

smiths



Smiths Group Tax Strategy

SMITHS GROUP TAX STRATEGY

This tax strategy document applies to Smiths Group plc (“Smiths”) and its UK and non-UK subsidiaries (together, the “Smiths Group”) and is published in accordance with Paragraph 16(2) of Schedule 19 of the Finance Act 2016. It sets out Smiths Group’s strategy, policy, and approach to conducting its global tax affairs and dealing with global tax risks. This tax strategy applies for the financial year ended 31 July 2023 and is reviewed by the Board of Directors of Smiths on an annual basis.

OVERVIEW OF OUR BUSINESS

For over 170 years, Smiths Group has been pioneering progress by improving the world through smarter engineering. We serve millions of people every year to help create a safer, more efficient, and better-connected world, across four major global markets: Energy, General Industry, Security & Defence, and Aerospace. Listed on the London Stock Exchange (SMIN), Smiths employs more than 14,700 colleagues in over 50 countries.

During the financial year ending 31 July 2022, we reported sales of £2.6 billion and headline operating profit of £417m. Of total sales, the Americas accounted for 55%, Europe 19%, Asia Pacific 16%, and the rest of the world 10%.

OUR TAX STRATEGY

Smiths Group’s strategy is focused on growing faster, executing better and inspiring and empowering our people. To deliver this, we have a focused plan--the Smiths Value Engine--that connects our purpose, our strengths and our priorities.

Our tax strategy supports our overall strategy, and we manage the cost of taxation in a responsible manner. We aim to enhance long-term shareholder value while correctly contributing to public expenditure and the overall welfare of the communities in which we operate.

In addition, our tax strategy is fully aligned with the Smiths Code of Business Ethics. We manage our tax affairs so that we are legally compliant, and we engage with tax authorities around the world transparently and cooperatively. We have a zero-tolerance approach to tax evasion and the facilitation of tax evasion.

GOVERNANCE

Our Chief Financial Officer (“CFO”) is responsible for the execution of our tax strategy, and our CFO delegates authority to divisional Finance Directors, the Group Financial Controller, and the Head of the Global Tax Organisation (the “GTO”). Accountability for tax affairs is clearly defined, and we take decisions at an appropriate level, determined by formal corporate approvals or by documented delegation of authority to appropriate individuals. The Audit & Risk Committee of Smiths monitors and reviews compliance with the tax strategy.

Our GTO is responsible for ensuring that Smiths Group’s corporate income tax compliance and risk management are conducted efficiently, accurately and in compliance with applicable laws. The GTO ensures that tax policies and procedures are adopted and followed consistently across Smiths Group. Responsibility for managing other taxes, including VAT, sales, and employment taxes rests with the Group Financial Controller and the divisional Finance Directors.

RISK MANAGEMENT

Smiths operates an annual enterprise risk management process to identify and effectively manage risks across Smiths Group. A mixture of qualitative and quantitative guidance is used to determine acceptable levels of risk, including tax risks.

Smiths Group operates in a complex global environment, with numerous specific and frequently changing tax obligations across a range of tax jurisdictions. The requirement to interpret complex and evolving tax legislation presents risks which require diligent professional care and judgement to determine how the risks should be assessed, recorded and appropriately managed.

It is our policy that the tax implications of all material business transactions are investigated so that appropriate judgements on acceptable levels of tax risk are made. Such transactions include but are not limited to: Acquisitions, disposals, joint ventures, reorganisations, and changes in the Smiths Group’s corporate structure. We ensure that all Smiths Group companies have access to appropriately qualified internal staff or external professional advisers to inform their judgements. In addition, we provide training to all employees in relation to the Corporate Criminal Offences Act.

Where there is reasonable uncertainty as to the application or interpretation of tax law, we may obtain third party written advice evidencing the facts, risks, and conclusions to support our decision-making process.

OUR TAX POLICY

Smiths Group’s tax strategy is underpinned by our tax policy. Our tax policy applies to all corporate taxes, including corporate income tax, value-added tax, sales tax, and property tax. It also applies to all Smiths Group companies and requires that the relevant senior finance officers have appropriate internal controls and procedures to ensure compliance with our tax strategy.

Our GTO oversees overall compliance with our tax policy. Divisional Finance Directors and the Group Financial Controller are responsible for compliance at the divisions and the corporate centre respectively. Key requirements of the Tax Policy include:

- Every Smiths Group company must adopt a position of full disclosure to tax authorities and must not knowingly withhold information from them.
- Every Smiths Group company must maintain all necessary tax records for as long as they are legally obliged to do so.
- If any inaccuracies are subsequently noted on any filed tax return, the relevant Smiths Group company should promptly re-file a corrected tax return.
- Financial reporting of tax is made in compliance with applicable local and international accounting standards.
- Transfer pricing of transactions between Smiths Group companies is determined based on the arm's length principle as interpreted in the OECD Transfer Pricing Guidelines.

ATTITUDE TO TAX PLANNING

Smiths Group is committed to acting with integrity in respect of tax laws and regulations. As a result, we do not undertake aggressive or artificial tax planning. As part of protecting our competitive position, we engage in responsible tax planning that is aligned with our business activities.

WORKING WITH TAX AUTHORITIES

We aim to maintain a professional and open working relationship with all relevant tax authorities, including HMRC, by operating in a compliant, cooperative, and transparent manner.

We may seek certainty from tax authorities on material business transactions in advance. Where differences of legal interpretation arise between Smiths Group and a tax authority, we are committed to working collaboratively with the relevant tax authority to agree the facts and the technical position and resolve any differences. If we are unable to reach agreement with a tax authority, we may commence formal legal proceedings where we believe it makes commercial sense and when we have professional advice supporting our position.

OUR APPROACH IS TO DO THE RIGHT THING

Smiths Group's Code of Business Ethics and Smiths Leadership Behaviors guide and inspire our employees to embrace Smiths Values in every decision and action. Our core Smiths Values include:

- Integrity
- Respect
- Ownership
- Customer focus
- Passion

Applying these values to tax means that we comply with the spirit as well as the letter of the tax rules and regulations in the jurisdictions where we have a tax presence.