the metric does not yet include outbound logistics from distribution centers, this is not reflected in the target outcome for 2018.

27
Minimising environmental impact

**CO₂** How we performed: Climate impact

- Opening a new distribution centre in Malaysia, so product can be shipped locally in the Asia-Pacific region rather than from Waremme.
- Developing improvements with our logistics partners, such as using electric and hybrid trucks and trucks running on natural gas.
- Introducing a new Control Tower transport management system to optimise flows.

**Measuring scope and principles:** Transport of raw material and semi-finished or finished goods from suppliers to manufacturing sites to distribution centers. Transports are measured in tonnes per km. The CO₂ reporting coefficients are mainly based on Greenhouse gas Protocol – Mobile Guide (03/21/05) v 1.3 and the tank-to-wheel principles.

**Emissions from energy consumption**
Climate impact from energy consumption 2018 amounted to a total of 106,739 tons CO₂e. This includes both emissions generated at our sites (scope 1) and emissions generated elsewhere to provide us with energy (scope 2), and was distributed in the following way.

<table>
<thead>
<tr>
<th>Energy Type</th>
<th>2017 (CO₂e ton)</th>
<th>2018 (CO₂e ton)</th>
<th>Change (CO₂e ton)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas</td>
<td>31,751</td>
<td>33,806</td>
<td>2,055</td>
<td>6</td>
</tr>
<tr>
<td>Propane</td>
<td>1,281</td>
<td>1,156</td>
<td>125</td>
<td>-10</td>
</tr>
<tr>
<td>Light fuel oil</td>
<td>8,621</td>
<td>9,054</td>
<td>434</td>
<td>5</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>50,910</td>
<td>59,192</td>
<td>8,282</td>
<td>16</td>
</tr>
<tr>
<td>District heating</td>
<td>1,833</td>
<td>2,985</td>
<td>1,152</td>
<td>63</td>
</tr>
</tbody>
</table>

Our emissions from energy consumption increased mainly due to expansion of manufacturing activity at sites such as Havírov, new sites reporting for the first time and activities we have now divested. Part of the increase is connected to increased production of energy intensive products (like Polyisoprene gloves).

**Total climate impact**
Our total climate impact 2018 for energy and transportation was 129,851 ton CO₂e. It was distributed in the following way.

<table>
<thead>
<tr>
<th>Energy Type</th>
<th>2018 (CO₂e ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport - Air</td>
<td>1,050</td>
</tr>
<tr>
<td>Transport - Boat</td>
<td>10,343</td>
</tr>
<tr>
<td>Transport - Truck</td>
<td>11,719</td>
</tr>
<tr>
<td>Energy - Natural gas</td>
<td>33,806</td>
</tr>
<tr>
<td>Energy - Propane</td>
<td>1,156</td>
</tr>
<tr>
<td>Energy - Light fuel oil</td>
<td>9,054</td>
</tr>
<tr>
<td>Energy - Electricity</td>
<td>59,192</td>
</tr>
<tr>
<td>Energy - District heating</td>
<td>2,985</td>
</tr>
<tr>
<td>Energy - Steam</td>
<td>546</td>
</tr>
</tbody>
</table>

We are in the process of expanding the metric in order to better get to the source of different contributing factors, so we can set targets and drive improvement plans.

**CLIMATE IMPACT [TON CO₂E] / PRODUCED TON OF FINISHED PRODUCT**

![Graph showing climate impact](image-url)
How we performed: Energy consumption

Target 2018
We continuously strive to reduce the amount of energy we use.

Our performance 2018
Our total energy consumption 2018 was 1.092 TJ. No energy was sold. This chart shows a breakdown by energy type.

We consumed 19.25 GJ of energy per ton of finished goods, up from 17.4 GJ in 2017.

Most of this increase was due to expansion of manufacturing activity at sites such as Havirov, new sites reporting for the first time.
Minimising environmental impact

How we performed: Waste management

Target 2018
To reduce the total amount of waste generated at our sites by 2% and achieve a rate of recycling and energy recovery of 85%.

Our performance 2018
We generated 11,935 tons of total waste in 2017. The waste generated per produced ton finished goods 2018 was 210 kg.

We recycled or reused (waste category 1 in the figure) 43% of all waste generated in our manufacturing sites 2018 compared to 39% 2017.

16% of all waste was sent to landfill or destruction (waste category 3 in the figure) compared to 14% 2017 due to increased scope of manufacturing, and new reporting sites with higher rates of category 3 waste.

TOTAL DISCHARGE 2018 AND METHOD USED

<table>
<thead>
<tr>
<th>Class</th>
<th>Method used</th>
<th>Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-hazardous</td>
<td>Composting</td>
<td>4</td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>Destruction, including incineration without energy recovery</td>
<td>88</td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>Incineration with energy recovery</td>
<td>4,861</td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>Landfill</td>
<td>1,369</td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>Recycling</td>
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</tr>
<tr>
<td>Non-hazardous</td>
<td>Reuse</td>
<td>683</td>
</tr>
<tr>
<td>Hazardous</td>
<td>Destruction, including incineration without energy recovery</td>
<td>66</td>
</tr>
<tr>
<td>Hazardous</td>
<td>Incineration with energy recovery</td>
<td>15</td>
</tr>
<tr>
<td>Hazardous</td>
<td>Landfill</td>
<td>377</td>
</tr>
<tr>
<td>Hazardous</td>
<td>Recycling</td>
<td>772</td>
</tr>
</tbody>
</table>
How we performed: **Materials and chemicals**

**Target 2018**
We systematically strive to remove environmentally hazardous chemicals from our manufacturing processes and products and replace them with less hazardous ones.

**Our performance 2018**
We continued to strive to keep our products free of potentially harmful chemicals.

The use of silver sulphate in some of our advanced wound care dressing products is accurately monitored and processed in order to minimise its waste. Silver is a well-known antimicrobial substance that manages bioburden levels in the wound, reducing the risk of wound infection. The use of antimicrobial wound care products also helps to reduce the risk of inappropriate use of antibiotics.

So far, no other antimicrobial agent has proven to be as effective as silver, which is why we are continuing to use it in our products. We do, however, offer a wide range of other advanced wound care dressings without silver that are becoming increasingly popular in several parts of the world.

How we performed: **Water**

**Target 2018**
We do not have a specific target for reducing water consumption in our factories. Instead we continuously strive to reduce the amount of water we use compared to the previous year.

**Our performance 2018**
Our total water consumption in 2018 was 1,972,472 m³.

We had an increase in water consumption connected to increased volumes at our gloves manufacturing sites that accounts for 66% of our total consumption. No water sources were significantly affected by withdrawal for our operations.

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**TOTAL WATER WITHDRAWAL 2018**

<table>
<thead>
<tr>
<th>Source</th>
<th>Cubic metres</th>
</tr>
</thead>
</table>
| “Surface water, including water from
  wetlands, rivers, lakes and oceans”            | 1,058,638    |
| Ground water                                     | 344,245      |
| Rainwater collected directly and stored by
  the organisation                               | 0            |
| Waste water from another organisation            | 0            |
| Municipal water supplies or other
  water utilities                                  | 569,589      |
Mölnlycke aims to provide a safe, accident-free and healthy environment characterised by respect and trust for our employees, suppliers and visitors at all of our sites around the world. Under guidance of our Sustainability policy, we proactively assess health and safety risks as well as opportunities for improvement in each of our locations and work with local teams to implement suitable actions. We continuously monitor and evaluate our safety performance and fulfil our compliance obligations wherever we operate.

Our policy

We want our business to be conducted in a long-term sustainable way. In the short and long term, we take responsibility for health, safety and wellbeing and contribute to sustainable development by:

• our commitment to fulfilment of compliance obligations
• conducting our business by taking into account people’s expectations and requirements regarding health and wellbeing, regardless of whether they are our employees, our subcontractors’ employees, customers or other people affected by our company’s activities
• ensuring a safe, accident-free and healthy working environment characterised by respect and trust for our employees and visitors to our premises, by setting and continuously monitoring suitable health and safety objectives
• striving for continuous improvement of our health and safety performance, maintaining and encouraging a health and safety management system which promotes proactive change.

Health and safety management – our approach

We work continuously to improve health and safety by taking proactive measures to prevent accidents at all of our operating sites and fulfilling our compliance obligations. Each of our factories has a health and safety team made up of a cross-section of employees who meet regularly to consider health and safety issues and recommend actions to prevent accidents.

We collaborate between our sites, so that we can share best practice and achieve improvements across the whole company. EHS representatives from each manufacturing site meet monthly with the regional and global EHS management to discuss issues and share experiences and ideas. The global EHS team also meets at an annual global EHS conference, held at one of our manufacturing sites, which includes training, workshops and discussion of current topics, to improve our skills and knowledge.

Our health and safety management system

Mölnlycke has established, documented, and implemented a process-based health and safety management system which is integrated with our quality management system. This system provides a structure for maintaining effectiveness, continuous proactive change.
and improvement. Mölnlycke operates a high-level management system at a global level. In addition, each of our operational sites has a local system in place.

**How we monitor performance**
To continuously improve our health and safety performance, we focus on the following:

**Training**
We have programs of regular and ad hoc health and safety training for employees, subcontractors and visitors at our sites.

**Corrective action and preventive action**
We drive continuous improvement through our corrective and preventive action (CAPA) process. We conduct root cause investigations of any process issues, followed by corrective action to resolve the issue and prevent the problem recurring.

**Accident investigation**
We conduct root cause investigations of all accidents at our sites, followed by corrective actions to resolve the root causes and prevent them from happening again. Experiences from accidents are shared between our sites in the global EHS team.

**Audits**
We carry out internal and external audits to verify the effectiveness of our health and safety management system and our ability to fulfil compliance obligations.

**Management review**
Mölnlycke management undertakes regularly thorough reviews of health and safety, starting at the corporate and executive level and extending through our manufacturing sites. We document and escalate identified issues, as appropriate.

**In production**
All of our manufacturing sites have regular health and safety inspections, discuss health and safety issues daily in different forums, measure safety-related parameters and inspect and monitor safety equipment.

**Certification and compliance**
As a global company, Mölnlycke complies with local as well as relevant global regulations. Our major manufacturing sites’ health and safety systems are certified to fulfil OHSAS 18001 standard requirements. Mölnlycke plans to achieve global certification for the ISO 45001 standard in 2020.

**Legal compliance**
As part of our performance review, we monitor any legal proceedings against us in the area of Health & Safety. We did not have any legal proceedings for health and safety-related incidents during 2018.

**Reporting**
Our health and safety performance is monitored systematically and measured on a monthly basis at manufacturing sites, the Anderson distribution centre in the US and our HQ. The results are presented in a global report and evaluated with regard to set objectives and targets, including observations, near misses, high potential near misses, loss time accidents, loss time days, and management health & safety walks. More than 40 percent of the accidents are hand injuries and wounds related to the tasks performed in our factories.

**Control of hazardous chemicals**
A very small number of our workers are involved in occupational activities with a high risk of injury or exposure to specific disease. These include use of the organic compound toluene diisocyanate (TDI) in the manufacture...
Health and safety of negative pressure wound therapy products and ethylene oxide (EtO) used as part of our sterilisation processes. We did not receive any reports of health-related issues in the factories where these substances are used.

**Health and safety – our objectives**

From 2018 we are setting suitable health & safety objectives and targets on a yearly basis. We set six key objectives for 2018:

- No legal proceedings for health and safety occurrences.
- Increase the number of observations (unsafe acts/situations/behaviour)
- Increase the number of management health and safety walks
- Increase the number of approved accident investigation reports
- By focusing on prevention, continuously reduce the rate of lost time accidents and lost time days
- Start the global certification process for ISO 45001

LTA: any workplace accident or injury that causes an employee to miss their next scheduled work day or shift.

LTD: an ordinary work day or shift lost due to an LTA.

**Health and safety – our performance 2018**

- The number of reported near misses was 251.
- The number of reported high potential near misses was 37.
- The number of LTAs per million working hours was 2.1, down from 2.5 in 2017.
- The number of LTDs per million working hours was 39, down from 71 in 2017.
- The number of corrected near-misses was 100 %, up from 64 % in 2017.

As part of our drive for constant improvement, our EHS program has set an ambitious target of reducing the number of accidents to two LTAs per million working hours. We almost achieved this target in 2018.

We achieved our target of correcting 85 percent of reported near misses.

**Go for Zero program**

In 2017, we started the Go for Zero program for all manufacturing sites, which has been intensively implemented during 2018. The program contains several activities to align and improve the safety standard at our manufacturing sites; one of the activities was a comprehensive Total Safety Leadership training for all managers and supervisors in order to improve awareness, communication, involvement and behaviour. This increased focus contributed to two LTA-free months in January and September. Almost half (47 percent) of our manufacturing sites have been LTA-free throughout 2018. The Go for Zero program will be continued in 2019.
Corporate Social Responsibility

Mölnlycke feels a strong sense of commitment to both the medical profession and patients receiving treatment. Through our global and local charity partners, we seek to have a long-term positive impact. We also invest in the communities where we operate so we remain a trusted partner over the long term.

Our policy

Our community support policy is designed to help us play an active role in the community. By donating time, products and funds, we help improve the lives of patients and support those who care for them. Working within the community in this way also enables our business and the organisations we support to remain sustainable.

We receive many requests for donations to good causes at a local level and we cannot support all of them. We have guidelines that ensure our community support is appropriate.

The organisations we support should:

• be in the medical field
• work to improve patients’ lives, to improve medical staff protection, or to increase the level of knowledge in the medical field
• provide credible and measurable results.

The initiatives we support must also be in line with AdvaMed or Eucomed guidelines.

Global community support in 2018

Since 2017 we support two organisations representing key patient groups as our official global charity partners:

• DEBRA, a worldwide network of national groups that strives to improve quality of life for people with the rare genetic skin disease, Epidermolysis Bullosa (EB)
• Operation Smile, a medical volunteer organisation that provides free reconstructive surgery for children born with facial deformities such as cleft lip and cleft palate.

By walking, baking, running and more Mölnlycke employees managed to raise USD 100,000. The company added another USD 80,000 to the fundraising campaign, meaning a total of USD 180,000 was donated to DEBRA and Operation Smile.

DEBRA

Mölnlycke supports a range of local fundraising initiatives – one of them being an awareness raising campaign with DEBRA in the Czech Republic. A collaboration between a fashion company with a prominent fashion designer and an artist famous for his distinctive abstract tattoo style resulted in a stylish fashion collection where each piece was made inside out to highlight one of the struggles EB patients are faced with – finding clothes that will not irritate the skin.
In the US, we support a range of initiatives including DEBRA monthly Wound Care Clearinghouse, which distributes essential wound care supplies to people in financial difficulty, and the charity’s Family Crisis Fund.

**Operation Smile**
Since 2004, we’ve donated nearly 1.4 million pairs of Biogel® surgical gloves to Operation Smile – as well as funds and the expertise and time of our people. To date the value of Mölnlycke’s cash and in-kind investments stands at nearly USD 5 million.

Through the Mölnlycke Operation Smile Volunteer Programme, our employees can join Operation Smile missions – accompanying doctors and nurses for several days as they provide free surgeries in developing countries. During 2018, twelve of our employees around the globe volunteered on two missions. Five employees went to Vijayawada in India, and seven went to Porto Vehlo in Brazil.
Code of Conduct

As an international company, we have a particular duty to promote and comply with the principles of ethical, legal and social conduct associated with issues such as human rights, the workplace and working conditions, gender and race equality, environment, health and safety, quality of our products, ethical industry practices, fair competition and anti-bribery and anti-corruption.

The Board of Directors has adopted the Code of Conduct to govern the behaviour of Directors of the Board, permanent and temporary employees, temporary workers and consultants. Everyone who represents Mölnlycke has a responsibility to be familiar with and comply with our Code.

The Mölnlycke Code of Conduct is a set of basic principles in order to ensure that we comply with laws, regulations, medical technology industry standards and other established international rules. We also expect our business partners such as suppliers or vendors adhering to our Code of Conduct or similar principles and guidelines. We have a Supplier Code of Conduct that specifically targets issues and conduct applicable to our suppliers. As a multi-national company and purchaser, we are in a position to impact ethical and social conduct associated with human rights, the workplace and working conditions, gender and race equality, fair competition and anti-bribery and anti-corruption in a positive way in our suppliers’ factories. And we actively work with our suppliers to ensure this.

No code, policies and procedures can cover every possible business situation that may arise in the complex regulatory environment in which Mölnlycke operates. However, Mölnlycke considers compliance with its Code of Conduct to be vital. The company’s reputation for quality products and high standards, and our passion for our mission can only be maintained by consistently following the principles of our Code.

Employee responsibility
Employees are responsible for complying with our Code of Conduct, policies and procedures.

Mölnlycke Managers have an additional responsibility. They shall promote compliance with the Code of Conduct, policies and procedures.

As a company, we provide frequent and relevant training and other resources to support our employees meeting those expectations.

Corporate social and ethical responsibility
Our guidelines for this initiative are based on the principles outlined in the following documents:

- UN Agenda 21 – Sustainable Development Knowledge Platform
- ISO 26000 Guidance on Social Responsibility
- UN Universal Declaration of Human Rights
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Relevant International Labour Organisation (ILO) conventions.
- Global trade policy
- Supplier Code of Conduct.
The commitment also applies to our relations with business partners such as suppliers and their subcontractors. If any violation is committed by one of our business partners, then we see it as our duty to assist in ensuring that such violations cease, or if this fails, to stop working with that partner.

Respect in the workplace
A strong and consistent relationship with all employees, built on mutual respect and dignity, is a vital concern for Mölnlycke high performance behaviours – Customer at heart, Own the outcome, Appropriate urgency and Teamwork guide us in our work and conduct.

We must work actively to promote equality in the workplace. Unlawful discrimination based on gender, age, sexual orientation, race, colour, religion, ethnicity, social origin, disability, or political opinion will not be tolerated.

No employee should be subjected to verbal or physical harassment, and such conduct will not be tolerated. Mölnlycke is committed to creating a work environment that is free from harassment in any form, a culture that recognises and appreciates the advantages of a diverse workforce, and a decision process which seeks to ensure that all employees are treated with dignity and respect.

Child labour as defined by ILO Conventions is prohibited. Mölnlycke will comply with applicable laws relating to forced labour, child labour, national salaries guidelines, working hours, leave and overtime, and the timely and accurate payment of wages.

Employees are free to, and entitled to, form and/or join union organisations. Employees shall be able to report complaints about their working conditions without risking any negative consequences as a result of doing so.

Relations with the world around us
We must not be, either directly or indirectly, involved in situations that entail violations of human rights.

Environment, Health and Safety management
Mölnlycke is committed to doing business in an environmentally responsible manner and providing a safe, healthy work environment for employees and guests to our premises, in the countries where we operate and will strive to improve its performance to benefit its employees, customers, communities, shareholders and the environment.

All employees are expected to develop proactive, cooperative behaviour on issues of health and safety throughout the company.

Avoiding bribery & corruption and business integrity
No bribes, kickbacks or other payments for illegal purposes, shall be made to, or for the benefit of, government employees or officials, any customers, or others. Nor shall such payments or benefits be accepted by any Mölnlycke employee.

No benefit will be given to a customer with an explicit or implicit requirement to use or purchase Mölnlycke products.

Grants, donations and gifts and other business courtesies
The giving of gifts is generally prohibited. Donations to customers or organisations closely affiliated with customers must comply
with local laws and standards and should promote a social benefit.

No corporate funds, or other corporate assets, may be contributed directly to any political party, political committee, or candidate for public office at the federal level or at the state level, unless permitted by law, with the exception of funds used to administer the corporate political action committee.

Mölnlycke may compensate customers such as health care professionals or health care organisations for consulting, research and other legitimate services rendered, and reasonable costs incurred where Mölnlycke has a legitimate need and service are rendered for fair market value. Mölnlycke may also underwrite clinical research or continuing education programmes.

**Conflict of interest**
Mölnlycke employees shall avoid any conflict of interest or even situations that could give the appearance of a conflict of interest.

**Intellectual property and confidential information**
Mölnlycke invests substantial resources in developing intellectual property and know-how, both of which are critical to the company’s future success. Mölnlycke protects its intellectual property by seeking patent, design right, trademark, or trade secret protection. It protects its confidential information by taking precautions to prevent inappropriate disclosure or loss of such information. All employees share a responsibility to protect company intellectual property and confidential information.

**Protection and proper use**
Employees may not take personal use opportunities that are discovered through the use of corporate property, information or position. Nor may they use corporate property, information or position for their own personal gain or to compete with Mölnlycke.

All employees should protect Mölnlycke’s assets and promote their efficient use. Theft, carelessness and waste have a direct impact on Mölnlycke’s profitability. All Mölnlycke assets should be used for legitimate business purposes.

**Quality & Regulatory Affairs**
Mölnlycke products are heavily regulated by governmental agencies, health ministries and other regulatory authorities worldwide. Mölnlycke is fully committed to ensuring that all our products and services meet the highest levels of quality and safety.
Business partners acting on behalf of Mölnlycke
Mölnlycke expects its business partners such as distributors and agents to act consistently with the principles set out in this Code of Conduct. The Mölnlycke manager responsible for any such relationship must ensure that the terms of the relationship are set out in a written agreement, provide a copy of our Code, and require consistency with our Code of Conduct in all dealings on Mölnlycke’s behalf.

Government, analyst and media inquiries
Mölnlycke must be made aware of any inquiries from the government, the financial/analyst community, or the media so that it can properly and thoroughly respond.
Anti-bribery and anti-corruption

We take great care to comply with all applicable laws and regulations in every country we work in. We also strive to prevent corruption within our operations.

Our policy

Mölnlycke is committed to conducting business around the world in an ethical way. Mölnlycke and Mölnlycke Personnel are subject to various applicable Anti-bribery and Anti-corruption Laws around the world that are applicable to our business.

Mölnlycke prohibits all forms of bribery and corruption related to our business or the business of 3rd parties that work on our behalf or for us:

We prohibit any offer, payment, promise of payment or authorization of the payment of any money, gifts, loans or anything of value, whether given directly or indirectly, to any person, including any Government Official or private person, in order to influence any act or decision to obtain or retain business or gain any business advantage (e.g., regulatory approvals, prescriptions, tender awards, business leads, etc.). Mölnlycke also prohibits the receipt of anything of value by an Mölnlycke Employee from suppliers, vendors or others who may seek thereby to influence any act or decision of the Employee.

Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a Government Official. Mölnlycke prohibits facilitation payments irrespective of whether some local laws permit facilitation payments.

Our Avoiding bribery & corruption Policy specifically addresses the following areas of concern:

- Dealing with Government Officials & Healthcare Professionals
- Relationship with other 3rd parties
- Political and Charitable Contributions

Avoiding corruption:
Our performance 2018

We did not have any external investigation related to a possible violation of relevant anti-bribery and anti-corruption laws.

When a risk of corruption is detected, we ensure a swift review or investigation and take appropriate corrective action.

Economic sanctions and export, and customs controls

It is Mölnlycke’s policy to comply with the export/import controls and sanction regulations of Sweden, the UN/EU, and the countries where we do business. Under no circumstance may an export, re-export, or import (whether a service, a commodity, technical data, or technology) or any other transaction be made contrary to these laws and regulations or to Mölnlycke’s policies and procedures governing international transactions.
Working with suppliers

We aim to ensure ethical practices throughout our supply chain. We ask our primary suppliers to meet our Supplier Code of Conduct and Supplier Standard and to apply similar Codes of Conduct among their own partners and suppliers.

We expect our suppliers, through the Supplier Code of Conduct, to demonstrate that they:

- provide a safe and healthy work environment for all employees
- ban all forms of child labour, forced labour and compulsory labour
- respect their employees’ rights to freedom of association
- don’t discriminate by gender, age, sexual orientation, race, colour, religion, ethnicity, social origin, disability or political opinion
- comply with local laws on working hours
- pay a living wage that meets their employees’ basic needs.

We also expect them to follow our Supplier Standard. This sets out our basic requirements for quality, sustainability and the environment. We require them to manage their impact on the environment in line with ISO 14001 and to continually work to reduce it.

Our approach
Before we accept a primary supplier, we carry out a detailed assessment process to ensure that their practices fit with our expectations. We then ask them to sign off our supplier standards.

Once a supplier has been appointed, we then continue to monitor their performance as part of our supplier performance management system, including against risk of abuse of human rights, health and safety incidents, employment laws or use of child labour. If we identify risks, we carry out supplier assessments to check if any incidents have taken place and put corrective actions in place if necessary.

We also use the support of third-party assessments – especially for our contract manufacturers. This allows us to refer to local laws and regulations in a stringent way, while continuously improving our knowledge and ways of working.

We lead by example, building long-term relationships with our suppliers, based on fairness, collaboration, transparency and open communication.

Performance 2018
During the year we passed several customer audits in the areas of Labor standards and Sustainable supply chain, including code of conduct.

We conducted the on site code of conducts planned with satisfying result. A new assessment format has been developed during the year, to be rolled out - including training to the team – in 2019.

Notable changes during 2018
During 2018 our operations in Toulouse, France and Bialystok, Poland were closed. Production and suppliers were transferred to other Mölnlycke manufacturing sites. We also localised suppliers for Nonwoven and packaging, which led to improvement of our lead times and footprint.
Managing sustainability risks

Our Executive team has overall responsibility for establishing systems to manage risk and for reviewing and measuring their effectiveness. Senior management has day-to-day responsibility for implementing the systems and for monitoring their impact.

Our risk management systems
We’ve designed our systems to identify, map and manage the most material risks for our business and long-term sustainability. These include the risk of material misstatement in our financial reporting, the risk of failing to achieve our business objectives, reputational risk and the risk of bribery and corruption in certain markets.

In addition to this, we have a set of procedures, rules and policies to help us manage risk – and we also offer training courses to educate people about the behaviours we expect. Our ambition is to minimise the risk of non-compliance by embedding a culture of risk awareness and quality focus throughout our operations and the supply chain. These procedures, rules, courses and policies are reviewed on a regular basis to ensure they are current and still meet our needs.

While we have extensive tools in place to manage risk, our company and our suppliers’ companies are made up of people. This means we have a risk of human error, just like any other company.

To mitigate this risk, we regularly audit our operations and those of our suppliers. We also oblige people to attend training to ensure that awareness is kept alive. We have a whistle-blowing hotline where employees can report any concerns. And if we find incidents, or if incidents are reported, we follow up with appropriate actions.

Sustainability risks in focus
Anti-bribery and corruption
We have identified bribery and corruption as our most significant sustainability risk, as they are common in certain of our markets. Consequently, we devote considerable resources to mitigating this risk. We also monitor and audit our suppliers with a focus on anti-bribery and corruption. If we find that one of our employees or suppliers has failed to live up to our standards, we take immediate action. This can include terminating contracts.

Sustainable supply chains and supply chain resilience
We recognise supply chain resilience as a sustainability risk. We ask our primary suppliers to sign up to our Supplier Code of Conduct and Supplier Standard and to set similar standards among their supply chains. To mitigate the risk of our suppliers falling short, we monitor, assess and follow up supplier actions.

We understand that our suppliers may be at particular risk of violating human rights in some markets. To manage this risk, our Supplier Code of Conduct specifies that suppliers must protect human rights. Furthermore, our CEO and Executive team have signed a statement against slavery and human trafficking as a sign of our commitment.

We know that ethical behaviour is about the culture of an organisation, as well as its policies and processes. To reduce the risk of lack of resilience in our supply chain, we seek
Managing sustainability risks

to build long-term relationships with our suppliers, based on fairness, collaboration, transparency and open communication.

Health and safety
We recognise that our people are at risk of having accidents – particularly in our factories – and the number of accidents could go up in line with increases in production. To mitigate this, we conducted a comprehensive internal programme in 2018 to improve health and safety communication among leaders, awareness and overall performance at our manufacturing sites. This program will continue in 2019.

People, diversity and equality
We have identified equality and diversity as an important factor in our ability to understand the whole of society, and thereby our sustainability as a business. To manage the risk of lack of diversity and equality, in 2018 we introduced a gender diversity charter, with the ambition of women making up 40% of our senior leaders by 2023.

We follow regulations, local best practice and have a Code of Conduct and other Human Resources policies in place to manage other risks relating to people.

Environmental
Environmental risks are constantly identified and evaluated. The highest environmental risks are at our manufacturing sites, e.g. risk for fire, flooding, leakage to air, soil and water. All identified risks are handled in a structured way in accordance with our environmental management system. We constantly monitor, re-evaluate and take needed actions to minimize them.

Product quality
To minimise product quality risks within our operations and those of our suppliers, we have robust policies and processes, and we continuously review them every year. To further protect our product quality, in 2018 we started to roll out our new quality management system, Polaris, for which every Mölnlycke employee shares responsibility.

Reputational risk
We understand that a crisis or incident of some kind could affect the long-term sustainability of our business. To minimise the risk of an incident damaging our reputation, we rolled out increased media monitoring and new corporate and site crisis management training during 2018. Towards the end of the year, our systems were tested when we experienced a threat to our IT security – but our new crisis management procedures and training meant we were able to minimise the impact on both our business and our reputation.
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