



ANNUAL SUSTAINABILITY REPORT 2017

Medline International B.V.
(a wholly owned subsidiary of Medline Industries, Inc.)

Report based on facts from 2016

CONTENTS

LETTER FROM THE GROUP PRESIDENT	4
MEDLINE PROFILE	6
Organisational Structure	6
Locations of Operations	6
Product and Solution Overview	7
Governance Structure of the Organisation	9
Memberships of Organisations and Networks	9
Awards and Recognitions	10
REPORT PROFILE	11
Previous Sustainability Reporting and Reporting Period Covered	11
Identified Material Aspects and Boundaries	11
OUR FINANCIAL PERFORMANCE AND ECONOMIC CONTRIBUTION	13
Financial Performance	13
Economic Contribution	13
CONDUCTING BUSINESS WITH INTEGRITY AND ETHICS	14
Overview of Our Ethics and Compliance Programme	14
Progress in Implementing Our Ethics and Compliance Programme in 2016	15
PROMOTING THE WELLBEING OF OUR EMPLOYEES	17
Profile of Medline's Workforce	17
Respecting Labour and Human Rights in Our Operations and Supply Chain	20
Promoting Employee Diversity and Equal Opportunity	20
Remuneration and Rewards	21
Training and Professional Development	21
Wellbeing at Work	22
Employee Engagement	23
Future plans for 2017	23
DEVELOPING APPROPRIATE PRODUCTS AND SERVICES FOR CUSTOMERS	24
New Products and Services Launched in 2016	24
Product Safety	26
Fair and Affordable Pricing	27
Future Plans for 2017	27
MANAGING OUR SUPPLY CHAIN AND MANUFACTURING OPERATIONS	28
Our Supply Chain	28
Maintaining Quality and Reliability in Our Operations	29
Future Plans for 2017	30
SUPPORTING OUR LOCAL COMMUNITIES	31
Breast Cancer Awareness	31
Donations	32
Sponsorships	33
Future Plans for 2017	33
LIMITING OUR ENVIRONMENTAL IMPACT	34
Implementing Our Environmental Management System	34
Our Contribution to the Circular Economy	34
Managing Our Greenhouse Gas Emissions	37
Raising Environmental Awareness Amongst Our Employees	41
Future Plans for 2017	41
OTHER INFORMATION: STATEMENT ON UK MODERN SLAVERY ACT 2015	42

Our mission:

To provide quality medical products with superior value to health care providers and end users, improving patient care and enhancing the quality of peoples' lives.

Our values:

- Committed to our customers, our colleagues and our communities.
- Open to new ideas, two-way communication and challenging the status quo.
- Relentlessly improving our quality, service and results, and doing so with integrity.
- Determined to do whatever it takes for our customers.

LETTER FROM THE GROUP PRESIDENT

It is my pleasure to share Medline's first sustainability report for our European operations. The reporting period for this sustainability report is 01 January 2016 to 31 December 2016, Medline's financial year.

The production of this report is a testament to the progress Medline has made to date in our corporate social responsibility journey, and augurs well for our future. In the context of Medline's European operations, sustainability is synonymous with corporate social responsibility.

Key Developments in 2016

Medline's strategic priorities in 2016 included: strengthening our relationships with our existing customers and obtaining new ones; enhancing Medline's appeal as an employer of choice; achieving good financial results; and embedding corporate social responsibility into our operations.

We made good progress in all of these areas during the 2016 financial year – our sales revenues grew, we expanded our workforce, and we created a new corporate social responsibility department to lead our sustainability initiatives. The key challenges we encountered were the uncertainty caused by political developments in the United States and Europe, and continuing pressures to reduce costs up and down the value chain in the healthcare sector. Nevertheless, Medline remains a healthy and dynamic company with a team of outstanding employees and excellent long term prospects.

Medline is a signatory to the United Nations Global Compact, and remains committed to its 10 principles.

Our corporate social responsibility philosophy is informed by the view that companies in the private sector can make an important contribution towards the global sustainable development agenda, and must take responsibility for their positive and negative impacts on society. Furthermore, we have a broad interpretation of what corporate social responsibility entails – tackling social, environmental

and economic issues in proportion to Medline's resources and limitations. This philosophy is reflected in the material sustainability topics that constitute the main content of this report.

Medline's sustainability-related achievements in Europe in 2016 included:

- Continuing to respect labour and human rights in our operations (e.g. workers' councils in our operations in Germany and France); and in our supply chain (e.g. 220 factory audits by our internal social compliance auditors in 2015 and 2016, Medline's Supplier Code of Conduct).
- Widespread internal communication and training about our ethics and compliance programme, and continued progress in the development of our data protection framework.
- Measuring and encouraging diversity in our workforce – 66% of our employees were women, 3% were handicapped, and 25 different nationalities from all over the world were represented.
- Meeting our performance targets for quality and reliability at our manufacturing plants in France and Slovakia, and making investments that will increase our production capacity at these two sites for years to come.
- Maintaining our proud tradition of raising awareness of breast cancer through the 2016 Pink Glove Photo Competition, and donating Medline products to communities in need through our partnership with International Health Partners.

- ISO 14001 certification of three Medline facilities (Madrid, Florence, Chateaubriant), and continued implementation of our green car policy to reduce the carbon footprint of Medline's corporate fleet.
- Joining the United Nations Global Compact and Business In The Community, two platforms that support member companies in implementing their sustainability initiatives. Medline remains committed to the UN Global Compact's 10 principles.

Outlook for 2017

Medline's strategic focus for the next financial year will be on constantly enhancing our customers' experience with all of Medline's product and services, and responding to the requirements of our customers for an evolving range of effective new products and services. Furthermore, we will seek new ways to integrate corporate social responsibility into our operations, whilst enhancing the impact of our existing sustainability initiatives.



Tripp Amdur

Group President

MEDLINE PROFILE

Organisational Structure

Medline Industries, Inc., is a fourth generation, family-owned company that is the largest privately held manufacturer and distributor of healthcare supplies and services in the United States. Our global headquarters are located in the United States of America in Northfield, Illinois.

Originally founded in 1910, Medline has evolved and matured as a business and currently provides more than 350 000 medical products (e.g. exam gloves, protective apparel, packs and gowns, and surgical trays) that help customers achieve clinical and financial success. Our innovative products and solutions are patient-centred and can be found in many hospitals, extended-care facilities, surgery centres, physician offices, home care dealers, home health agencies and retail outlets.

Medline does business in more than 90 countries, and employs more than 15 000 people worldwide who contributed to annual global revenues of US\$9.2 billion in 2016.

Medline International B.V. (“MIBV”) is a wholly owned subsidiary of Medline Industries, Inc. Medline International serves as our international headquarters (from corporate offices in the Netherlands), overseeing all operations in Europe, Japan, East Asia, Australia and New Zealand. Through various local country subsidiary entities of MIBV, the Medline group operates assembly/manufacturing facilities, distribution centres and sales/distribution offices. We serve customers in 31 European countries.

Locations of Operations

Medline has achieved rapid growth and established an operational presence in North America, Europe and other locations over the years. Our global footprint is illustrated below:

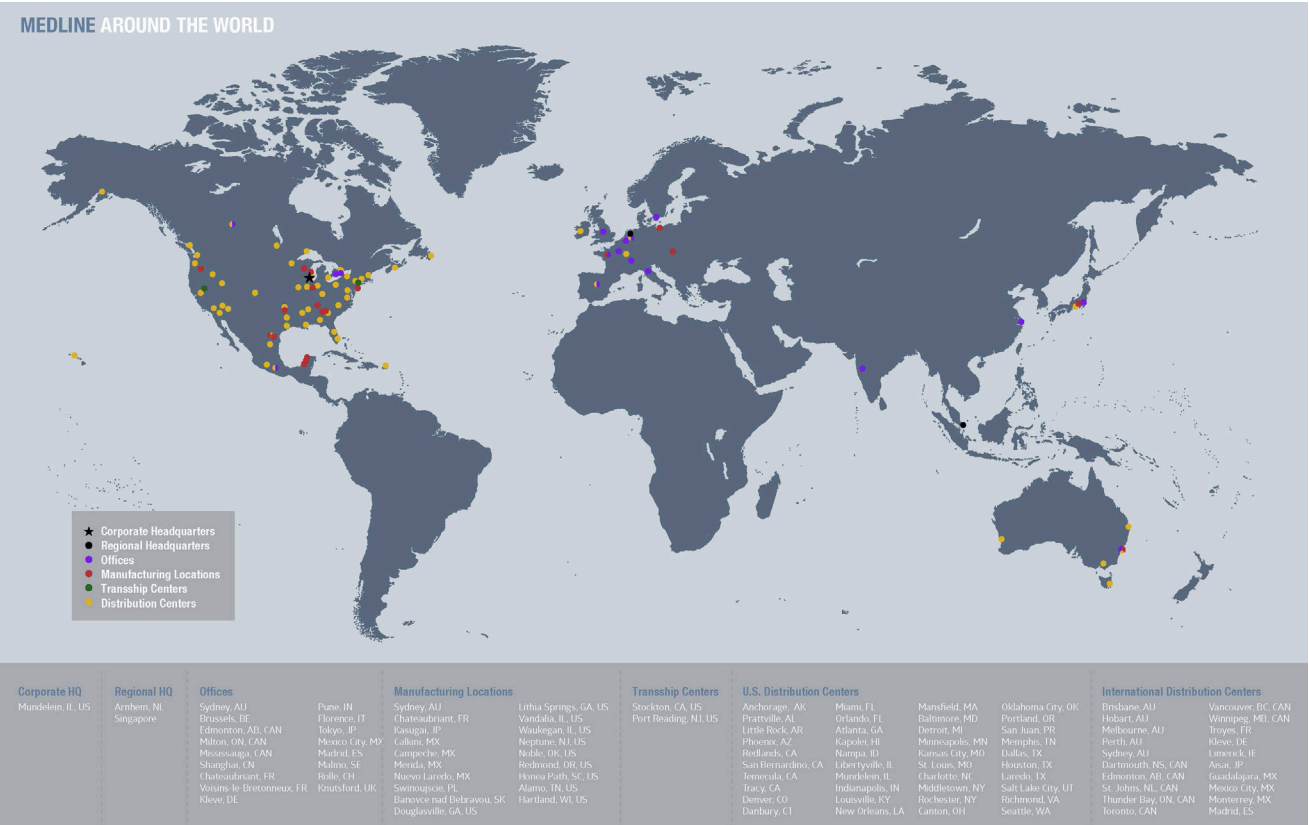


Figure 1: Medline locations (operations)

Product and Solution Overview

Medline is a strong player in the healthcare industry, with a broad and deep portfolio of products and solutions.

Products

Our product offerings are segmented into:

- *Operating room* – Targeted at healthcare professionals involved in major and minor surgical procedures. Products include: sterile procedure trays; surgical gloves, gowns and drapes; fluid management solutions (e.g. suction canisters and tubing); surgical devices and accessories (e.g. facemasks, probe covers, clippers); sets of products to reduce cleaning and preparation times between surgeries (e.g. QuickSuite); and personal protective apparel (e.g. scrub suits, footwear, headwear).
- *Patient care and infection control* – Targeted at patients and healthcare professionals, products include oral and body hygiene products, exam gloves, wound and skincare products, and fall prevention solutions.

Medline is a significant manufacturer and distributor in Europe and globally, offering a wide variety of products and services.

Solutions

Our solutions are geared towards maximising convenience, standardising care and minimising costs. They span:

- *Customisable contents and packaging* of surgical procedural packs and sterile procedure trays. Our solutions include Med-Pack and the EMPOWER Packaging System.
- *Inventory management* – Medstock is an automated system for tracking product usage, placing replenishment orders and cost centre allocation. A handheld device or a desktop computer can be used to perform all of these functions.
- Logistics support, including special delivery options.
- *Prime Vendor* – Launched in 2016, Prime Vendor is a logistics management solution that allows customers to purchase all their desired products and solutions from Medline in a 'one-stop-shop'. On behalf of the hospital, Medline purchases and manages inventories from numerous suppliers. This greatly reduces the number of daily deliveries and administrative details customers are faced with, as well as waste and obsolescence. The service also includes sophisticated usage reports to enable hospital administrators to better manage consumption and spend.

An overview of our products and solutions is presented below:

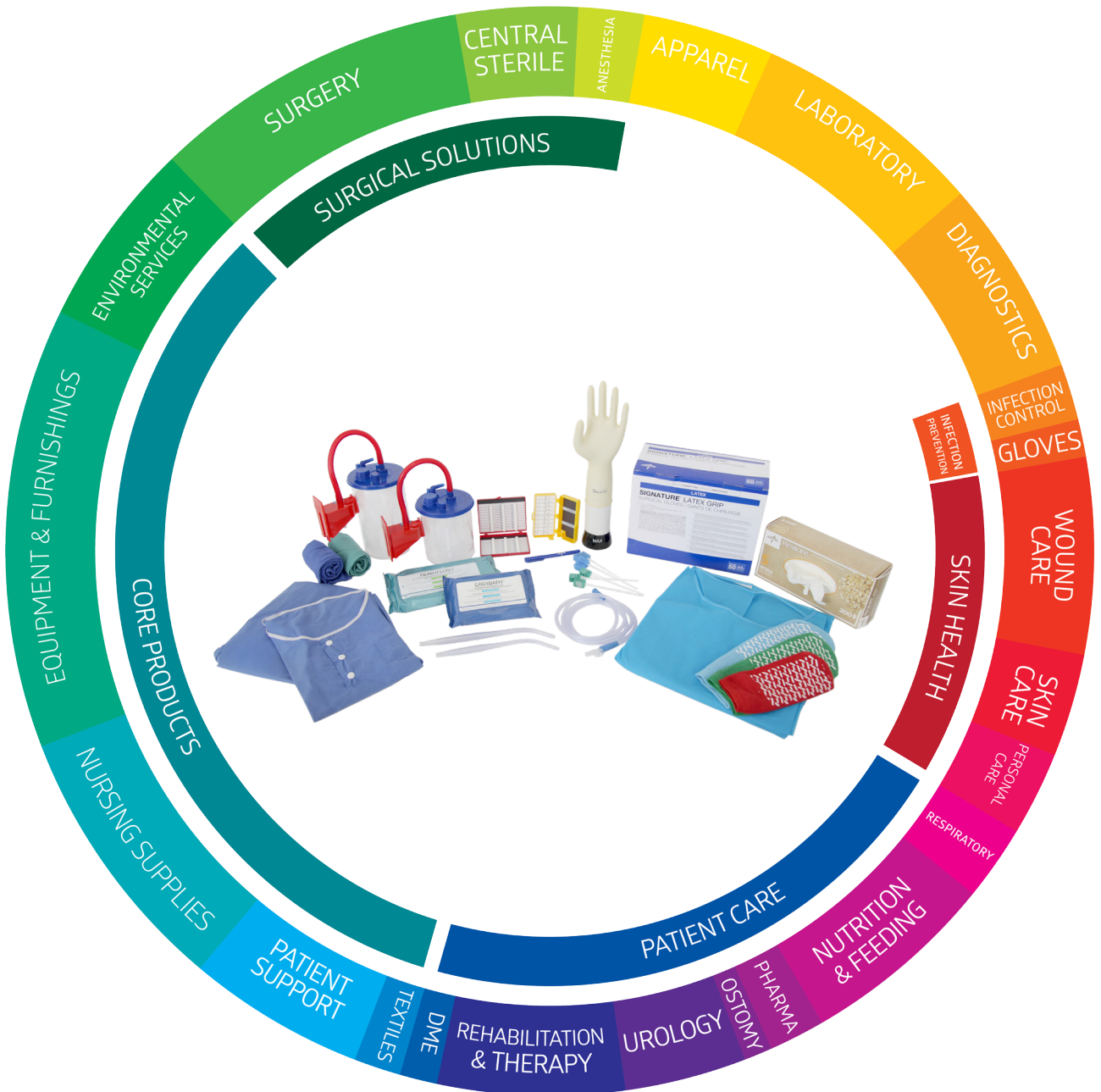


Figure 2: Medline products

Additional information about our products and solutions is available [here](#) on our website in several European languages.

Governance Structure of the Organisation

The executive committee of Medline Industries, Inc., in the United States is the highest decision-making body for Medline's global strategy.

This includes economic, social and environmental issues. Members of the executive committee are the president, chief executive officer and chief operating officer of Medline Industries, Inc.

At a regional level, the most senior decision makers for economic, social and environmental issues in Europe are, collectively: the group president; the senior vice president of sales; the senior vice president of finance and administration; the senior vice president of European product divisions; and the senior director of human resources and corporate social responsibility.

Medline's group president reports to the executive committee of Medline Industries, Inc., in the United States. The materiality assessment that framed this report and the final version of this sustainability report were approved by Medline's senior leadership in Europe.

We take economic, social and environmental issues seriously – they are integrated into strategy and decision making at the highest governance levels in our organisation.

Membership of Organisations and Networks

Medline is a member of the following organisations:

- Business In The Community.
- MedTech Europe.
- The United Nations Global Compact.

We actively participate in selected working groups and projects of the above organisations that are aligned with our sustainability agenda.

Medline observes the precautionary principle in managing our environmental footprint in Europe, taking a pragmatic approach that balances business needs and the imperative to minimise and avoid harmful impacts where possible.

We actively participate in strategically selected membership organisations to advance our sustainability agenda.

Awards and Recognitions

Medline was the recipient of five external awards and citations in 2016.

Medline received the following external awards and recognition in 2016:

Best Global Medical Products Provider 2016

(Global Health & Pharma, United Kingdom)

Medical Supplier of the Year 2016

(HealthTrust, United States)

**Forbes Magazine 2016 List of America's
Largest Private Companies**

(Medline ranked 47th out of 223 companies, United States)

**Chicago Tribune Newspaper 2016 Top
Workplace Survey**

(Medline ranked 23rd out of 233 companies, United States)

**Named on Becker's Hospital Review 2016 List
of 150 Great Places to Work in Healthcare**

(United States)

Visit our corporate website for more information about Medline: www.medline.eu

REPORT PROFILE

Previous Sustainability Reporting and Reporting Period Covered

This sustainability report constitutes Medline's inaugural sustainability report for Europe, which will be produced on an annual basis going forward. Due to differences in the sustainability reporting needs of our key stakeholders in our respective geographical markets, we publish two separate sustainability reports for the North American and European markets. We have made efforts to align the two sustainability reports to the greatest extent possible, and we will continue to do so in future. The reporting period for this sustainability report is 01 January 2016 to 31 December 2016, Medline's financial year.

The structure and contents of the report are loosely based on the Global Reporting Initiative's GRI G4 guidelines. Given this is Medline's first annual sustainability report we are not yet in a position to meet the GRI's 'in accordance' requirements, either at the core or comprehensive levels. We are taking an incremental approach to sustainability reporting to identify what works best for our organisation considering: our existing methods and systems for reporting, and data collection and analysis; the needs of the stakeholders at whom this report is targeted; and the scale and complexity of our operations in Europe.

Comments and questions on this sustainability report can be sent to: csr-europe@medline.com

Identified Material Aspects and Boundaries

The following eight sustainability topics discussed in this report were identified as material and crucial to the overall success and longevity of Medline:

1. Our financial performance and economic contribution
2. Conducting business with integrity and ethics
3. Promoting the wellbeing of our employees
4. Developing appropriate products and services for customers
5. Managing our supply chain and manufacturing operations
6. Supporting our local communities
7. Limiting our environmental impact
8. Additional information – United Kingdom Modern Slavery Act statement

Materiality was established through:

- Interviews with various Medline employees with relevant expertise, who have knowledge of the business' strategy, and engage with key internal and external stakeholders.
- A review of market research reports for the medical device industry.
- A review of GRI G4 guidelines, ISO 26000 guidelines, the United Nations Global Compact Principles, Organisation for Economic Cooperation and Development Guidelines for multinational enterprises, and Sustainability Accounting Standards Board guidelines on material sustainability topics for the medical equipment and supplies industry.

This report applies to Medline's entities in Europe, and excludes Medline's entities in Asia-Pacific (Japan, East Asia, Australia and New Zealand). The European territories that fall under the scope of this sustainability report are: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the United Kingdom.

OUR FINANCIAL PERFORMANCE AND ECONOMIC CONTRIBUTION

Financial Performance

Medline's financial performance in Europe in 2016 was positive overall. The key drivers included strong sales growth (particularly in our preventive care, personal care and Dynacor divisions); increased market share at a country level, most notably in France, Spain and the Nordics; and robust cost containment across all departments. Our sales revenue grew by 6.1% in the year under review.

Our biggest financial challenge in 2016 was currency volatility caused by political developments in the United States of America and Europe (particularly Brexit in the United Kingdom) respectively. As an international business, fluctuations in the Euro-United States dollar exchange rate, and in the value of the Euro against local European currencies, have a significant impact.

We had a good year - Our sales revenues were higher in 2016 than in 2015.

Due to currency depreciation, our cost of goods sold increased in 2016, potentially putting pressure on our margins. This effect was compounded by a push to lower the costs of healthcare provision in many European countries, which saw many of our customers requesting lower product prices from Medline. The focus on price is likely to continue in future as a growing number of existing and potential customers establish group purchasing organisations to leverage their joint purchasing power.

In response, Medline put in place measures to reduce product costs, which ultimately enabled us to preserve and improve our overall margin in 2016. With an eye on the long term horizon, we are also exploring other business opportunities such as Prime Vendor (a procurement and logistics service) and the long term care business.

Economic Contribution

Medline's direct and indirect impact on the local, regional and national economies where we operate is the cumulative result of:

Employment opportunities created by Medline - We employed 858 people in Europe in 2016, up 7% from 2015 due to the growth of the organisation. In turn, our employees' spend on travel, accommodation and other items benefits the economy.

We created direct and indirect job and business opportunities across Europe, contributing to economic growth.

Business opportunities created by Medline for our suppliers, sub-contractors and other business partners - For example, the construction of our new office in Germany (Kleve) and new warehouse in France (Chateaubriant) both involve local contractors.

Taxes paid by Medline - The taxes paid by Medline in 2016 to local, regional and national governments in Europe were a positive injection into the fiscus. The tax payments comprised value added tax, corporate income tax, and payroll tax on employee salaries.

CONDUCTING BUSINESS WITH INTEGRITY AND ETHICS

Medline acts responsibly and in compliance with all legislation and regulations in the countries where we operate; we also adhere to our own internal policies and procedures. We expect all employees to demonstrate honest and ethical conduct in every part of our business and in customer interactions.

Medline's chief ethics and compliance officer, based at our global headquarters in the United States, bears overall responsibility for the ethics and compliance programme worldwide. In Europe, responsibility for coordination and supervision is assigned to the compliance officer for Europe based in the Netherlands. The officer is supported by a network of compliance liaisons in the European human resources team, and by our European data protection committee.

Overview of Our Ethics and Compliance Programme

The constituent elements of Medline's ethics and compliance programme are illustrated in Figure 3 below:

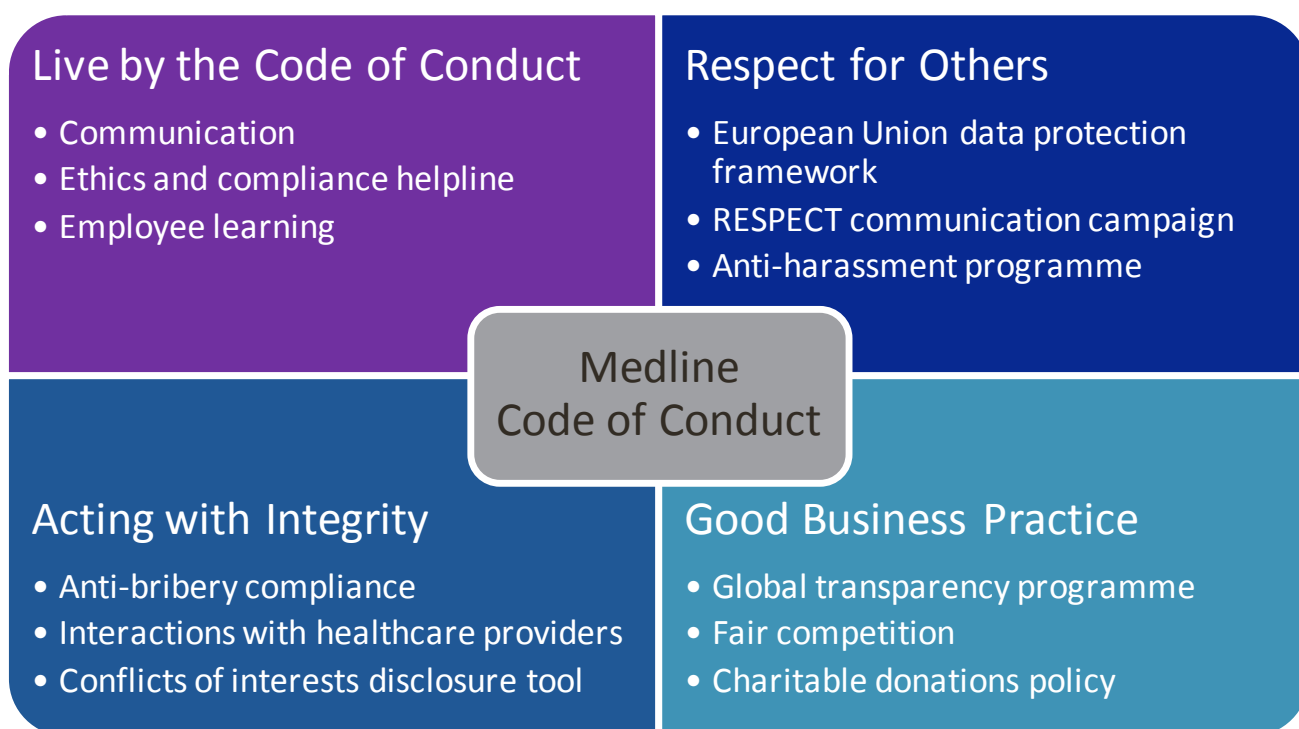


Figure 3: Overview of Medline's ethics and compliance programme

The *Medline Code of Conduct* is the foundation on which our ethics and compliance programme is built. The code elaborates on our core values and principles and it explains the rules that govern our relationships with governments, customers, competitors and each other. The code addresses topics such as anti-discrimination, safety in the work place, employee privacy, data protection, political participation, and anti-bribery and corruption. In formulating and implementing the code, Medline strives to exceed expectations by going beyond mere compliance and aiming to do what we believe is right.

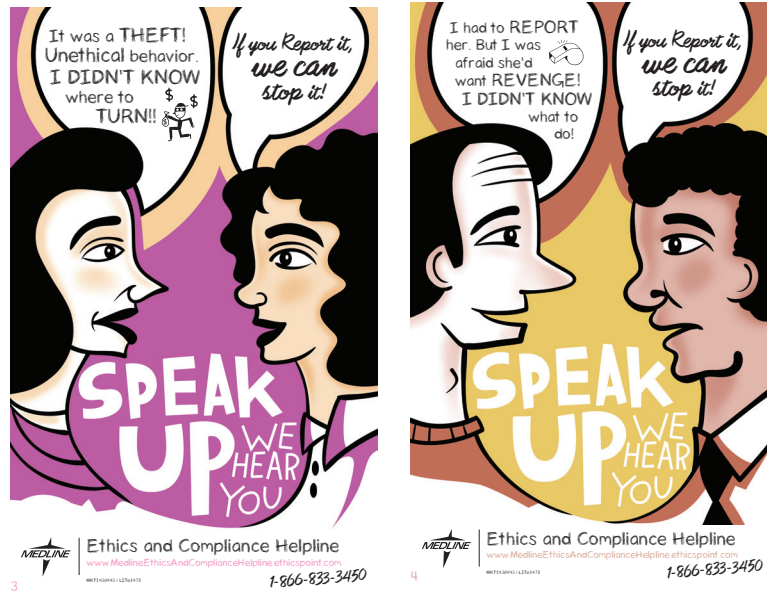
Progress in Implementing Our Ethics and Compliance Programme in 2016

LIVE BY THE CODE OF CONDUCT

Medline communicates regularly with employees to educate and inform them about potential compliance-related risks and concerns. In 2016, we utilised communication platforms such as our intranet, internal newsletters and town hall meetings. Furthermore, we advocated an open door policy for employees with questions or concerns to approach the compliance officer for Europe or designated in-country compliance liaisons.

Medline's ethics and compliance helpline facilitates questions and good faith reporting of any potential issues. There are procedures in place for follow up and resolution of matters reported through the helpline. In 2016 no material reports were received across all communication channels. In 2017, we plan to launch a campaign to increase awareness and use of the helpline and other platforms.

Employee learning opportunities include training for new hires as part of their on-boarding experience, ongoing compliance training for all employees and targeted in-depth training for particular functional or geographic groups of employees. In 2016, we offered training to sales employees and to new employees. We developed new training materials and a new e-learning system to further professionalise and differentiate our ethics and compliance training programmes. These new tools will be rolled out across Europe during the course of 2017 and 2018.



ACT WITH INTEGRITY

Medline's anti-bribery compliance programme targets our employees' interactions with government officials, suppliers and third parties in general on the one hand; and employees' interactions with healthcare providers on the other hand. Our policy is not to make or receive improper payments and not to tolerate incidents of corruption. In 2016, this policy resulted in the absence of fines or sanctions related to bribery or corruption. In 2017, we plan to strengthen our culture through continued training and monitoring.

We are in the process of integrating the *MedTech Europe Code of Ethical Business Practice*, published in 2016, into Medline's compliance programme. In 2016, we tailored our policies and procedures to align with this new industry standard. Implementation will commence in 2017 and the changes will be communicated accordingly to employees, customers and other stakeholders.

Medline only supports medical education via indirect educational grants to healthcare providers or conference organisers, in accordance with applicable guidelines from MedTech Europe and applicable local legislation.

Conflicts of interests are often at the heart of compliance concerns. Medline therefore prioritises identifying and managing conflicts of interests as a key area in our ethics and compliance programme. In order to protect both employees and the company, it is Medline's policy to avoid any activity or personal interest that creates an actual or perceived conflict of interest. In 2017, Medline plans to roll-out training and an online disclosure platform in Europe to facilitate reporting of potential conflicts.

RESPECT FOR OTHERS

Respect for others extends to respect for employee, customer, supplier and other categories of data in our business activities. In 2016, Medline started to develop a data protection framework that will support all our data protection and data security management activities for Europe, as well as our transition to the new EU General Data Protection Regulation that will become effective in 2018. This framework and its implementation will continue in 2017 and will impact all EU data processing by Medline affiliates, including but not limited to employee data and customer data.

In 2017, Medline will extend its anti-harassment programme to Europe to further enhance respect between and towards employees.

GOOD BUSINESS PRACTICE

It is Medline's policy to avoid practices that unfairly restrict—or might appear to restrict—competition in the marketplace. In 2016, no occurrences of restricted competition were reported and we plan to ensure we maintain that performance in 2017 by providing additional internal guidelines tailored to the markets we operate in.

In order to adequately respond to the global trend of governments and society calling for transparency about relations between medical devices companies and the healthcare sector, Medline has initiated an internal global transparency programme. The programme aims to thoroughly review existing and upcoming reporting requirements in laws and (self-) regulations. It is Medline's policy to provide full transparency and meet all reporting requirements that apply to our interactions with healthcare providers. This volatile and complicated landscape of country-specific requirements will continue to be a focal point in 2017.

To avoid conflicts of interests in balancing our customer relations with charitable work, Medline does not donate to or at the request of healthcare providers in Europe. This policy applies to both cash and product donations. Additional information on our donations policy is available in the *Supporting Our Local Communities* section on page 31.

PROMOTING THE WELLBEING OF OUR EMPLOYEES

Medline regards its employees as valuable assets and we strive to create a safe, stimulating and rewarding work environment for them.

We are proud of our ability to attract a talent pool of highly competent individuals who contribute to the business' long term success and viability, which encompasses Medline's positive social, environmental and economic impacts.

Our local human resource representatives support employees in the 16 European countries where we have operations. The representatives report to the senior director of human resources and corporate social responsibility.

Together, the human resources team develops and implements policies and strategies for the recruitment, selection and retention of employees; as well as ensuring appropriate working conditions. The applicable local and international labour and human rights standards and legislation are strictly enforced.

Profile of Medline's Workforce

TOTAL HEADCOUNT

In 2016 our European workforce totalled 858 (2015: 801). 67% of our workforce was based in France and Germany in 2016. We have two sites in France – a manufacturing facility in Chateaubriant, and a marketing and sales office in Voisins-le-Bretonneux. Germany is the site of one of our international distribution centres.

The number of employees in Europe grew by 7% in 2016 from 2015 levels.

The number of employees per country was as follows:

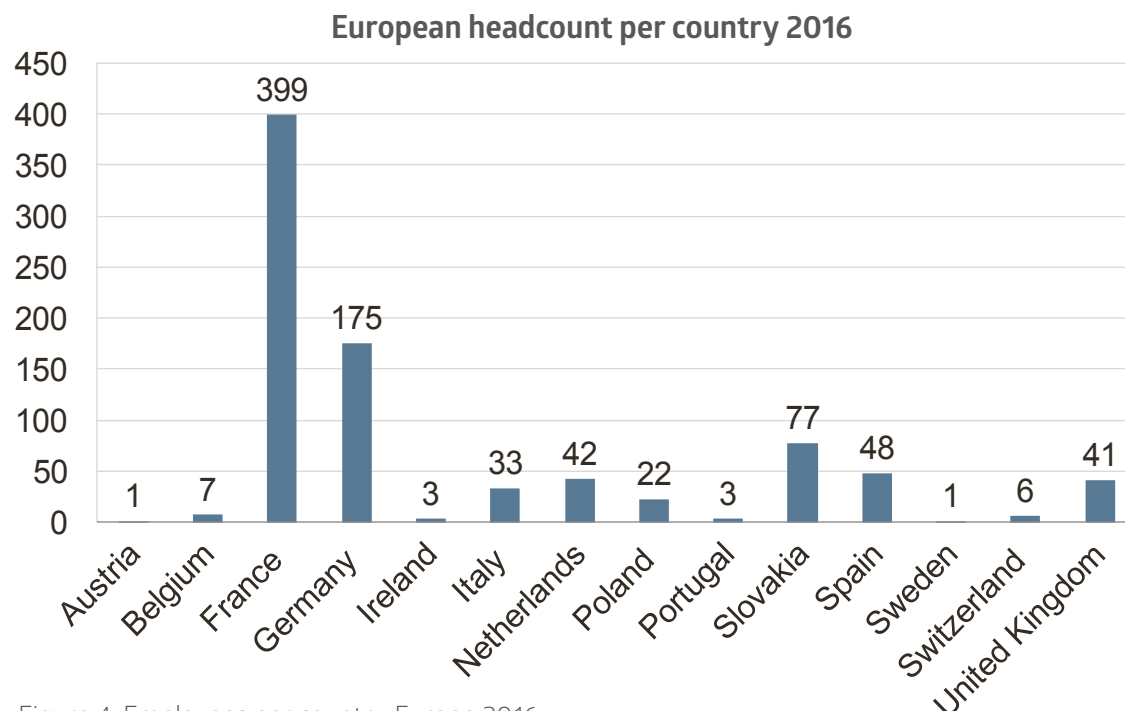


Figure 4: Employees per country Europe 2016

Total number of employees in Europe in 2016: **858**

Medline's headcount in Europe has grown steadily since 2013, particularly in the sales, marketing and manufacturing functional areas. This is in line with our strategic focus on developing and maintaining customer relationships in key markets, and ensuring our production and distribution capacity is in step with customer demand.

GENDER

The majority of our workforce was made up of female employees in 2016 (66%), and male employees were in the minority (34%).

Gender profile of European workforce 2016

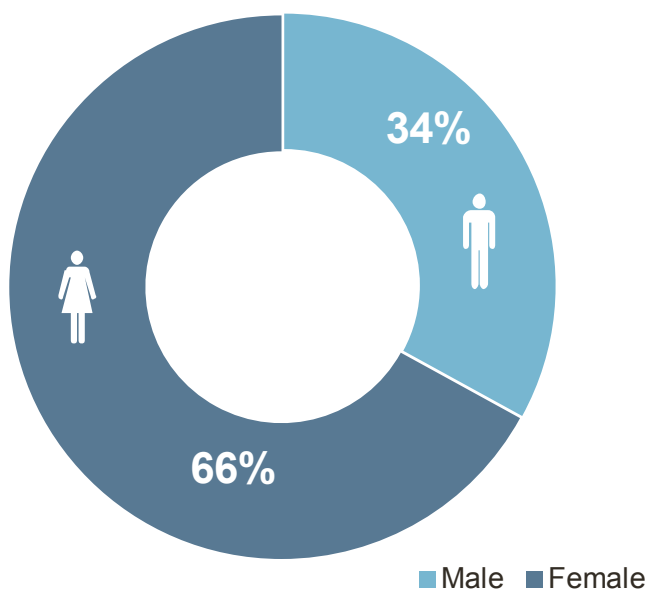


Figure 5: Gender composition of European workforce 2016

EMPLOYEES BY CATEGORY

Professionals constituted 52% of our European workforce in 2016.

Employees by category 2016

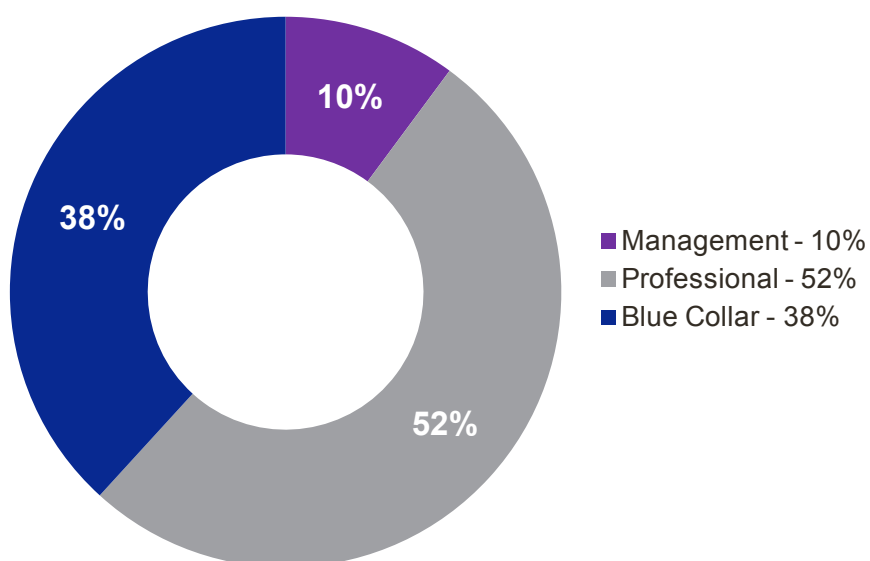


Figure 6: Employees by category 2016

LONGEVITY OF EMPLOYMENT AT MEDLINE

In 2016, 28% of our employees had worked for Medline for more than 15 years. The balance of our employees had worked for Medline for up to 3 years (37%), and between 4 years and 15 years (35%).

Years employed by Medline as of 2016

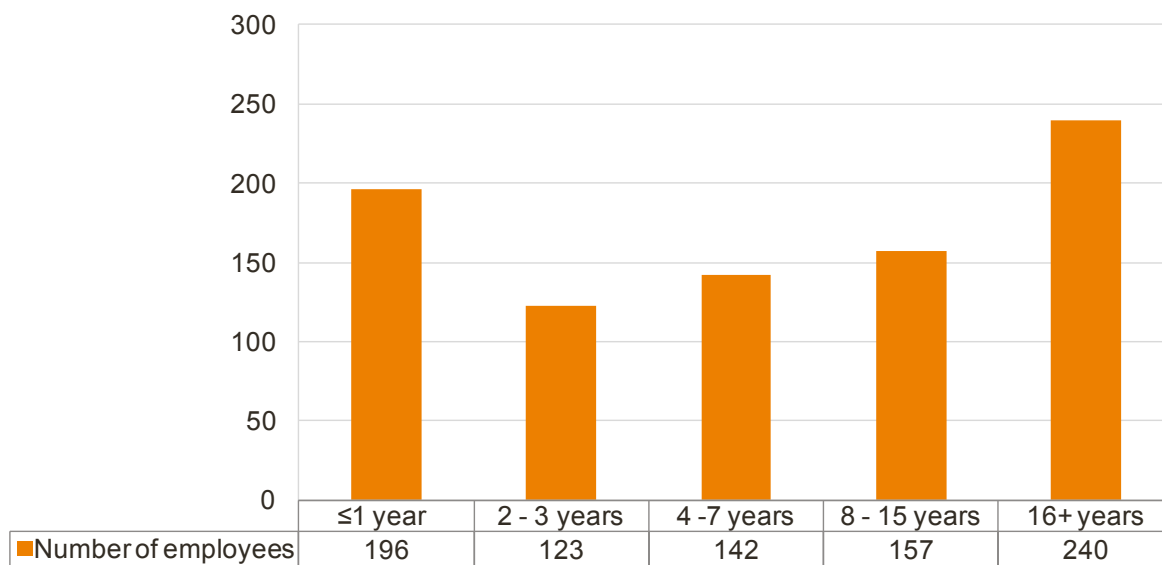


Figure 7: Longevity of tenure

AGE

In 2016, 39% of our employees in Europe were aged between 26 years and 40 years. The average age of our employees was 41 years.

Age of employees 2016

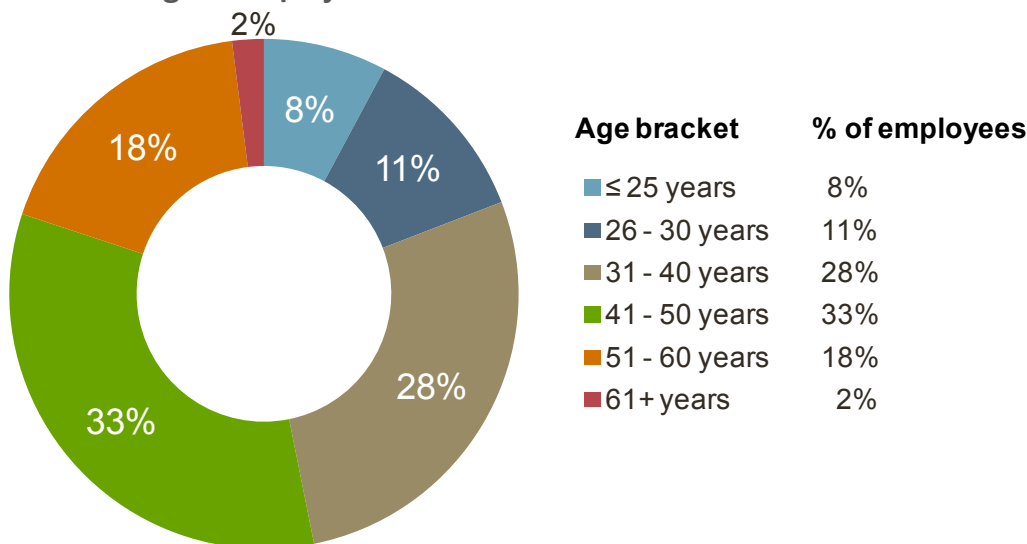


Figure 8: Age breakdown of European workforce in 2016

Respecting Labour and Human Rights in Our Operations and Supply Chain

In our own operations, we comply with national labour and human rights legislation in all the countries where we operate. Our recruitment and employment practices in manufacturing and non-manufacturing operations are designed to minimise and prevent breaches of labour and human rights, and to promote ethical and responsible business practices. Key Medline policies in this regard include our Employee Code of Conduct and our Ethics and Compliance Programme. Employees are encouraged to report labour and human rights abuses to an independent and dedicated hotline.

We have workers' councils in France and Germany to represent the interests of all employees at those locations. These councils give workers a voice in strategic and operational decisions. More widely, employees can provide feedback and express concerns to their immediate supervisors, and through direct interaction with the senior leadership team whose members are generally accessible.

Medline's Supplier Code of Conduct is applicable to our manufacturing subcontractors around the world. The Code is based on:

- Conventions and guidelines of the International Labour Organisation.
- Recognised international social compliance standards (Social Accountability 8000, Ethical Trade Initiative Base Code of Conduct).
- The United Nation's Universal Declaration for Human Rights.

In addition to having a Supplier Code of Conduct, we conduct internal audits of our suppliers.

Medline periodically conducts internal audits of its suppliers to ensure that labour and human rights are being upheld. Our internal audits are based on the SA8000 standard and are conducted by our dedicated social compliance audit team. A total of 220 audits were conducted in 2015 and 2016.

Promoting Employee Diversity and Equal Opportunity

Medline's decisions about recruitment, hiring, promotion, compensation, employee development and all other working conditions are taken without regard for race, religious beliefs, gender, sexual orientation, marital status, physical and mental disability, age, ancestry and place of origin.

We value and promote diversity in our workforce.

Our employees have diverse professional and educational backgrounds, and 25 different nationalities were represented on our European workforce in 2016 (employees originating from Europe, North and South America, Asia and Africa).

Other indicators of our performance on employee diversity and equal opportunity in 2016 were:

- 3% of our employees were disabled.
- 84% of employees who were promoted in 2016 were women.
- Our employees ranged in age from 19 years (youngest) to 74 years (oldest).

Diversity metrics are monitored on an ongoing basis, and appropriate measures put in place. For example, once a year we assess pay gaps between men and women in similar roles to ensure any disparities are founded on objective and legitimate criteria, rather than unfair discrimination.

Remuneration and Rewards

The wages of our European employees are determined by the salary scale applicable to the position. The salary scale is in turn dependent upon employees' experience, skills and qualifications; expected and actual performance levels; and applicable national regulations and legislation (e.g. statutory minimum wages).

In addition, Medline offers a variable compensation scheme which is indexed to individual or collective goals. All employees are eligible regardless of their functional area or level in the organisational hierarchy.

We believe that offering a combination of fixed and variable compensation is key to incentivising high performance levels amongst our employees, and to maintaining Medline's competitiveness as a preferred employer.

The compensation and classifications of Medline employees are subject to review annually, within the context of the company's overall financial performance and results.

In addition to financial rewards, our employees are recognised and rewarded in other ways. For instance, twice a year a handful of employees are chosen to receive our internal *Above and Beyond Award*. The award is given to teams or individuals who have exceeded expectations and demonstrated exceptional dedication in their service to our business, our customers and fellow colleagues.

In 2016, there were six recipients of our internal *Above and Beyond Award*.



The winners are announced by the group president and are featured in Medline's internal newsletter. Six individuals received the *Above and Beyond Award* in 2016 (2015: four team awards).

Medline's philosophy is that financial and non-financial rewards and recognition help create a work environment in which employees feel appreciated for their efforts and personal contributions.

Training and Professional Development

Medline places a strong value on employee training and professional development. We believe that investing in our employees not only enhances the quality and efficiency of our organisation, but also contributes to employee satisfaction and longevity of tenure at Medline.

Our professional development activities are designed to fulfill Medline's organisational needs and strategic goals, as well as individual needs and aspirations of our employees. By way of example, customer-facing employees receive extensive training and support in our European operations. Because our relationships with our European customers are very important to us, specific programmes lasting several weeks are organised for all new employees in contact with customers. These include:

- Product training and experience sharing seminars delivered to our entire sales and marketing teams at least twice a year.
- Online courses via specific e-Learning programs (SkillPort).

Training and professional development activities that benefit other employees include:

- Mentorship programmes.
- Programmes to cultivate management and leadership skills.
- Programmes in specific skills areas, some of them offering the possibility of professional certification e.g. project management, information technology, supply chain management.

As an international company, we pay particular attention to eliminating language barriers that may hinder communication between our European employees, or affect their social and cultural assimilation. Medline therefore subsidises the cost of employees' participation in foreign language training programmes.

We place equal value and emphasis on internal training (provided by competent employees who subject specialists) and external training provided by training actions provided internally by competent employees (tutors and mentors), as well as by professional trainers.

The total number and duration of training sessions held in 2016 was as follows:

INDICATOR	
Total number of training sessions hosted or paid for by Medline (internal and external)	344
Total duration of training sessions held during the year (in days)	926

Table 1: Training-related indicators for 2016

More than 50% of our employees participated in a training session in 2016. More than half of these participants were women.

Wellbeing at Work

Consistent with its role in the healthcare industry, Medline encourages healthy and active lifestyles amongst its employees. For the second consecutive year, Medline employees participated in the Global Corporate Challenge (GCC) in 2016.

47 teams from Europe participated in the Global Corporate Challenge, achieving a total of 414 274 999 steps.

The GCC is a 100-day challenge in which employees track their daily physical activity levels, ideally achieving an average of 10 000 steps per day. In 2016, 47 teams from our European operations took part, recording an average of 12 899 steps per day over the 100 days. The challenge fostered camaraderie within and across teams. Medline covered all the costs of participants' entry fees and step counting devices.

Other benefits Medline provides its employees are subsidies for meals, public transport and the gym; the ability to work from home once a week in some European countries; and free deliveries of fresh fruit at work sites.

We are exploring measures to improve work-life balance such as the ability to work part time during parental leave.

Employee Engagement

We encourage our employees to express their opinions and provide constructive criticism about their workplace experiences at Medline. Communication channels in Europe include one-on-one feedback between employees and their supervisors, and direct interaction with the senior leadership team whose members are generally accessible. Other communication tools to reach employees include the company intranet, internal newsletters and internal townhall meetings.

Furthermore, we conduct a periodic employee engagement survey. The survey is administered by our parent company in the United States across all Medline employees worldwide. Employees are able to participate anonymously, and the topics covered range from occupational health and safety to career development. The most recent survey was conducted in 2014 (the next survey will be conducted in 2017). Employees rated Medline favourably in the following areas:

- Collaboration and teamwork.
- Safety.
- Employee engagement and satisfaction.
- Customer focus.

The areas identified as requiring the greatest improvement were performance management, communication, and process efficiency. Action plans have been put in place to increase employee satisfaction in these areas.

Future Plans for 2017

In 2017 we will continue to tailor our recruitment strategies to attract the best talent in order to support the growth of the business and provide excellent service to our customers. We will also review our talent management processes to enhance our employee retention rates and create opportunities for the career advancement of willing and able employees.



DEVELOPING APPROPRIATE PRODUCTS AND SERVICES FOR CUSTOMERS

Medline's customer base comprises:

- Our final customers - Healthcare facilities such as hospitals and clinics.
- Intermediaries – For example, distributors and group purchasing platforms.

Our customers are at the heart of everything we do at Medline and have a decisive influence on the company's economic, social and environmental sustainability.

Medline constantly looks for opportunities to improve the quality and breadth of products and services offered to our customers. By engaging with our customers, suppliers, distributors, and industry networks, (e.g. through our sales and customer service representatives), we obtain valuable insights that inform product and service development.

New Products and Services Launched in 2016

To respond to our customers' needs, Medline continued to evolve and innovate in 2016.

PRODUCTS

We launched a variety of new products in Europe in 2016.

Medline launched numerous new products in Europe in 2016, ranging from exam and surgical gloves, to fluid management devices. Medline observes (and in some instances exceeds) all applicable standards and regulations for product quality, safety, labeling and other product features.

We are proud of our ability to expand our product ranges – focusing on exam and surgical gloves as a microcosm of our activities, some of the Medline-branded products we brought to the European marketplace in 2015 and 2016 were:

	PRODUCT NAME	DISTINCTIVE FEATURES EXAMINATION GLOVES
EXAMINATION GLOVES	Sensicare Silk 	Premium nitrile exam gloves. Excellent sensitivity. A smooth fit and feel. A sleek dark blue colour. Packaging contains Microstop film* and colour coded sizing.
	Restore 	Premium nitrile exam gloves. Oatmeal coating has a soothing effect on the skin of the wearer. Packaging contains Microstop film* and colour coded sizing.

PRODUCT NAME		DISTINCTIVE FEATURES EXAMINATION GLOVES
SURGICAL GLOVES	DermAssure Green 	Accelerator free neoprene gloves. Dark green colour which functions as an excellent indicator when used as the bottom layer while double gloving.
	OR Standard 	Latex gloves. Powdered. Cost effective. Versatile. Excellent fit and feel.
	OR Standard PF 	Latex gloves with a low protein count. Powder-free. Cost effective. Versatile
	SensiCare PI Evolution 	Gloves made from a Polyisoprene blend. Blend gives the fit and feel of latex without the proteins. High resistance to chemical permeation.
	SensiCare Shield 	Specialty radiation attenuation gloves to protect the wearer from harmful rays. Made with eco-friendly tungsten instead of lead.

Table 2: Examples of new Medline gloves launched in Europe 2015 - 2016

*Microstop film helps the user pull only one glove out of the box at a time, thus reducing product waste (benefiting the environment and users).

Due to the multiplicity of competing brands and manufacturers for exam and surgical gloves, the ability to differentiate ourselves is essential. Medline does so by developing new products that cater to customers' unmet needs or making improvements to existing product categories. For instance, a common and long-standing complaint amongst healthcare workers is skin conditions associated with constantly wearing and changing gloves. Our Restore exam glove's layer of colloidal oatmeal soothes and moisturises users' hands inside the glove.

In terms of challenges faced in 2016, price is a key factor for customers in the crowded and fiercely competitive gloves product category. Providing our customers with high quality products that also meet their budgetary expectations is a delicate balancing act.

SERVICES

We are proud to announce the introduction of Prime Vendor.

Prime Vendor is a concept new to Medline's European operations, but is an established service in our North American operations.

Launched in 2016, Prime Vendor is a logistics management solution that allows customers to purchase all their desired products and solutions from Medline in a 'one-stop-shop'. On behalf of the hospital, Medline purchases and manages inventories from numerous suppliers, greatly reducing:

- The number of daily deliveries.
- The administrative burden.
- Waste and obsolescence.

The service also includes sophisticated usage reports to enable hospital administrators to better manage consumption and spend.

Product Safety

Product safety considerations are built into our approach to quality management. Product safety standards and objectives are met by implementing Medline's quality policy and monitoring our quality performance indicators.

Medline Industries Inc. Quality Policy

We are committed to delivering outstanding customer value, by providing quality healthcare products and services which consistently meet the needs of our customers, both internal and external.

We are committed to continuous improvement of our products, our services, our business processes and our business relationships.

We will accomplish these objectives by creating and maintaining a quality-focused environment, while deploying our Total Quality approach with our valued customers, employees, and community.

Please refer to the sub-section *Maintaining quality and reliability in our operations* for additional information on our quality control processes (page 29 of this report).

Fair and Affordable Pricing

Our European customers increasingly face budgetary pressures and constraints, in both the public and private healthcare sectors. Accordingly, many healthcare facilities have adopted strategies such as value-based procurement models, and ongoing monitoring of product and service costs.

Medline is sensitive to the cost pressures our customers face and our products and services are designed and priced accordingly. Measures we take to ensure that our products and services are fairly and affordably priced include:

- Setting our prices at competitive levels in line with tender requirements, whilst also taking into account industry averages.
- Careful management of Medline's operating costs and overheads to avoid the need to pass on mark-ups to customers.

Price information is readily accessible to our customers and is communicated through our sales teams, as well as through mutually agreed contractual terms and conditions.

Medline prioritises long term relationships with customers – we believe that fairly and affordably priced products and services are key to those relationships.

Future Plans for 2017

Medline will continue to ensure our products and services are responsive to customers' circumstances in the various European markets.

MANAGING OUR SUPPLY CHAIN AND MANUFACTURING OPERATIONS

Our Supply Chain

Medline is both a manufacturer and a distributor, offering numerous products to our customers in Europe. Our global manufacturing and supply chain operations comprise Medline-owned assembly and manufacturing facilities, as well as third party manufacturing subcontractors and direct suppliers. In Europe, we have three assembly and manufacturing facilities in:

- France, where we assemble kits for sterile procedure trays.
- Slovakia, where we assemble kits for sterile procedure trays.
- Poland, where we manufacture and assemble breathing masks, tubes and kits for anaesthesia-related medical procedures.

We have three assembly and manufacturing sites in Europe, and five distribution centres.

Medline products sold in Europe are not limited to sterile procedure trays and anaesthesia products. Hundreds of other Medline-branded products are available in Europe, sourced or manufactured regionally and internationally.

To support our complex global supply chain, we have international distribution centres in Germany, France, Spain, the Canary Islands and Ireland. Utilising a combination of ocean, road and air freight, products are transported to and from these distribution centres before reaching our customers in Europe. Our operations team is responsible for managing and coordinating our distribution and transportation networks.

SPOTLIGHT: MEDLINE CHATEAUBRIANT ASSEMBLY PLANT

Medline's facility in Chateaubriant, France is our largest manufacturing site in Europe. It is an assembly plant for kits for sterile procedure trays (SPTs). On average, we manufacture 12 500 kits per day in Chateaubriant. The SPT kits are customised according to customer preferences, depending on the surgical procedure and the specifications of the surgical team.

The kits draw on more than 3 000 different medical products such as syringes, dressings, instruments, drapes and gowns. The products are sourced from more than 200 brands and manufacturers around the world – due to the SPT kits' high levels of diversity and customisation, their contents are not limited to Medline's own product ranges. Our key selection criteria for suppliers include price, quality, scale, lead times and reliability. As part of our compliance team's due diligence process, new and existing suppliers are screened on an ongoing basis to ensure we do business with ethical and responsible business partners.

Measures to ensure the quality, safety and traceability of our products include validated processes to approve components and sterilise kits. Each lot or work order is assigned a unique barcode which can be used to trace information such as order number, date of production, and customer name. In addition, customers can notify Medline of any problems and return damaged or otherwise unsatisfactory products. Our standard product warranty for SPTs is five years.

To protect and promote labour and human rights in our SPT supply chain, we are progressively sending our suppliers the Medline Supplier Code of Conduct for them to sign.

12 500
SPT KITS
MADE PER DAY




Maintaining Quality and Reliability in Our Operations

We incorporate and observe to the best of our ability the relevant and applicable aspects of the code of good manufacturing practice (cGMP). These include: lean manufacturing; inventory management; employee training on GMP; and managing our production capacity (e.g. assessing the production capacity of our upstream suppliers and planning accordingly; forecasting sales and demand).

The CE mark and ISO 13485 certification are common to all three Medline manufacturing sites in Europe.

Maintaining and improving our standards for quality and reliability is an integral part of our approach to doing business.

Our plants in France, Slovakia and Poland have the following quality and environmental certifications:

- France (Chateaubriant) –    
- Slovakia (Banovce) –  
- Poland –  

*CE mark is held by Medline International France, holding company for Medline Assembly France and Medline Assembly Slovakia.

In our manufacturing operations, our quality control process includes audits by designated internal quality checkers, as well as inspections by Medline employees on the production line. Quality checks are conducted at each stage of the manufacturing process. We monitor the number of quality-related complaints, and the number of complaints per million kits sold. The performance of our facilities in France and Slovakia is illustrated below:

We exceeded our internal target performance levels for the quality of SPTs in 2016.

PERFORMANCE INDICATOR	TARGET FOR INDICATOR	ACTUAL PERFORMANCE IN 2016
Number of complaints per million SPT kits sold	170	150
Service level for SPT kits sold (Defined as proportion of kits delivered to customers within the agreed time frame, and in the exact quantities requested)	97.8%	98.2%

Table 3: Medline quality performance indicators 2016 (France and Slovakia)

We take the necessary and appropriate action to address customer complaints, and to proactively introduce new measures that elevate our performance. For example, in 2015 we created the new role of quality liaison for SPTs, to engage with and support our upstream suppliers in China on quality issues. We also increased the number of Medline-employed quality controllers in China.

In our distribution centres and transport logistics, we monitor the number of customer complaints, and the cost of transport and warehousing as a percentage of sales.

Future Plans for 2017

The construction of our new warehouse at Chateaubriant began in November 2016 and is scheduled for completion in 2017. The additional capacity provided by the new warehouse will enable Medline to maintain the quality and reliability of our SPT manufacturing operations in France and is testament to Medline's strong growth in Europe in this category.

We will expand our SPT facility in Slovakia in 2017, physically extending both our office and our clean room. This will increase the capacity and efficiency of our SPT production process – our maximum daily capacity at this plant will rise from 4 500 packs per day to 10 000 packs per day.

To improve our road freight performance, we will introduce a new transport management system in 2017. This initiative involves reviewing our approach to road freight by consolidating shipments and reducing the number of intermediate stops. From a logistics perspective, the benefits will include more time and cost efficient customer deliveries.

SUPPORTING OUR LOCAL COMMUNITIES

Medline supports local communities in countries where we have an operational and sales presence through a combination of our breast cancer awareness campaign, donations, and sponsorships. With the participation and support of the wider organisation in Europe, these community-oriented initiatives are overseen by our corporate social responsibility, and marketing and communications departments respectively. We have a *Charitable Donations Policy* in place to provide guidelines.

Breast Cancer Awareness

Launched in 2005, our breast cancer awareness campaign is Medline’s flagship initiative to support our local communities whilst simultaneously facilitating widespread employee participation. The objectives are:

- To raise awareness of breast cancer and the behaviours needed for prevention and early detection.
- To raise funds for charities involved with breast cancer-related patient care and research.

In 2016 we held our first Pink Glove Photo Competition for healthcare workers in Europe.

In Europe, Medline manufactures and sells limited edition Generation Pink exam gloves in what is known as the Pink Glove Project. These vinyl and nitrile exam gloves have a distinctive pink colour which corresponds with the pink ribbon commonly associated with breast cancer awareness worldwide. Wearing the gloves is a visual reminder to healthcare professionals of the challenge posed by breast cancer as a disease, and of the care and support and required by breast cancer patients and families.

Medline has in the past organised the Pink Glove Dance Competition, which is open to healthcare professionals, patients, survivors and communities (Medline employees are excluded from the dance competition). In Europe, funds raised from the dance competition totalled EUR46 000 between 2013 and 2015. The money was donated to 10 organisations that specialise in breast cancer research and patient support in Europe.

In 2016 Medline hosted the first Pink Glove Photo Competition via Facebook. Eligible participants were healthcare workers in 30 European countries - Medline employees were excluded. The nine photos that were entered into the competition attracted more than 12 800 likes on Facebook. The winning photo was submitted by an employee of Clínica Bofill (a Spanish hospital). The photo will be used in all of Medline’s print and digital promotional materials in 2017.

<p>46 000 EURO</p> <p>Funds raised since 2013 through the European PGD Competition</p>	<p>24 videos submitted in Europe’s Pink Glove Dance competition</p>
<p>12 800 LIKES </p> <p>Number of likes on Facebook for 2016 Pink Glove Photo Competition</p>	<p> 1 IN 8 WOMEN will be diagnosed with breast cancer before the age of 85</p>
<p>1 220 Number of pink-gloved dancers in Europe’s PGD competition</p>	

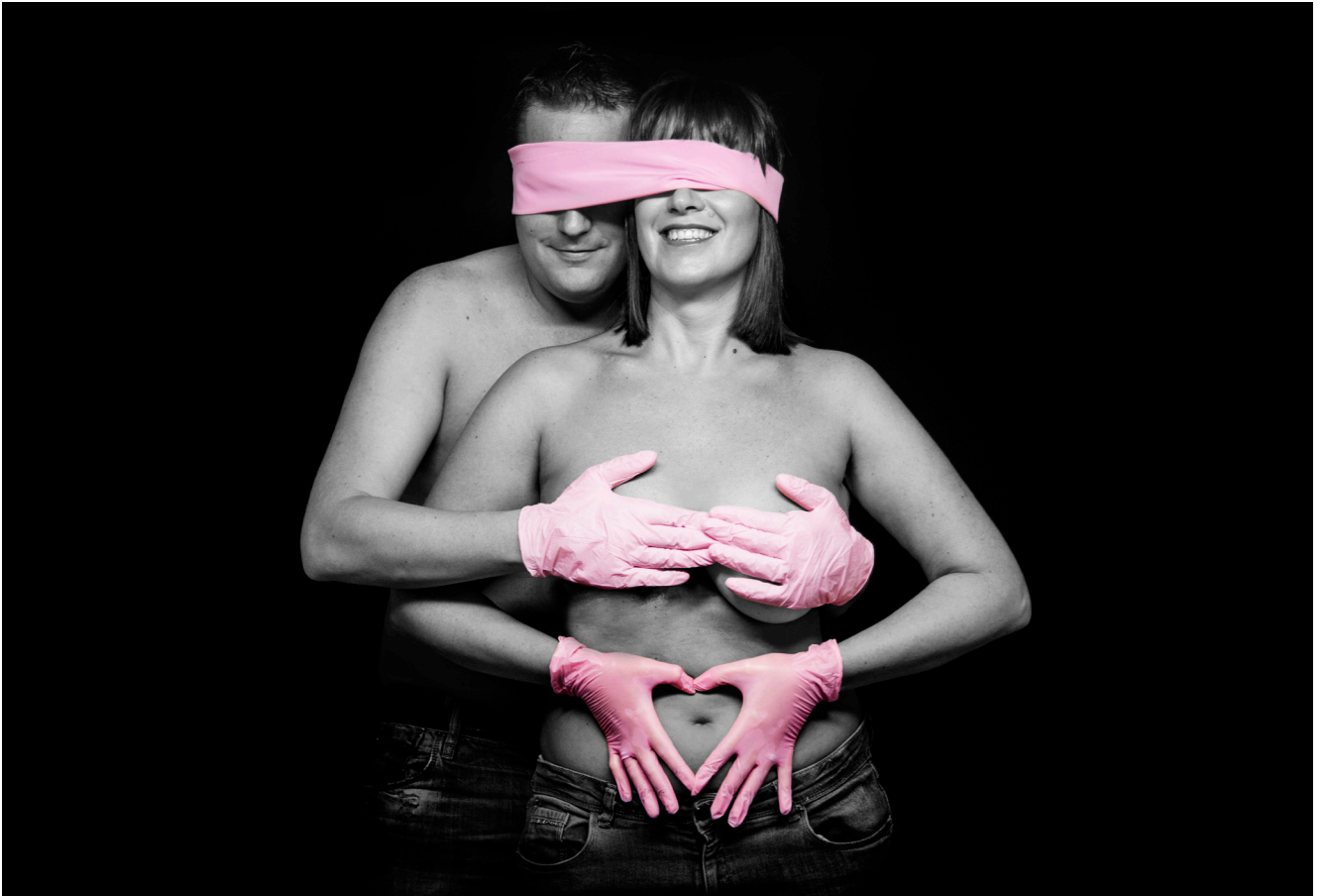


Figure 9: Winning photo from the 2016 Pink Glove Photo Competition

“This photograph represents being alive and wanting to continue feeling alive!!! So after winning the battle, the perfect imperfections that are left on my body do not make me want to stop smiling and loving what life represents. I am happy – I am missing a breast – so what? A caress, a kiss, a hug – the best emotional medicine you can receive. I love life!”

Winner of the 2016 Medline Pink Glove Photo Competition

In the United States, since 2005 Medline has partnered with the National Breast Cancer Foundation (NBCF) in their mission to save lives through early detection, including by offering free mammograms to women in need. To date, Medline has donated US\$1.7 million to the NBCF from the proceeds of sales of Medline pink products, as well as employee fundraising events. The money is donated to the National Breast Cancer Foundation annually. Over the years, an additional US\$1.4 million has been donated to 165 breast cancer charities in North America as a result of Medline’s Pink Glove Dance Competition.

Donations

Medline’s *Charitable Donations Policy* provides guidelines for all donations in Europe. In line with our policy, Medline does not make donations to healthcare providers, whether financial or non-financial. We do not respond directly to requests for product donations – we refer all interested parties to International Health Partners, our partner organisation for product donations.

Our activities in 2016 are described in more detail below.

LOCAL DONATIONS

In 2016, we created local donation committees representing employees across our various European sites. The mandate of the committees is to use their local knowledge to identify charitable causes that will benefit their respective communities.

Causes supported by the committees in 2016 were:

- A charity in France that assists children and youth receiving treatment in healthcare facilities – volunteers entertain children and youth through activities such as reading, playing, and painting.
- An organisation in Spain that provides patient support, lobbying and advocacy for sufferers of multiple sclerosis.
- An organisation in Slovakia promoting healthy and active lifestyles for youth and children – Activities offered include skateboarding, parkour, volleyball and running.
- Disaster relief in Italy in the wake of earthquakes in Central Italy in August and October 2016 - Medline contributed to relief efforts coordinated by Italy's Civil Protection Department.

The beneficiaries of our charitable donations in 2016 included children and youth, sufferers of multiple sclerosis, and victims of natural disasters.

PRODUCT DONATIONS

In developing countries around the world, patients are turned away due to a lack of basic medical supplies. In Europe, Medline collaborates with International Health Partners (IHP) to facilitate donations of Medline branded products to developing countries. IHP is a European non-governmental organisation that acts as an intermediary between healthcare companies and aid agencies. In 2016 we donated 28 pallets of products through IHP.

We partnered with International Health Partners for donations of Medline products.

Sponsorships

In 2016, Medline sponsored local sports teams (football and padel, a racquet sport) in France, Spain, and the United Kingdom. We provided the teams with jerseys and sports equipment, as well as direct financial support. Our sponsorships are in line with our goal to support local community initiatives that promote physical and mental health and wellbeing.

Future Plans for 2017

For our breast cancer awareness campaign, we will begin collaborating with Keep A Breast Europe (KABE) in 2017. KABE is a youth-focused non-profit organisation that provides education on various topics related to breast cancer, including prevention, early detection and potential sources of carcinogenic toxins in daily life. In addition to Medline donating a portion of the proceeds from our pink glove sales in Europe to KABE, our partnership with KABE will extend to other activities such as developing mobile phone applications, and joint promotional campaigns.

LIMITING OUR ENVIRONMENTAL IMPACT

Globally, environmental challenges such as natural resource depletion, climate change, pollution and threats to biodiversity require companies and individuals alike to be proactive stewards of the natural environment. Medline is aware that there are environmental impacts associated with the manufacture, distribution and use of our products and services. We strive to monitor and manage these environmental impacts to the best of our ability.

Our *Environmental Policy Statement* emphasises the following actions:

- Implementing our environmental management system for strategic planning and reporting on environmental issues.
- Incorporating circular economy concepts such as waste minimisation, recycling and reuse.
- Adhering to green building practises and standards (e.g. energy efficiency) in new construction projects where feasible.
- Reducing our greenhouse gas emissions from different sources.

Implementing Our Environmental Management System

Medline achieved ISO 14001 certification at three European sites in 2016.

An environmental management system is an enterprise tool to identify and control environmental impacts. Medline's environmental management system is driven by our ISO 14001 certification. Developed by the International Standards Organisation (ISO), ISO 14001 certifies that environmental management systems are in place at a facility, including concrete environmental initiatives that are underway and reported on.

In Europe, three of our facilities are ISO 14001 certified. They are our manufacturing facility in Chateaubriant, France, as well as our international offices in Madrid, Spain and Florence, Italy. Globally, five other Medline facilities in the United States are ISO 14001 certified.

Our facilities are routinely audited by an independent third party to ensure ISO 14001 standards are upheld. External audits were conducted in 2016 which resulted in the successful re-certifications of all three European sites.

Our Contribution to the Circular Economy

The circular economy is an alternative economic and business model that aims to move away from linear value chains (take-make-dispose), to value chains that are as waste free and regenerative as possible. "Circular" value chains aim to minimise inputs of raw materials, capital goods and energy in the production process; and once produced, to keep materials and products in use continuously and reduce waste through strategies such as refurbishment, reuse, recycling and biodegradation. A cornerstone of a circular economy is a reliance on renewable energy throughout the value chain.

The circular economy model is illustrated below:

CIRCULAR ECONOMY - an industrial system that is restorative by design

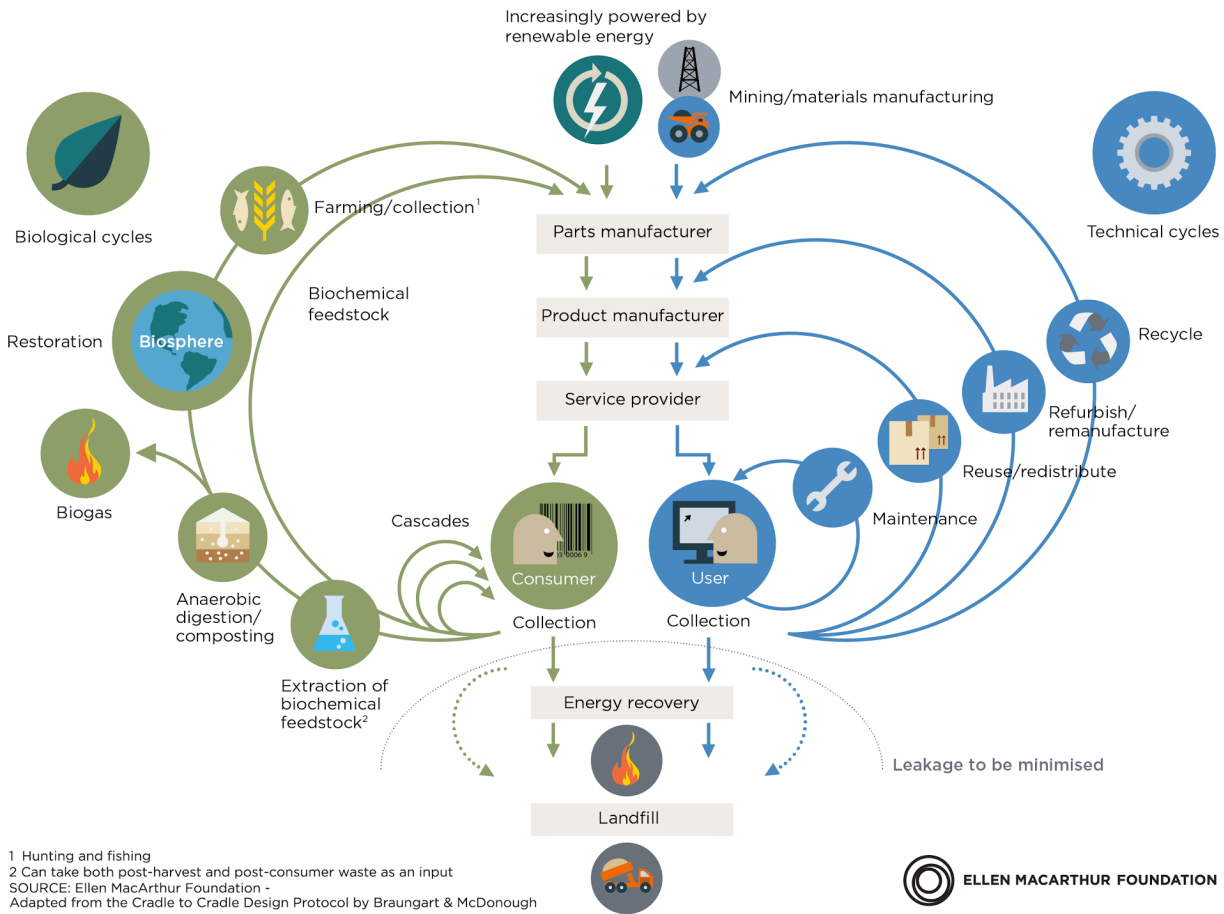


Figure 10: How a circular economy works

Source: Ellen MacArthur Foundation, 2013: Towards the circular economy

Medline’s contribution to the circular economy model ranges from minimising waste (mainly in the form of packaging), to the reuse and recycling of materials and products.

We streamlined the product packaging for selected gloves and gowns in 2016.

INITIATIVES TO REDUCE AND OPTIMISE PRODUCT PACKAGING

In recent years, we have improved the packaging of our nitrile exam gloves in Europe by doubling the number of gloves per box from 100 to 200, whilst maintaining roughly the same box size. The benefit of this is an overall reduction in the quantity of packaging materials, as fewer boxes and cases are used. In addition, the gloves are flat-layer packed inside the box to avoid wrinkles and bunching, ensuring easy removal of the desired number of gloves thus avoiding waste. Finally, greenhouse gas emissions (GHG) are reduced when more gloves are loaded per truck, necessitating fewer trips to transport gloves to customers.

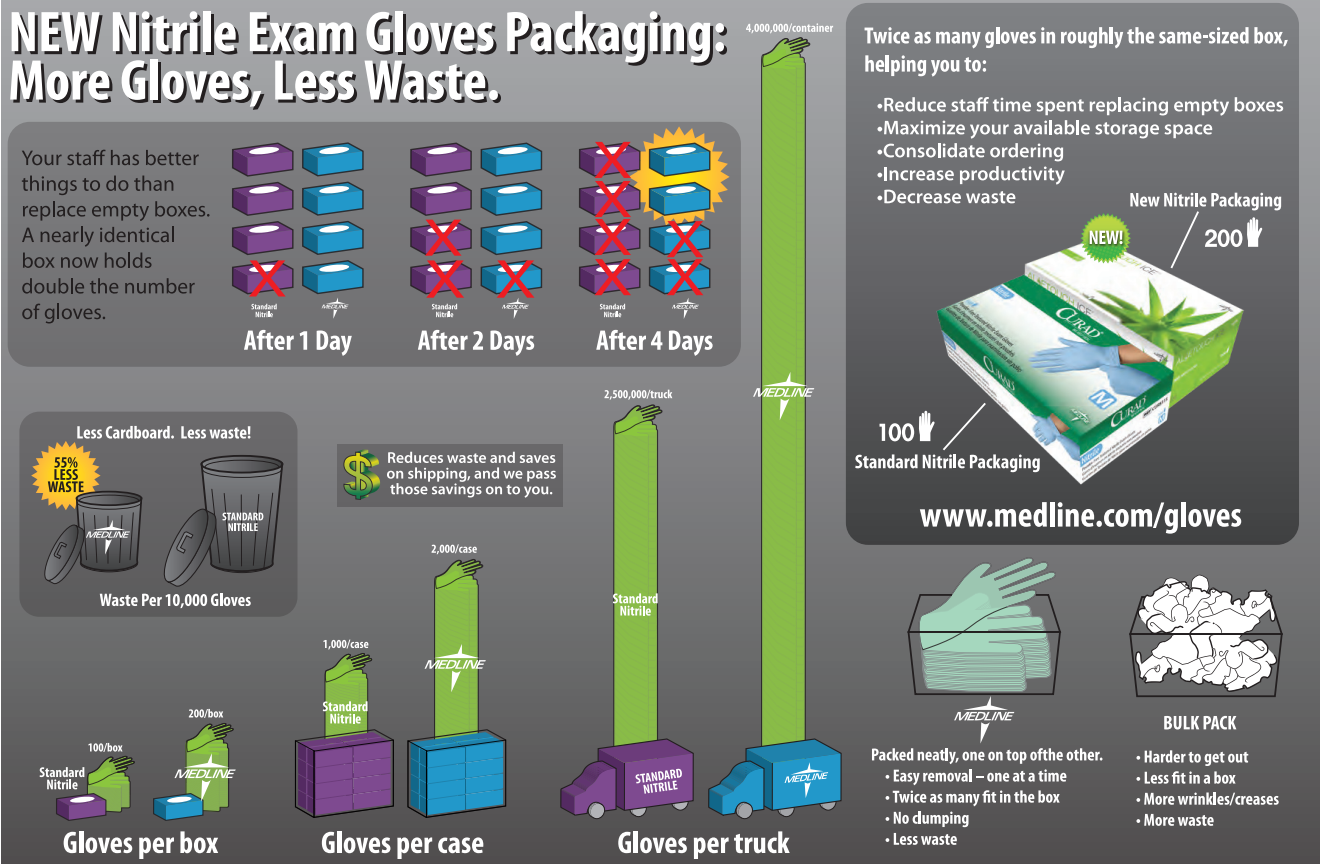


Figure 11: Streamlined packaging for our nitrile exam gloves in Europe

A similar approach was adopted to optimising the packaging of our UltraGard, Essential and Advanced surgical gowns in Europe in 2016. By standardising the dimensions of the carton box used for deliveries, as well as reconfiguring how gowns are packed inside the box, we increased the quantity of gowns packed in a box without increasing the overall size of the box. We estimate that roughly 42 000 fewer boxes will be transported to, and disposed of, by our customers per annum.

INITIATIVES TO RECYCLE AND REUSE

About 89% of the total waste at our Chateaubriant facility was recycled in 2016. We recycled plastic, paper and other types of materials. These results were achieved through active employee engagement in waste sorting and Medline’s investment in specialised recycling equipment.

In 2016, we recycled and reused IT equipment, waste packaging and transportation materials, and cut down on office-based paper consumption.

Recycling initiatives are widespread at various other European sites (e.g. Germany, Italy, the Netherlands).

Some of the pallets used for transportation and storage in Kleve are certified by the European Pallet Association and are part of an exchange system with transportation partners: the same number of pallets that is loaded onto trucks is returned to the distribution centre for re-use. Poor quality pallets are separated and recycled. Furthermore, the

Florence, Italy office is progressively moving towards electronic invoices and documentation to limit paper waste.

Information technology (IT) equipment in Europe is recycled; disposed of by a specialist data destruction company; or given away to Medline employees and local communities for reuse.

Managing Our Greenhouse Gas Emissions

Medline acknowledges scientific research such as that conducted by the Intergovernmental Panel on Climate Change (IPCC), which attributes climate change to a recent and significant increase in anthropogenic (human-induced) greenhouse gas emissions. The IPCC's Fifth Assessment Report identifies increased species extinction (flora and fauna), ocean acidification and sea level rise, reduced food security, water scarcity and adverse effects on human health as some of the risks associated with climate change in the 21st century.

We support the spirit and ambition of the 2015 Paris Climate Agreement and other international climate policies and instruments that facilitate the implementation of the United Nations Framework Convention on Climate Change (UNFCCC).

Medline's efforts to reduce our organisation's greenhouse gas emissions are described below.

GREENHOUSE GAS INVENTORY

Since 2012, we have been measuring our carbon emissions through an annual greenhouse gas (GHG) inventory that measures our scope 1, 2 and 3 greenhouse gas emissions. Medline's greenhouse gas inventory covers our operations in North America and Europe and is reported annually to the CDP.

Medline has submitted an annual GHG inventory report to the CDP since 2012. Our inventory is prepared in line with the applicable international GHG Protocol standards.

The CDP (formerly known as the Carbon Disclosure Project), is an international organisation that produces annual questionnaires on climate change, supply chain, water and forests respectively. The CDP aims to improve companies' disclosure of their environmental performance.

The sources of scope 1, 2 and 3 GHG emissions are illustrated below:

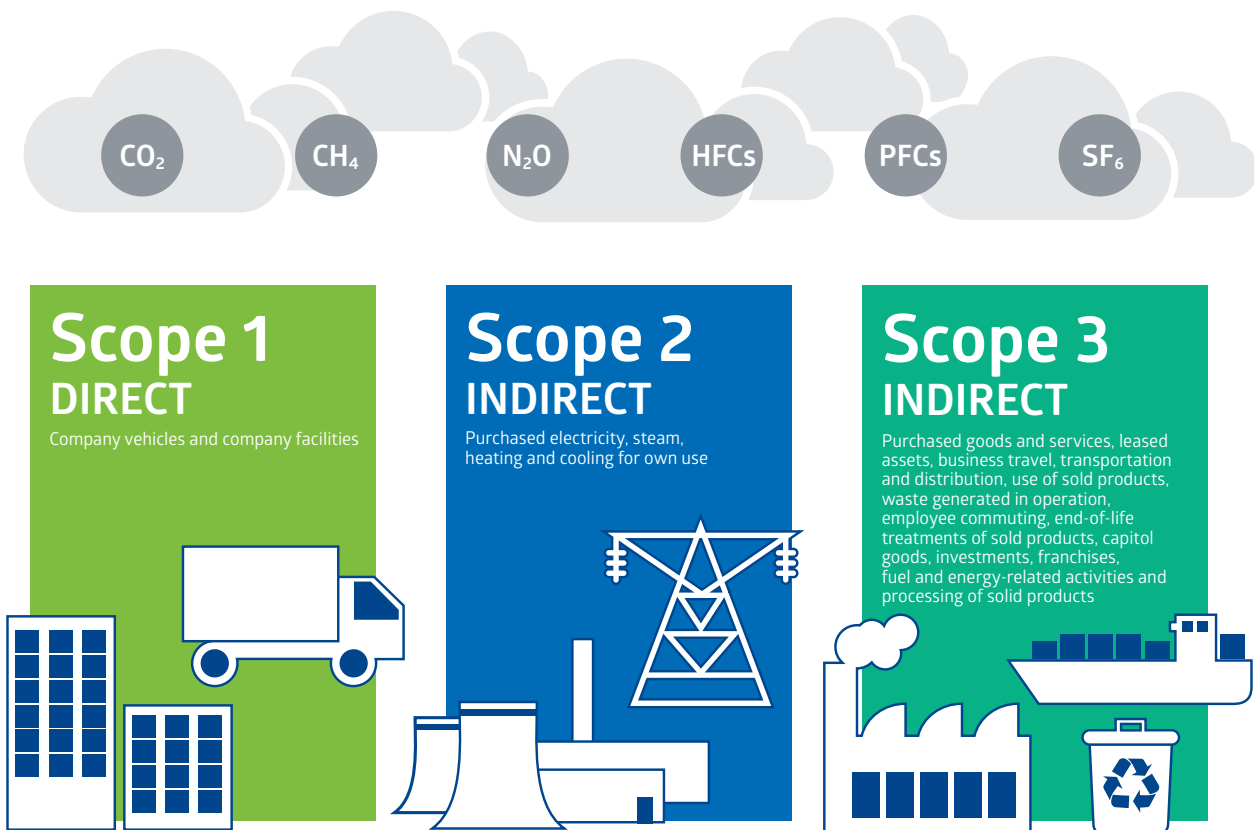


Figure 12: Relationship between scope 1,2,3 GHG emissions

As is illustrated above, the GHG Protocol Corporate Standard classifies a company’s GHG emissions into three ‘scopes’ or categories. Scope 1 emissions are direct emissions from sources owned or controlled by a company. Scope 2 emissions are indirect emissions from the generation of purchased energy (e.g. electricity, heating/cooling, steam). Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company.

Total greenhouse gas emissions

Medline’s total measured scope 1, scope 2, and scope 3 greenhouse gas emissions in North America and Europe amounted to 217 121 tonnes of CO₂ in 2015. This is illustrated below:

Total scope 1,2,3 emissions 2015 in North America and Europe

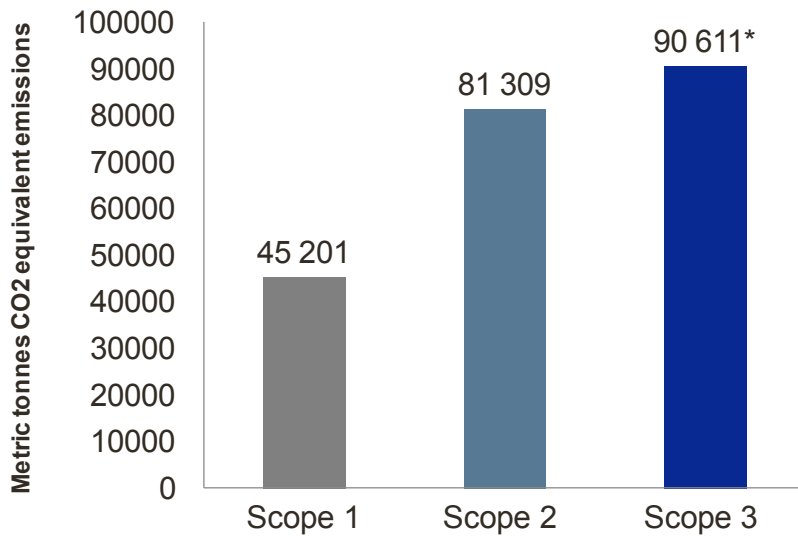


Figure 13: Medline scope 1,2,3 emissions 2015 in North America and Europe

*North America only. Scope 3 GHG emissions are not measured and reported in Europe.

Note: Scope 1 and scope 2 emissions are measured for sites where Medline has operating control as defined internally.

European scope 1 and scope 2 greenhouse gas emissions

Medline’s measured scope 1 and scope 2 emissions in Europe in 2015 are illustrated below:

Medline’ European GHG emissions 2015

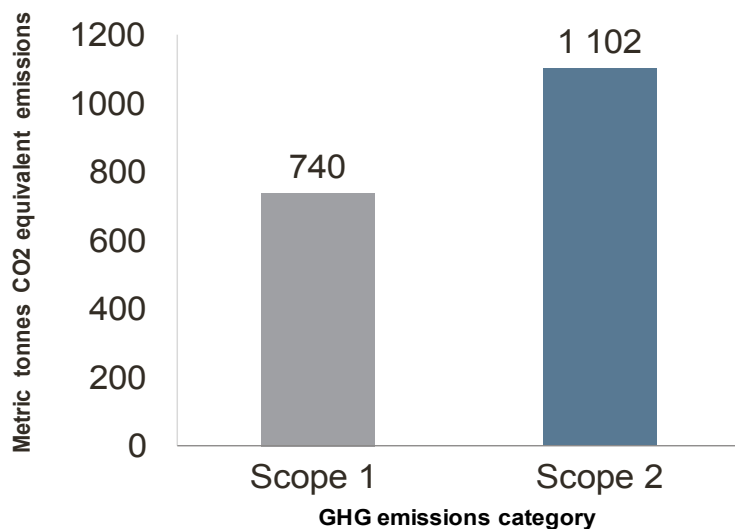


Figure 14: Scope 1 and 2 greenhouse gas emissions in Europe 2015

Note: Scope 1 and scope 2 emissions are measured for sites where Medline has operating control as defined internally.

In Europe, scope 2 emissions (1 102 tonnes of CO₂) were slightly higher than scope 1 emissions (740 tonnes of CO₂) in 2015. Combined European scope 1 and scope 2 emissions were 1 842 tonnes of CO₂. Medline's scope 1 and scope 2 emissions in Europe together constituted 1.5% of Medline's global emissions in these two categories, where 'global' is defined as North America and Europe combined. Despite constituting a small share of global company emissions, our European operations implement measures to contain and reduce our greenhouse gas emissions.

Our greenhouse gas emissions in Europe accounted for only 1.5% of Medline's total measured emissions in 2015.

The distribution of our European emissions by country is provided below:

Medline's European combined scope 1 & 2 GHG emissions by country 2015

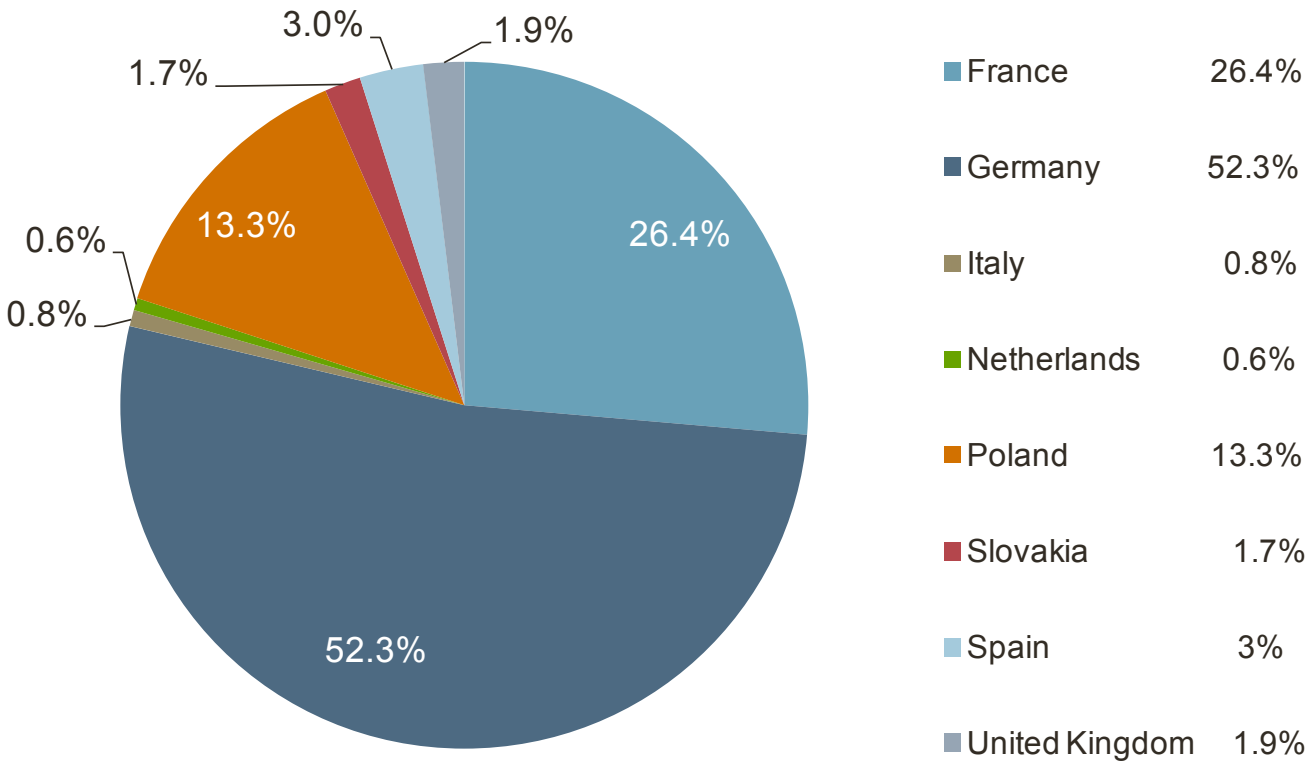


Figure 15: Country breakdown of Medline's total GHG emissions in Europe 2015

Note: Scope 1 and scope 2 emissions are measured for sites where Medline has operating control as defined internally.

Medline's scope 2 GHG emissions in Europe in 2015 were largely attributable to our distribution centre in Germany (a 37 000 square metre facility). To address this, we put in place measures to enhance the environmental and other attributes of the facility. Consequently, our distribution centre was awarded gold level certification by the German Sustainable Building Council (DGNB) in 2016. This means that our distribution centre scores highly on key criteria such as environmental impact, cost effectiveness, fire safety and noise levels, site quality, and design and construction quality.

MEDLINE'S EUROPEAN COMPANY CAR POLICY: OUR CONTRIBUTION TO INTERNATIONAL CLIMATE MITIGATION EFFORTS

Our green car policy aims to ensure that the carbon footprint of Medline's corporate fleet (vehicles owned or leased by Medline in Europe) is minimal. The European Union directive applicable to car manufacturers (Directive 2007/46/EC) sets an emissions standard of 130 grams of CO₂ per kilometre travelled for new passenger vehicles manufactured in or after 2009.

Medline's company car policy is in tune with the spirit of the EU directive. In each of the four categories of passenger cars owned or leased by Medline, all vehicles offered meet an emissions standard of 120 grams of CO₂ or less per kilometre travelled. We have further made it a point to include hybrid vehicles as an option.

As a result of our green car policy, we are gradually transforming our entire corporate fleet in Europe – a growing proportion of the cars driven by Medline employees meet or exceed the EU standard for carbon emissions. This in turn has positive implications for our scope 1 emissions.

European scope 3 greenhouse gas emissions

In North America, Medline measures scope 3 emissions from the following sources: fuel and energy related activities; upstream and downstream transportation and distribution; and business travel.

Due to challenges around data availability, we do not currently measure scope 3 GHG emissions in Europe. However, to keep this category of emissions in check in Europe we implement measures such as:

We do not measure scope 3 emissions in Europe, but nevertheless implement measures to curb this category of emissions.

- Partnering with freight forwarders whose vehicles are environmentally friendly (upstream and downstream transport and distribution). For example, in France the two transport companies we use for pallet distribution own or sub-contract fleets that are Euro 4, 5 and 6 certified. Euro certification is a standard for fuel efficiency, and greenhouse gas and particulate emissions.
- Restricting domestic and international business travel for internal Medline meetings. To compensate, state-of-the-art video conference equipment is installed in all of our major sales offices and at our European headquarters in the Netherlands. Furthermore, all business travel to other Medline offices which requires spend above a certain threshold must be approved by the group president.
- Situating our various offices in Europe close to public transport networks to encourage employees to use public transport systems where possible. For example, proximity to public transport was amongst the selection criteria for our offices in the Netherlands and Italy.
- We also subsidise day-to-day employee commutes on public transport systems.
- In 2016 we trialled the use of a hybrid truck to make deliveries in and around Kleve, Germany. We concluded that the technology was not yet scalable to a wider proportion of our fleet due to challenges such as limited range, unreliability and limited loading capacity due to weight restrictions. We will continue to explore options to incorporate the use of environmentally friendly vehicles in our downstream transportation.

Raising Environmental Awareness Amongst Our Employees

Medline employees observed Earth Day on April 22 2016 through activities such as increased carpooling, biking, walking and use of public transport; being conscious of waste generated and opting for reusable products where possible; and making available educational and informative materials on environmental issues in the healthcare sector. Sites that participated included our facilities in the Netherlands, the United Kingdom, Italy, France and Germany.

We observed Earth Day on 22 April 2016.

Future Plans for 2017

In 2016 Medline approved plans to invest EUR1 million in a 1 megawatt (MW) solar panel installation in Germany. It is anticipated that in the first quarter of 2017, sufficient solar energy will be generated to fully meet the needs of our co-located office (our new office is currently under construction) and distribution centre in Kleve. Excess power generated during the weekends and summer months will be sold back to the grid (i.e. the local public utility, Stadtwerke Kleve). This renewable energy project will not only boost the proportion of our energy consumption derived from 'clean' renewable sources, but also reduce our scope 2 GHG emissions.

The new office that is under construction in Kleve is scheduled for completion in 2017. It will include a data centre to house most of our systems and infrastructure for our European operational and sales offices. This centralised approach is in itself more energy efficient than having duplicate data centres located in multiple countries. We estimate that our data centre will be about 30% more energy efficient than the current industry average, using the standard 'power usage effectiveness'* norm. This high energy efficiency will be achieved by using the latest server technology to minimise energy consumption and hard disk use and incorporating appropriate insulation materials and air conditioning systems into building design.

Our new warehouse in Chateaubriant is scheduled for completion in 2017. The warehouse will incorporate green building principles such as compliance with the French RT2012 standard for energy efficiency.

Medline will introduce a new transport management system for road freight during the first quarter of 2017. By supporting the consolidation of shipments and improving the fill rates of trucks, the implementation of the system will result in fewer trips and reduced vehicular emissions.

At a global level, during 2017 and 2018 we will continue to improve our data collection process. In each year that we participated in the CDP, we progressively increased the number of European and North American sites included in our inventory. We are gradually phasing in measures to manage our greenhouse gas emissions based on the data we have collected and analysed.

*PUE is the ratio of total amount of energy used by a computer data centre facility, to the energy delivered to computing equipment.

OTHER INFORMATION: STATEMENT ON UK MODERN SLAVERY ACT 2015

Medline is aware that slavery, forced labour and human trafficking are critical human rights issues. We monitor our own internal operations as well as those of our suppliers to prevent and address such abuses of workers' human rights.

Section 54 of the United Kingdom's Modern Slavery Act of 2015 does not apply to Medline. Nevertheless, with this statement we describe the steps we take to combat slavery, forced labour and human trafficking. This statement applies to our 2016 financial year which ran from 01 January 2016 to 31 December 2016. It is publicly available on our website and is also published in our European sustainability report.

Organisational structure

Medline Industries, Inc., is a fourth generation, family-owned company that is the largest privately held manufacturer and distributor of healthcare supplies and services in the United States. Our global headquarters are located in the United States of America in Northfield, Illinois.

Originally founded in 1910, Medline has evolved and matured as a business and currently provides more than 350 000 medical products (e.g. exam gloves, protective apparel, packs and gowns, and surgical trays) that help customers achieve clinical and financial success. Our innovative products and solutions are patient-centred and can be found in many hospitals, extended-care facilities, surgery centres, physician offices, home care dealers, home health agencies and retail outlets.

Medline does business in more than 90 countries, and employs more than 15 000 people worldwide who contributed to annual global revenues of US\$9.2 billion in 2016.

Medline International B.V. ("MIBV") is a wholly owned subsidiary of Medline Industries, Inc. Medline International serves as our international headquarters (from corporate offices in the Netherlands), overseeing all operations in Europe, Japan, East Asia, Australia and New Zealand. Through various local country subsidiary entities of MIBV, the Medline group operates assembly/manufacturing facilities, distribution centres and sales/distribution offices. We serve customers in 31 European countries. Medline Industries Limited is the United Kingdom entity through which our local sales/distribution business in the United Kingdom is conducted.

Relevant company policies

Medline is committed to legally compliant, ethical and socially responsible business and employment practices. Relevant group-wide policies in our global Ethics and Compliance Programme are our:

- Supplier Code of Conduct
- Employee Code of Conduct
- Non Retaliation Policy

We base our policies on principles in international agreements such as International Labour Organisation (ILO) conventions and the United Nation's Universal Declaration of Human Rights. We also comply with local laws and regulations at national and sub-national levels in the various countries where we operate.

Due diligence processes for fair and decent working conditions and employment practices

Our suppliers:

We are committed to ensuring that workers in our supply chain are treated with dignity and respect.

Medline's Supplier Code of Conduct explicitly prohibits involuntary labour and child labour in our supply chain. Our Supplier Code of Conduct also sets out the minimum standards that Medline expects its suppliers to adhere to regarding wages and benefits, worker health and safety, and working hours. We have a zero tolerance policy and if we become aware of slavery, forced labour and human trafficking in our supply chain, we will terminate the business relationship with that supplier.

Since 2010 we have conducted social compliance audits of suppliers' factories in line with the SA8000 standard. The SA 8000 standard is an internationally recognised verification system for ensuring fair and safe working conditions. It applies to labour and human rights issues such as: child labour, forced or compulsory labour, human trafficking, working hours, working conditions and remuneration.

In 2015 and 2016, our internal auditors conducted 220 social compliance audits across our first-tier suppliers in Asia. No occurrences of slavery, human trafficking and forced labour in Medline's supply chain were found by our auditors.

Medline employees:

Medline's recruitment and employment policies, as well as our Code of Conduct, are enforced by local human resources (HR) representatives at all our factories, distribution centres and sales offices around the world. National labor authorities are entitled to conduct inspections and audits at any time in any of our facilities to screen for labor issues including slavery, forced labor, and human trafficking.

All employees in our global operations are encouraged to report any concerns they may have about potential labour and human rights abuses, and our reporting systems are designed to protect them from retaliation. Furthermore, employees in relevant functions (e.g. quality assurance) are trained annually on topics that include slavery, forced labour and human trafficking.



Tripp Amdur

Group President



To comment on this sustainability report, or to enquire about sustainability at Medline, email us at: csr-europe@medline.com



**ALWAYS
ON**

Medline International B.V.
Nieuwe Stationsstraat 10
6811 KS Arnhem
The Netherlands

Tel. +31 88-0011900
Fax. +31 88-0011929
www.medline.eu



All rights reserved. Medline has taken care to ensure all information presented in this report is accurate and up to date. We reserve the right to correct any errors that may have occurred.

©2017 Medline Industries, Inc. Medline is a registered trademark of Medline Industries, Inc. ML545-EN 04/2017