

## Communication on Progress (COP)

Period covered by our COP: From 1 January 2020 to 31 December 2020.

### Statement of continued support by the Chief Executive Officer

10 June 2021

*To our stakeholders:*

I am pleased to confirm that Mölnlycke® reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress (Sustainability report), we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Zlatko Rihter, CEO  
Mölnlycke Health Care AB

### Description of actions and measurements of outcomes

**Human Rights:** page 8, 26 and 46

**Labour:** page 8, 18 and 22-23

**Environment:** page 9-11 and 36-43

**Anti-Corruption:** page 9 and 44-46



COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

A healthcare worker wearing a green surgical cap, a white face mask, a yellow protective gown, and blue gloves is leaning over a patient lying in a hospital bed. The patient is also wearing a green surgical cap and a white face mask. The scene is set in a hospital room with white walls and a metal bed frame. A large green circle is overlaid on the image, containing the text "2020 Sustainability report".

2020  
Sustainability  
report



## About the report

This report constitutes our statutory sustainability report for operations within Mölnlycke®. Our sustainability report is issued annually. This report summarises the sustainability work conducted during the period 1 January – 31 December 2020.

The report covers our approach in managing material social and environmental challenges and opportunities, including, but not limited to, areas such as environmental protection, social responsibility and treatment of employees, respect for human rights as well as anti-corruption and anti-bribery. We include a description of our long-standing approach to ensuring high product quality for our customers and end-users.

In the report we set out our ambitions and challenges, and provide a picture of our approach, performance and risk assessments. The report has been prepared in accordance with established reporting principles such as balance, comparability, accuracy, clarity, timeliness and reliability.

As always, 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.communications@molnlycke.com](mailto:corporate.communications@molnlycke.com)**

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# Mölnlycke at a glance

Mölnlycke is a market-leading supplier of wound care and surgical products, and a trusted partner to healthcare professionals around the world. 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.



## Surgical Solutions

With healthcare systems under pressure to deliver more with fewer resources, Mölnlycke strives to continuously improve safety and efficiency. Our offering includes staff clothing and protection, procedure trays, antiseptics and surgical gloves.

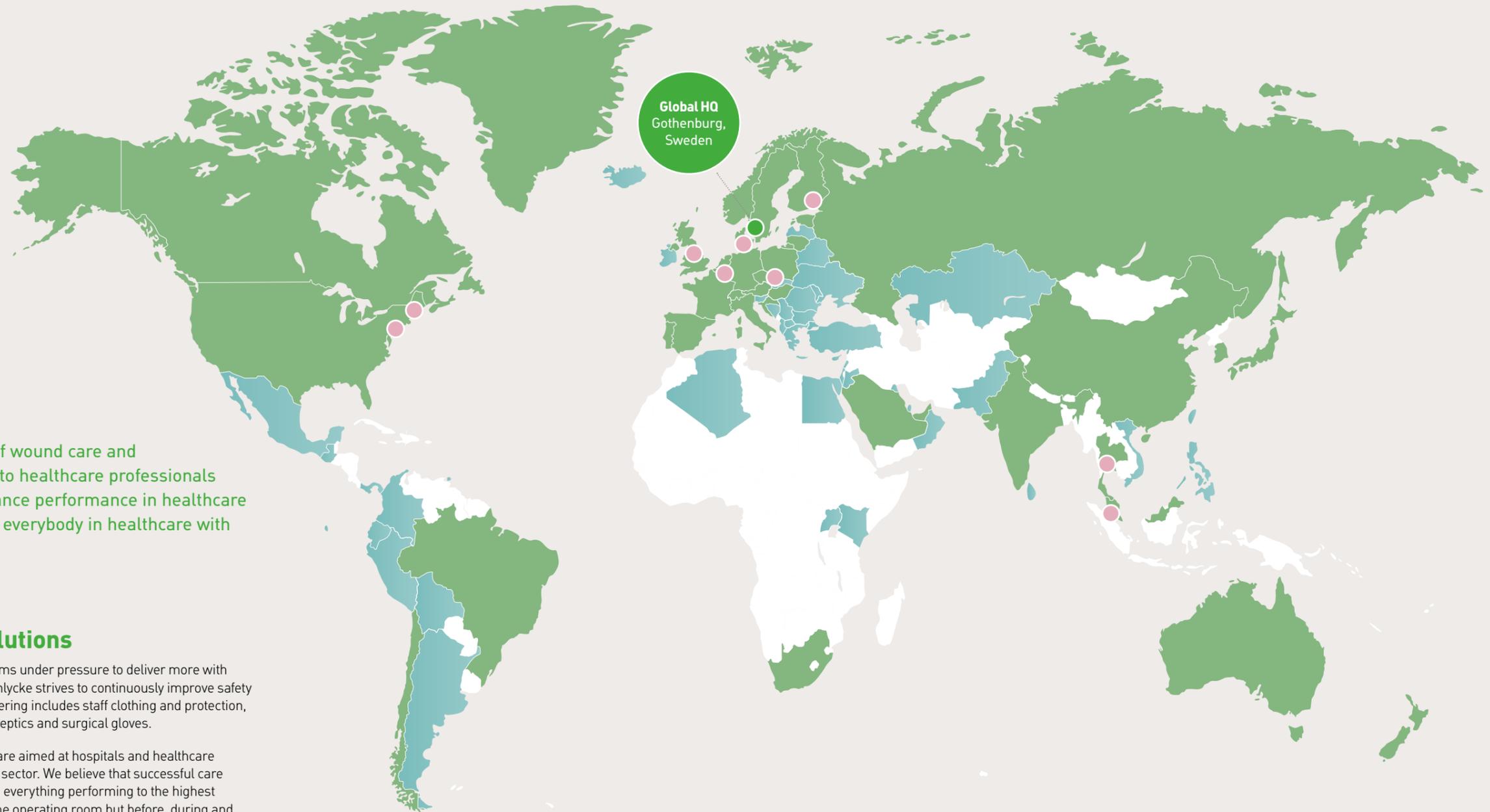
Most of our products are aimed at hospitals and healthcare providers in the acute sector. We believe that successful care is about everyone and everything performing to the highest standard; not just in the operating room but before, during and after surgery takes place.



## Wound Care

Our wound care and pressure ulcer prevention products are aimed at both the acute and the community healthcare sectors. The goal is simple – to further the science and practice of wound care to reduce pain and suffering for patients. We insist on excellence at every step, from the construction of a dressing to the way we interact with our customers.

From specialists to generalists, we equip healthcare professionals with the tools, training and expertise to accurately assess a range of wound types, including diabetic foot ulcers, venous leg ulcers, skin tears, burns, post op wounds and pressure ulcers.



Global HQ  
Gothenburg,  
Sweden

14

Manufacturing sites  
in eight countries

38

Countries with sales  
and marketing offices

●

Countries with sales  
through distributors

## Financial performance 2020

In 2020, consolidated net sales grew by 16.2% to EUR 1,793 million and operating profit increased to EUR 455 million, which corresponds to 25.4% of net sales. Shareholder equity at year-end amounted to EUR 1,825 million. In 2020 Mölnlycke distributed EUR 350 million to its shareholders.

Our research and development expenditure amounted to EUR 42 million, which is above the expenditure in the previous year (EUR 39 million).

99%

owned by Investor AB  
(remainder by management)

7,891

employees worldwide

1,793

annual sales  
(million EUR)

42

invested in R&D  
(million EUR)

# Our sustainability approach

As a Swedish medical devices company, sustainability is fundamental to our business success and a vital part of our Swedish heritage. We are committed to acting in a socially responsible way that benefits customers, patients and society over the long term.

Our Board, Executive Leadership Team and employees work alongside our owner Investor to develop our sustainability approach and continuously advance our performance. In 2020, we strengthened our sustainability framework to reflect the corporate social responsibility work we have been doing and to further define our approach.

We introduced a new Sustainability Policy based around four strategic areas of People, Business Ethics, Environment and Financial. In December 2020, we also introduced our new Code of Conduct providing clearer objectives and requirements on us as a company as well as on our employees.

We have also formally increased the number of Sustainability Development Goals (SDGs) we focus on from two to six, and are starting to implement them in our business. During 2020, we began an update of our materiality analysis focused on Green mindset, Responsible relationships and Ethical business to support delivery of our purpose. During 2021, we will validate the materiality analysis, and develop associated targets and KPIs.

Going forward, sustainability will be one of our key strategic pillars, as we continue to strengthen our approach.

## UN Sustainable Development Goals

The UN set out 17 Sustainable Development Goals for members to work together to achieve by 2030. Companies are taking responsibility for their people, suppliers, the environment and the communities where they operate.

While we can impact all 17 global Sustainable Development Goals, there are six where we believe we can make the biggest difference under the four areas outlined in our Sustainability Policy.

## On-going stakeholder dialogues

We maintain a dialogue with our most important stakeholders throughout the year. These include: healthcare organisations, healthcare professionals and procurement specialists, patients, employees, suppliers, the medtech industry, our owner Investor, financial partners, authorities, non-governmental organisations (NGOs) as well as the local communities where we operate.

We conduct research to gain a better understanding of our stakeholders' challenges and needs. We engage in written and oral communication, advisory panels and surveys in order to identify the issues that are most important so that we can take appropriate action. We play an active role in promoting good practice within the medical supply and healthcare industries through engagement with public policy makers.



# Making the difference

In 2020, Mölnlycke's purpose has never been more important. Our employees have worked tirelessly to support healthcare professionals with the vital staff clothing, protection and other equipment they need to deliver patient care.

When I arrived at the company in late November, I was astonished by the performance of Mölnlycke's employees. Our people are passionate about delivering for patients and customers. At the beginning of the pandemic, we moved quickly to working on digital platforms. And we have continued to serve customers with the products and services they need, despite the challenges of the pandemic.

Our employees' motivation makes Mölnlycke different and unique. That is reflected in the fact that, despite working long hours to support healthcare professionals, our employee engagement scores are even higher than in previous years. Employees have also remained motivated to raise funds and awareness for our global charities Debra and Operation Smile.

We want our people to have a great working environment, with safe and fair working conditions, where everyone has the chance to perform at their best. During 2020, we continued to invest in initiatives to enable this, such as our Safety Excellence Programme. I am proud to announce that in the last two years, the number of lost time accidents in our factories has almost halved.

We are also passionate about ensuring good working conditions at our suppliers' sites, and have a Supplier Code of Conduct and regular audits to secure this. Our strong relationships with them and mutual respect are valued. Many of them went above and beyond to help us deliver millions of items of personal protective equipment (PPE) for healthcare professionals during 2020.

Mölnlycke is 99% owned by Investor AB. For Investor, as for us, sustainability is fundamental to business success and a vital part of our Swedish heritage. We work together to develop our ambitions. Our goal is to act in a sustainable way over the long term.

Over the next few years, we will strengthen our sustainability approach. I believe this is both the right thing to do and it is expected by our stakeholders. We have already taken the first step, with an ongoing update of our materiality analysis focused on Green mindset, Responsible relationships and Ethical business to support delivery of our purpose. We are now in the process of completing the external validation, and defining KPIs and targets. We have also increased the number of Sustainable Development Goals we target from two to six and launched a new Sustainability Policy.

In planning product innovations, sustainability is going further up the agenda. This year, we introduced a line of drapes that are sustainably sourced, and we will be focusing on this area in the future.

As we move towards a post-pandemic world, what was normal before 2020 will never be normal again. Our habits and thinking have changed. There is much for us to understand and master. But I am confident that our purpose will guide us in the future, as it always has in the past.

**Zlatko Rihter,**  
Mölnlycke CEO

'We want our people to have a great working environment, with safe and fair working conditions'



# Performance summary

We work continuously to improve our sustainability performance. Our ambition is to be as transparent as possible about the results we have achieved and what we strive for. This is a summary of our progress in 2020. More details can be found in each chapter.

## Product quality

### Our objectives

We continuously strive for industry leading reliability and quality in our products and services in the interest of patient safety, customer satisfaction and business excellence. **Our objective for 2020 was to have a CPM (complaints per million) level below 1.5.**

### Our performance 2020

During 2020, **we surpassed our target reaching a CPM rate of 1.3.**

## Health and safety

We aim to provide a safe environment for our employees, suppliers and visitors at all of our sites around the world. **Our objective for 2020 was to reduce the number of LTAs (lost time accidents) to 1.3** per million working hours.

In 2020, **we surpassed our target and closed the year at 1.1** LTAs per million working hours, down from 1.6 in 2019.

## Human rights and social conditions

Worker's rights for our employees and our suppliers' employees are set out in our **Code of Conduct, Supplier Code of Conduct and Modern Slavery Statement.** These cover forced labour, child labour, freedom of association, working hours, discrimination and harassment.

- **In December 2020, we introduced our new Code of Conduct.**
- There were ten reports of wrongdoings through our whistleblowing helpline, which we dealt with appropriately.
- **We achieved a global multi-site certification for ISO 45001.**

## Diversity and inclusion

We have recognised that we need to take action on gender diversity at a senior leadership level. **Our ambition is for women to make up 40%** of our senior leaders by 2023.

**In 2020, women made up 38%** of our senior leaders, an **increase of three percentage points** compared to the previous year.

## Climate impact

### Our objectives

We are committed to reducing our climate impact. To achieve this, we are taking steps to reduce the consumption of fossil fuels across our operations. **Our objective is to reduce CO<sub>2e</sub> emissions by 2%** per produced tonne of finished product.

### Our performance 2020

Total emissions per produced tonne of finished product for 2020 were down by 3.4%. We surpassed **our target of a 2.0% decrease.**

## Waste management

We seek to use materials more efficiently to reduce the amount of potentially harmful waste we generate. Our ambition is

- to reduce the **amount of waste generated at our sites by 2% relative to production.**
- to achieve a rate of reuse, recycling, and incineration with **energy recovery of 85%.**

- We exceeded our target of a 2% reduction relative to production, **with a 6.4% reduction.**
- **81% of the total waste generated at our sites was recycled or incinerated with energy recovery,** up from 77% in 2019 but below our target.

## Water consumption

We continuously **strive to reduce the amount of fresh water** we use compared to the previous year.

Our total water consumption saw an increase of 0.9% compared to 2019. **This increase was mainly due to an increase in production** at our manufacturing sites in Malaysia, which together account for 91% of our total water consumption.

## Anti-corruption

**We want 100% of our employees to be trained in anti-corruption and anti-bribery.**

At the end of 2020, **98% had completed online training in anti-corruption and anti-bribery.** In December, we also launched our updated compliance programmes, including our updated Avoiding Bribery & Corruption Policy and supporting procedures and guidelines.

## Supply chain

We require our **primary suppliers to sign up to our Supplier Code of Conduct and Supplier Standard,** which includes the protection of human rights, and to set similar standards among their supply chains.

During the year **we have updated our Supplier Code of Conduct.** This has been rolled out to most of the supplier base in 2020 and we are continuing this work in 2021.

# Sustainable solutions

For Mölnlycke, finding new solutions means driving technology development together with our customers, suppliers and other partners to deliver new sustainable products and solutions. While maintaining the highest product quality to safeguard patient and staff safety, we are committed to contributing to reducing our carbon footprint and moving towards a circular economy.

Our ambition runs throughout the product life cycle, from product development through to disposal. With an innovative mindset, we strive to find sustainable solutions that have an impact. We focus on the areas where our solutions have the biggest effect, to achieve sustainability goals for both ourselves and our customers.

## Our approach

We have taken a position to invest in solutions that reduce our climate impact. For us, this means focusing on carbon footprint and moving towards a circular economy.

For all our solutions, the demands on product quality remain the same. Patient and staff safety is always at the top of our list. But that will not hinder or diminish our ambitions.

We run our product development using a cross-functional, product development process from opportunity screening, ideation, concept design, product development, implementation through to launch. It includes everything from the product itself to packaging, transportation validation and production process development.

One focus area is to reduce the amount of fossil-based plastic in our products. We have are therefore starting to introduce bio-based plastic as a raw material, beginning with products where we can have the most significant impact.

By acting according to the mass balance principle, we will achieve a rapid effect, while also driving global demand for fossil-free plastics.

We are also striving to develop, design and manufacture our products in a way that minimises material consumption. That is why design for environment is implemented in our product development from the very

beginning. During 2020, we also started the process of certifying our manufacturing sites to demonstrate compliance with ISCC sustainable supply chain standards.

Product Life Cycle Assessment (LCA) is performed according to standardised methods and third party experts are involved. We also use it in the development process of new or improved products to ensure positive climate impact.

We work in partnership with our suppliers to develop sustainable technologies and our requirements go hand in hand with our customers' goals. Mölnlycke's ambition is to continuously reduce our climate impact over time.

To ensure that our customers and partners are aware of our commitment, we have recently introduced the use of FSC® labelling on our wood fibre-based packaging, indicating that all fresh fibres in them comes from forests that are managed responsibly. Although most of the boxes used by Mölnlycke already come from FSC® certified sources and paper recycling, the on-pack logo help visualise this to the customers and users.



## Growing a sustainable future

**W**e are introducing renewable, plant-based raw materials into the supply chain of some of our key product platforms to increase their sustainability.

### Ensuring infection control

In 2018, the Barrier® drapes team set up a project to investigate the potential for drapes made from sustainable raw materials, while ensuring that product quality and infection control are never compromised. 'We have always used plastics, among other materials, in our drapes because of their performance,' says Andreas Hellman, Global Marketing Director Drapes and Staff Clothing. 'Any replacement raw material has to meet our requirements on comfort and cost, and crucially infection control.' The project involved numerous workshops with suppliers, as well as investigating and testing possible materials.

### Using material made from tall oil

The drapes team eventually decided on a raw material made from tall oil. 'Tall oil is both renewable and a residue from the forest industry,' says Andreas. 'And because forests absorb carbon, it has the potential to be carbon neutral.'

Mölnlycke has decided to adopt the new raw material gradually. 'Our plan is to substitute the materials one by one to become more sustainable and circular,' says Andreas. 'This is because we need to be very careful about the unwanted impacts of our actions. For example, we want the tall oil to come from sustainable forest management, which also protect biodiversity. We also cannot jeopardise product safety and quality.'

### Further sustainable products to come

So what's next for sustainable products at Mölnlycke? 'Step by step, we will increase the proportion of renewable and recycled materials in our product assortment,' says Andreas.

'We plan to introduce scrub suits partly made from sustainable materials during 2021. We are also launching green tray components'

**'We are ambitious about introducing more sustainable materials and doing it in a safe and responsible way'**

**Andreas Hellman**  
Global Marketing Director  
Drapes and Staff Clothing

# Our business model

We offer around 20,000 different stock items to our customers. Sustainability is considered at every stage of products' lives, from development to disposal.



## Research and development

Our R&D team is responsible for developing and upgrading our products and solutions resources in consultation with our manufacturing, procurement, quality, regulatory and commercial teams. Ensuring high product quality and finding sustainable solutions are key to their work. We also collaborate with external partners to strengthen our in-house R&D resources. Our R&D function is global, with its center in Gothenburg.



## Purchasing and Supply Chain Planning

We purchase raw materials and components from around 320 suppliers to our production sites. Our procurement team supports our manufacturing sites and are responsible for the identification and selection of suppliers of raw materials, components and services as well as contract negotiations and supplier relationship management. We require 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. All our suppliers of raw materials and components are considered primary suppliers.

Supply Chain Planning is responsible for the management of supply planning, inventory planning and replenishment.

Supply Chain Planning also manage and coordinate our Integrated Business Plan.



## Manufacturing

We have 14 manufacturing sites in eight different countries around the world where our products are manufactured. Local Environment Health and Safety (EHS) teams at our sites ensure we meet our environmental and safety targets. We also purchase products from around 30 contract manufacturers, who are overseen by manufacturing procurement.



## Distribution and logistics

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: Wareme, Belgium; Lyon, France; Corby, UK; Landskrona, Sweden; and Sosnowiec, Poland
- one in Asia Pacific (APAC): Johor Baharu, Malaysia

Our five European distribution centres serve directly our customers in Europe and our eight European local and Canada warehouses. Our APAC distribution centre serves our ten local warehouses in Japan, China, Australia and New Zealand. Our two US distribution centres serve directly our customers in US, distributors and local warehouse in Brazil.

We use third-party suppliers to move raw materials, components and finished solutions, by sea, air, rail 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.

In 2020, there were over 600,000 deliveries to 15,000 customers worldwide.



## Commercial

Our global commercial function is responsible for engaging and supporting customers with solutions to help them achieve their objectives. The global commercial organisation sets the overall strategy and determines which markets and product segments to expand. This work is supported by our research and development (R&D) function.

Our commercial operations are carried out with regional setups in Europe, the US, Latin America, Asia Pacific, the Middle East and Africa. In 2020, there were 38 commercial offices around the world and our products were available in over 100 countries.



## Customer care

Our customer care team is responsible for aftersales activities, such as order 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.

## Support functions

Regulatory, Quality Assurance, Environment, Health and Safety, Finance, IT, Legal and Compliance, HR, Corporate Communications, Corporate Strategy and Business Development, Medical and Economic Affairs.

# Sustainability governance

## The Board

The Board is responsible for approving Mölnlycke's sustainability strategy as outlined in the Sustainability Policy. The Board also oversees the implementation of the Sustainability Policy and the sustainability objectives as approved by the Executive Leadership Team. The Board monitors how we identify and manage sustainability risks as part of the overall enterprise risk management process as well as the actions implemented to manage these risks. The Sustainability Policy and the annual Sustainability Report is approved by the Board prior to publication.

We strive to comply with applicable laws and regulations in each country of operation.

## The Executive Leadership Team

The CEO leads the day-to-day management of the company, supported by our Executive Leadership Team (ELT). The ELT consists of the nine Executive Vice-Presidents, who lead different functions. The ELT works at a strategic level to implement sustainability in all our business. Further, the ELT is responsible for approving and implementing activities to support the objectives outlined in the Sustainability Policy and for overseeing that the supporting activities are carried out.

## The Global Compliance Committee

The Global Compliance Committee (GCC) consists of the CEO (Chairman of the committee), the Executive Leadership Team, and the Chief Compliance Officer. The GCC promotes a compliance culture and defines our compliance programme framework and related principles as set out in our Code of Conduct, policies and procedures. The respective ELT members are responsible for compliance within their respective functions, supported by the Legal & Compliance function.

The compliance committees promote a compliance 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.

## Sustainability Core Team

The Sustainability Core Team is a cross-functional team coordinating sustainability activities in the group and supporting ELT in matters relating to sustainability.

The functions are responsible for managing the sustainability activities as decided by the ELT and the functions.

## Mölnlycke's owner

The foundation of our sustainability activities is the strong support from our Swedish-based owner Investor AB, who defines sustainability as the delivery of long-term value in economic, social and environmental terms. As a long-term, responsible and active owner, they set out sustainability guidelines for their holdings, which we follow. Investor has defined three focus areas and related long-term targets based on their impact as a company and owner – Business Ethics & Governance, Climate & Resource Efficiency and Diversity & Inclusion.

Read more at [www.investorab.com/sustainability/](http://www.investorab.com/sustainability/)

## Our policy framework and commitment

We are a signatory of the UN Global Compact and we have embraced the commitments as the basis for our policy framework. We report annually on our efforts in relation to them. [Link to website.](#)

### Code of Conduct

The Code of Conduct outlines the principles and standards of how we do things at Mölnlycke.

[Link to webpage](#)

### Sustainability Policy

The framework for our sustainability work is shaped in our policy, which is reviewed annually.

[Link to webpage](#)

### Supplier Code of Conduct

Through our Supplier Code of Conduct we aim to ensure ethical practices throughout our supply chain.

[Link to webpage](#)

### Quality Policy

The framework for our quality work is shaped in our policy, which is reviewed annually.

## Managing sustainability risks

We've designed a risk management system to identify, assess and manage the most material risks for our short and long-term business sustainability. The ELT has overall responsibility for reviewing and measuring its effectiveness, while our managers are responsible for implementing it.

The risks are divided into four categories: financial, strategic, regulatory and legal and operational risk. The risks identified include, but are not limited to, sustainability risks, such as bribery and corruption and other risks relating to our Code of Conduct.

In addition to this, we have tools, procedures and policies to help us manage identified risks – and we also run mandatory training courses to educate key stakeholders 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.

To test the effectiveness of compliance controls, we regularly review our operations and those of our suppliers. We also have a whistleblowing helpline (see page 16).

### Identified sustainability risks

#### Anti-corruption

Since we are regularly interacting with government officials, healthcare professionals and healthcare organisations, anti-corruption compliance is very important. Managing the risk of bribery and corruption at Mölnlycke,

as well as anti-corruption risks linked to our distributors and our suppliers are of utmost importance for us. If we find that one of our employees or business partners has failed to live up to our standards, we take immediate action.

#### Sustainable supply chain and supply chain resilience

We require 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 our suppliers' actions.

We understand that our suppliers in some markets may be at risk of violating human rights. To reduce this risk, our Supplier Code of Conduct specifies that suppliers must protect human rights. Our CEO and Executive Leadership Team have signed a statement against modern slavery, child labour and human trafficking.

In order to increase resilience in our supply chain, we build long-term relationships with our suppliers, based on fairness, collaboration, transparency and open communication.

#### IT security

Mölnlycke's day-to-day operations are dependent on reliable and secure IT. Digital is also an increasingly important component in our solutions to provide improved patient outcomes, support healthcare professionals and enhance customer experience.

Today, more than ever, cyber threats have become an issue for all businesses and cause security incidents that can lead to operational disruptions and data loss. Mölnlycke has identified cyber security as a high-priority risk and a focus area to invest resources in order to proactively mitigate the risk.

We work together with our sourcing partners in operations of our information systems and IT infrastructure to prevent, detect, protect, and respond to cyber incidents following defined processes.

Our group security improvement programme is designed to:

- Increase our employees' cyber risk awareness
- Protect confidentiality, integrity, and availability of our data; and
- Improve the efficiency of our security processes and controls.

#### Health and safety

Our employees are exposed daily to the risk of various types of accidents – particularly in our factories. These risks increase in line with production growth, changes in production methods or working environment conditions and with the recruitment of new employees. In order to further improve our safety performance, leadership and communication, we established our comprehensive Safety Excellence Programme in 2017, with the vision of building a strong culture of preventing work-related accidents. Every year, the programme has different focus areas, depending on the needs of our business.

#### People, diversity and inclusion

Understanding the person as an individual and not just as an employee will help us to embrace the uniqueness of each person, which ultimately will make us an even more inclusive and diverse workplace. Our holistic approach will position us well as an attractive employer for future generations.

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.

#### Environment

Environmental risks are continuously identified, evaluated and handled in accordance with our environmental management system and the enterprise risk management process.

For our products, the most significant identified environmental risks include:

- Our CO<sub>2</sub> footprint: we continuously work to optimise manufacturing lines, transport ways and proximity to suppliers;
- The origin, consumption and supplier footprint relating to raw materials: we are continuing to investigate this;
- Waste management of single-use products: we have started to explore the replacement of material deriving from fossil fuels.

#### Product quality

To manage product risk, both within our operations and within those of our suppliers, we have robust policies and processes. To further ensure our product quality, we have a state-of-the-art quality system, Master Control, which enables Mölnlycke employees to access quality system documents.

#### Reputational risk

We understand that a crisis or major incident of some kind could affect the long-term sustainability of our business. We conduct media monitoring and maintain our crisis preparedness in order to reduce the risk of an incident damaging our company's reputation.

In order to further improve our safety performance, leadership and communication, we established our comprehensive Safety Excellence Programme

## How we monitor performance

As a learning organisation, we at Mölnlycke will continue exploring all the ways in which we can reduce our impact on the planet, engage in our communities, and create safe and healthy work environments for everyone within and outside of our operational control. Here are some of the ways in which we monitor and drive sustainability performance at Mölnlycke.

#### Corrective action and preventive action

We drive continuous improvement through the 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 from recurring.

#### Accident investigation

We conduct root cause investigations of all safety and environment-related accidents and spills at our sites, followed by corrective actions to resolve root causes and prevent them from recurring. Experiences from all incidents are shared between our sites through the global Environment, Health and Safety (EHS) team.

#### Audits

We carry out internal and external audits to verify the effectiveness of our environmental, safety, and quality management systems and our ability to fulfil compliance obligations.

#### Management review

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

#### Reporting

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

#### Compliance and certification

Mölnlycke is globally certified as fulfilling ISO 14001:2015, ISO 45001:2018, ISO 9001:2015, ISO 13485:2016, MDSAP, MDD 93/42/EEC and Regulation (EU) 2017/745 (MDR) standard requirements and, as such, complies with local regulations as well as relevant global frameworks and international agreements. We have policies, processes and procedures in place to assure legal compliance and these are regularly checked and updated when necessary.

#### Managing suppliers

All our suppliers are assessed to ensure they meet our quality requirements. We conduct onsite audits where necessary based on risk management. We require our primary suppliers to accept and comply with our Mölnlycke Supplier Standard and Supplier Code of Conduct. Our suppliers' manufacturing sites are required to provide a safe working environment and comply with local laws such as fair remuneration, minimum age of employees and working hours.

#### Product life cycle management

We take a full life cycle approach to product manufacturing. We consider 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.



### Dealing with complaints, accusations and concerns

**There are multiple mechanisms that allow employees** to report concerns related to legal, financial, environmental ethical and social issues. These include the management compliance committees, the Compliance team, our local Environment, Health and Safety (EHS) teams and our global EHS team in Gothenburg.

**We also deploy an external whistleblowing helpline** and other reporting mechanisms through which employees, suppliers and other business partners or customers around the world can anonymously report any incidents of corruption, illegal or unethical behaviour whenever they occur in their local language. The helpline connects to a team consisting of the global Chief Compliance Officer, the EVP HR & Corporate Communications and the EVP Legal & 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. During 2020, there were ten reports of wrongdoings through our whistleblowing helpline, which we dealt with appropriately.

# People



For us at Mölnlycke, responsibility for people means that we care for our employees as individuals, our suppliers' employees, our customers and their patients - and societal development in general.

We want Mölnlycke to be characterised by an environment where employees feel empowered to grow, develop and contribute through their commitment. We ensure that all our employees have good working conditions and there are respect and inclusion in the workplace. Diversity at senior leadership level and providing internal development opportunities for growth are key focus areas at Mölnlycke.

Through the Supplier Code of Conduct, we expect our suppliers to treat their employees with the same respect.

As a world-leading medical solutions company, the high quality and safety of our products are core to our business. We provide healthcare systems worldwide with innovative products and solutions to prevent infection and create efficiencies in hospitals and to help healthcare professionals reduce pain and suffering for millions of patients.

In 2020, we have worked hard to safeguard the health and well-being of our employees during the pandemic, and we have gone the extra mile to equip healthcare professionals combating COVID-19 with personal protective equipment.

## Care for customers and patients

We design and supply medical solutions to enhance performance in healthcare – from the hospital to the home. We also offer vital staff clothing and protection to prevent infection.

As a long-term partner, we listen to the customer to make sure we create the solutions they need, supported by evidence. Their relentless search for new and better ways to care for patients drives us to innovate. By working closely together with healthcare professionals we constantly develop our solutions. And we ensure high quality and safety through compliance to standards and regulations, supported by our process-based quality management system.

## Better healthcare outcomes

Making products that improve quality of life for healthcare professionals and patients informs everything we do.

In Wound Care, our portfolio of products promotes both healing and prevention, raising the standard of patient care.

In Surgical Solutions, we strive to continuously improve safety and efficiency in hospitals and health centres, for good clinical outcomes.

We also contribute to advancing performance by sharing knowledge about our special clinical areas. And by helping to shape healthcare policies and protocols to raise standards of care worldwide.

### New products 2020

#### Avance® Solo and Avance® Solo Adapt

Avance Solo and Avance Solo Adapt are our new negative pressure wound therapy systems. They enable transportation of exudate from the wound through a dressing and into a canister. The products are indicated for:

- Single-use negative pressure wound therapy for open wounds, such as pressure ulcers and diabetic foot ulcers
- Closed-incision negative pressure therapy for surgical wounds

In 2020, the products were launched in eight pilot markets in Europe.

#### Mepiform® Self scar gel

The launch of Mepiform Self Scar gel now allows us to offer a broader solution in scar management. The main indications for scar management are wounds caused by accidental trauma, and post-operative wounds after caesarean surgery and cosmetic surgery.

The gel, commonly used during day while a silicon sheet is used at night, is invisible and suitable for various difficult-to-apply areas of the body. The new scar gel has been launched in China.

#### New Drapes

With BARRIER® Universal ISCC drapes and sets we are taking the next step in reducing fossil-based carbon dioxide emissions in the supply chain, by reducing the amount of materials derived from fossil origins in the impermeable layer of the BARRIER Universal drape.

This allows us to start moving step by step from fossil-based to bio-based or recycled materials. In our supply chain, while accounting for the percentage of bio-based/non-fossil material that's been put into the production system. Being able to trace and quantify resources in this way provides greater accountability and more transparency of our actions toward reducing our environmental impact.

The ISCC certification for this range of products confirms that an equivalent amount of ISCC-compliant PE film material has been sourced, resulting in lower CO<sub>2</sub> emissions compared to non-ISCC certified comparable products.

### Main brands

#### Wound care

**Mepilex®** – a wide range of dressings for acute and chronic wounds.

**Mepilex® Border** – prophylactic dressings for targeted areas of the body.

**Exufiber®** – a gelling fibre dressing to manage the challenges of highly exuding wounds.

**Mepitel®** – a gentle, effective wound contact layer.

**Granulox®** – topical haemoglobin spray for wound oxygenation.

**Granudacyn®** – irrigation solution and gel for cleaning, moistening and rinsing acute and chronic wounds.

#### 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 doublegloving, featuring a puncture indication system.

**Mölnlycke® surgical instruments** – a wide assortment of single-use instruments for minimally invasive surgery.

**Mölnlycke® procedure trays** – all the single-use items needed for a specific surgical intervention, assembled in a sterile pack to give healthcare professionals a truly customised and complete solution.

**Hibi® antiseptics** – solutions for preventing infection including hand hygiene, disinfectants and pre-surgery whole body wash.

## Digital care for customers

At Mölnlycke our purpose is to advance performance in healthcare. We do this not only by continuously innovating our products and services but through helping healthcare professionals to advance their knowledge.

In 2020, we delivered our professional education programmes online. We strengthened our digital professional education offer and accelerated the development of new digital solutions to help customers manage their pain points.

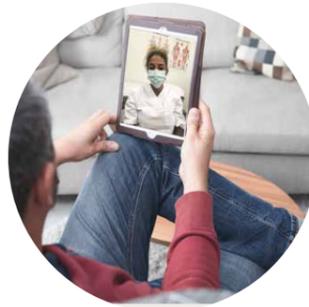
Our flagship Mölnlycke Talks, which uses a chat-show format to discuss key topics, ran virtually this year. Thousands of healthcare professionals watched Mölnlycke Talks live and on-demand. To maintain customer intimacy, sales colleagues in many of our markets

followed up the live webinars immediately with Q&As between themselves and customers.

We also launched the Mölnlycke Advantage online hub, a customised learning platform for wound care professionals, where they can access webinars and talks on-demand as well as blogs and other expert knowledge.

Our digital health business grew, with two solutions to assist healthcare professionals in their wound assessment and dressing selection. We also developed digital solutions to support existing products.

Our sales colleagues stayed close to customers so that they could continue to support healthcare professionals throughout the pandemic.



## Product quality

The high quality and safety of our products are core to our business, which we ensure through compliance with our process-based quality management system. We constantly analyse and review quality throughout the product life cycle. We seek to continuously improve everything we do. During 2020, we continued to prepare for the MDR (Medical Device Regulation) in Europe, and were MDR ready well ahead of time.

### Quality management system

Based on the Quality Policy, Mölnlycke has established, documented, and implemented a process-based quality management system. We are committed to maintaining its effectiveness and driving 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 a high level of transparency, which allows us to view and analyse the way we work to ensure expectations are met. This provides a solid foundation for continuous improvement.

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

To continuously deliver customer improvements and benefits, we follow our sustainability performance monitoring, including the corrective action and preventative action (CAPA) process, audits, management reviews, managing suppliers, product life cycle management, and compliance and certification (see page 17). In addition, we focus on:

- Design controls
- Quality control
- Customer feedback
- Post-production surveillance

### Our certifications include

**ISO 9001**  
Quality Management

**ISO 14001**  
Environmental Management

**ISO 45001**  
Occupational Health and Safety Management

**ISO 13485**  
Quality Management System  
Medical Devices

**MDSAP**

### Our objectives

We continuously strive for industry leading reliability and quality in our products and services in the interest of patient safety, customer satisfaction and business excellence. **Our objective for 2020 was to have a CPM (complaints per million) level below 1.5.**

### Our performance 2020

During 2020, **we surpassed our target with a CPM rate of 1.3.**



# Protecting healthcare professionals in their hour of need

2020 saw Mölnlycke play a key role in the fight against COVID-19.

**F**riday 20 March was when we realised just how grim things were going to get,' says Enrique Alvarez, General Manager for Iberia. 'Spain had just gone into a very strict lockdown. Customers were calling us in tears. Hospitals were overwhelmed. And they had minimal stocks of staff clothing and protection.'

Enrique and his team spent the weekend sourcing vital personal protective equipment (PPE), and by Tuesday 24 March, pallets of face masks and gowns were arriving in Spanish hospitals. 'It was still early in the pandemic and we had some additional stock in our European warehouses. We also flew items over from China,' he says.

Almost everyone in our Spanish offices took part in the effort to source staff clothing and protection – from Logistics and Supply colleagues to IT and the

Commercial teams. 'Our role as a healthcare business has never felt more important,' says Enrique. 'We were helping our customers save lives.'

### Going the extra mile

That weekend in March was when the pandemic became truly global. Faced with a sevenfold increase in the worldwide demand for staff clothing and protection, Mölnlycke colleagues pulled out all the stops to get face masks and other protective equipment to customers around the world.

AnnChristine Strigen led our procurement effort: 'We increased our own production capacity, sourced additional products from existing suppliers and found new suppliers – which we had to quality assure and approve incredibly quickly,' she says.

All of this was against a background of export bans, factory closures, shortages and restrictions on movement. 'One of our usual PPE suppliers was ordered to close by their government for several months,' says AnnChristine. 'There was also a worldwide shortage of the raw materials required.'

### Continuous dialogue

Dialogue between Mölnlycke and its customers was non-stop. Michael Tobergte, Field Sales Manager for Surgical in the Netherlands explains: 'Everyone really did their best for healthcare professionals. The huge challenge was that the demand of PPE products outpaced supply and went beyond any other scenario we had seen before. We were transparent and open, constantly informing them and listening to their needs. They showed understanding and appreciation. And we have strong relationships now because they know how far we went for them in their hour of need.'

### Our PPE in action

Across the globe, Mölnlycke supplied a total of 300 million extra items during 2020. 'The scale of what we have done is amazing,' says Enrique Alvarez. 'At the height of the pandemic, I myself went for a COVID-19 test. Every single healthcare professional in the clinic was wearing a Mölnlycke gown and face mask. It made me very proud to see our staff clothing and protection in action.'

## Care for everyone working for us

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.

We want everyone at Mölnlycke to feel empowered to grow and develop. The ongoing pandemic has made us even more focused on ensuring a good working environment and well-being for our employees. We always respect the human rights of our employees, no matter where in the world they work. To help ensure that human and social rights are respected, we provide tools including a whistleblowing helpline available to our employees in local languages, to express concerns in a safe and confidential manner. None of our operations was subject to a human rights review or impact assessment.

## Health and safety

Mölnlycke aims to provide a safe, accident-free and healthy environment characterised by respect for our employees, suppliers and visitors at all of our sites around the world. We conduct our business in a manner that is in line with the principles on which our Sustainability Policy is based.

Health, safety and well-being are strategically imperative pillars of our short- and long-term sustainability journey and contribute to our sustainable development by:

- Our commitment to fulfilling all of our compliance obligations.
- Conducting our business by taking into account people's expectations and requirements regarding health and well-being, regardless of whether they are our employees, our subcontractors, customers or other people affected by our company's activities.
- Setting and continuously monitoring suitable health and safety objectives.
- Continually improving our health and safety performance, maintaining and encouraging a health and safety management system which promotes proactive change.

### Our health and safety management approach

Mölnlycke operates a robust health and safety management system which is integrated with our environmental and quality management system. In addition, each of our facilities has policies and procedures appropriate to the scale and nature of their activities and the communities in which they operate.

- Each factory has a health and safety team made up of a cross-section of employees who assess issues and recommend actions.
- Environmental, health and safety (EHS) representatives share experiences, ideas and best practices to achieve improvements across the whole company.
- We continuously monitor our performance, and report all of our findings on a global level every month.
- Root cause investigations are performed for all accidents and high-potential near misses at all of our sites.
- We provide health and safety training for all employees and contractors.

We monitor our health and safety performance systematically and continuously and it is reported on a monthly basis at our manufacturing sites, the Anderson distribution center in the US, and at our headquarters. The results are presented in a global report and evaluated by senior management with regard to our targets and objectives.

### Safety Excellence Programme

In 2020, Mölnlycke continued to implement the Safety Excellence Programme, carrying on the hard work and dedication that has brought us to this point in our safety journey. This programme works to extend our boundaries, creating a holistic approach to health and safety management, helping us reach our goals. We have continued our initiative to mitigate the risk of manual lifting-related injuries with the ongoing rollout of our special manual lifting training programme.

### Our objectives

We set appropriate health and safety objectives and targets on a yearly basis covering both leading and lagging indicators.

#### There were three key objectives for 2020:

- By **focusing on prevention**, continuously:
  - Increase the number of observations (to prevent unsafe acts/situations/behaviour)
  - Increase the number of management health and safety walks
  - Increase the number of approved, corrected near miss incident investigations
  - Reduce the rate of lost time accidents and lost time days
- Achieve global certification for **ISO 45001**
- **No legal proceedings** for health and safety occurrences

### Our performance 2020

2020 was dedicated to the protection of our people, working continuously to adjust to the changing situation of the global pandemic. We now hold a global multi-site certification for ISO 45001.

**88%**

The ratio of performed vs. planned management health and safety walks was 88%, **a reduction from 2019** due to social distancing requirements and increased telecommuting.

**4,667**

The number of safety observations was 4,667, **a decline from 2019** due to the restrictions surrounding COVID-19.

**99%**

Nearly 99% of near misses were corrected, **above our target** of 95%.

**20%**

The total number of near misses decreased by 20% from **200 in 2019 to 160 in 2020**.

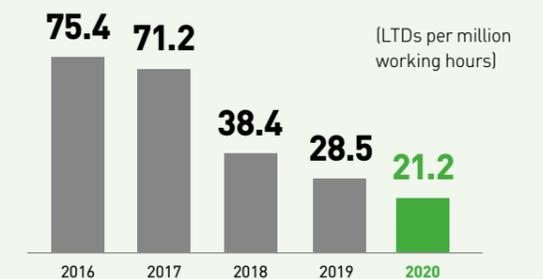
**LTAs** (any workplace accident or injury that causes an employee to miss their next scheduled work day or shift.)

**Our lost time accident (LTA) rate has continuously and significantly decreased during the last several years.** As part of our drive for continuous improvement, our EHS programme set the ambitious target of reducing the number of accidents from 1.6 LTAs per one million working hours in 2019, to 1.3 in 2020. Our rate of 1.1 demonstrates that we exceeded our target.



**LTDs** (ordinary work days or shifts lost to LTAs)

**The total number of lost time days (LTDs) has continuously reduced during the last five years.** For example, we had 97 fewer LTDs than in 2019 and 262 fewer LTDs than in 2018. We believe this shows a reduction in the severity of LTAs globally. The number of LTDs per million working hours was 21.2, down from 28.5 in 2019. The number of reported high potential near misses was 28, down from 36 in 2019. Globally we had four LTA-free months, and 8 manufacturing sites with zero LTAs in 2020.





# How we've reduced the number of LTAs

We have significantly reduced accidents in our factories.

**W**ith around 4,500 factory-based employees, Mölnlycke is strongly aware of its responsibility to ensure a safe workplace. Every year, there were a few small incidents like lifting injuries and fingers cuts. So in 2016, the company's Environment, Health and Safety (EHS) team decided to completely overhaul our safety culture – and set a vision for zero accidents.

## Behaviour-based safety

'Every single employee – from factory leadership to line operators – plays a part in health and safety,' says Cristiano Castagnetti, Director Manufacturing Excellence. 'They are all human beings. To transform our safety culture, we had to adopt a programme of behaviour-based safety.'

## Changing the culture from the top

After a very thorough audit of all safety procedures and moments, we identified a number of actions we could take. 'Culture change comes from the top,' says Cristiano. 'So we introduced frequent safety walks by managers and leaders. We trained them in what to look for – but also in how to engage positively with employees about the behaviours and actions they were seeing.'

Factories have monthly safety audits, which team Safety Committee members and managers together to identify positive safety practices and opportunities for improvement. 'Our safety audits bring about a new and more creative perspective while encouraging teamwork between our leadership and safety team,' says Justine Buscanera, QA technician at our Wiscasset factory in Maine, US.

## Increasing ownership and engagement

Mölnlycke also rolled out training for the workforce in proper lifting techniques and other topics. The company took a 'train the trainer' approach to increase ownership and engagement. Jeff Wing, Supervisor Maintenance in Wiscasset notes. 'Employees are often stopped on the spot by other employees and coached on the proper way to achieve a healthy lifting or turning technique. I've practised and preached the system to family and friends outside the factory too.'

## Frequent safety moments

To raise the profile of health and safety, it was key to focus on it more often. 'We have frequent "safety moments";' says Cristiano. 'These are opportunities to engage with safety issues. The EHS manager gives weekly 15-minute talks about challenges like slips and trips, or lifting heavy objects. We also hold discussions about accident prevention opportunities with the workforce. Together we identify a list of actions, which we then follow up and report back on.'

## Growing visibility

Of course, no health and safety programme would be complete without metrics. 'We have implemented a set of leading and lagging indicators to follow up on progresses and address deviations,' says Cristiano. 'To bring them to life and maintain awareness, safety boards in the factories highlight information such as the number of days since the last accident.' Production operators are encouraged to look at the safety boards and talk about the measures they see.

The change in safety culture has strengthened how Mölnlycke employees conducted root cause analysis after an accident or near miss. 'We have changed the culture from "I have to" to "I want to",' says Segaran Veerayah, Regional Asia EHS Manager. 'People are very willing to listen to and implement lessons learned. Health and safety have much higher visibility than before.'

## The value of health and safety

In the last two years, the number of lost time accidents (LTAs) in Mölnlycke's factories has dropped from 2.1 per million working hours to 1.1. 'Everybody recognises that we still have a way to go,' says Cristiano. 'But the effort is starting to pay off – and that means Mölnlycke people are safer at work.'

As Nik Hanis Anida, EHS Officer Batang Kali, Malaysia says: 'EHS isn't expensive, it's priceless.'



# From pandemic to the path forward

2020 has been a challenging year in a way that nobody could have foreseen. During the pandemic, Mölnlycke has taken every possible measure to protect our employees, our business and the community at large.

**B**y taking immediate safety precautions, enhancing telecommuting, creating crisis management teams, and constantly communicating with our employees, we have been able to face this challenge in a spirit of positive innovation. Local offices and facilities have received corporate guidance and assistance, yet have been empowered to take the lead in seeking the best course of action for their locations.

From the very beginning it has been Mölnlycke's top priority to protect employees and to support their well-being. By protecting our employees, we can also secure our business and continue to provide healthcare professionals around the globe with vital staff clothing and protection.

During 2020, we went on a journey towards a new way of working. A way focused on collaboration, which creates resilience and agility in the manner in which we perform our jobs. Standing still was not an option for us. To continue to serve our customers in times of a crisis, our employees went the extra mile to evolve new ways of working.

## Examples on how we have taken on the challenge

### HQ, Gothenburg, Sweden

HQ colleagues have been flexible and adapted to local developments. As more and more people have worked from home, we have placed significant focus on measures that contribute to a sustainable work environment when working remotely, such as offering an IT package for the home office, installing a programme that allows people to pause their connection and organising running exercise via Teams. In parallel, we have made major adjustments to our building to make it a safe place to be for those who need to do their job in the office. The workplace has been continuously adapted based on guidelines and requirements from authorities.

### The UK

In the UK we have provided a range of well-being and mental health support through for example specifically trained managers and first aiders. Additionally, we created working from home 'top tips' and provided a care package, weekly well-being emails, online yoga and fitness sessions, well-being reflection documents for employee and manager discussions (coupled with manager guidelines), team 'tea and talk' sessions and all-employee virtual socials. All employees were asked to block out 12–1pm each day to take a well-being break.

### Latin America

We made an assessment – including health, physical and mental well-being – of each

employee. With the results in hand we started a We Care programme in partnership with external professionals, in order to promote health and well-being through active listening and awareness. We conducted webinars on subjects such as the impact of the pandemic and quarantine on the quality of our sleep, the importance of eating habits and daily routines, mindfulness and meditation to improve mental health.

### Malaysia

At our four factories in Malaysia, several measures have been taken to protect our employees. Compulsory temperature scanning with high end thermal scanners, installed at the factories, is one of the measures. 10 extra vehicles have been deployed for those traveling via company buses, to ensure safe distancing. Inside the factories, the use of face masks, good hand hygiene and safe distancing in at all common areas has become the norm. Various efforts were also taken to deal with the increasing sentiments among employees.

## Looking forward

As the pandemic recedes, we are starting to prepare for the 'new normal'. We continue to learn about what can be done differently and better and we recognise that we need to retain the agility to adapt quickly and effectively. Customer visits will be allowed if safety controls are followed and if they are permitted by the local health authorities. Our offices are being refurbished to be suitable for a post-pandemic world.

## Human rights and social conditions

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

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

To help ensure that human and social rights are respected, we have a whistleblowing helpline and other tools available to our employees in local languages. Complaints are promptly investigated, and appropriate corrective action is taken as needed.

### We are committed to ensure that:

- 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 meet national legal standards.
- Discrimination is prohibited.

Workers' rights are set out in our **Code of Conduct, Supplier Code of Conduct and Modern Slavery Statement.**



### Our objectives

Worker's rights for our employees and our suppliers' employees are set out in our **Code of Conduct, Supplier Code of Conduct and Modern Slavery Statement.** These cover forced labour, child labour, free association, working hours, discrimination and harassment.

### Our performance 2020

**In December 2020, we introduced our new Code of Conduct.** There were ten reports of wrongdoings through our whistleblowing helpline, which we dealt with appropriately. **We achieved a global multi-site certification for ISO 45001.**

## Diversity and inclusion

At Mölnlycke, every employee is treated with respect as an individual. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

Mölnlycke offers equal opportunities to all employees and applicants. No person shall be subject to any discrimination in employment, on the basis of gender, race, religion, age, disability, origin, union membership or pregnancy. Mölnlycke values a diverse workforce and

believes that diversity and inclusion is part of what makes us successful.

When we enter new markets, we invest in local employees to ensure a full understanding of local market conditions. This is balanced with the multicultural ambition of our company to promote a mix of people of different cultures, ages, gender, religions, working patterns, and abilities to facilitate innovation and out-of-the-box thinking.

### Our objectives

# 40%

In 2018, we introduced a gender diversity charter with the ambition for **women to make up 40% of our senior leaders by 2023.**

### Our performance 2020

# 38%

**By the end of 2020, women made up 38% of our senior leaders** (director level and above). This is an increase of three percentage points compared to the previous year.

## Employee engagement

In the challenging year of 2020, we sought input from our employees through a pulse survey a few months after the pandemic began. The vast majority of our employees felt safe, well informed and confident with the way the management team were leading the company through the pandemic.

Annually in Q4 we carry out a culture survey to understand the level of engagement employees have with the company and the drivers affecting that engagement. The insight collected from the opinions of 94% of our employees is extremely valuable to support the sustainable development of our organisational culture.

### 2020 culture survey results:

We achieved an engagement index of 79%. This represents an increase of 3 percentage-points from the previous year, 7 percentage-points above the global norm and on par with the top 25% companies. The engagement index is calculated based on the answers to four survey questions:

- Overall, I am very satisfied with Mölnlycke as a place to work
- I would recommend Mölnlycke as a great place to work
- I rarely think about looking for a new job with another company
- I am proud to work for Mölnlycke

### Our performance 2020

# 79%

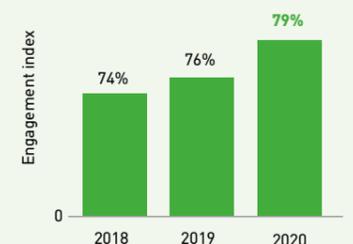
**engagement index achieved.**

# 3

**percentage point increase** from the previous year.

# 7

**percentage point above global norm** and on par with the top 25% companies.



## Learning and development

Our learning philosophy is based on the 70–20–10 principle that states learning is gained:

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

Some of the available learning includes e-learning and instructor-led courses, covering topics such as quality, information security, IT knowledge and health and safety.

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 are building a global learning organisation by investing in our employees through skill development. All our sales associates engage in active learning from their first day in the company.

### Leadership training

We have four leadership capabilities – set direction, motivate and inspire, be authentic, develop talent and capabilities. They describe the behaviours that are expected from all managers of people and they are used to assess our future leaders during external recruitment, internal promotions and to develop their leadership in a consistent way.



All new managers are trained in leading people and how to impact our high performance behaviours. They will also get a hands-on training on core HR processes such as recruitment, talent and performance excellence.

We further invest in those who have the potential and willingness to do more by supporting their development through global leadership programmes.

Leadership development is a particular area of focus, where foundational programmes are coupled with Leadership Acceleration programmes.

## Talent attraction

Part of our HR strategic focus is on internal capability building to identify, develop and promote internal talent. However, securing our competitiveness in a fast changing global environment requires us from time to time to attract employees with new capabilities from the outside.

In a highly competitive labour market, we also look for new ways to attract talent to our business and ensure we deliver the right recruitment experience.

In our state-of-the-art recruiting portal where we now advertise all vacancies globally, applicants can quickly apply for vacancies and receive regular updates on the process. They can also join our Talent Community to be informed when the right vacancy arises. This has improved our candidate reach and enhanced the recruitment experience.

We have a dedicated recruitment team, who work across 24 countries globally. They partner with our hiring managers and use our employer value proposition to source and attract people with the right skills, capabilities and culture.

### High performance behaviours

To drive our business forward, we have **four high performance behaviours** we expect of all our employees, and that we use to recruit and manage them.



#### Customer at heart

We listen carefully to our customers, actively learning what they need to perform at their best.



#### Own the outcome

We are empowered to make decisions, prioritise and take calculated risks.



#### Appropriate urgency

We prioritise and execute with an appropriate sense of urgency, maintaining a clear focus on the outcome.



#### Teamwork

As part of the Mölnlycke® global family we foster teamwork and collaboration, working openly and generously with each other.

#### Our objectives

# 100%

of employees to have **undergone mandatory training courses**.

#### Our performance 2020

# 98%

We reached a compliance rate of 97.6% on **global mandatory training** at the end of 2020.

#### Our objectives

# 70%

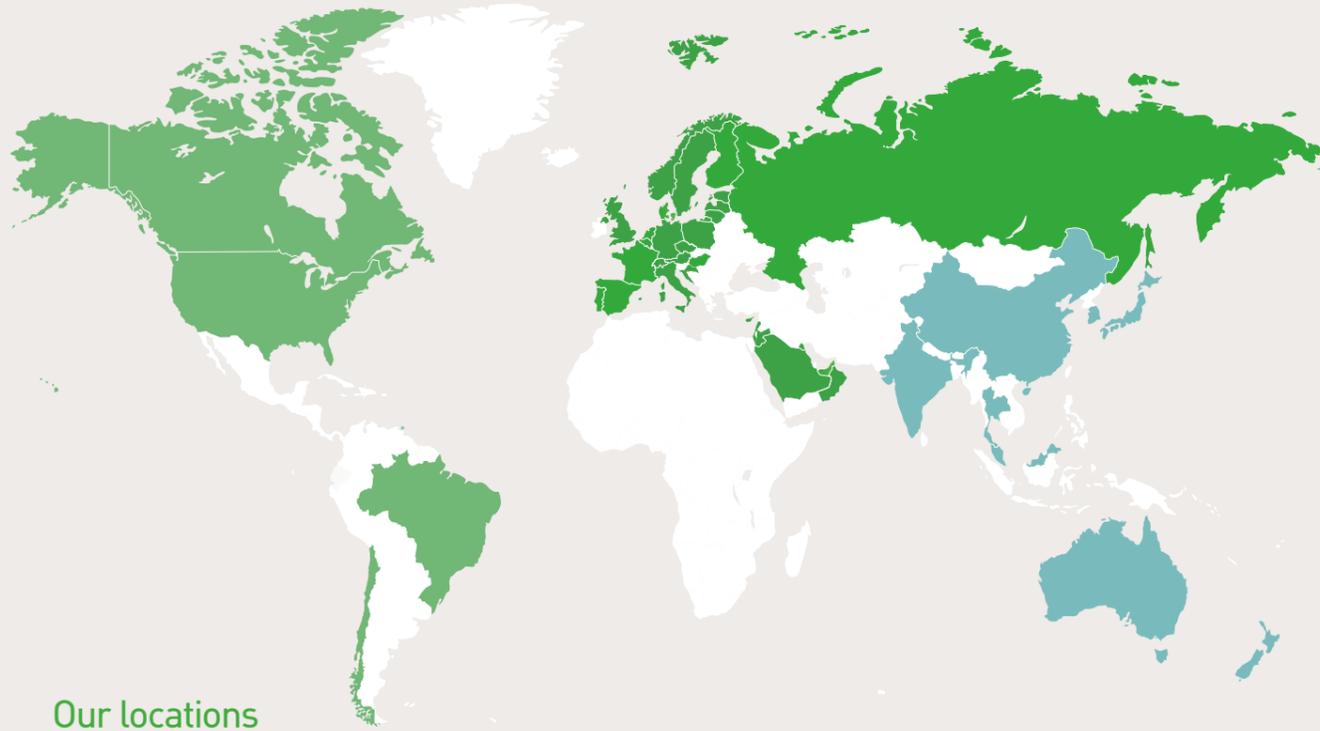
of director level and above positions to be **filled with internal talent** by 2023.

#### Our performance 2020

# 33%

**of director-level positions recruited in 2020 were filled with internal candidates**, compared to 36% the previous year. Of our current employees at director level, 55% have been promoted from inside the company.

## Spotlight on our people



### Our locations

We have **7,891 employees worldwide**, of which 9% work in the Americas, while the remaining 91% are split equally between Asia Pacific and EMEA (Europe, Middle East, Africa).

#### ● Europe, Middle East/Africa

Czech Republic	1,066	Spain	95	Austria	22
Sweden	559	Italy	62	Netherlands	20
Finland	520	Poland	52	United Arab Emirates	19
Belgium	374	Switzerland	26	Saudi Arabia	13
United Kingdom	297	Denmark	25	Other	40
Germany	157	Norway	24		
France	153	Hungary	24		

**Total 3,548**

#### ● Asia Pacific

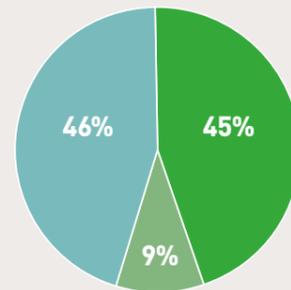
Malaysia	2,185	Singapore	46
Thailand	1,112	India	27
China	146	Republic of Korea	13
Australia	59	Other	13
Japan	51		

**Total 3,652**

#### ● Americas

United States	621
Brazil	52
Canada	18

**Total 691**



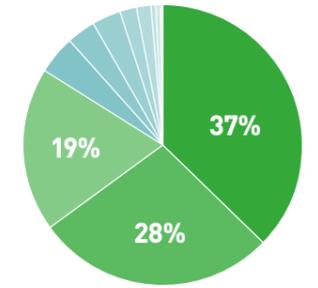
**7,891**  
employees worldwide

## Our functions

Around 84% of our employees work in Operations, OR Solutions and Commercial (shown in green in the pie chart below.)

● Operations	2,959	● Wound Care & Marketing	45
● OR Solutions	2,193	● RA	42
● Commercial	1,493	● Legal/Compliance	12
● QA	362	● Corporate Strategy & Business Development	2
● R&D	264		
● Finance	251		
● HR & Communication & Exec	155		
● IT	113		

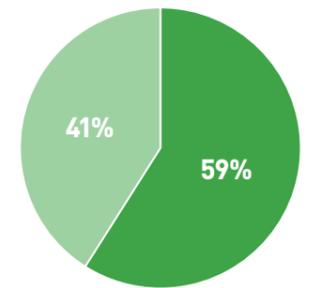
**Total 7,891**



## Our job types

Our blue collar work force is mainly located in Asia Pacific where our largest factories are situated.

Asia Pacific			Europe, Middle East/Africa			Americas		
● Blue collar	2,972	81%	● Blue collar	1,522	43%	● Blue collar	160	23%
● White collar	680	19%	● White collar	2,026	57%	● White collar	531	77%
<b>Total</b>	<b>3,652</b>	<b>100%</b>	<b>Total</b>	<b>3,548</b>	<b>100%</b>	<b>Total</b>	<b>691</b>	<b>100%</b>



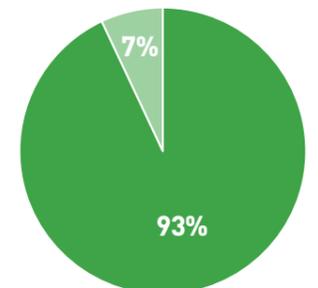
### Mölnlycke worldwide

- Blue collar
- White collar

## Our contracts of employment

In Asia Pacific and the Americas, more than 95% of us have permanent contracts of employment. In EMEA, 88% of us are permanent.

Americas			Asia Pacific			Europe, Middle East/Africa		
Permanent	656	95%	Permanent	3,589	98%	Permanent	3,122	88%
Temporary	35	5%	Temporary	63	2%	Temporary	426	12%
<b>Total</b>	<b>691</b>	<b>100%</b>	<b>Total</b>	<b>3,652</b>	<b>100%</b>	<b>Total</b>	<b>3,548</b>	<b>100%</b>



### Mölnlycke worldwide

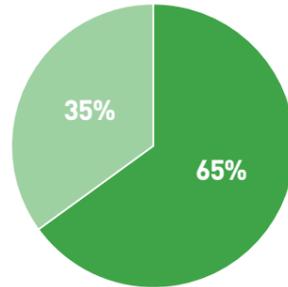
- Permanent
- Temporary

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.

## Gender diversity

Mölnlycke is generally a company where more women than men work. The most difference is seen in Asia/Pacific where 71% of the employees are women. But in the Americas, females make up less than half (44%) of all employees.

Americas		Asia/Pacific		Europe, Middle East/Africa	
Female	303 44%	Female	2,583 71%	Female	2,238 63%
Male	388 56%	Male	1,069 29%	Male	1,310 37%
<b>Total</b>	<b>691 100%</b>	<b>Total</b>	<b>3,652 100%</b>	<b>Total</b>	<b>3,548 100%</b>



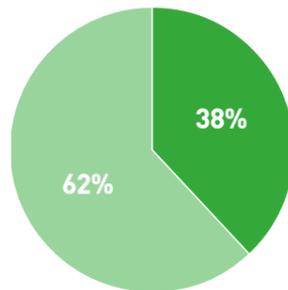
Mölnlycke worldwide

- Female
- Male

## Leadership diversity

Mölnlycke strives for equal career opportunities and over the last year an improvement has been seen related to the distribution of women in leadership roles. Today approximately 38% (35% last year) of our most senior leaders (director and above) are women.

Leaders (director level and up)	
Female	60 38%
Male	99 62%
<b>Total</b>	<b>159 100%</b>

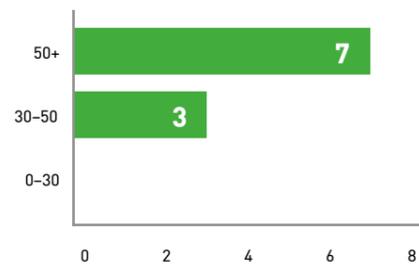


Mölnlycke worldwide

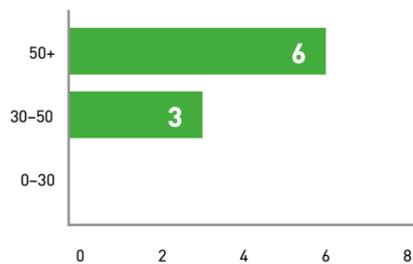
- Female
- Male

## Member age distribution

Board of directors



Executive leadership team



## Board of Directors



**Gunnar Brock**  
Chairman of the Board  
Born: 1950 Nationality: Swedish



**Zlatko Rihter**  
Board member  
Born: 1970 Nationality: Swedish



**Christian Cederholm**  
Board member  
Born: 1978 Nationality: Swedish



**John Hepburn**  
Board member  
Born: 1949 Nationality: Canadian



**Clare Hollingsworth**  
Board member  
Born: 1960 Nationality: British



**Sharon James**  
Board member  
Born: 1961 Nationality: British



**Johan Malmquist**  
Board member  
Born: 1961 Nationality: Swedish



**David Perez**  
Board member  
Born: 1959 Nationality: American



**Karl-Henrik Sundström**  
Board member  
Born: 1960 Nationality: Swedish



**Carolin Jakobsen**  
Employee representative  
Born: 1983 Nationality: Swedish



**David Valham**  
Employee representative  
Born: 1974 Nationality: Swedish

## Executive Leadership Team



**Zlatko Rihter**  
CEO  
Born: 1970 Nationality: Swedish



**Anders Andersson**  
EVP OR Solutions  
Born: 1971 Nationality: Swedish



**Rob Claypoole**  
EVP Commercial US  
Born: 1971 Nationality: American



**Kristin Hedlund**  
EVP Legal & General Counsel  
Born: 1968 Nationality: Swedish



**Eric de Kesel**  
EVP Operations & RQA  
Born: 1965 Nationality: Belgian



**Susanne Larsson**  
Group CFO, EVP Finance, IT,  
Strategy & Business Development  
Born: 1968 Nationality: Swedish



**Martin Lexa**  
EVP HR & Corporate  
Communications  
Born: 1965 Nationality: German



**Barry McBride**  
EVP Antiseptics, Gloves,  
Global R&D  
Born: 1965 Nationality: British



**Raphael Pascaud**  
EVP Commercial International  
Born: 1971 Nationality: French

## Investing in communities – 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, and/or a non-profit organisation, and/or public institution
- Work to improve patients' lives, or medical staff protection, or the level of knowledge within the medical field
- Work to protect people from infection
- Provide credible and measurable results

All community support must be in line with AdvaMed Code of Ethics 20201 and Eucomed The Medtech Europe Code of Ethical Business Practice.

### Global community support in 2020

During 2020, we supported 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.

Despite the pandemic, Mölnlycke and its employees donated a total of EUR 200,000 to Debra and Operation Smile.

### 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. In February 2020, four employees took part in a mission to Mexico.

In September, we partnered with Operation Smile on an innovative activity centred around World Smile Day.



In a normal year, Mölnlycke supports a range of global and local fundraising initiatives for the charity. In April 2020, we harnessed the power of social media to spread awareness of EB and fundraise, using the hashtag #loveEButterflychild.

**200,000**

Total of EUR 200,000 donated to Debra and Operation Smile.

**1.4 million**

pairs of Biogel® surgical gloves donated to Operation Smile



## The power of our people

### Making butterflies for Debra

With #loveEButterflychild, Mölnlycke's first campaign of the year, we harnessed the power of our people to raise awareness of Epidermolysis bullosa. 'The skin of children with EB is so delicate that they call them "butterfly children"', says Kristina. 'We asked employees to make and draw pictures of butterflies and post them on their social media accounts with the hashtag #loveEButterflychild – and then challenge their friends and families to do the same. We also used this an opportunity for fundraising.'

Hundreds of butterflies were posted across social media, reaching far beyond the immediate Mölnlycke family. 'The other day, I discovered a Brazilian artist who had made a beautiful butterfly brooch and tagged it,' says Kristina. 'I'm so proud of the way this has gone viral and raised awareness of EB globally.'

### Uniting the company

During 2020, Mölnlycke's CSR activity became a way of bringing the company together, despite the pandemic.

In May, Mölnlycke employees around the world ran the Gothenburg half marathon virtually. 'The race is usually a highlight of our fundraising year', says Kristina. 'As a sponsor, we traditionally have a number of places for our employees in Sweden. This year, we involved everyone in a fun run – they didn't have to do the 21k distance. 62 employees from 11 different countries, plus their friends and families, took part.'

### Showing appreciation with a smile

In October, the company created a buzz around World Smile Day in partnership with Operation Smile. 'Our employees only see each other through a screen or via a face mask because of the pandemic,' says Kristina. 'So we developed e-cards where they could attach a smiling picture of themselves and send appreciation to each other. The initiative was incredibly successful. Operation Smile also used it.'

### Celebrating local fundraising

The final campaign of 2020 was a chance to celebrate Mölnlycke's CSR champions around the world, and the activities they lead locally. The company ran a competition for colleagues to choose their favourite local CSR event of the year. Category winners included Thailand's 'Let's change seafood to smiles', HQ's 'The golf tournament', Spain's 'IT second-hand' and Italy's 'The Italian Cook book'. 'Our champions have done an amazing job this year to engage our employees,' notes Kristina.

### Looking forward to 2021

If 2020 was about the power of our people, what does 2021 hold in store? 'We will continue our work in driving employee engagement,' says Kristina. 'We are also partnering with Operation Smile to set up a new cleft care centre in the Philippines. It's going to be a fantastic year for CSR.'

'The pandemic changed everything for us, face-to-face fundraising was curtailed. Instead we decided to focus on raising awareness and driving engagement in our global charities, both within the company and externally.'

Kristina Lönnqvist  
Global CSR Lead at Mölnlycke



# Environment

Mölnlycke continuously works to prevent harm to the environment. We want our business to be conducted in a long-term sustainable way and we take responsibility for the environmental impact and pollution caused by our activities, products and services.

We strive to implement best practice throughout our value chain, conducting our business activities in order to minimise our impact on the planet and its natural resources.

We seek to use resources as effectively as possible and work to minimise the use of substances and materials that have the potential to be harmful to humans or our environment.

We monitor our environmental performance and compliance with relevant laws and regulations wherever we operate.

We are transparent in our environmental reporting. We work to improve our environmental performance year on year, and our environmental management system is designed to promote proactive change. We have held multi-site ISO 14001 certification for environmental management since 2002.

## Our approach

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

We recommend our customers recycle packaging materials such as plastics, cardboard and corrugated board. We take responsibility for the electronic waste generated from our products and we make use of national systems for the collection of waste electronics and used batteries. We monitor and measure the amount of waste we generate at our sites and the waste sorting method used.

## Our 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 robust management system at a global level. Furthermore, each of our operational sites has additional measures and systems in place to support local compliance and help set and achieve site-specific environmental objectives and targets.

### Our objectives

#### For 2020 we set ourselves five objectives:

- No legal proceedings for environmental issues.
- No accidents resulting in external environmental pollution.
- Improve utilisation of working materials, thereby continuously reducing manufacturing waste, reducing manufacturing emissions harmful to the atmosphere, water or land and improve the 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.
- Achieve ISO 14001 certification for the US sites.

### Our performance 2020

- No legal proceedings for environmental issues.
- No accidents resulting in external environmental pollution.
- The total emissions per production was down by 3.4% and the amount of waste was down 6.4% relative to production (see page 38–42).
- CO<sub>2e</sub> emissions from product transport was down 11.7% in 2020 (see page 39).
- Due to the challenges of 2020, the ISO 14001 certification process for the US sites was put on hold. However, we are continuing with the process in 2021 in order to achieve certification in 2022.

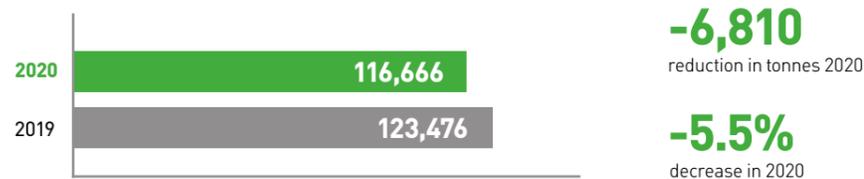
# Climate impact

We are committed to reducing our climate impact. To achieve this, we are taking steps to reduce the consumption of fossil fuels across our operations. At our production sites, we are acting to minimise the energy required to run equipment as well as to heat, cool and light our sites. We measure and monitor our consumption of energy and our CO<sub>2e</sub> emissions. 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 and make use of renewable energy technology.

We are 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 the climate impact of the transport of raw materials to our factories, semi-finished and finished goods sent between our factories – and finished goods going to our distribution centres.

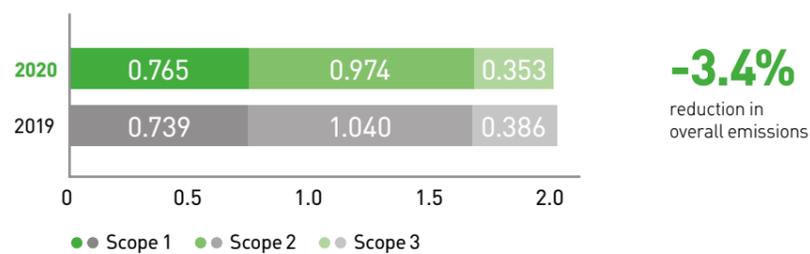
## Total CO<sub>2e</sub> emissions

(tonnes)



## Relative CO<sub>2e</sub> emissions

(tonnes of CO<sub>2e</sub> per produced tonne of finished product)



The total emissions per produced tonne of finished product for 2020 was down by 3.4%, meaning we exceeded our target of a 2% decrease. The most significant factor in achieving the goal was the Mikkeli factory purchasing renewable energy (see Scope 2 on the next page).

In 2021, we will continue to improve the methods used to measure our emissions, and focus our efforts on the factors which contribute most to our CO<sub>2e</sub> emissions, both at a global and local levels. The challenges of this year have helped us see that there is more work to be done and we are increasing our efforts to set and achieve strong targets going forward.

# Total CO<sub>2e</sub> emissions per scope

Energy source	CO <sub>2e</sub> tonnes		CO <sub>2e</sub> difference	
	2020	2019	Tonnes	%
<b>Scope 1</b>				
Natural gas	31,476	30,367	1,109	3.7
Light fuel oil	10,164	10,505	-341	-3.2
Propane	1,002	1,272	-270	-21.2
Refrigerants	835	1,100	-265	-24.1
<b>Total CO<sub>2e</sub></b>	<b>43,477</b>	<b>43,244</b>	<b>232</b>	<b>0.5%</b>

**Scope 1** emissions are defined as emissions directly generated at our manufacturing facilities.

The main contributor to the total scope 1 increase of 0.5% is our facility in Kulim, Malaysia. The Kulim factory manufactures our Biogel gloves and had a production increase of 6.6% in 2020. The production processes for gloves are very energy-intensive compared to our other products. The facility in Kulim makes up 70% of our total scope 1 emissions.

Energy source	CO <sub>2e</sub> tonnes (market-based)		CO <sub>2e</sub> difference	
	2020	2019	Tonnes	%
<b>Scope 2</b>				
Electricity	48,621	53,318	-4,697	-8.8
District heating & steam	4,842	4,856	-14	-0.3
<b>Total CO<sub>2e</sub></b>	<b>53,463</b>	<b>58,174</b>	<b>-4,711</b>	<b>-8.1%</b>

**Scope 2** emissions are defined as the indirect emissions generated from the consumption of electricity, heat, or steam purchased from a utility provider.

The main contributor to the 8.1% decrease in scope 2 emissions was our facility in Mikkeli, Finland. Beginning on 1 January 2020, the Mikkeli site chose to purchase their electricity from a certified renewable source: wind. This prevented the release of 3,727 tonnes of carbon dioxide into the atmosphere.

Several initiatives have also been undertaken at our facilities in the UK, the US and the Czech Republic to increase their energy efficiency. These initiatives included the installation of high-efficiency LED lighting, upgraded heating and cooling units, and other activities that reduced the base load on manufacturing sites.

*\*Note In order to continuously improve our reporting accuracy, we have reported our scope 2 data using a market-based approach. This approach allows us to employ emission factors that are more representative of each specific site, providing a clearer, more accurate picture of our scope 2 emissions. We report all sites using the market-based approach, with the exception of our APAC sites, as market-based factors are not available at this time.*

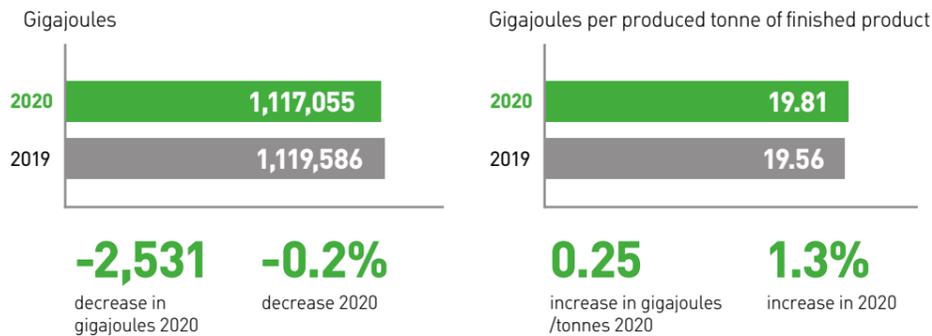
Transport method	CO <sub>2e</sub> tonnes		CO <sub>2e</sub> difference	
	2020	2019	Tonnes	%
<b>Scope 3</b>				
Air	280	889	-609	-68.4
Boat	9,409	9,847	-438	-4.4
Truck	9,817	11,367	-1,550	-13.6
<b>Total CO<sub>2e</sub></b>	<b>19,506</b>	<b>22,103</b>	<b>-2,597</b>	<b>-11.7%</b>

**Scope 3** emissions are defined as emissions from product related transport.

Continuing our work from 2019, we saw a further reduction in our use of air freight and opened a new distribution centre in the UK in Q4 to drive transport efficiency within the region.

It is our intention to increase the extent of our scope 3 reporting in order to continually improve the level and accuracy of our reporting, as well as setting more meaningful and relevant targets.

## Energy consumption



### Our objectives

To reduce CO<sub>2e</sub> emissions by 2% from the total of scopes 1, 2, and 3 per produced tonne of finished product

### Our performance 2020

**-3.4%**

The total emissions per produced tonne of finished product for 2020 was down by 3.4%, meaning we **overachieved our target of a 2.0% decrease.**

## Materials and chemicals

We actively work to remove potentially hazardous chemicals from our manufacturing processes and our products and replace them with less harmful chemicals and solutions wherever possible.

We assess new materials and chemicals to ensure that we comply with the 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 evaluate materials and products against these and other relevant environmental regulations, external stakeholder expectations as well as our own internal objectives and demands. Our manufacturing sites continuously monitor the amount of chemicals used on site in order to minimise their consumption.



## Waste management

We seek to use materials more efficiently. This not only reduces pressure on natural resources but also reduces the amount of waste we generate at our production sites and the waste generated when the products and their packaging have been used.

Since the majority of our products are single use and must be incinerated 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.

### Waste Per Class and Method (tonnes)

Category	Class	Method used	2020	2019
3	Hazardous	Destruction without energy recovery	76	76
2	Hazardous	Incineration with energy recovery	15	15
3	Hazardous	Landfill	557	617
1	Hazardous	Reuse	0	0
1	Hazardous	Recycling	1,142	960
1	Non-hazardous	Composting	7	10
3	Non-hazardous	Destruction without energy recovery	112	64
2	Non-hazardous	Incineration with energy recovery	4,482	4,895
3	Non-hazardous	Landfill	1,641	2,323
1	Non-hazardous	Reuse	675	738
1	Non-hazardous	Recycling	3,573	3,715
<b>Total waste</b>			<b>12,280</b>	<b>13,413</b>

Percentage of waste by category	2020	2019
Recycling and reuse	44%	40%
Composting and incineration with energy recovery	37%	37%
Landfill and destruction	19%	23%

Waste discharge (tonnes) per produced tonne of finished product	2020	2019
Waste tonnes	0.220	0.235

We saw a decrease of waste discharge per produced tonne of finished product by 6.4%. This was mainly driven by the closure of the Indianapolis, US, factory. However, there were also waste reduction efforts at our facilities in the Czech Republic, the US, Thailand and Belgium.

### Our objectives

- To **reduce the amount of waste** generated at our sites by 2% relative to production.
- To achieve a rate of **reuse, recycling, and incineration** with energy recovery of 85%.

### Our performance 2020

**-6.4%**

We exceeded our target of a 2% reduction relative to production, **with a 6.4% reduction** compared to 2019.

**-8.4%**

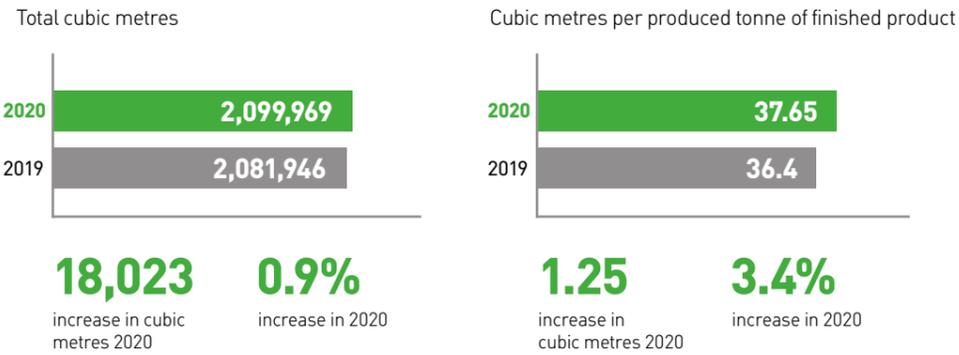
We saw an **overall decrease of waste** of 8.4%.

**81%**

of the **total waste generated at our sites was recycled or incinerated with energy recovery**, up from 77% in 2019.

# Water consumption

We continuously monitor the amount of water we use in order to create meaningful targets to help us reduce consumption, waste, and help preserve the waterways near our operations.



Source	2020 (m³)	2019 (m³)	Diff (m³)	Diff (%)
'Surface water, including water from wetlands, rivers, lakes and oceans'	1,099,043	1,110,989	-11,946	-1%
Ground water	384,655	360,683	23,972	7%
Rainwater collected directly and stored by the organization	0	0	0	
Waste water from another organization	0	0	0	
Municipal water supplies or other water utilities	616,271	610,274	5,997	1%
<b>Total water consumption</b>	<b>2,099,969</b>	<b>2,081,946</b>	<b>18,023</b>	<b>0.9%</b>

**Our objectives**

To continuously **reduce the amount of water** we use for our production processes.

**Our performance 2020**

**0.9%** **3.4%**

Our total water consumption saw an **increase of 0.9% compared to 2019**. The 3.4% increase of water consumption per produced tonne was mainly due to the increased production at our **manufacturing sites in Malaysia**, which together account for 91% of our total water consumption.



# Five ways we're working to reduce our impact

## Focus on the environment

In a year when minimising our impact on the planet has been more challenging than ever, we put the spotlight on five things we've been doing to make our solutions more sustainable in 2020.

### Transporting vital PPE from Asia to Europe energy efficiently

Mölnlycke has played a key role in equipping healthcare professionals with vital staff clothing and protection during the pandemic. Our Logistics and Supply teams have had to move hundreds of millions of face masks, isolation gowns and other items to healthcare professionals in Europe. While some items had to go by air, we increased our use of train transport significantly – which is both fast and environmentally friendly.

### Green electricity in Operations

From January 2020, the electricity in our Mikkeli factory in Finland has been 100% carbon-free. The energy that powers our production machinery, lighting, cooling and waste systems now comes from a

combination of wind, hydropower and bio energy. As a result, Mikkeli, which manufactures wound care products such as Mepilex® Border Flex, has reduced its energy-related CO<sub>2e</sub> emissions by more than 60%.

### Shorter journeys for Mölnlycke trays

Mölnlycke trays are now going directly to several customers in the UK, France and Germany from our factories in the Czech Republic. Direct shipments by pass our warehouse in Belgium and significantly reduce the transportation distance, making a positive impact on CO<sub>2e</sub> emissions.

### UK distribution centre cuts our carbon footprint

We have set up a local distribution centre in the UK to supply our products to healthcare professionals in Great Britain and Ireland. The distribution centre is in Corby, Northamptonshire – close to the centre of England. By identifying logistics efficiencies through the new distribution centre, we expect to cut our carbon footprint by more than 40% for these routes, when compared to previous routes.

### Fewer harmful chemicals in glove manufacturing

Until this year, we cleaned the moulds used to produce Biogel® gloves in Malaysia with a 15% chromic acid solution. As part of our mission to minimise the use of harmful chemicals, we are switching to a new solution which will reduce the use of chromic acid by up to 75%. Even though the new cleaning agent is considerably less hazardous, we are continuing with our procedures to treat water waste properly and prevent air pollution.



# Business ethics

Our objective is to ensure compliance with all applicable laws, regulations and industry standards where Mölnlycke does business. We seek to go beyond this where appropriate to meet our own high expectations and those of our stakeholders.

Our Code of Conduct outlines the principles and standards – and sets the tone – of how we do things at Mölnlycke. It also serves as a reference guide on specific issues or situations. In December 2020, we introduced our new Code of Conduct providing clearer objectives and requirements on us as a company as well as on our employees.

We have an established external whistleblowing helpline (see page 16) that our employees and suppliers 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.

## Anti-corruption

We are committed to conducting business around the world in an ethical way. Mölnlycke and our employees are subject to various anti-corruption laws around the world. Mölnlycke prohibits all forms of corruption and bribery at our business and the business of third parties that work on our behalf.

We have interactions on a daily basis with public hospitals, government authorities, healthcare organisations and healthcare professionals, who are typically considered as government or public employees; it is an intrinsic part of our work at

various levels and all across the globe. It is vital that we protect Mölnlycke, its employees and our stakeholders from being implicated in bribery, corruption or any conflict of interest. We understand our responsibilities and how we can meet them. We have updated our compliance programs including our Avoiding Bribery and Corruption Policy and supporting procedures and instructions, which were launched in December. We plan to train 100% of white-collar employees in our new policy by the end of 2021.

### Our objectives

**100%**

of employees to be **trained in anti-corruption and anti-bribery.**

### Our performance 2020

**98%**

At the end of 2020, **98% of employees had completed the online training in anti-corruption and anti-bribery.**

## Taxation

We pay corporation tax in each and every one of the 37 jurisdictions worldwide where we have a fiscal presence. For fiscal year 2020 we paid EUR 101 million in corporation tax. In addition to our corporation tax contribution we also collect and pay our share of VAT, payroll tax, social security, custom and other taxes.

We seek to be compliant with the laws of the countries in which we operate and ensure that we pay our share of tax. The group's effective tax rate for the year ended 31 December 2020 was 21.7 % reflecting the relative levels of profits arising in the Group's operating jurisdictions.

In fiscal year 2020 we paid

**EUR 101**  
million in corporation tax

**21.7%**

effective tax rate for the year

## Sustainable supply chains

As a multinational company and purchaser, we believe that 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-corruption in a positive way among our suppliers.

Therefore, we require our primary suppliers to meet our Supplier Code of Conduct, which is based on our Code of Conduct for Mölnlycke employees and to apply similar Codes of Conduct among their own partners and suppliers.

We also require our primary suppliers to follow our Supplier Standard, which sets out our basic requirements for quality, sustainability and the environment.

Sustainable sourcing is a key focus area in the coming strategic period. We are working actively with suppliers to reduce the impact from CO<sub>2</sub> emissions related to the logistics footprint, but also from materials like polymer film, hollowware and nonwovens.

### Auditing our suppliers

Before we accept a primary supplier, we carry out a detailed assessment process to ensure that their practices fit with our expectations. If we identify risks, we carry out supplier assessments to check if any incidents have occurred 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.

During the year we passed customer audits in the areas of labour standards, sustainable supply chain and Supplier Code of Conduct. Controls and procedures were put in place to support global ISO 45001 certification at Mölnlycke sites.

Due to COVID-19, we have not been able to conduct all on-site Supplier Code of Conduct assessments according to plan. We are either postponing the assessments to 2021 or using self-assessment tools until it is possible to travel and visit supplier locations.

### Notable changes during 2020

We have added suppliers supporting Avance Solo, our negative-pressure wound therapy (NPWT) system into our supplier base. We have also introduced a handful of suppliers to support the increased volume needs of personal protective equipment related to COVID-19. Several of these will remain our suppliers in the future.

The supplier base supporting our tray business has been significantly consolidated as a result of applying conformity assessment route in Article 12 of the Medical Device Directive (MDD).

### Our objectives

We require our primary suppliers to **sign up to our Supplier Code of Conduct and Supplier Standard**, which includes the protection of human rights, and to set similar standards among their supply chains.

### Our performance 2020

During the year we have **updated our Supplier Code of Conduct**. This has been rolled out to most of the supplier base in 2020 and we are continuing this work in 2021.



Above all, our job is to provide the best products, people, tools and training to continue the great work our customers do; to equip them to take healthcare to the next level and face the challenges of the future with confidence.

Find out more at [www.molnlycke.com](http://www.molnlycke.com)

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