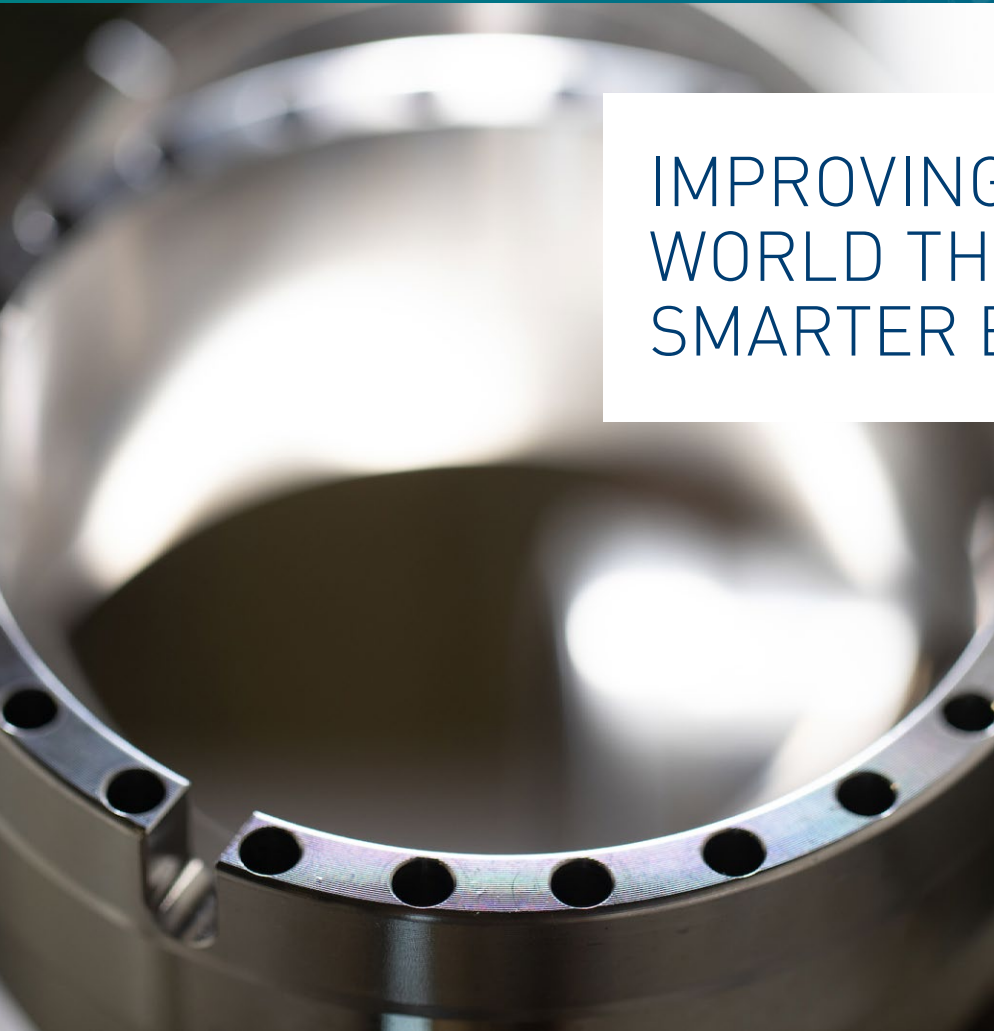


smiths

PIONEERS OF PROGRESS



IMPROVING OUR
WORLD THROUGH
SMARTER ENGINEERING



Sustainability at Smiths
Global ESG Report FY2022

OUR PURPOSE

We are pioneers of progress – improving our world through smarter engineering.

Smarter engineering means helping to solve the toughest problems, for our customers, our communities and ourselves. We help to create a safer, more efficient and better-connected world.

We are united by our Purpose. It is what we do, how we think, and how we will continue to use our passion for technology and engineering to be successful in the future.

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To find out more about Smiths, please see our website.



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www.smiths.com

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Data in this report is for Smiths Group excluding Smiths Medical, unless otherwise stated.
 Data is for FY2022, 12 months to 31 July 2022 or at 31 July 2022, unless otherwise stated.
 See also Environmental data – basis of preparation on page 12.

WELCOME TO OUR SUSTAINABILITY AT SMITHS FY2022 REPORT

Environment, Social and Governance (ESG) performance is at the very centre of our Purpose, and we are committed to sustainability leadership.

We believe in doing business responsibly, the right way every day, and translating our Purpose and Values into practical action that mobilises Smiths strengths to improve our world.

Sustainability at Smiths describes how we are embracing and prioritising ESG performance at Smiths and how we are connecting and supporting our 14,700 colleagues to contribute their ideas and talents to amplify our impact and create our future.

We are pioneering progress towards a sustainable future through our products, services, operations and our people – pursuing excellence in everything we do. We are committing to ambitious targets and taking tangible action to deliver value for all our stakeholders.

We are developing and commercialising green technologies that will help transform industries and enhance safety, efficiency and environmental quality. Building on 15 years of environmental target setting, we are accelerating GHG emission reductions to deliver Science-Based Targets and achieve Net Zero, and driving down our environmental footprint through the respectful use of natural resources. We protect and nurture our people and develop talent so that we can all flourish and help build the Smiths of tomorrow. We are supporting our teams to strengthen our local communities. And we are working every day with our unwavering commitment to strong governance and ethical practice.

We have been at the heart of modern life for more than 170 years; helping to solve the toughest problems for our customers, our communities and ourselves through our passion for technology and engineering. That passion continues to drive us.

We have strong foundations and a great team, and we are united by our Purpose to improve our world. It is what we do, why we do it and how we are charting our course to the future.

We are proud to be Smiths

ESG PERFORMANCE

ENVIRONMENT

63%

of electricity coming from renewable sources

>30%

reduction in absolute water use and non-recyclable waste since FY2007

7.2%

reduction in normalised GHG emissions vs FY2021

The dry gas seal, invented by John Crane, has prevented millions of tonnes of greenhouse gases from leaking into the atmosphere since the introduction of dry gas seals for turbo compressors.

GENDER DIVERSITY

45%

female members of the Smiths Board

24%

senior leadership positions taken by females

31%

female members of the Smiths Executive Committee

DIRECT ECONOMIC CONTRIBUTION

£2.33bn

employee costs + supplier costs + tax in FY2022

Smiths India has recently completed the installation of solar panels at the NGO that it supports – SOS Village Kochi. 112 panels of 540 watts will generate around 270kWh of electricity per day across the year and significantly reduce the likelihood of power cuts in the village. Money saved from buying electricity will be channelled into other development initiatives for the children supported by the village.



SEE MORE
www.smiths.com



Paul Keel
Chief Executive Officer



Sustainability is at the heart of our Purpose – improving our world through smarter engineering. Performing well across all dimensions of ESG is how we deliver value to all our stakeholders.”



Dame Ann Dowling
Non-executive Director and Chair, Science, Sustainability & Excellence Committee



Smiths has a long history of engineering solutions to important challenges. Today, that includes reducing GHG emissions and addressing climate change. I’m happy that Smiths is committed both to Net Zero and to applying our expertise to help customers along the same journey.”



John Ostergren
Chief Sustainability Officer



Sustainability and ESG are all about delivering for people. It’s about how the work we do improves the world in tangible ways for all our stakeholders. It’s about how a growing Smiths delivers for our colleagues, customers and communities.”



Vera Kirikova
Chief People Officer



We have a responsibility to create a safe, respectful and inclusive work environment for everyone, every day. This will help our people thrive, our business succeed, and is our top priority.”



Mel Rowlands
Group General Counsel



Strong and effective governance ensures our integrity and transparency. A well-managed and efficient company is resilient and can respond to a fast-changing external environment and bring long-term sustainable value for all stakeholders.”

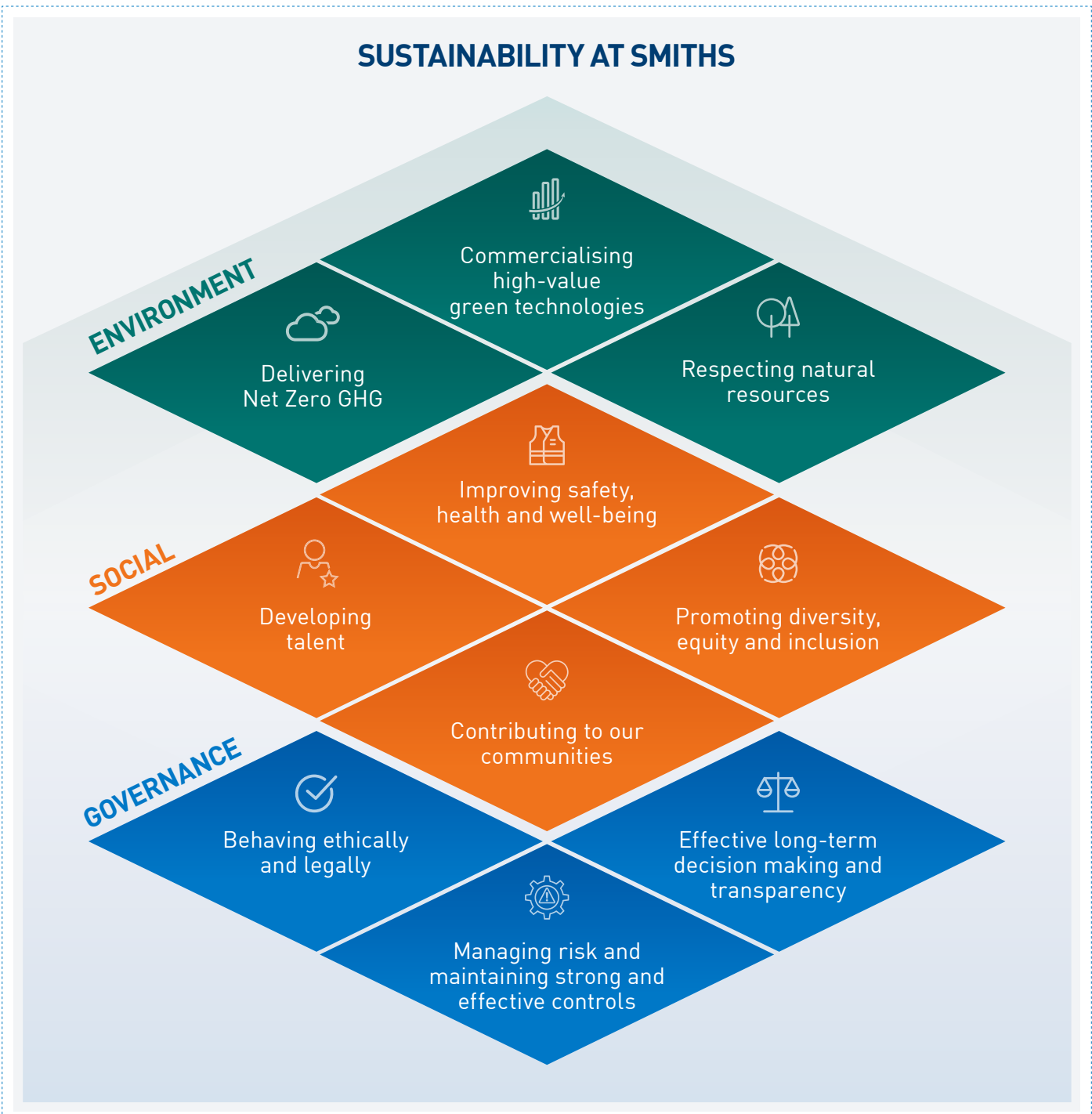
FRAMEWORK – FROM PURPOSE TO ACTION

Environment, Social and Governance (ESG) provides a framework to translate our Purpose into practical actions.

Sustainability at Smiths is about improving the world in meaningful ways. It's about translating ideas into actions that create value for all our stakeholders. It's about protecting and supporting colleagues and connecting our daily work to our common Purpose. And it's about delivering for our customers and communities – earning trusted

partnerships and applying more than 170 years of engineering expertise to help solve some of the greatest global challenges.

We distinguish ten foundational ESG elements that are essential to our success. Our approach and progress on each is described in detail from page 16 of this report.



FRAMEWORK – FROM PURPOSE TO ACTION

ENVIRONMENT

COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES



Among our biggest opportunities to deliver stakeholder value is running our businesses well and driving growth through delivery of top commercial programmes that enable sustainability performance for and through our customers.

We support customers and industries that are leading the way to a sustainable future by developing and implementing green technology solutions targeting climate risk, energy transition and next generation, efficient infrastructure. Our unique engineering capabilities and technologies position us strongly to support customers on this vital journey and we are targeting new product development opportunities in growth markets where our technology and capabilities offer differentiated value through improved sustainability performance.

Developing and commercialising sustainability-advantaged products and services will enable Smiths to have an even greater positive impact on global environmental priorities than we could achieve on our own.

[Read more on page 16](#)

DELIVERING NET ZERO GHG



We have a successful record of delivering reductions in our operational GHG emissions. We are now taking big steps forward.

In FY2022, we committed to ambitious Net Zero targets that align Smiths with the UN's critical global climate objectives: Net Zero emissions from our operations (Scope 1 & 2) by 2040 and Net Zero emissions from our supply chain and products in use (Scope 3) by 2050.

[Read more on page 20](#)

RESPECTING NATURAL RESOURCES



Natural resources are finite, and we believe that all businesses have a responsibility to use them respectfully and safely – minimising consumption and preventing pollution.

Our longstanding commitments to use energy efficiently and minimise waste are increasingly of interest and value to our customers as they also seek to manage their own environmental footprints.

[Read more on page 22](#)

SOCIAL

IMPROVING SAFETY, HEALTH AND WELL-BEING



Our commitment to our people starts with keeping us all safe and healthy. This is our essential foundation and number one focus. We strive to always improve and be proactive, including designing for safety; strengthening our safety culture every day; and working to improve our colleagues' lives in the round.

We are thankful for those who came before us and helped establish robust safety cultures at our sites that we work to continuously renew, strengthen and connect. We understand that strong safety culture is fundamentally about keeping safety personal and must reflect, and respect, our diverse and global organisation.

[Read more on page 24](#)

DEVELOPING TALENT



Our organisational commitment is to ensure that all our colleagues have opportunities to develop their skills and reach their full potential.

Smiths colleagues have access to training and resources to undertake their roles safely, effectively, and in line with our policies. Colleagues also have access to a developing range of personal and skills growth resources as they progress in their careers including specialist technical and functional and externally accredited programmes. We are currently honing our leadership programmes to better support business needs and so that our leaders can more effectively support their teams.

[Read more on page 27](#)

FRAMEWORK – FROM PURPOSE TO ACTION

SOCIAL

**PROMOTING DIVERSITY,
EQUITY AND INCLUSION**

Our team of colleagues represents dozens of nations, speaking a multiplicity of languages, and embodying many different perspectives. We strive to embrace these differences and promote actions and behaviours that will deliver an inclusive and supportive work environment where every member of the Smiths team can be the best version of themselves.

We know that when colleagues feel included, valued, and encouraged to make a meaningful contribution, Smiths will thrive as we continue to attract and retain the diverse talent that we need.

[Read more on page 28](#)

**CONTRIBUTING
TO OUR
COMMUNITIES**

We aim to improve our world by contributing positively to our communities and society in general.

Smiths products and services support critical global industries where we are pioneering progress in safety, efficiency and environmental performance. Our operations around the world play a beneficial role in local economies through job creation and skills development; procurement and generating tax revenues; and operating safely, environmentally responsibly and ethically. We also engage directly through fundraising, charitable giving and education initiatives.

[Read more on page 30](#)

GOVERNANCE

**BEHAVING ETHICALLY
AND LEGALLY**

Behaving ethically and with integrity is a fundamental part of our Values. We also operate in some highly regulated markets and sectors which require strict adherence to local and international industry regulations.

We have a mature governance environment with exacting standards, robust diligence processes and a proactive management approach. And we seek to work with partners who support our Values to minimise risk and maximise our positive social and environmental impact.

[Read more on page 32](#)

**MANAGING RISK AND
MAINTAINING STRONG
AND EFFECTIVE CONTROLS**

Continual assessment and management of risks, and assurance through internal controls, is an integral part of day-to-day operations at Smiths.

Our enterprise risk management (ERM) process supports open communication on risk between the Board and the Audit & Risk Committee, the Executive Committee, our divisions, and sites, and ensures that risk is appropriately managed to deliver our business objectives. ESG matters are fully integrated into the ERM process and are identified and managed in the same way as other Group risks.

[Read more on page 36](#)

**EFFECTIVE LONG-TERM
DECISION MAKING
AND TRANSPARENCY**

Good quality, ethical and effective decision-making builds sustainable businesses and enables them to create long-term value for all stakeholders.

Our overall governance framework provides the structures and systems through which our strategies and objectives are set and achieved, how risk is monitored and managed via controls, and how our performance is managed and optimised with appropriate oversight from the Board.

[Read more on page 39](#)

FRAMEWORK TO PRIORITIES

Our sustainability strategy leverages and helps direct the Smiths Value Engine.

Creating sustainable and significant value for our stakeholders requires consistently strong performance in every aspect of ESG. We do many things well, and we know that improving performance in each dimension requires sharp focus. We are committed to keeping people safe, following the law, behaving ethically and being respectful and inclusive of one another. Full stop. Beyond these absolutes, we know that driving progress requires prioritisation.

Our sustainability strategy follows our Group priorities – Growth, Execution and People. Within this framework, we focus on our highest-impact opportunities to accelerate performance and create value with specific actions that will lead to concrete and measurable results.

And our strategy addresses the challenges and opportunities of our time.

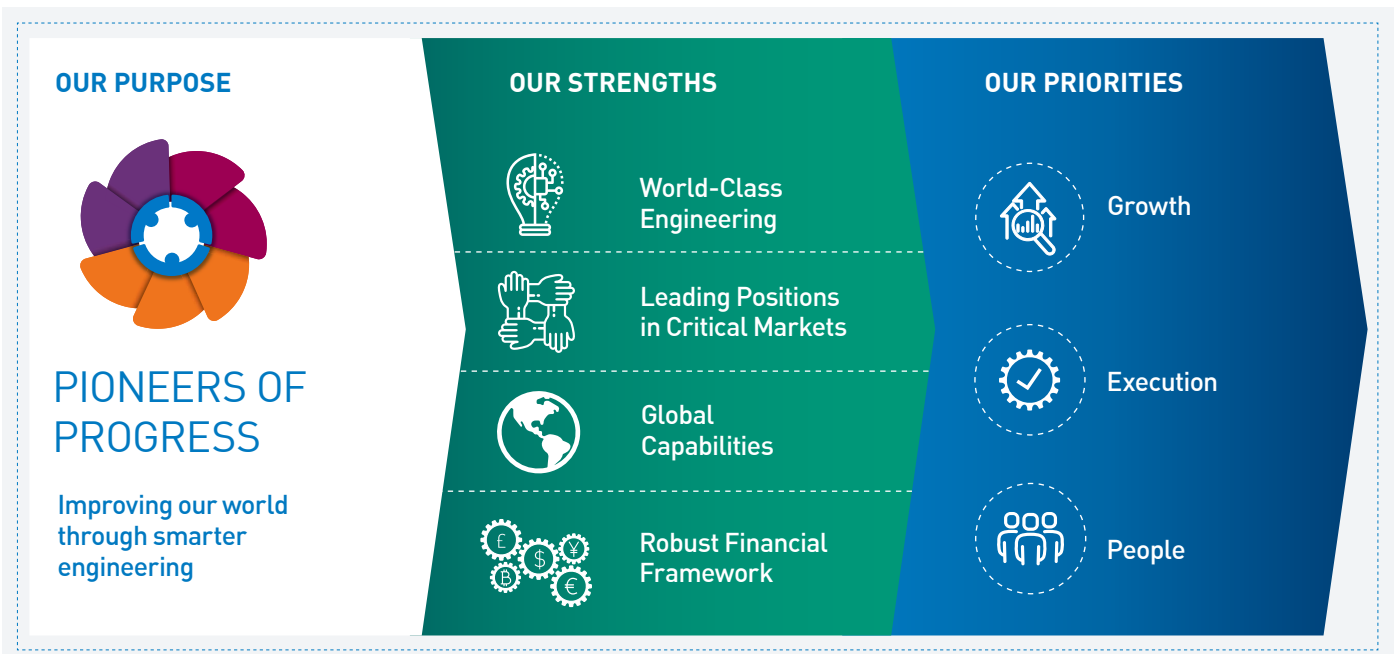
Emerging from the global pandemic, we face a world affected by war and global supply chain challenges. Trends of globalisation and economic integration and the needs and expectations of a generation are changing, seemingly overnight.

Built on decades of study, fuelled by extreme weather, and informed by risks to vulnerable communities, the 26th Conference of the Parties (COP26) issued a call to action to limit global warming to less than 1.5°C from pre-industrial times. In FY2022, building on our four successive goal periods since FY2007, we committed to achieve Net Zero GHG emissions from operations (Scope 1 & 2) by 2040 and across end-to-end value streams (Scope 3) by 2050. We also committed to setting Science-Based Targets (SBTs) and joined more than 1,000 companies in signing the UN 1.5°C Business Ambition.

Executing to deliver on our GHG commitments is an essential pillar of our sustainability strategy and delivers value to several important stakeholder groups, including:

- Our colleagues, who take pride in being part of a team that’s doing its part, following words with action and leading the way for others;
- Our customers, who rely on us to deliver what we have promised as an integral partner for satisfying their own commitments; and
- Our communities, today and tomorrow, that we protect through safe and effective operations and responsible stewardship of natural resources.

SMITHS VALUE ENGINE



FRAMEWORK TO PRIORITIES

The innovation and investment needed to deliver our own GHG commitments also points the way to a deeper understanding of the needs of our customers, as well as opportunities to grow Smiths and returns for our shareholders. Customers across all our markets and geographies are making similarly ambitious commitments to reduce their GHG emissions. This is transforming markets and creating growing demand and new opportunities for technical solutions including, for example, John Crane's seals and methane detection systems; Flex-Tek's electrical heating solutions; Smiths Interconnect's high-reliability electrical connectors; and Smiths Detection's energy-efficient system design for critical safety and security infrastructure.

Today, we see the impact of rapid shifts toward green energy, electrification and energy efficiency. For Smiths, we believe that this is a case of preparation matching opportunity. Our world-leading engineering expertise is the tool for the time, and we have a once in a generation opportunity to help customers navigate towards – and create – a substantially redrawn global economy.

Finally, after two years of COVID-19 affecting our teams and families around the globe, with long-established work practices and cultures reshaped, more than ever we are focused on supporting our people and building opportunities for our shared future. Our value comes from our colleagues. Nothing matters more than our people, and we know that great things happen when we protect, respect and support our teams.

Together, we are Smiths. We are committed to improving our world in tangible ways – working safely and continuing to build diverse, equitable and inclusive environments where we all feel safe, enjoy the work, respect our colleagues, and can realise our potential.

OUR ESG STRATEGIC PRIORITIES



Growth

Deliver sustainable growth by targeting high-growth markets where we can leverage our unique capabilities to develop and deliver differentiated technology solutions which help solve some of the world's biggest challenges for our customers and global communities

- Prioritise new product development (NPD) programmes that deliver the sustainability performance our customers need and want. Develop and designate top sustainable growth NPD programmes in each division that contribute significantly to divisional revenue growth and where commercial success will deliver corresponding sustainability performance benefits, such as energy efficiency, GHG reduction and renewable energy production
- Integrate environmental sustainability metrics into our NPD processes to enable our own Net Zero delivery, and that of our customers and the industries we serve



READ MORE
about Growth in our
Annual Report



Execution

Deliver our commitments to Net Zero Science-Based Targets (SBTs) and further improve the environmental performance of our operations

- Deliver operational targets for renewable energy, waste generation, water use and packaging
- Deliver Net Zero GHG emissions commitments for Scopes 1, 2 and 3 and associated SBTs through energy efficiency and renewable energy, including optimising product design and our supply chains



READ MORE
about Execution in our
Annual Report



People

Deliver for people, ensuring that we grow our business in line with our Values, our Leadership Behaviours, and plan for the long-term future of Smiths

- Sustain and vitalise our safety culture and performance
- Develop and empower Smiths talent for the future
- Embed an inclusive and diverse culture and increase gender diversity



READ MORE
about People in our
Annual Report

ENABLED BY OUR CULTURE

At Smiths our culture empowers and enables our people to deliver on our Purpose.

Living our five Values every day, in each action and decision that we take, makes Smiths a place where we are happy and proud to work. It's what makes us reliable, trustworthy and valued partners for each other, our customers and suppliers, and supports the long-term sustainability and success of our business model. And it's what we demonstrate by driving ESG performance.

To continue strengthening our culture, we have crystallised a set of behaviours that describe and guide how we work to improve and deliver results that fuel our success. The Smiths Leadership Behaviours incorporate our Values and apply them to delivering for all stakeholders. The seven Leadership Behaviours describe how we work with one another, demonstrate our Values, and create value through our actions. Importantly, the Leadership Behaviours apply to everyone at Smiths – from the shop floor to senior executives. Whatever role we play, we can all demonstrate and develop our Leadership Behaviours to improve and deliver as a team, developing and sharing our talents to support each other and improve our tomorrow. This is equally true for individual contributors and subject matter experts, as well as those who have the privilege and responsibility of leading teams.

We developed the Leadership Behaviours in FY2022 through a robust process of grassroots focus groups, which gathered the views of colleagues from 21 countries and 72 sites across the organisation. Discussions took place around the key behaviours and attributes of a successful and inclusive Smiths. These were followed by workshops with our Executive Committee to create and refine a set of behaviours that would be relevant and compelling for the whole organisation and support our future growth.

The Behaviours will become foundational to the colleague experience in FY2023 including development, career progression, reward and recruitment. Our goal is to use the Leadership Behaviours to inspire and help strengthen and shift Smiths culture to be even more dynamic, inclusive, and focused on delivering results that create value for our people, customers and other stakeholders.

OUR VALUES



Sets vision to inspire

Collaborates to uncover future growth opportunities for Smiths. Shares this in a way that inspires and energises colleagues to take action.

Innovates for impact

Committed to continuous improvement, takes opportunities to the market that differentiate Smiths and deliver sustainable value for all stakeholders.

Takes accountability and ownership

Actively takes accountability, follows through on commitments and empowers others to own their outcomes.

Delivers results at pace

Takes an agile, focused and resilient approach that delivers excellent outcomes to meet customer/stakeholder expectations.

Leads inclusively and empowers

Champions inclusion at every opportunity. Creates the environment where others can contribute and thrive, building trust and nurturing empowerment.

Develops self and others

Visibly commits to their personal development and encourages the development of others to reach their full potential.

Lives Smiths Values

Embodies and promotes Smiths Values: integrity, respect, ownership, customer focus and passion, using these to guide all actions.

ENABLED BY OUR CULTURE

The Smiths Excellence System

The Smiths Excellence System (SES) has been an important driver of continuous improvement at Smiths since 2016. During this time, Smiths colleagues have adopted Lean Six Sigma methodologies to solve problems and improve execution in our operations and core business functions and, including our former Smiths Medical division, we have celebrated more than 1,000 yellow, green, black and master black belt qualifications under our SES Academy programme.

In FY2022 we embedded SES fully across the Group. SES will deliver a step change in approach and operating rhythm, and execution with greater pace, urgency and consistency in support of our Smiths Value Engine priorities. Investment in the SES structure, leadership, committed resources, tools and training is intended to transform the way we work. By embedding proven methodologies and an excellence mindset fully into our culture we will move from continuous improvement primarily focused on our manufacturing operations, to business-wide results-focused execution.

The SES framework ensures that we explicitly prioritise and resource projects according to impact and importance to deliver critical improvements that will directly enhance our P&L, such as working capital management, manufacturing productivity and supply chain effectiveness, or contribute to our strategic ambitions, for example bringing new products to market quickly or reducing GHG emissions. SES will also offer new opportunities for colleagues to grow their skills, coach and mentor others, and be recognised for their achievements.

Our new SES organisation is in place, with transformation leaders (Master Black Belt role) and full-time performance improvement specialists (Black Belt role) appointed in every division and at Group. Our first projects are underway, and we are completing the training for our second cohort of Black Belts.

Example SES projects include:

- An extrusion process scrap reduction project at Flex-Tek's Flexible Technologies business aiming to significantly reduce waste material while meeting customer demand. The project also identified safety improvements in the process which have been implemented
- Halving the production lead-time of a Smiths Interconnect test socket from eight weeks to four to meet customer demand and increase market share

- Improving capacity at Flex-Tek's Tutco business to reduce backlog and meet customer demand for Heat-Kits
- Simplifying our global process and multiple policies relating to travel booking to reduce the cost of business travel

Our annual Smiths Excellence Awards recognise achievement across a range of disciplines and are enthusiastically supported by Smiths colleagues.

Connecting our people

Smiths culture comes to life through our people. Living our Values through our Behaviours is what connects us to each other and fundamentally enables the performance that delivers our Purpose.

We have been tracking engagement on a range of important cultural measures including safety, ethics, belonging, inclusivity, leadership and service since 2017. Results from our biannual My Say survey have typically been used at a high level to identify gaps in engagement for Smiths-wide prioritisation, and at a very local level by individual managers to create action plans for their teams.

This year we broke with tradition and the full set of survey results from our May 2022 survey was provided to senior leaders to immerse them fully in their colleagues' views. We mined the survey data – based on 33 questions – more rigorously to determine where investment was needed, and we communicated those focus areas back to our colleagues. We continue to use the survey in a transparent and meticulous way to surface issues and more precisely understand what we are doing well and where we need to do better. We also intend to flex the questions in future surveys to test engagement within focus areas and to ensure that we continue to work and communicate effectively.

Our overall global engagement score remained stable for May 2022 and November 2021, just below the benchmark provided by our survey partner. We continued to have a very high survey response rate of 82% in May 2022 with nearly 19,000 comments submitted.

Our annual Smiths Day global celebration of Smiths culture took place in June 2022. As well as planned events, there was also a much greater focus by organisers on the value of simply spending time with one another again and celebrating the rich connections and relationships we have as colleagues.

The My Say survey score for culture 'Smiths has a great culture' went up slightly in our May 2022 survey but is below the benchmark provided by our survey partner. However, company culture and people are the most frequent reasons given in the 'What is the main reason you stay at Smiths?' My Say survey question. This year we tracked over six thousand comments in this specific section, for example:



I believe I am part of something special: culture, team, environment.”



We work in exciting industries in a company that is willing to innovate. It's a great company with great people and I feel I can be part of making Smiths better.”



ENABLED BY OUR CULTURE

Governance and oversight

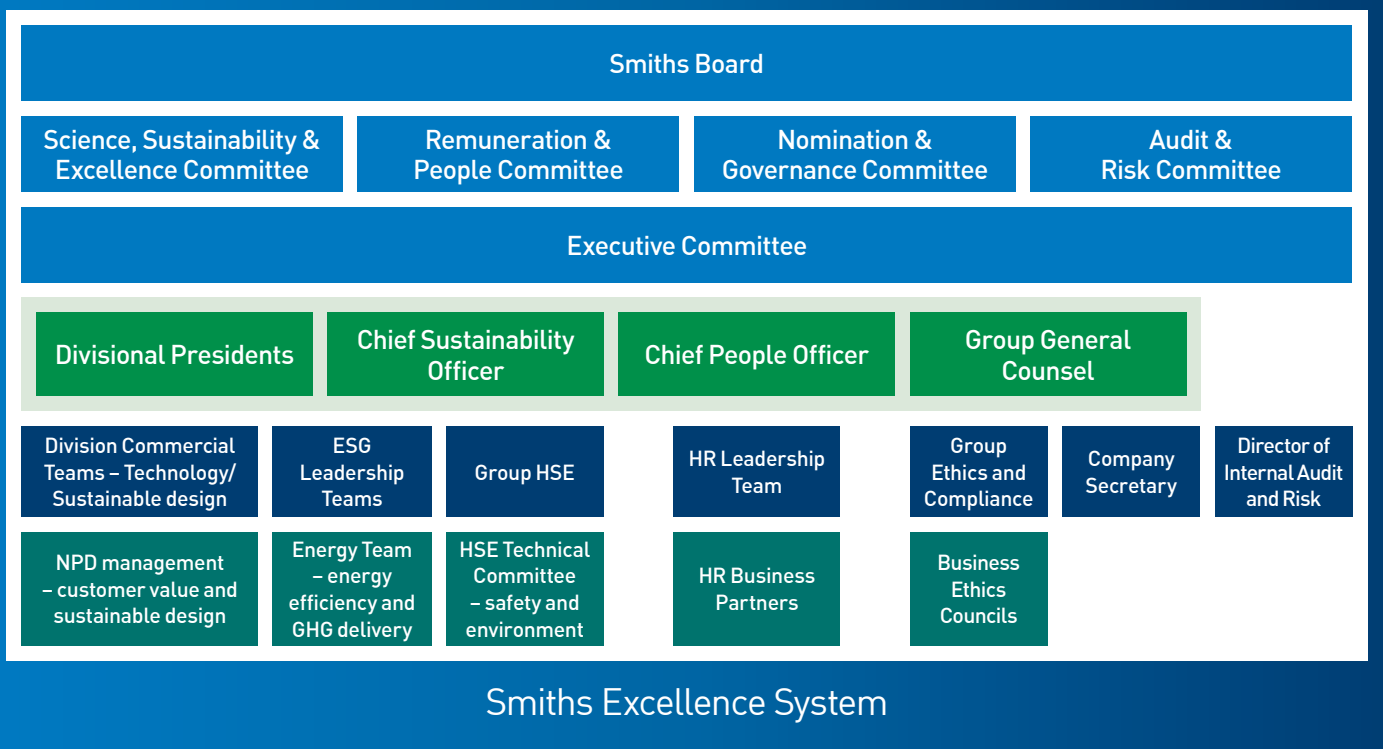
The Smiths Board of Directors and Executive Committee have ultimate responsibility for Smiths ESG performance and associated governance and oversight. The Science, Sustainability & Excellence (SSE) Committee of the Board, chaired by Dame Ann Dowling, is responsible for overseeing the Group’s approach to science, sustainability and excellence. The oversight covers R&D, commercialisation and sustainability strategies, including the impact of climate change and related metrics and targets. The Remuneration & People Committee oversees our approach to people and culture matters, and the Audit & Risk Committee oversees our risk management processes and systems of internal control. The Nomination & Governance Committee keeps the Group’s high-level governance framework under review to ensure appropriate guidance and oversight is maintained.

Sustainability strategy and delivery are led by members of the Smiths Executive Committee: our Chief Sustainability Officer (John Ostergren); Chief People Officer (Vera Kirikova); Group General Counsel (Mel Rowlands) and divisional Presidents (Bernard Cicut, Roland Carter, Pat McCaffrey and Julian Fagge).

Our strategic oversight and collaboration model enables us to bring together the skills and knowledge of our Board, our Executive team and business and functional leaders to drive effective long-term decision making, ESG innovation, and best practices across Smiths. The Smiths Excellence System supports the whole, driving business-wide results-focused execution.

Our ESG metrics and targets are cascaded through the divisions and embedded in our core operating model.

ESG governance and oversight model



ENABLED BY OUR CULTURE

Remuneration

To align decision-making and ownership of our ESG goals, SSE metrics will form part of the Smiths annual and long-term incentive plans for FY2023. A GHG reduction metric formed part of our Long-Term Incentive Plan (LTIP) in FY2022.

Our FY2023 Annual Incentive Plan (AIP) energy efficiency target reflects the triple-benefit delivered by energy efficiency – simultaneously eliminating waste, reducing GHG emissions and (like on-site renewable electricity generation) serving as a hedge against future price increases. Energy efficiency reduces uncertainty, helps secure our future, and relieves stress on energy systems, keeping pace with legislative and regulatory initiatives around the world.

Our FY2023 AIP new product revenue target underlines the importance of delivering our top new product programmes, including those with significant sustainability performance benefits.

Our FY2023 LTIP GHG reduction target reflects the acceleration in GHG reduction to meet our anticipated Science-Based Targets and deliver Net Zero for Scope 1 & 2 emissions by 2040. It is more aggressive than the FY2022 LTIP GHG reduction target described on page 20 and, consistent with our Net Zero commitments, is our first GHG reduction target stated as absolute reductions rather than normalised to revenue.



READ MORE
on remuneration at Smiths in the Smiths FY2022 Annual Report

Annual Incentive Plan (AIP)

Personal objectives have been replaced by overall team objectives aligned to our environment and growth/execution priorities. Affects the remuneration of approximately 5,000 of our colleagues.

Performance over one-year period.

Measure	Target	Weighting
Energy Efficiency: Energy consumed in Smiths operations, normalised to local currency revenue growth (i.e., excluding price growth), excluding renewable electricity produced and consumed on site (such as from solar installations).	3% increase in efficiency	10%
New Product Commercialisation: Revenue generated by named strategic product introductions selected by our divisions, having the initial launch date in the current year or 18 months' prior.	Revenue target per programme	10%

Long-Term Incentive Plan (LTIP)

Performance over three-year period.

Measure	Target	Weighting
Scope 1 & 2 GHG emissions reduction: Scope 1 & 2 GHG emissions reduction (absolute) calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol. Reductions must be achieved with a balanced portfolio of actions that prioritise energy savings, on-site renewable electricity generation and purchase of renewable electricity.	15-20% reduction in emissions	15%

Environmental data

Basis of preparation

Group environmental data in this report excludes Smiths Medical. Smiths Medical energy use and GHG Scope 1 & 2 emissions data is shown separately in the table on page 21.

In preparation for setting Science-Based Targets aligned to our Net Zero commitments, in FY2022 a robust review of our FY2021 Scope 1 & 2 GHG inventory and historic assessments of materiality and classification was undertaken by our external specialist partner, Ramboll. This was undertaken in accordance with ISO standards. This process resulted in the reclassification of certain activities and site data, previously determined to be immaterial and Scope 3. The reclassification meant that such activities and data are now incorporated within our Scope 1 & 2 inventories. In addition, our GHG emissions are calculated using revised regional emissions factors. Based on this work, energy use and emissions data for Smiths Group has been restated from that previously disclosed for FY2021. The same approach has been used for FY2022 emissions data and calculations.

FY2021 update:

- Smiths leased ground fleet and small leased offices/sites (previously considered to be Scope 3) reclassified as Scopes 1 & 2 (added 39,083 MWh)
- Inclusion of our Royal Metal acquisition's site and transportation fleet (added 5,289 MWh)
- Energy use updated for some sites (added less than 500 MWh)
- Regional Scope 2 emission factors updated (reduced emissions by 9,981 t CO₂e)
- Base revenue data has also been updated for all normalised calculations including GHG emissions, water and waste

Data for water, waste and renewable electricity is reported for sites that record utility data in our global HSE data system as required by our HSE Reporting Policy (sites with 20 or more employees). As described above, in preparation for our SBT submission, we expanded the scope of our Scope 1 & 2 GHG inventories in FY2022 and updated our FY2021 baseline to include all sites and leased vehicles. This expanded scope helps ensure we establish high-value SBTs and target our efforts appropriately with full view of the path to Net Zero. We plan to update our materiality assessment in FY2023 to inform our priorities for further improving environmental performance across all metrics.

Stakeholder expectations, standards and third-party assurance practices continue to evolve in this area. Our methods and practices will continue to improve and be reflected in our environmental performance results and associated disclosures.

RESULTS

External frameworks

We also look outside the company when setting our priorities to make sure that we are learning from our peers and contributing to global progress in ESG matters.

We follow established reporting standards and regularly report our performance, transparently sharing our data and engaging with third-party ratings agencies. We use this information to evaluate our own progress and inform the work we are doing in our focus areas.

We support the Task Force on Climate-related Financial Disclosures (TCFD) and have incorporated appropriate disclosures in our FY2022 Annual Report. We have committed to set Science-Based Targets through the SBT initiative (SBTi) and were delighted to be one of the early signatories to the UN 1.5° C Business Ambition under the UN Race for Zero, covering all three scopes of GHG emissions.

We have agreed the three standards relevant to our business under the Sustainability Accounting Standards Board (SASB) framework (Aerospace Defence; Electronic and Electric Equipment; and Industrial Machinery and Goods) and we are reviewing the potential applicability of a fourth (Electronic Manufacturing and Original Design Manufacturing). In FY2022, we undertook a gap analysis to identify the reporting areas we need to progress to fully align to the framework and are targeting alignment during FY2023.

We also submit information to external parties for benchmarking of our processes and performance. We participate annually in the CDP global environmental reporting initiative and recently completed our latest carbon and water submissions to CDP for FY2021.

External recognition

Our disclosure and progress continue to be recognised by external ratings agencies. The measures used by these agencies help us to identify opportunities for improvement and additional disclosure and, while they do not dictate our path, they are helpful and complementary to our planning process.

FTSE4Good August 2022

We continue to be a constituent member of the FTSE4Good index

CDP 2022 score for FY2021 data

Climate change: B, Water security: B

MSCI April 2022

AA Leader in the sector

Sustainalytics ESG June 2022

26.6, Medium risk, ESG Industry top rated

ISS ESG March 2021

Rating: C, Transparency level: High, Decile rank: 4

RESULTS

ESG performance

ENVIRONMENT

Smiths has had environmental improvement targets since FY2007. Since FY2007 we have reduced water use and non-recyclable waste by more than 30% on an absolute basis and we have increased the use of renewable electricity in our operations to 63% of total electricity use. We have achieved this by engaging our people, changing our processes, and investing in low-carbon and energy efficient technologies and increasing our use of renewable electricity.

Current three-year goal period

	FY2022-2024 target	Progress FY2022	Read more
Use of renewable electricity ^{1,2}	5% increase to 66%	2% increase to 63%	See page 20
Normalised greenhouse gas emissions ^{3,4}	5% reduction	7.2% reduction	See page 20
Normalised non-recyclable waste ^{2,3}	5% reduction	11.5% reduction	See page 23
Normalised water use in stressed areas (11 locations) ^{2,3}	5% reduction	4.5% reduction	See page 22
Water reduction projects	10 in FY2022	12 projects	See page 22
Packaging reduction projects	8 in FY2022	5 projects	See page 23

1 Non-GHG producing electric sources including hydroelectric and nuclear.

2 Sites reporting utility data under Smiths HSE Reporting Policy, with 20 or more employees.

3 Normalised to revenue. Absolute GHG emissions down 1.1%.

4 We have built a more aggressive GHG reduction target trajectory to meet our SBTs and an energy efficiency target into our colleague and executive incentive plans for FY2023.

[Read more on page 20](#)

SOCIAL

Safety

- Our Group Recordable Incident Rate at 0.54 was 15% above FY2021 but **continued to track below the industry average and in the top quartile of industry performance¹**.
- Our Group Lost Time Incident Rate was 0.24.
- We received no significant safety fines or penalties.
- **We consistently receive a high score for safety ‘Safety is a top priority here’ in our My Say survey**, generally scoring the highest of all categories in the survey.

1 BLS data – NAICS 339900; https://www.bls.gov/iif/oshsum.htm#20Quartile_Data

[Read more on page 24](#)

Engagement

- Our overall **global engagement score remained stable** for May 2022 and November 2021, just below the benchmark provided by our survey partner.

[Read more on page 9](#)

Gender diversity

- We have five women on the Smiths Board (45%).
- We welcomed **three new female members to our Executive Committee** in FY2022 (31% women).
- At the end of FY2022 **24% of senior leadership positions were taken by women**. Our target is to reach 27% by the end of FY2023 and 30% by the end of FY2024.

[Read more on page 29](#)

Communities

Our direct economic contribution (employee costs + supplier costs + tax) was **£2.33bn in FY2022**.

[Read more on page 30](#)

GOVERNANCE

Ethical and legal compliance

- We had 179 Speak Out reports in FY2022.
- **We consistently receive a high score for ethics ‘People I work with behave ethically’ in our My Say survey**.

[Read more on page 32](#)

RESULTS

Contribution to the UN Sustainable Development Goals (SDGs)

Business has a vital role to play in delivering the SDGs. Our business activities, the way we operate, and our ESG framework and priorities enable us to contribute in a meaningful and practical way to eight of these critical global goals.

GOAL 3 Good health and well-being



OUR CONTRIBUTION

- The health, safety and well-being of our colleagues is our number one focus. We have a strong and robust safety culture
- Our global THRIVE programme has increased the well-being resources available to colleagues and created an environment where people are more confident to talk about matters such as mental health
- Our global Employee Assistance Programme (EAP) offers practical support to colleagues 24 hours a day
- We contribute to the well-being of our local communities through our community activities
- Flex-Tek provides medical hoses and custom heating equipment used in a range of high-tech medical and therapeutic devices
- Flex-Tek's antimicrobial flexible ducting eliminates unhealthy mould growth in heating, ventilation and air conditioning (HVAC) systems

GOAL 5 Gender equality



OUR CONTRIBUTION

- We are committed to equal opportunities for all, and we greatly value the benefits of diverse thinking
- We have 28% women in our organisation; our Board is 45% female; and our Executive Committee is 31% female
- We are focused on proactively increasing the number of women in leadership roles at Smiths. Our programme to achieve this includes practical support, mentoring, and gender diverse slates whenever possible
- We are targeting 27% of senior leadership roles taken by women by the end of FY2023 and 30% by the end of FY2024

GOAL 7 Affordable and clean energy



OUR CONTRIBUTION

- 63% of the electricity used in Smiths operations comes from renewable non-GHG sources. Smiths Detection uses 98% renewable electricity
- We are focused on moving to non-GHG sources for all our electricity needs and investing in our own generation infrastructure where we need to. We are targeting 100% renewable electricity in operations by 2040
- We are in the process of converting our European car fleet to electric vehicles
- John Crane provides enabling technologies that will support the growth of lower carbon and cleaner alternative energy sources, including biofuels, low carbon hydrogen, net zero liquefied natural gas and vital supporting processes such as carbon capture, utilisation and storage
- Flex-Tek's electric heating element technology can be applied across consumer and industrial markets to replace fossil fuel heating, including in exciting new carbon-cutting industrial processes such as steel production using heated hydrogen
- Flex-Tek technology enables the storage of intermittent energy as heat before it is converted back to electricity in renewable wind and solar power
- Interconnect modular connectors provide reliable electrical connections for wind power

GOAL 8 Decent work and economic growth



OUR CONTRIBUTION

- We have more than 14,700 colleagues around the world. We are a responsible employer and reward colleagues in a fair, open and meaningful way
- We are guided by our Values. We strive to embrace diversity and promote actions and behaviours that will deliver an inclusive and supportive work environment where every member of the Smiths team can be the best version of themselves
- Our colleagues have access to the training and resources needed to do their jobs well and to personal and skills development resources so that they can progress within Smiths
- We have zero tolerance for discrimination, harassment or retaliation in the workplace
- We have multiple policies and procedures that support our complete commitment to human rights and the elimination of modern slavery, both in our business and in our supply chains
- Our colleagues and partners are encouraged to use our confidential Speak Out reporting process to report behaviour and activities that breach our Values, our policies, or the law

RESULTS

GOAL 9 Industry, innovation and infrastructure



OUR CONTRIBUTION

- We are a global employer of talented, innovative engineers who have been pioneering change in our industry sectors for more than 170 years
- We are leveraging the technical skill sets of our teams to drive specialist innovation and best practice processes across Smiths to solve challenges and support customer needs
- We are passionate about encouraging young people to consider and build careers in STEM areas so that they can contribute in the future
- John Crane's sensory technology and open digital platform enables customers to monitor their infrastructure assets in real-time to optimise performance, safety and maintenance costs
- Smiths Detection products support safety, security, and freedom of movement of products and people in aviation, at ports and borders, and in urban settings

GOAL 11 Sustainable cities and communities



OUR CONTRIBUTION

- We play a beneficial role in building sustainable local economies through job creation and skills development; procurement and tax revenues; and by engaging directly through fundraising, charitable giving and education initiatives
- By supporting customers to extend the lifespan of their systems and delivering more energy efficient equipment, Smiths Detection is enabling customers to provide more sustainable security infrastructure to support cities and communities
- Flex-Tek is providing new solutions for building insulation, environmental quality and HVAC systems that support efficient building design and energy saving. Flex-Tek heat kits extend the range and usability of heat pump technology, supporting its roll-out in place of higher carbon systems
- Smiths Interconnect's connectivity products will be able to support the accelerating electrification of infrastructure and transport, including fast electric vehicle charging
- Smiths Interconnect's high speed optical transceivers are enabling the next generation of satellites supporting global communication services and the monitoring of climate and health of natural systems

GOAL 12 Responsible consumption and production



OUR CONTRIBUTION

- We have had environmental improvement targets covering resource use and waste since FY2007 and currently have four non-GHG resource use targets covering water, waste and packaging
- We are accelerating projects that will reduce the overall energy use of our operations, overseen by our new Energy Team
- An energy efficiency in our operations target has been added to our annual incentive plan for FY2023 which affects the remuneration of approximately 5,000 of our colleagues
- We are pursuing sustainable design and product stewardship projects across the Group to reduce product energy and other resource use. Product stewardship metrics are built into our new product development processes
- Smiths Detection utilises a significant and growing proportion of recovered and refurbished parts to service existing system installations and extend their lifespans

GOAL 13 Climate action



OUR CONTRIBUTION

- We are targeting Net Zero Scope 1 & 2 operational emissions by 2040 and Net Zero Scope 3 supply chain and product emissions by 2050
- We are signatories to the Science-Based Targets initiative (SBTi) and the UN 1.5°C Business Ambition under the UN Race for Zero covering all three scopes of GHG emissions. We have recently completed our baseline inventory for Scope 3 emissions
- We are focused on moving to renewable sources for all our electricity needs, investing in our own infrastructure where we need to
- An accelerated GHG reduction target has been added to our long-term incentive plan for FY2023
- We have been undertaking annual climate risk and opportunities assessments to ensure we are mitigating against climate risk in our operations and that we are building opportunities to support climate action into our strategic planning processes
- John Crane provides enabling technologies across many key pillars to Net Zero in the energy sector including reliable operating performance and energy efficiency; emissions control and reduction; methane abatement; and lower carbon and cleaner alternative energy sources
- Flex-Tek high-performance tubing conveys fuel in challenging environments and can be developed to provide solutions that will support the transportation and storage of low-carbon hydrogen for use in energy systems and heavy transportation including commercial aviation

COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES



Among our biggest opportunities to deliver stakeholder value is running our businesses well and driving growth through delivery of top commercial programmes that enable sustainability performance for and through our customers.

We support customers and industries that are leading the way to a sustainable future by developing and implementing green technology solutions targeting climate risk, energy transition and next generation, efficient infrastructure. Our unique engineering capabilities and technologies position us strongly to support customers on this vital journey and we are targeting new product development opportunities in growth markets where our technology and capabilities offer differentiated value through improved sustainability performance.

Developing and commercialising sustainability-advantaged products and services will enable Smiths to have an even greater positive impact on global environmental priorities than we could achieve on our own.



READ MORE
ESG strategic priorities

Each of our divisions has active projects and technology that address customer needs for sustainability performance including energy efficiency, GHG emissions reduction, renewable energy and electrification. During FY2022 we embedded these and other sustainability performance criteria, including safety and security, as well as product environmental performance such as reduced waste, more deeply into our NPD processes. Like most, we are closer to the beginning than the end of our work to apply our capabilities toward sustainability performance. And, like many of our customers and partners, we have committed to a 15+ year path to reach Net Zero GHG emissions. As we advance on this journey, we will gain ever-deeper understanding and sharper focus on critical needs and barriers to success. As we see clearly already, these ambitious commitments are driving profound transitions as well as demand for high-value innovative solutions across the markets we serve. For Smiths, these translate to real and immediate growth opportunities – applying our capabilities to develop practical, commercial solutions that solve customer needs today and into the future.

For FY2023, we have identified top sustainable growth NPD programmes and commercial launches across each division that promise to deliver both significant revenue growth and sustainability value. These programmes include eliminating methane emissions associated with oil and gas production as needed to meet the UN Global Methane Challenge; step-change improvement in the energy efficiency of baggage scanning systems; electrical heating solutions to decarbonise steel manufacturing and other industrial processes; and applying space-proven technology to develop next generation electrical connectors for safe and efficient electrification of infrastructure.

Successful commercialisation of these programmes is incorporated in our FY2023 AIP incentive plans for NPD. See page 11.

JOHN CRANE

John Crane is uniquely positioned to support global industries and countries as they transform to meet increasing demand for energy, while pursuing critical decarbonisation and the transition to clean energy sources.



To meet this monumental challenge, future energy systems will need to be more operationally reliable and energy efficient, more interconnected and digitally enabled, and use more diverse low-carbon energy sources. This will require significant investment in new infrastructure and retrofits to existing infrastructure, as well as new technologies to drive down cost and accelerate the deployment of cleaner energy. John Crane's history of innovation, core capabilities and strategic global partnerships will enable us to take the lead and contribute to successfully delivering this future, supporting customers in their energy transition roadmaps.

John Crane provides and is developing enabling technologies across many key pillars to Net Zero: reliable operating performance and energy efficiency; emissions control and reduction; and lower carbon and cleaner alternative energy sources including biofuels, low carbon hydrogen, net zero liquefied natural gas (LNG) and vital supporting processes such as CCUS (carbon capture, utilisation and storage).

GHG emission reductions

John Crane's seal and compression products lie at the heart of established oil and gas ecosystems, pushing reliability and continuous improvement in efficiency and environmental protection by preventing leaks. While the world must ultimately move from fossil fuels to lower-carbon energy sources, oil and gas will continue to play an important role in the energy supply chain for the foreseeable future as this transition takes place, with natural gas increasing its share of the energy mix.

Improving energy efficiency, enhancing reliability and reducing emissions from these energy sources is essential and offers a fast and cost-effective strategy to lower greenhouse gas intensity in the near term.

Eliminating methane emissions associated with traditional fuel production and conveyance is a particularly urgent need that we are mobilising to support. Methane warms the planet more than CO₂. It is more than 80 times more potent over a 20-year period and is also a harmful air pollutant for human, animal and plant health. Oil and gas methane emissions are more concentrated than other sectors and can therefore be subject to specific and targeted action. The majority of these solutions are cost neutral, especially in the gas sector where 2-8% of global production is lost to methane leaks. John Crane's methane abatement products will help meet ambitious industry and government targets to significantly reduce the methane footprint of oil and gas by 2030.

COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES

John Crane provides an extensive portfolio of proven, API (American Petroleum Institute) compliant technology solutions that can be applied to reduce leaks across much of the oil and gas value stream, from upstream boosting to midstream processing, LNG, and downstream refineries and petrochemical facilities.

John Crane is currently engaged in over 20 CCUS projects worldwide, and is developing new solutions toward improving the reliability, cost and efficiency of transporting carbon dioxide. At the present time, nearly 80% of all carbon dioxide injected underground uses John Crane sealing technologies.

In traditionally water-intensive industries such as pulp and paper and mining, John Crane dynamic lift seals save an average of one million gallons of water per seal per year. Additionally, diamond face seals are designed to reduce friction, lowering energy use, yielding similar water savings and extending life.

In March 2022, John Crane announced a partnership with NatureWorks – one of the largest global producers of biopolymers – to support development of a new polymer manufacturing facility in Thailand. John Crane will provide a polymer melt filtration system to remove contaminants from the production process for biopolymers which produce less greenhouse gas and are more energy-efficient to manufacture than traditional petroleum-based plastics.

Alternative fuels and renewables

Today, low-carbon hydrogen – hydrogen produced through electrolysis powered by renewable or nuclear energy; and hydrogen produced through natural gas reforming technologies retrofitted with carbon capture solutions – is one lead example of alternative fuels that are emerging to lower carbon emissions across many hard-to-abate sectors.

John Crane is a market leader in hydrogen compression sealing with over 40 years' experience and a portfolio of hydrogen-ready products that can be applied to solve the challenges associated with compressing, transporting, and storing hydrogen and its derivatives. Methane abatement and CCUS are fundamental to the success of hydrogen produced through natural gas reforming. John Crane is working with existing hydrogen and CCUS facilities.

Looking further ahead, accelerated deployment of all available clean energy technologies – hydrogen, nuclear, solar, wind, hydroelectric, geothermal and carbon capture – will be required to hit global GHG goals. John Crane's expertise will support this rapid scaling with existing and new technology for compression and conveyance in challenging operating environments. And development and expansion of existing energy hubs means that John Crane is already on the ground close to operating partners and stakeholders.

SMITHS DETECTION

Smiths Detection is a global leader in the detection and identification of threats and contraband, supporting safety, security and freedom of movement across a range of markets including aviation, ports and borders and urban security. Customers operating in these sectors share our objectives to reduce energy use and emissions while maintaining the integrity and effectiveness of the infrastructure and systems that keep us safe.



Energy efficiency and extending equipment lifespans

Smiths Detection is focused on supporting customers to extend the lifespans of their installed base through repairs, refurbishment and mid-life upgrades; and improving design, modes of operation and implementing digital solutions to drive step changes in energy efficiency in the current and next generation of equipment.

Looking further ahead, the application and integration of new technologies will enhance threat detection ability, making security processes faster and more effective, thus saving resources of all kinds, while enabling operators to respond to the evolving threat environment and continue to keep us safe.

With global reach and installations in countries across the world, Smiths Detection is positioned to play an important role in helping customers meet their environmental commitments and reduce cost of ownership of these vital systems.

Smiths Detection's HI-SCAN 6040 CTiX cabin baggage scanner has the lowest energy use compared to similar products on the market. It also meets the ECAC EDS CB C3 checkpoint security standard which enables passengers, when jurisdictions permit, to leave liquids in their bags, helping reduce the need for single use plastic bags and other small plastic containers.

Smiths Detection collaborated with Microsoft and London Heathrow Airport on the development of a first-of-its-kind multispecies AI model designed to uncover illegally trafficked wildlife concealed in baggage and air cargo. An extensive library of X-ray images taken from Smiths Detection baggage scanners at Heathrow was used to train the Microsoft AI for Good model. Initial testing of the model had a success rate of over 70% in identifying trafficked animals and ivory.

COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES

FLEX-TEK

Flex-Tek's technology leadership and its vertically integrated engineering design and manufacturing model make the business highly agile and responsive to customer needs and market opportunities. Today, these strengths uniquely position Flex-Tek to enable the success of our customers and strategic partners who are leading the way in building efficiency, electrical heating and the transition to low- and zero-carbon fuel sources and industrial processes.



In FY2022, Flex-Tek entered a strategic partnership with Midrex Technologies, Inc (Midrex) to deliver a solution for production-scale decarbonisation of Midrex's market-leading Direct Reduction of Iron (DRI) process to create 'green steel'. The Midrex process replaces the fossil fuels used in traditional DRI steel production with hydrogen and creates water vapour as the effluent gas rather than CO₂.

Flex-Tek's Kraftblock thermal storage technology will enable intermittent energy from solar panels and wind turbines to be stored as heat before it is converted back to electricity.

Flex-Tek's business units are tightly connected with commercial reality and see the front-line impact of these sustainability-driven trends quickly emerging across the construction, industrial and aviation markets.

Efficient buildings

Building efficiency is a prime example of how sustainability trends create demand for high-value innovation and growth. As efficient building design becomes the norm and building codes more stringent, architects and builders require new solutions for insulation, environmental quality and HVAC systems. For Flex-Tek, this translates to opportunity and increasing demand for products offering efficiency benefits, including:

- Tutco electrical heat kits that extend the working range of heat pumps;
- Gastite refrigerant line sets that replace copper piping in heat pump applications; and
- Flex-Tek HVAC flexible ducting designed for efficient conveyance through conditioned-space walls.

Electrification and renewables

Green electrification creates significant growth opportunities for Flex-Tek. Tutco SureHeat electric heating element technology can be applied across a wide range of consumer and industrial markets to replace fossil fuel heating. This helps open the door to exciting new opportunities to decarbonise large-scale industrial processes, including so-called hard-to-abate sectors such as steel production. In addition, Flex-Tek is innovating to support renewable power using technology developed for aviation testing to enable the storage of energy as heat until it is needed for use.

Alternative fuels

Flex-Tek is also well positioned to support the future scaling and safe use of hydrogen as an alternative energy source. STS Aerospace high-performance flexible tubing conveys fuel in challenging environments using technology that can be developed further to provide solutions that will support the higher temperature, pressure and lower permeability requirements of transporting and using hydrogen. As well as potentially being used for industrial heating, hydrogen may be used as a fuel source for heavy transportation, such as maritime, which cannot be easily electrified. While this transition is further out, Flex-Tek is already building relationships with key players that are actively pursuing applications of hydrogen and hydrogen-based alternative fuels.

COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES**SMITHS INTERCONNECT**

Smiths Interconnect's high-performance connectivity solutions can be leveraged across a range of market segments and platforms that support the energy transition agenda, critical communications and monitoring, and the electrification and smarter systems requirements of sustainable modern cities.



Smiths Interconnect has established a Go-Green team focused on accelerating opportunities in the division's industrial and automotive segments, primarily exploring technology for green energy, including high-voltage charging for electric vehicles (EVs). Interconnect has become a core member of CharIN, a global organisation advocating technology and global interoperability for fast vehicle charging infrastructure and will contribute its expertise in electrical connectivity for high-reliability, high-current applications as the organisation promotes a global standard.

Smiths Interconnect's optical transceivers are used on the SES-17 geostationary satellite now in service to bring broadband coverage to remote areas of Brazil, Argentina, Columbia, Mexico and Canada.

Electrification and renewables

Smiths Interconnect's heavy duty modular connectors provide stable and reliable electrical connections in wind turbines. Through durable, power efficient and stable connection solutions and battery efficiency products, Smiths Interconnect will also be able to support the future accelerating electrification of infrastructure and transport, including fast electric vehicle charging and other high-voltage applications.

Connecting communities

Smiths Interconnect's optical transceivers support high data rates and are enabling the rapid growth in next generation satellites connecting our world. These support high-throughput communication services in major population areas and also connect communities in remote areas of the world, bringing access to the broadband enabled services that many of us take for granted. These satellites will also be used to observe and monitor GHG emissions, climate and the health of natural systems, advancing scientific methods to predict climate change and prevent associated natural disasters.

DELIVERING NET ZERO GHG



We have a successful record of delivering reductions in our operational GHG emissions. We are now taking big steps forward.

In FY2022, we committed to ambitious Net Zero targets that align Smiths with the UN’s critical global climate objectives: Net Zero emissions from our operations (Scope 1 & 2) by 2040 and Net Zero emissions from our supply chain and products in use (Scope 3) by 2050.

7
 READ MORE
 ESG strategic priorities

Essential car users in our European operations are given the option to switch to electric vehicles on renewal. The renewal list will be 100% electric by the end of FY2025. To support the roll out we are installing on-site EV chargers at key locations. Approximately 70% of UK renewals are EVs and Smiths Detection had its first EV field service vehicles delivered in March 2022. UK colleagues using our vehicle salary sacrifice scheme are also able to choose EVs.



The introduction of Smiths Detection’s Service Management System (SMS) and artificial intelligence tool, Aquant, enables the company to digitally triage customer equipment failures and fine tune the service response. This reduces the amount of travel undertaken by field service engineers and unnecessary shipment of materials.

98% of the electricity used by Smiths Detection comes from renewable sources. Lighting has been converted to LED in all Smiths Detection manufacturing sites.

John Crane Tianjin, China, replaced high-energy lighting with LED lighting, saving nearly 10,000 kWh of electricity per year.

We also set short-term GHG-related targets for our latest three-year goal period, FY2022-24: to reduce Scope 1 & 2 emissions by 5%; and increase renewable electricity as a proportion of total electricity by an additional 5%, to 66%.

To underline these commitments and the importance we place on them, we have committed to set Science-Based Targets (SBTs) with the SBT initiative (SBTi) and signed-on to the 1.5°C Business Ambition under the UN Race to Zero, covering Scope 1, 2 and 3 GHG emissions. We will submit proposals to the SBTi in 2022 to establish our bespoke plans and interim SBTs.

With the strong support of the Smiths Board and Executive Committee, we are planning for success in delivering these ambitious goals. This has included building a more aggressive GHG reduction target trajectory to meet our Science-Based Targets and an energy efficiency target into our colleague and executive incentive plans. See page 11.

Short-term GHG-related targets

	Target FY2022-2024	FY2022 outcome vs FY2021
Increase in proportion of electricity coming from renewable sources (non-GHG producing electric sources including hydroelectric and nuclear)	5% increase to 66%	2% increase to 63%
Scope 1 & 2 GHG emissions	5% reduction Normalised to revenue	7.2% reduction

Energy efficiency and renewable electricity

Accelerating projects that reduce overall energy use and increase our use of electricity from renewable sources will be critical to our success in achieving our Scope 1 & 2 targets.

In FY2022, we established a Group-wide Energy Team to prioritise, coordinate and ensure delivery of the projects necessary to meet our Net Zero and SBT commitments, including energy efficiency, on-site renewable energy (e.g. solar) and procuring renewable energy. The Energy Team will play a critical role in identifying, aggregating, supporting and tracking projects as we move forward.

63% of the electricity currently used in our operations is from renewable sources and our goal is to increase this to 66% by the end of FY2024 and to 100% by 2040. We undertook a global survey of on-site renewable opportunities in FY2021 and have been evaluating a range of technologies including solar, wind, low-carbon heating and cooling (LCHC), and combined heat and power (CHP). An on-site renewable energy system is already in place in Suzhou, China and we have recently completed a solar installation at Smiths Detection, Johor Bahru, Malaysia. See page 21.

DELIVERING NET ZERO GHG

Scope 3 indirect emissions

We have completed our baseline inventory for Scope 3 emissions under the GHG Protocol Scope 3 Standard. We will shortly submit our validated inventory to the SBTi for independent assessment and begin the next step in their established process to set SBTs. We will create a bespoke plan to target and measure progress.

Based on our review of data materiality, our Scope 3 emissions will likely significantly exceed our operational emissions (Scopes 1 & 2). As is typical and expected for diversified industrial businesses, emissions associated with our supply chain (Category 1 Purchased Goods and Services) and Products in use (Category 11) are anticipated, pending in-process verification, to account for the majority of our Scope 3 emissions. As required by the SBTi, our proposed interim reduction target will cover more than two thirds of our total Scope 3 GHG inventory.

In preparation for setting our SBTs, we are actively planning for improvements to our supplier management and customer engagement processes that – in addition to supporting strong, resilient supply chains and high-trust customer relationships – will support delivery of our Scope 3 targets. We will also continue to prioritise product stewardship projects that reduce product energy use and integrate energy and resource efficiency for production and use metrics into our new product development gate process for their beneficial effect on our Scope 3 emissions inventory and our customers' Scope 2 emissions.

We recognise that delivering our Net Zero targets will require consistent and priority focus across all aspects of our global operations for the next 15-25 years. In FY2023, we are focused on establishing foundational processes and approaches necessary to define and deliver near- and mid-term targets, including the interim SBTs required under the SBTi framework. While many details of this journey are out of our direct control and difficult to predict today, we are committed to doing our part and we are confident in our ability to deliver.

Energy use and GHG (Scope 1 & 2) emissions

Smiths includes its Streamlined Energy and Carbon Reporting (SECR) below for FY2022 including our emissions and global energy use and intensity (normalised) metric below. Our GHG emissions calculations and reporting follows the WRI/WBCSD Greenhouse Gas protocol (operational approach) and covers emissions from all sources under our control, grouped under Scope 1 and 2.

Energy use and GHG (Scope 1 & 2) emissions

		FY2022	FY2021 ¹
Global energy use – absolute values	kWh	224,334,020	224,394,230
UK energy use	kWh	10,445,900	n/a
Smiths Medical ²	kWh	27,463,800	75,006,500
Smiths Medical UK ²	kWh	461,800	n/a
Global emissions – absolute values			
Scope 1 (direct emissions)	t CO ₂ e	19,131	20,378
Scope 2 (indirect emissions)	t CO ₂ e	32,539	31,865
Total	t CO ₂ e	51,670	52,243
UK Scope 1 & 2 emissions	t CO ₂ e	1,755	n/a
Smiths Medical Scope 1 & 2 emissions ²	t CO ₂ e	6,176	16,740
Smiths Medical UK Scope 1 & 2 emissions ²	t CO ₂ e	7	n/a
Global emissions – normalised values			
Scope 1 (direct emissions)	t CO ₂ e/£m revenue	7.46	8.47
Scope 2 (indirect emissions)	t CO ₂ e/£m revenue	12.68	13.24
Total	t CO ₂ e/£m revenue	20.14	21.71

1 FY2021 data updated following verification. See basis of preparation paragraph on page 12.

2 Smiths Medical FY2021 and FY2022 data is not included in Group data and has not been updated for the changes described above.

Smiths Interconnect's Hypertac hyperboloid contact technology creates lower resistance than other contact technologies, contributing to lower power consumption of systems where they are used. Hypertac contacts also have a higher mating life than other connectors enabling longer product lifespans.

1,856 solar panels have been installed at Smiths Detection Johor, Malaysia. These will generate more than 1.2 million kWh of electricity per year, representing around 5% of Smiths Detection's global annual consumption.



Our Flex-Tek sites have undertaken a range of projects to improve energy efficiency including:

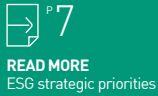
- Adding timers and sequencers to increase equipment downtime
- Replacing lighting with LEDs
- Linking refrigeration to a heat exchanger to enable glycol chillers
- Replacing compressor equipment
- Adding heating boosters to speed high temperature processes



RESPECTING NATURAL RESOURCES

Natural resources are finite, and we believe that all businesses have a responsibility to use them respectfully and safely – minimising consumption and preventing pollution.

Our longstanding commitments to use energy efficiently and minimise waste are increasingly of interest and value to our customers as they also seek to manage their own environmental footprints.



To deliver on these commitments and drive continuous improvement, we have established four non-GHG resource use targets to be achieved by the end of FY2024. These metrics build on previous success in improving efficiency and minimising waste.

Our Net Zero GHG targets and associated energy reduction efforts and switch to renewable electricity sources are described on page 20. We are also focused on making Smiths products more sustainable by design through attention to raw material sourcing, supply chain, manufacture, waste, transportation, use by the customer, service and disposal.

In past goal periods, we achieved our targets by engaging our people and supporting our local HSE teams to create tailored plans for improvement and collaborating on best practice across the Group. From FY2022 we have taken a more structured approach, with each commitment broken down by division and specific projects identified to meet or exceed the required improvements. Our Group HSE team is responsible for monitoring and reporting progress monthly and providing support to ensure that any challenges can be overcome.

Raising the profile of these targets and embedding them more deeply into our culture and site performance plans enables us to drive greater momentum in our environmental performance.

Water

	Target FY2022-2024	FY2022 outcome vs FY2021
Water use	5% reduction in water use in water stressed areas (11 locations) Normalised to revenue	4.5% reduction

	Target FY2022-2024	FY2022 outcome
Water reduction projects	10 Group-wide in FY2022	12 projects

Our Smiths Interconnect site in Suzhou, China added a water control to the sink used by colleagues for cleaning. A monthly maximum is set, with the control card needing to be recharged when the maximum is reached.

Our Smiths Detection Wiesbaden site uses harvested rainwater in toilets and for other purposes that do not require fresh water.

John Crane Tianjin, China, replaced the site’s water wash cycle with a ‘Bio-Circle’ cleaning process that uses a neutral pH water-based cleaning solution containing natural microorganisms. The solution has no solvents or cold cleaners and only needs to be changed once a year. The new process is saving more than 500 m³ of water a year.

Our Flex-Tek Titeflex site in Laconia, US reorganised processes to eliminate a water tank in one of its chemical rooms, saving more than 45,000 litres of water per year.

Flex-Tek’s STS Aerospace business has enacted many water saving projects including:

- Installing low flow automatic flush toilets and hands-free tap sensors
- Installing water leak detectors
- Adding filters to water tanks to enable cleaning via circulated water rather than constant flow
- Amending the frequency and procedure for changing chemical tanks
- Installing rinse tanks
- Moved X-ray work from film to digital

RESPECTING NATURAL RESOURCES

Waste

	Target FY2022-2024	FY2022 outcome vs FY2021
Non-recyclable waste	5% reduction in total waste disposal Normalised to revenue	11.5% reduction

Packaging

	Target FY2022-2024	FY2022 outcome
Packaging reduction projects	8 Group-wide in FY2022	5 projects

Design for sustainability

During FY2022 we integrated design for sustainability assessment criteria into our new product development (NPD) processes. Future NPD projects, and projects to improve existing products, will incorporate sustainable design principles and metrics to drive improved product stewardship including energy use, raw material sourcing, supply chain, manufacture, waste, transportation, use by customer, service and disposal.

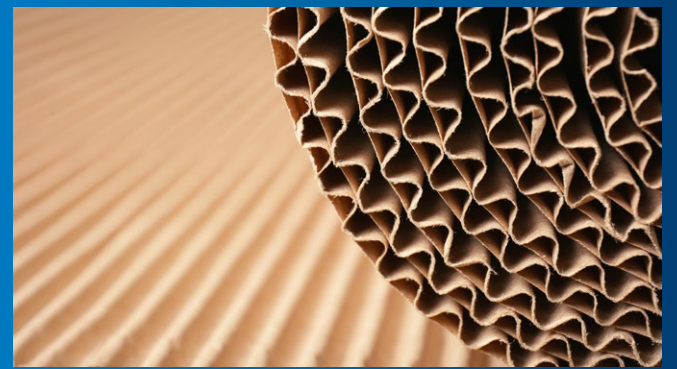
Preventing pollution

Our portfolio of environmental and safety policies ensures that we manage our sites responsibly and mitigate environmental pollution risks arising from our activities. As described on pages 16 to 19 we have products that help our customers do the same.

When Smiths Interconnect relocated its operation in Northampton, US, to Tampa, US, both teams worked hard to ensure that waste generated from the transition was appropriately recycled or reused. The Northampton team reached out to more than 60 non-profit organisations to see if they could use furniture, office supplies and appliances such as refrigerators. Many responded and items that might have otherwise gone to landfill were donated. The Tampa facilities team organised a systematic clean out of the whole site to identify and sort items that were no longer needed into material types for recycling. The meticulous process led to more than 20 tonnes of waste material being recycled.

John Crane Rio Claro, Brazil, implemented an innovative packaging project that also benefits its local community. The site partnered with an organisation supporting recovering young addicts to create product packaging from refurbished wooden boxes. Old boxes are cleaned, repaired and labelled by the organisation and then passed to John Crane for packing and shipping to customers.

Flex-Tek’s STS Aerospace business has replaced bubble wrap packaging with corrugated recyclable paper packaging for customers supportive of the change.



Smiths Interconnect’s Galileo low-profile test socket is 3D printed, reducing the raw materials required for manufacture. Smiths Interconnect also employs a 3D printing additive process that enables cheaper and faster plastic prototyping, and to address complex and intricate small parts and designs, or custom or replacement parts with no wasted material.

IMPROVING SAFETY, HEALTH AND WELL-BEING

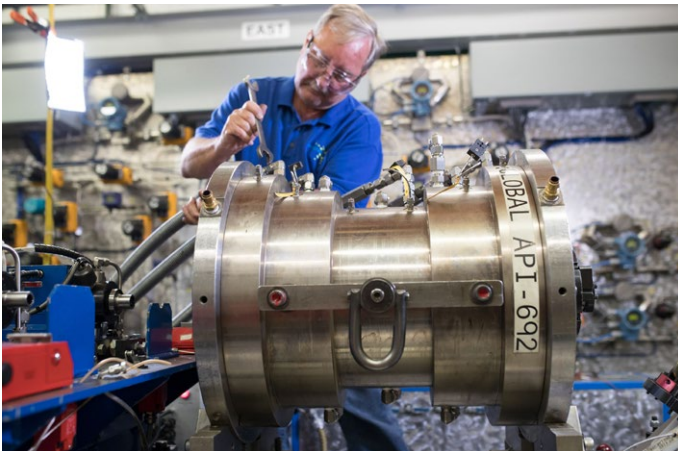


Our commitment to our people starts with keeping us all safe and healthy. This is our essential foundation and number one focus. We strive to always improve and be proactive, including designing for safety; strengthening our safety culture every day; and working to improve our colleagues' lives in the round.

We are thankful for those who came before us and helped establish robust safety cultures at our sites that we work to continuously renew, strengthen and connect. We understand that strong safety culture is fundamentally about keeping safety personal and must reflect, and respect, our diverse and global organisation.



READ MORE
ESG strategic priorities



Following an increase in manual handling injuries at John Crane, the division's HSE team developed and implemented a global Material Handling of Heavy Parts Standard. Assessments were initially carried out at all John Crane sites in North America to identify areas of the production process where colleagues were manually lifting heavy components and therefore increasing the risk of muscle strains and hand injuries from improper handling. After working through all operational phases, the team focused on materials being pulled from stock and staged for production. Action plans and standardised procedures were subsequently developed and rolled out to all sites and associated customer locations. Changes included special labelling for heavy work in progress items; weight notations on drawings; the purchase of adjustable mobile carts to position heavy products at the correct height; the installation of mechanical crane systems; and extra training.

Driving to zero injuries and improved health is a principled commitment to one another and our families, and it requires sharp focus and practical action. We know that a day without an injury – while a great and important achievement – is not the same as a day where we improved safety, health and well-being. Whenever someone gets hurt, we look closely to identify root causes and prevent recurrence. And we know that our most valuable work is seeing hazards and taking action to reduce risk and improve health before someone gets hurt.

Managing safety

Governance and strategy on safety matters flows from the Smiths Board and Executive Committee to every Smiths site via our Global Head of HSE (Health, Safety, Environment) and our collaborative HSE Technical Committee, which includes representatives from across Smiths divisions. Safety and compliance with our policies are then supported locally by our divisional HSE specialists, with responsibility for safety culture and performance held by our site and divisional leaders. Our safety policies also extend to our suppliers and business partners.

We all have a responsibility to behave safely and warn others of potential hazards. We provide safety materials and task- or site- appropriate training to ensure that our colleagues have the knowledge and skills to work safely, and we seek to continuously improve design and processes to eliminate or reduce risk.

We have an extensive set of health and safety policies and procedures that all operations are required to follow. Performance against these policies is overseen by an audit process that also covers all Smiths production facilities including ISO HSE management systems.

We continue to invest in new programmes and training activities to sustain and maintain the vitality of our safety performance. Our divisions develop injury prevention plans appropriate to their operations and our local HSE teams work regularly with HR colleagues to support health and well-being initiatives, which contribute to a safer work environment.

We consistently receive a high score for safety 'Safety is a top priority here' in our My Say survey. Individual engagement with safety matters and an understanding of its priority in the organisation is critical if we are to create a workplace that is safe for all.

Comments given in our May 2022 My Say survey:



I admire the safety commitment in our organisation, and I am proud to contribute to it."



Safety is always the first thing talked about, and everything comes after that."



This company is the safest place I have worked, and everyone takes pride in safety."

IMPROVING SAFETY, HEALTH AND WELL-BEING

Safety measurement

We report all injuries globally in accordance with US OSHA guidance. Our headline safety metrics are Recordable Incident Rate (RIR) – where incidents require medical attention beyond first aid – and Lost Time Incident Rate (LTIR) – where a colleague is unable to work following an incident – per 100 colleagues, per year across Smiths.

Our Group Recordable Incident Rate in FY2022 was 0.54; 15% above FY2021 but continued to track below the industry average and in the top quartile of industry performance¹. Our Group Lost Time Incident Rate was 0.24.

While our focus on safety did not waver during FY2022, like many companies, we faced several challenges that likely affected our safety performance. Evidence indicates that these increased injury rates have been broadly experienced across the industrial sector more recently.

Staffing and supply chain challenges during and following the COVID-19 pandemic have meant that at some Smiths sites colleagues have had to work irregular or extended hours. Nearly 3,000 colleagues reported having COVID-19 during the year; returning to work and suffering the after-effects of COVID-19 is challenging. We have seen the further impact of limited face to face interaction; safety committees unable to meet; limits on travel; and the general impact of people dealing with the upheaval of COVID.

This performance does not reflect the work environment we wish to have, and we intend to improve safety performance consistently year on year.

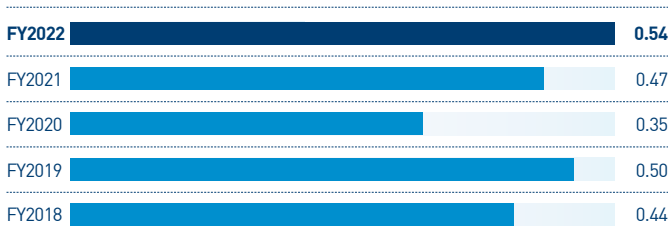
¹ BLS data – NAICS 339900; https://www.bls.gov/iif/oshsum.htm#20Quartile_Data

RECORDABLE INCIDENT RATE

Per 100 colleagues

0.54

FY2021: 0.47

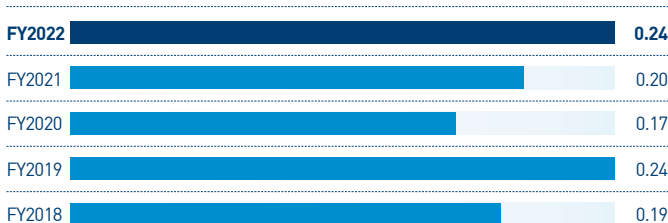


LOST TIME INCIDENT RATE

Per 100 colleagues

0.24

FY2021: 0.20



Flex-Tek Abbeville, US has created a Safety Engagement Team (SET) dedicated to engaging fellow colleagues with safety and promoting an accident-free workplace. A member of the SET team of shop floor colleagues meets with every new joiner to tour the site, cover PPE requirements, and review risk and hazard assessments. A card programme developed by the SET team enables individuals to provide feedback on site safety programmes and how they can be improved, and special recognition cards recognise and reward colleagues for working safely and making sound safety decisions. Members of the SET team also hold regular 'huddle up' events that gather colleagues together for safety discussions and set monthly safety challenges for colleagues to complete and win prizes.

During FY2022 Smiths recorded zero work-related colleague or contractor fatalities. Three contractor recordable incidents were reported. We received no significant safety fines or penalties. Whilst our overall safety performance went down, we were pleased to see a 50% reduction in incidents at our Royal Metal business, acquired by Flex-Tek in 2021.

Including Smiths Medical, we achieved an RIR of 0.50 and an LTIR of 0.21. The nature of work in the Smiths Medical operations meant that the division previously had a positive impact on injury rates.

Safety leading indicators

In addition to preparing injury reduction plans, each of our divisions is required to set completion targets for the Safety Leading Indicator (SLI) proactive and preventative safety measures most relevant to their operations, with an expectation of achieving 95% of target annually. SLIs include activities such as safety inspections, leadership tours, training, and our safety look out peer-to-peer observation programme.

The SLIs that are common to all of our divisions – safety observations and safety leadership tours – are tracked and reported to our Executive Committee monthly. During FY2022 over 11,000 look out safety observations and over 4,500 leadership tours were performed. We plan to run an awareness programme on these key SLIs in FY2023 as, properly executed, they build strong habits of personal engagement on safety across levels and functions that strengthen our culture and identify concrete opportunities to improve.

Smiths safety cardinal behaviours

- Stay fit and focused at work
- Identify and manage safety hazards
- Always use machinery safely
- Stop work if it isn't safe
- Take care when using electrical equipment
- Follow safety protocol in vehicles
- Take care when working at heights
- Always wear protective gear
- Report all safety incidents and near misses

IMPROVING SAFETY, HEALTH AND WELL-BEING

COVID-19

Safety precautions relating to COVID-19 have been an important feature of our overall safety efforts over the last 30 months. While many restrictions have now been lifted, we continue to monitor the situation, and each of our locations continues to comply with local requirements as infection rates fluctuate.

Practical measures to support our colleagues across the period have included:

- An unwavering focus on COVID-safe work environments
- Pursuing a consistent approach to core colleague benefits including life cover, critical illness, disability and medical insurance
- Rolling out a global Employee Assistance Programme (EAP)
- Regular communication, bespoke resource sites and wellness materials

As a Group, we are honoured by the incredible efforts made by our teams in supporting their own safety and the safety of others, including in our communities, while continuing to serve our customers across this extended period. Our data indicates that colleague COVID-19 cases have typically tracked local community cases and that there have been very few instances of transmission at work.

Well-being

Supporting colleague well-being inside and outside of work helps to keep us safe, healthy and performing at our best. Our global THRIVE programme has significantly increased the well-being resources available to colleagues, while helping to create an environment where people feel confident talking about matters such as mental health and wellness. This has been especially important during recent times. Resources take the form of content on our Smiths Now app and interactive activities such as webinars.

All colleagues also have access to an Employee Assistance Programme (EAP) which offers practical support. The EAP is available via email or phone 24 hours a day, 365 days a year and offers colleagues and their immediate family a free and confidential advice service through which they can access professional counselling and support for a wide range of topics including relationship issues, financial well-being and family challenges.

At Flex-Tek Titeflex Laconia, US, colleagues were engaged in a summer health and wellness challenge to help them improve their fitness. The 2022 challenge required participating colleagues to hit 150 minutes of moderate to vigorous aerobic activity each week for 11 of the 14 weeks of the challenge period. Prizes were awarded to colleagues who completed at least one activity on each day of the challenge.

With effective planning and consistent close attention to safety measures, our Smiths Interconnect site in Suzhou, China, has been able to continue operating despite changing local COVID-19 regulations, including a 100-day lockdown of the city. The site has established a group to lead its COVID response which has included: COVID-safe operating and non-work procedures e.g. dining arrangements; building relationships with local authorities; regular colleague communications; emergency planning and drills; and colleague treat packs.

Site security

The nature and location of our sites requires us to have robust security procedures in place to protect both the physical safety of our teams and assets as well as our data and intellectual property.

We have physical security plans in place at all locations and risk assessments are undertaken regularly, as are reviews of our business continuity and crisis management plans. We have a roster of over 200 designated site security officers who ensure that security measures are implemented and who can lead in an emergency. During FY2022 we provided all our designated officers with bespoke training, and we have further general awareness activities and in-depth training modules going live in FY2023.

We have recently issued a violence-free workplace handbook to guide colleagues on recognising, responding to, and mitigating violent behaviour in the workplace and have delivered 'armed intruder' training at some sites at their request.

We are now using Security Leading Indicators modelled on those developed by our safety teams to anticipate areas of risk and drive proactive action. These formalise good security practice and are being recorded in our HSE management system. They include access control audits, clear desk tours, security observations, and security communications.

Each of our sites has a security categorisation and site security measures and procedures are assessed against the requirements of that category under our security minimum standards.

Our Internal Audit team undertakes checks, and we use external assessors if required by customer contracts, for example those with governments.

No serious security incidents were recorded in FY2022.

For further information on data security see Enterprise IT and cyber security on page 38.

Travel safety

With locations all over the world, and colleagues regularly travelling and/or working remotely, the on-the-road safety of our teams is a critical consideration. After a period of reduced travel during the COVID-19 pandemic, FY2022 has seen a return to more usual patterns of off-site working and travel, including travel to higher-risk areas.

We closely monitor colleague trips to high and extreme risk locations, with all travel pre-approved per divisional policy. We also work with external partners who enable us to provide comprehensive advisory and emergency (including medical and physical) support to Smiths colleagues at home and in the field, and to our site teams if they are in need of it.

Through these services we have available real-time information on the location of all our personnel and any local threats or incidents that may affect them. Colleagues are also able to use the service to contact us and/or confirm their safety using a check-in tool.

We did not have operations or travellers in Ukraine when the conflict began there. Colleagues elsewhere in the region were confirmed safe and received full support from Smiths. We ceased all sales into Russia following the invasion and we are in the process of exiting our operations in Russia.

We will continue to review our travel safety needs to ensure that we continue to offer the highest level of support to our teams.

DEVELOPING TALENT



Our organisational commitment is to ensure that all our colleagues have opportunities to develop their skills and reach their full potential.

Smiths colleagues have access to training and resources to undertake their roles safely, effectively, and in line with our policies. Colleagues also have access to a developing range of personal and skills growth resources as they progress in their careers including specialist technical and functional and externally accredited programmes. We are currently honing our leadership programmes to better support business needs and so that our leaders can more effectively support their teams.



READ MORE
ESG strategic priorities

Smiths Detection holds an annual global virtual hackathon, a sprint-like event where Detection's computer programmers, software developers, project managers and other team members collaborate intensively on software projects.

The objectives of the event are to create functioning product prototypes and enable technology exchange and collaboration to build skills and make contacts in the company. Winning prototypes can be taken forward into new products or product improvements.

We have a specific Smiths Leadership Behaviour dedicated to developing self and others. See page 8. Our SES programme described on page 9 develops transferable Lean Six Sigma skills through practical projects and provides advanced training on subjects including Design Thinking and Artificial Intelligence.

Our My Say survey score for personal growth 'I have good opportunities to learn and grow at Smiths' and career 'I have good career opportunities at Smiths' went up slightly in our May 2022 survey but both scores remain below the benchmarks provided by our survey partner. We continue to use the comments and feedback provided in the My Say survey to inform our development strategy and, building on this, have turned our focus to how we can more effectively identify and bring talent through Smiths. By way of example, this year we ran more talent reviews than ever before to cover key and critical roles.

This year we also closely examined how we can better leverage the benefits of our group structure to enable colleagues to build quality technical careers across Smiths so that we can continue to innovate and execute powerfully through shared skills and experience. We will continue to scan the organisation in FY2023 to grow our community of leaders, with particular focus on gender diversity.

The SUMMIT technical careers programme operating at John Crane and Smiths Detection is designed to broaden opportunities for technical colleagues by providing a unique and transparent methodology for technical career progression. The programme challenges ambitious individuals to invest in their technical development and empowers John Crane's and Smiths Detection's technical leaders to recognise and reward achievement by individuals.

Internal talent mobility

With our growing emphasis on 'internal first', there are many opportunities for people to grow their careers at Smiths. Our more structured and diverse approach to succession planning following the talent reviews this year has enabled us to identify and develop high-potential individuals from a broader pool of diverse colleagues from all geographical regions, specialised skill sets and industry experience. Separately, appointments to our most senior roles are discussed at a monthly Talent Development Committee comprising all members of the Executive Committee. This year also saw the introduction of a new organisational metric to enable meaningful measurement of talent progression through the organisation. We will continue to invest in internal talent mobility as a significant source of value for Smiths.

Enhancing technical careers

Our people can do remarkable things. Their passion for engineering and technology has driven our business forward for more than 170 years. While our divisions serve different markets, there is much common ground in the qualities and skill sets required in our technical teams as they enable us to deliver efficiently and create new products for the future. We see opportunities to leverage this common ground more effectively by creating formal Group-wide technical communities where groups of specialists can connect, share problems and ideas, and contribute to delivery of our strategy – for example energy reduction projects. We will also introduce a common technical career ladder across the Group that will provide career visibility for individuals and enhance internal talent mobility. A continued focus on early career talent will bring young engineers into our overall talent pool.

Reward and recognition

Recognising and rewarding colleagues in a fair, open and meaningful way is an important underpin to developing talent. We are committed to fair pay practices and ensuring that colleagues participate in our success.

We have been an accredited Living Wage employer in the UK since 2018. In the UK, we operate an all-colleague Sharesave Scheme, which enables colleagues to buy Smiths shares at a discounted rate. We have also been undertaking a process to align colleague benefits across markets, so they are the same for colleagues in any of our four divisions or Group. We have completed this work in China, India and Mexico to date.

The Board is conscious of the challenging impact of current inflationary pressures on colleagues and this is reflected in the management decision to focus more of the salary increase budget on those who are more significantly affected in the coming year.

PROMOTING DIVERSITY, EQUITY AND INCLUSION



Our team of colleagues represents dozens of nations, speaking a multiplicity of languages, and embodying many different perspectives. We strive to embrace these differences and promote actions and behaviours that will deliver an inclusive and supportive work environment where every member of the Smiths team can be the best version of themselves.

We know that when colleagues feel included, valued, and encouraged to make a meaningful contribution, Smiths will thrive as we continue to attract and retain the diverse talent that we need.



READ MORE
ESG strategic priorities

John Crane's global Diversity & Inclusion (D&I) programme aims to create a culture where diversity is celebrated, and all viewpoints are encouraged and included. Global and Regional D&I Council members meet regularly to discuss initiatives celebrating John Crane's diverse workforce and plan meaningful action on D&I across all sites. A dedicated D&I intranet site serves as a resource for colleagues to learn how they can get involved at their local site.

Our Smiths Detection sites hold D&I events and activities during the year. Recently these have included an International Women's Day staff panel webcast; panel discussions and activities to highlight and celebrate Black History Month and Asian American and Pacific Islander Heritage Month; and gatherings to celebrate Pride Month and Pride Day.

We provide equal employment opportunities. We recruit, support and promote our people based on their qualifications, skills, aptitude and attitude. In employment-related decisions, we comply with all applicable anti-discrimination requirements in the relevant jurisdictions. We have zero tolerance for discrimination, harassment or retaliation.

People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion based on their aptitude and ability. We endeavour to find roles for those who are unable to continue in their existing job because of disability.

We are working to increase the tracking of protected characteristics data in our workforce, in compliance with local laws, and we recruit using balanced slates and interview panels where possible. Our procedures and training activities advocate and enforce fair treatment for all.

We have colleague resource and affinity groups across Smiths, which collectively support and raise awareness on inclusion and diversity matters. Our local site teams determine the events and campaigns that they wish to support to ensure we remain culturally sensitive and have the most impact. Colleagues use the Social Wall on our Smiths Now app to share their active participation with everyone at Smiths.

Our My Say survey score for authenticity 'I feel comfortable being myself at work' went up slightly in our May 2022 survey, as did the score for equity 'Regardless of background, everyone at Smiths has an equal opportunity to succeed'. Both scores are currently below the benchmark provided by our survey partner.

The opportunity to improve in the diversity, equity and inclusion area has been recognised and prioritised in our People strategy. Besides clearly articulated diversity metrics and objectives, in FY2023 we will also introduce our revised people leader development programme, which is fully aligned to our Smiths Leadership Behaviours. One entire learning module in the programme will be focused on emotional and cultural intelligence, conscious inclusion, and the role of leaders in setting and leading diverse teams. In addition, every division has introduced its own diversity and inclusion priorities, often supported by dedicated individuals, and including under-represented group networks, education, communication and other support activities.



PROMOTING DIVERSITY, EQUITY AND INCLUSION

A Women Support Women initiative has been deployed in our Asia Pacific region to encourage female colleagues in the region to build connections, share their experience, and develop new skills through mentoring and networking. All women are able to participate – from those in the earliest stages of their career to those returning to work after a break.

Gender diversity

We are focused on proactively increasing the number of women in leadership roles at Smiths, as well as understanding the challenges and barriers that may be impeding them from fulfilling their potential. We have some way to go, which is why it is one of our ESG strategic priorities.

We have five female members of the Smiths Board (45%), and we welcomed three new female members to our Executive Committee in FY2022 (31% women). Women make up 28% of our global colleague population, but only 24% of our 656 senior leaders. We are working to change this with a programme of activities designed to identify, support and advance the careers of the high-potential women we already have at Smiths, over and above the talent development activities described above.

Our current programme includes launching a formal mentorship scheme for women identified in our succession pipeline; gender diverse slates for senior roles whenever possible; and practical support for women. We intend to build on this programme in the coming years and have set meaningful annual targets to maintain momentum.

Our target is to reach 27% of senior leadership positions taken by women by the end of FY2023 and 30% by the end of FY2024.

As required by the UK Government, we report every year on our UK gender pay gap. Our most recent report is on the Smiths website.

Board Diversity Policy

Our Board Diversity Policy describes the Board’s commitment and route to achieving the following:

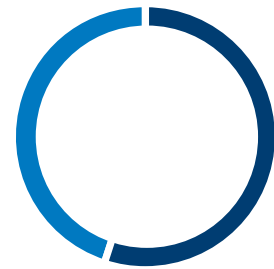
- at least 50% of Board members have a birthplace or background outside the UK;
- at least 40% of Board members to be comprised of female Directors;
- at least one Director to be from an historically under-represented ethnic group; and
- at least one of the Chair, Senior Independent Director, Chief Executive or Chief Financial Officer positions to be held by a female by 2025.

The Smiths Board is highly diverse, reflecting the organisation’s attitude to diversity. The Board meets all of the targets described in our Board Diversity Policy.

GENDER DIVERSITY IN THE GROUP

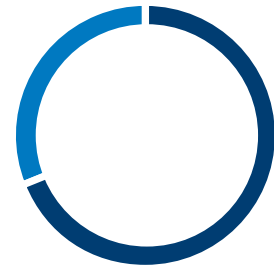
BOARD OF DIRECTORS

Male	6 (55%)
Female	5 (45%)



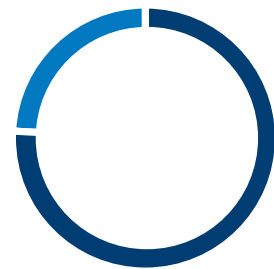
EXECUTIVE COMMITTEE

Male	9 (69%)
Female	4 (31%)



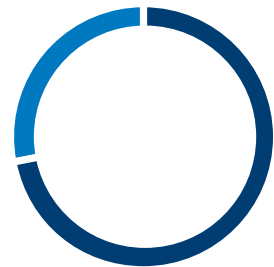
SENIOR LEADERSHIP TEAM¹

Male	498 (76%)
Female	158 (24%)



TOTAL COLLEAGUES

Male	10,631 (72%)
Female	4,133 (28%)



¹ Senior Leadership Team is the KPI used to track gender diversity at Smiths. It is defined as all colleagues that are Grade 14 or above.

CONTRIBUTING TO OUR COMMUNITIES



We aim to improve our world by contributing positively to our communities and society in general.

Smiths products and services support critical global industries where we are pioneering progress in safety, efficiency and environmental performance. Our operations around the world play a beneficial role in local economies through job creation and skills development; procurement and generating tax revenues; and operating safely, environmentally responsibly and ethically. We also engage directly through fundraising, charitable giving and education initiatives.

Healthy and prosperous communities and strong relationships are aligned with our Smiths Values and inspire and promote a sense of pride and ownership in our people.

Our community engagement activities are managed locally, with each site focusing on markets and communities that are important to them. We celebrate the best of our community work through the Smiths Excellence Awards, communicate inspiring stories in our Smiths Signal newsletter, and encourage colleagues to share their activities on the Smiths Now app.

Smiths Interconnect continued its successful Beyond Boundaries community outreach programme with a focus on activities across May 2022. Our teams undertook a wide range of activities including:

- Volunteering at schools, care homes, hospitals and other community organisations;
- Litter picking and beach cleans;
- Collecting for and helping food banks and pantries;
- Maintenance and gardening;
- Educational sessions on environmental matters.



DIRECT ECONOMIC CONTRIBUTION

	Employee costs	Supplier costs	Tax paid	Total
FY2022	£823m	£1,364m	£140m	£2.33bn
FY2021	£751m	£1,063m	£133m	£1.95bn

- Employee costs
- Supplier costs
- Tax paid

Tax strategy

We pay and collect significant amounts of tax as a result of our business activities. Our Global Tax Strategy describes our approach to the responsible management of our tax affairs to enhance long-term shareholder value while contributing to public expenditure and the overall welfare of the communities in which we operate.

Our Global Tax Strategy can be found on the Smiths corporate website www.smiths.com

In March 2022 Smiths donated to the Red Cross to support the vital work the organisation is doing to aid the people of Ukraine. Smiths colleagues across the world were also invited to donate to a list of organisations doing similar work through a specially created platform in order for Smiths to match these donations with a further donation to the Red Cross. We are delighted that so many Smiths colleagues supported this effort.

Our Smiths Detection site in Vitry, France collected and donated sanitary products to women on low incomes in the community. The site also donated equipment to families on low incomes to support children's home learning.

Teams from Smiths Detection, Hemel Hempstead, UK share their passion for science and technology through regular STEM activities with schools in the local community.

CONTRIBUTING TO OUR COMMUNITIES

At the Smiths July Leadership Summit our senior leaders took time out to support our local communities in London by volunteering at five different charities. Our teams of leaders tidied and replanted the garden of a youth centre; rebuilt parts of a popular adventure playground; painted the external walls of a primary school; varnished outdoor furniture at a mother and baby centre; and helped create a new garden at a care home for older and vulnerable adults, also spending time interacting with the residents.



Each year, STEM ambassadors at John Crane, Trafford Park, UK work with the Engineering Development Trust Industrial Cadets on a 12-week STEM 'Bronze Award' project, aimed at encouraging younger students to choose STEM subjects and careers.

In FY2022, they worked with a group from a local girls' school on a project called Tomorrow's Technology Today aimed at solving an engineering/science challenge. To achieve the Award, a group from the school were mentored by Global Product Line Manager, Kathy Ure. To complete the project, the group had to prepare a report, including a video, and present their results at an assessment event. Students were also invited to spend a day at the Trafford Park site during the project period to learn about the company and engineering and talk about their projects with colleagues, while hearing about the challenges, rewards and benefits of a STEM career path. Matthew Davies, UK Engineering Manager, also participated in the judging at the assessment event, hearing presentations from all the other schools involved. The Trafford Park team also took a stand at an open day at The University of Liverpool for students aged 12-14 where students were able to take part in a mechanical seal build activity.



Smiths HR teams across Europe have been provided with practical information to help them advertise open positions to individuals displaced by the conflict in Ukraine. We have also created a simple list to guide hiring managers and HR teams when recruiting people in need as we recognise that doing this requires commitment and care. The guide covers matters including cultural differences; gaps on CVs; impact of stress; and availability and support, and aims to address the potential needs of all people in need, not just refugees.

Flex-Tek Tutco, Cookeville, US partnered with local schools to develop a 'Stemplicity' programme to help students develop in STEM areas and consider STEM-related careers. The team also joined with a local organisation to provide food parcels to those in the local community in need. Over 1,800 bags of food were packed and distributed.

Our UK team has been piloting a site-led community engagement programme – Improving Our World – prior to a global rollout in FY2024. The pilot started with a survey of UK colleagues to help guide the direction of the programme and moved quickly onto a £20,000 donation on Smiths Day allocated to three charities (in the education, environment and community sectors) by colleague vote. Each colleague vote generated an additional £10 for the chosen charities.

The next stage of the pilot programme – a paid volunteering day during work time – was then launched, making it easier for colleagues to share their time with local communities that are important to them. A volunteering portal was also set up to enable colleagues to record, discover and share volunteering opportunities.

BEHAVING ETHICALLY AND LEGALLY



Behaving ethically and with integrity is a fundamental part of our Values. We also operate in some highly regulated markets and sectors which require strict adherence to local and international industry regulations.

We have a mature governance environment with exacting standards, robust diligence processes and a proactive management approach. And we seek to work with partners who support our Values to minimise risk and maximise our positive social and environmental impact.



READ MORE
Key ethics policies can be found on the Smiths website www.smiths.com

We have expert teams in place to manage these matters and we use data and other intelligence objectively to identify relative performance gaps and emerging risk, and continually target improvements in our procedures.

Legal and compliance is considered a principal risk for Smiths. For more information see the risk management section of the Smiths FY2022 Annual Report.

Governance and implementation

Our Code of Business Ethics guides Smiths colleagues to recognise and deal appropriately with legal and ethical issues that they may encounter in the course of their work. This is supplemented by a suite of policies and procedures relating to specific ethics and compliance matters. In FY2023 we intend to review the Code to align it fully with our ESG framework, as we have recently done with our Supplier Code of Conduct (see page 35).

Our colleagues and business partners are expected to report any activity – whether in our business or those of our partners – that they consider may be in breach of our ethics codes and policies. Both our colleagues and partners have access to our confidential ‘Speak Out’ reporting hotline, which is accessible 24 hours a day, seven days a week. Reports can be made anonymously.

Our central Ethics and Compliance function oversees our ethics and compliance programmes and ensures that efforts are focused on higher risk and critical areas. Day-to-day responsibility for ethics and compliance is held by our divisional teams, and the Smiths Board and Executive Committee are engaged through regular reporting and our risk management process. We use an ethics dashboard to view key information and track progress and we analyse our data by division, country, nature of report and risk profile so we can take more proactive action on potential issues.

Our Business Ethics Council (BEC), comprised of senior, cross-functional leaders from across Smiths, acts as an advisory panel for new policies and implementation, and we operate regional ethics councils in China, India and Latin America that focus on regional matters and provide intelligence to the centre.

MONITORING AND MANAGEMENT FRAMEWORK

Define



- Risk assessments
- Code of Business Ethics
- Policies and controls
- Designated roles
- Individual responsibility

Prevent



- Training and awareness
- Communication
- Tone from the top
- Clear policies and controls
- Clear roles

Detect



- Speak Out hotline
- Compliance audits
- Monitoring and metrics
- Ethics Pulse survey
- My Say survey
- HR/Management reports

Respond



- Investigations
- Root cause analysis
- Corrective action
- Cost assessment
- Follow up

Evaluate



- Metrics
- Risk assessment
- Audits
- Executive Committee/ BEC oversight
- Ethics Councils

BEHAVING ETHICALLY AND LEGALLY

Human rights

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our Values and policies and is not tolerated. We recognise the important responsibility we have, and we support the vision of a world where everyone can enjoy their universal human rights.

Our Human Rights Policy is guided by the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We adhere to national law and regulations in each market in which we operate and, should we encounter conflict between internationally recognised human rights and national laws, we will seek ways to honour the principles of international human rights. All persons working for, or on behalf of, Smiths are required to adhere to our Policy and approach.

Our Human Rights Policy covers the following areas:

- Elimination of forced/involuntary labour
- Elimination of child labour
- Humane treatment in the workplace
- Workplace equality/elimination of bias
- Right to a living wage
- Right to reasonable working hours and vacation
- Freedom of association
- Safe and healthy workplace
- Safe and healthy accommodation if accommodation is provided for employees

We expect those with whom we have a business relationship - suppliers, contractors, subcontractors, and anyone else in our supply chains, including any recruitment agents or other providers of labour (temporary or otherwise) - to share our commitment to human rights and to be free from practices associated with human rights violations, including forced/involuntary labour or modern slavery. We take very seriously any allegations that human rights are not properly respected.

We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2022.

We have a central human rights and modern slavery working group and we have recently convened a modern slavery working group comprising procurement leaders to continue to enhance awareness and drive positive, preventative actions.

For further information on modern slavery see Our supply chain on page 35.

Engaging our colleagues

Engaging and communicating on ethical matters is vitally important, as is colleague trust in our procedures. Colleagues are expected to be vigilant and report behaviour inconsistent with our Code of Business Ethics, or our Values, through their line manager, HR representative or the Legal team, or through the Speak Out hotline. This is communicated regularly to ensure that awareness remains high.

We use colleague feedback to build understanding of how we are doing, and to target our activities effectively. Our grassroots Ethics Ambassador network reviews plans and helps us to bring ethics to life, and to the widest possible audience, and our global Ethics Pulse survey, undertaken quarterly, delivers rich data on colleague perceptions across Smiths. This data is reported to the Audit & Risk Committee along with Speak Out data. We also include a range of questions on ethical matters in our My Say colleague survey where we typically score highly.



I recently came across a situation at Smiths where I had to raise my hand and bring up a concern. I was worried what I was getting into, because the topic was a serious one that may have impacted relationships I had built with co-workers. I requested anonymity and, from the moment I spoke to the ethics and compliance team, they went out of their way to make me feel comfortable with my decision to report and how the report would be handled. They were true to their word and no relationships were affected. The bottom line is that the team were amazing.'



Thank you very much for your understanding and kind emails. I believe that the problem causing the issue I raised has now been identified. I believe that Smiths will continually improve thanks to your team.'

Taken from thank you emails to our Group Global Lead for Ethics and Compliance

SPEAK OUT

We recorded an unexpected fall in Speak Out reports in FY2021 to 88 (excluding the Smiths Medical division). After interrogating the data and undertaking benchmarking against other organisations, we concluded that this was primarily driven by uncertainty during the COVID-19 pandemic. When individuals feel less confident about their personal and job security, they are less likely to speak out.

We used this knowledge to shape recent iterations of our Speak Out communications and we were pleased to see a sharp increase in FY2022 to 179 reports.

FY2022

179
reports worldwide

51%
anonymous

16%
of ethics and compliance
reports substantiated*

37
reports resulted in
discipline or training

3
reports resulted in
colleague termination

*Excludes HR matters

BEHAVING ETHICALLY AND LEGALLY

In recent years we have seen colleagues speaking out on a broader range of subjects and issues than ever before. We feel that this underlines both the confidence they have in the process, and the increasing importance that our colleagues place on our approach to ESG matters and the alignment of individual and company Values.

As a key objective, we will continue to focus on building trust in our reporting system to ensure an open two-way dialogue and, at the same time, seek ways to make it as easy and efficient as possible for colleagues to engage with, understand and follow our ethics and compliance procedures.

Training

Our ethics training operates in two tiers – online modules delivered in all our core languages, and group training activities covering specific subjects. Additionally, we run regional ethics workshops for middle and senior leaders from across Smiths to embed a deeper understanding of our ethics and compliance critical drivers and to discuss challenges specific to their markets and geographies and how to navigate them. Intelligence is also gathered from these workshops to inform future activities. During FY2022 we ran workshops for our teams in China, South Korea, Latin America and for teams across our divisions operating in Africa. We also introduced the use of micro-awareness videos that enable us to communicate quickly and effectively on issues that arise either through colleague feedback or changes in the external environment.

Anti-bribery and anti-corruption

Bribery and corruption matters are covered by our Code of Business Ethics. We also have specific policies and procedures relating to activities that create bribery and corruption risks, and an umbrella anti-bribery and corruption policy that provides a single view of our approach. These policies cover a broad range of matters including the giving and receiving of gifts, meals and hospitality; invitations to government officials; our approach to facilitation payments; and controls around the appointment of distributors and agents, customs brokers and freight forwarders. Our ethics dashboard enables us to interrogate our register of gifts, meals and entertainment in an effective and useful way.

Anti-trust

To support our commitment to competing fairly in the markets in which we operate, we have an Anti-trust Policy and specific training modules for colleagues whose roles may expose them to competition law risk. Our divisions use our Trade and Industry Event Register to ensure that colleagues attending events with competitors are made fully aware of what they may and may not discuss.

Trade compliance

We operate a global trade compliance policy that covers export controls, import law, financial and trade sanctions, and anti-boycott law compliance, which is overseen by a central International Trade Compliance (ITC) team. The policy sets out a specific prior-review process for authorised transactions that involve certain sanctioned countries, which provides corporate oversight of such transactions.

The central ITC team supports a network of trade compliance officers (TCOs) across Smiths. Together they oversee and ensure the compliance of Smiths activities with applicable trade regulations, laws and Smiths policy. The central ITC team and the TCOs also monitor upcoming changes in regulation. Regular training is provided on trade compliance matters, and the leader of the central ITC team chairs a TCO working group to discuss emerging issues and best practice. We also regularly assess trade activities at site level to identify risks and review controls.

Smiths businesses ceased all sales into Russia following the invasion of Ukraine. We enhanced internal controls in this area to rapidly respond to waves of new sanctions against Russia and Belarus implemented by certain governments. We are in the process of exiting our operations in Russia.

Product certification and ongoing regulatory compliance

Many of our products require certification and/or approval prior to launch and ongoing monitoring to ensure continued compliance with regulations. Certifications are handled by our divisional teams who have direct relationships with the relevant regulatory bodies and, together with our legal teams, track new legislation and standards to ensure that we continue to comply.

RESULTS FROM OUR ETHICS PULSE SURVEY

95%

I know how to access the Speak Out line

2021: 84%

91%

It's safe to Speak Out at Smiths

2021: 89%

93%

Smiths leadership lives Smiths Code of Business Ethics

2021: 94%

94%

I know where to find the Smiths Code of Business Ethics

2021: 93%

96%

I understand how the Smiths Code of Business Ethics applies to me

2021: 97%

95%

I would report unethical business conduct if I saw it

2021: 95%

93%

Smiths leadership clearly communicates the expectation that all Smiths business will be conducted ethically

2021: 95%

BEHAVING ETHICALLY AND LEGALLY

Our supply chain

Responsible procurement is a vital part of our ethical framework. We want to work with suppliers and other partners that are aligned with our Values and that are able to, and interested in, supporting our ESG efforts across all areas.

We purchase materials, components and some finished goods from many suppliers across the world. By working together, we can maximise our positive impact.

Our Supplier Code of Conduct makes our expectations of suppliers and sub-suppliers clear when it comes to ethical behaviour and compliance with the law, treatment of personnel, and materials from socially and environmentally responsible sources. Suppliers are required to adhere to the Code and have access to our Speak Out system should it be needed. The Code was refreshed in FY2022 to strengthen alignment with our ESG framework, including supplier environmental policies and performance.

New suppliers are subject to due diligence checks in the form of an ethics and compliance questionnaire. Responses to the questionnaires are reviewed by our divisional procurement teams.

We have a supplier onboarding process to assess risk and ensure that suppliers can meet our standards. We also undertake risk reviews and regular audits.

As noted on page 21, understanding and tracking data from our supply chain is critical for our journey to achieve Net Zero Scope 3 emissions.

Our Responsible Minerals Sourcing Policy addresses our commitment to the sourcing of minerals in an ethical and sustainable manner that safeguards human rights and aims to ensure that tin, tungsten, tantalum, gold and cobalt are sourced with due respect for human rights and in a manner that does not finance armed groups. To achieve this objective, we take guidance from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Privacy and data protection

Privacy and data protection are becoming increasingly important around the world. Smiths does not collect consumer information or market to consumers, which reduces these risks; however, we do process data relating to our more than 14,700 colleagues.

Our approach to complying with evolving privacy and data protection regulations has been to establish a common set of clear principles, policies and processes to ensure that our teams are aware of their responsibilities relating to personal data. This is overseen by the Ethics and Compliance team.

Smiths has an established network of Privacy Champions across the corporate centre and our divisions who meet regularly to discuss emerging issues, approaches, and changes to privacy and data protection laws. Along with the Ethics and Compliance team, the Privacy Champions are responsible for ensuring compliance. Smiths Internal Audit conducts assessments of our data privacy controls. In recent years, awareness around privacy and data protection risks has increased significantly across the organisation. We continue to embed this knowledge to ensure that processes are always followed and are effective to manage the risk.

For further information on data security see Enterprise IT and cyber security on page 38.

Tackling modern slavery

The Smiths Modern Slavery and Human Trafficking Statement FY2022 can be found on the Smiths website www.smiths.com.

We recognise that human rights, including modern slavery and human trafficking risks, are not static and that, with a large and global operations and supplier base, we need to be constantly vigilant, with an evolving approach.

Our expectations for the management of modern slavery and broader human rights risks are set out in our Supplier Code. Our standard supplier contract templates oblige our suppliers to make various commitments on human rights and fair labour standards in relation to their own workforces, and to seek the same commitment from their suppliers. They are also required to notify us if they become aware of any breach. For those suppliers we categorise as 'high risk' we conduct ongoing monitoring through an external due diligence service, desktop reviews and site visits.

Our supplier onboarding process seeks information about employees' work and (if relevant) housing conditions, employment terms and labour practices. If migrant workers are contracted, we ask about their employment terms and any restrictions placed on their movement and financial arrangements.

Our modern slavery risk assessment has identified two areas of elevated risk: electronics suppliers in Malaysia, where there are concerns around child and migrant labour; and our supply chains in Eastern Europe, because of displaced persons from Ukraine. Key suppliers in these areas were prioritised for audit to get comfort that these risks were properly managed. These have been completed and no material issues were identified.

We also use numerous recruitment agents around the world. We conduct due diligence on new agency appointments to ensure that we understand the processes they have in place to manage modern slavery risks, and to ensure they sign up to our commitments as set out in our Supplier Code and Human Rights Policy. A recent SES black belt project is driving significant improvement in this process Group-wide.

We require all colleagues on the Smiths network to take a modern slavery awareness training module every two years. It describes what modern slavery is, how and where it arises (hot spot regions and industries), what to watch out for, and what to do if 'red flags' are spotted. Modern slavery is also a module in our classroom-based training for manufacturing colleagues. It is also covered in our ethics and compliance workshops with middle and senior management. This year these workshops were conducted for leadership teams in South Korea, China and Mexico (for the Latin America team), and for our teams operating in Africa.



MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

Continual assessment and management of risks, and assurance through internal controls, is an integral part of day-to-day operations at Smiths.

Our enterprise risk management (ERM) process supports open communication on risk between the Board and the Audit & Risk Committee, the Executive Committee, our divisions and sites, and ensures that risk is appropriately managed to deliver our business objectives. ESG matters are fully integrated into the ERM process and are identified and managed in the same way as other Group risks.



READ MORE

Read more in the Risk management section of the Smiths FY2022 Annual Report

ERM process

Our divisional and functional teams are responsible for day-to-day management and reporting of risks. They identify new and emerging risks, escalate where appropriate, and take action to ensure risks are managed as required. Our divisions also conduct annual assessments of the risks they face. Internal audit provides independent and objective assurance to both the Audit & Risk and Executive Committees on the adequacy and effectiveness of our risk management and internal control processes. It facilitates the ERM process and provides site-based controls and assurance reviews of key programmes, processes and systems.

The Audit & Risk Committee, on behalf of the Board, reviews the effectiveness of the risk management process: considering principal risks and uncertainties and actions taken by management to manage those risks. The owners of our identified principal risks are required to demonstrate how they gain assurance that controls are working effectively.

We also annually select a number of risks for 'deep-dive' discussions at Executive and Audit & Risk Committee meetings.

We have identified the following principal risks in ESG areas. These are being addressed and mitigated through execution of our sustainability strategy and the activities in our foundational ESG areas described in this report.

PRINCIPAL RISKS

ESG	Failure to meet stakeholder expectations on environment, social and governance obligations
People	Ability to attract and retain people
Product quality	Failure of product causes serious harm to people/property
Cyber security	Impact of enterprise or product cyber event
Legal and compliance	Significant ethical breach or failing to meet contractual obligations

More information on the ERM process and our principal risks can be found in the Smiths FY2022 Annual Report.

Climate change

Climate-related risks and their potential impact on the business and its strategy form part of risk reporting and risk management across the Group. Due to its long-term nature, climate change is not considered to be a principal risk, but we recognise the importance of assessing both physical and transition risk from climate change in a formal way.

We undertook our first formal climate risk and opportunities assessment in FY2020, evaluating two climate change scenarios. This identified actions to mitigate risks and opportunities that were added into our strategic planning process. In FY2022 we conducted a further climate risk and opportunities assessment.

Our full Task Force on Climate-related Financial Disclosures (TCFD) disclosure, including the outcomes of the FY2022 climate risk and opportunities assessment can be found in the Smiths FY2022 Annual Report.

MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

ESG-related internal controls

Our internal controls environment is designed to ensure that we have the appropriate procedures and protections in place and that they are followed. The Board, through the Audit & Risk Committee, has ultimate responsibility for internal controls and they are managed day-to-day by our divisions and Group functions.

The Smiths Internal Audit function is independent from the business and, as such, has no responsibility for operational business management. An Internal Audit Plan is agreed annually and includes ESG matters as appropriate. Internal Audit then works with the relevant teams to verify that procedures and responsibilities are understood and functioning correctly.

Our policies and internal controls are dynamic, evolving continually to respond to and accommodate changes in the external environment, our business priorities and strategy, and the intelligence and data we gather. All our policies are reviewed and updated periodically, and more frequently in the case of areas which we perceive generate greater legal or ethical risk such as our agent and distributor network.

Our key ESG-related policies and internal controls

HEALTH, SAFETY AND ENVIRONMENT

- Board and Executive Committee oversight
- Internal Audit
- Incident and hazard reporting
- Risk reviews and assessments
- HSE dashboards
- External verification of safety and environmental data
- External environmental compliance audit programme
- ISO environmental and safety standards
- ISO HSE management systems
- Health, Safety and Environment Policy
- Environmental Sustainability Policy
- Restricted Substances Policy
- HSE Audits Policy
- HSE Management Systems Policy
- HSE Reporting Policy
- HSE Roles and Responsibilities Policy
- HSE Technical Minimum Standards Policy

SITE SECURITY

- Risk reviews and assessments
- Site security plans
- Business continuity plans

PEOPLE AND COMMUNITIES

- Board and Executive Committee oversight
- Fair Employment Policy
- Global Mobility Assignment Policy
- Recruitment Policy
- Group Tax Strategy

ETHICS AND COMPLIANCE

- Board and Executive Committee oversight
- Business Ethics Councils
- Speak Out hotline
- Ethics Pulse survey
- Ethics dashboard
- Internal Audit
- Risk reviews and assessments
- Privacy impact assessments
- Code of Business Ethics
- Supplier Code of Conduct
- Human Rights Policy
- Modern Slavery and Human Trafficking Statement
- Responsible Minerals Sourcing Policy
- Speak Out Policy
- Transparency in the Supply Chain Statement
- Agents and Distributors Policy
- Anti-Corruption Policy
- Anti-Facilitation of Tax Evasion Policy
- China Anti-Bribery and Corruption Policy
- Facilitation Payments Policy
- Gifts, Meals and Hospitality Policy
- Invitations to Government Officials Policy
- Data Protection and Privacy Policy
- Data Protection Code of Conduct

MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

Product quality and safety

Product quality and safety are vital requirements for our customers and underpin our reputation. In the markets we serve, the potential consequences of an unsafe or defective product could be extremely serious. It is therefore critical that we have the appropriate controls in place.

We use robust quality assurance processes to minimise product safety and quality issues and we proactively monitor quality performance. Our divisions use quality risk assessments that address product compliance, product performance and product safety. Product quality, quality development and quality integration are all built into our NPD processes.

Product quality is considered a principal risk for Smiths. For more information see the risk management section of the Smiths FY2022 Annual Report.

Environmental management

Performance against our comprehensive portfolio of environmental policies is overseen by our internal audit process and we maintain an external environmental compliance audit programme of approximately 15 sites every year. All Smiths operational sites with over 50 colleagues are required under Group policy to be certified under ISO environmental and safety standards (18001 or 45001 and 14001) – approximately 60 sites – unless they were recently acquired just before or during the COVID-19 pandemic. Those sites were not allowed third party visitors during the pandemic and are now working towards certification as local conditions allow. We had no spills or environmental compliance penalties or fines in FY2022.

Restricted substances

All divisions participate in a regular forum to share best practices and ensure compliance with global restricted substance regulations including WEEE, RoHS, Prop65, REACH, TSCA and Responsible Minerals. We operate a Restricted Substance Steering Committee to ensure that we are adequately resourced in this area.

Enterprise IT and cyber security

The Group requires a resilient IT environment that is secure and appropriately protected from attacks that may compromise the confidentiality, integrity and availability of our IT systems and data held on them.

Smiths Business Information Services (BIS) is the Group-wide IT function delivering enterprise and business IT transformation and business-as-usual IT services in partnership with our functions and divisions, driving innovation and efficiency and leveraging scale. Smiths has a resilient IT infrastructure environment with advanced internal capabilities leveraging core external partners to deliver services, systems and applications that support business requirements and enhance productivity.

BIS enables Smiths to manage the delivery of significant programmes in-house, establishing differentiating competences such as enhanced data and analytics capabilities that are being successfully utilised by the divisions to drive business insight and, in turn, help identify efficiency and growth opportunities.

During FY2022, BIS has enabled key capability projects across the divisions and functions, including a Transition Services Agreement (TSA) for the Smiths Medical separation; Data & Analytics capabilities within John Crane, Smiths Detection, Smiths Interconnect and Group; and enhanced cyber security capabilities across the Group.

Enterprise and product cyber security

Cyber security remains a critical focus area for Smiths. Cyber security is managed as a critical capability from a regulatory, compliance and business continuity perspective to maintain the confidentiality, integrity and availability of our IT systems and the data held on them.

We proactively deploy a globally unified approach to the security of our IT environment, managed by BIS and overseen by the Executive Committee and Board, and supported by global partnerships with external providers such as AT&T, Microsoft, and Cap Gemini. Through a Group-wide governance model, we ensure oversight and process alignment on cyber security across our divisions and Group, covering both enterprise and product security.

Enterprise cyber security efforts during FY2022 focused on continuous improvement across all aspects of delivered capabilities, improved processes and controls, and improvements to systems used for incident detection and protection. The continued evolution of compliance and regulatory requirements remains a focus across Smiths with preparation for the US Cyber security Maturity Model Certification (CMMC) which will replace NIST 800-171 and the European Union Security of Network and Information Systems (NIS2) directive. During FY2022 we gained or renewed ISO/IEC 27001 information security management and Cyber Essentials certification for select operations.

Smiths products are used in many mission-critical applications in highly regulated industries, thus requiring continued focus on ensuring that our products meet the highest standards of cyber security. Meeting product cyber security regulations is the responsibility of our divisions with input from BIS and alignment to enterprise security standards, policies and controls. Governance and risk management resides with the Smiths central team, as described above.

Cyber security is considered a principal risk for Smiths. For more information see the risk management section of the Smiths FY2022 Annual Report.



EFFECTIVE LONG-TERM DECISION MAKING AND TRANSPARENCY

Good quality, ethical and effective decision-making builds sustainable businesses and enables them to create long-term value for all stakeholders.

Our overall governance framework provides the structures and systems through which our strategies and objectives are set and achieved, how risk is monitored and managed via controls, and how our performance is managed and optimised with appropriate oversight from the Board.



READ MORE

Read more in the Governance section of the Smiths FY2022 Annual Report

The framework ensures that we make effective long-term decisions where the interests of all our stakeholders (shareholders, colleagues, customers, suppliers and our communities) are appropriately balanced.

We are committed to transparent practices, procedures and disclosures so that our stakeholders are able to understand and monitor our opportunities, performance and the way we conduct business, so that they have confidence and trust in Smiths.



READ MORE

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