

CHAIRMAN'S INTRODUCTION

CHAIRMAN'S GOVERNANCE STATEMENT

I am pleased to introduce our Corporate Governance Report, in which we describe our governance arrangements, the operation of the Board and its Committees, and how the Board discharged its responsibilities during the year.

Board succession planning continued to be a key focus this year with my retirement as Chairman of the Board at the conclusion of this year's Annual General Meeting (AGM). I would like to thank everyone for their significant contribution and commitment to Smiths since I joined the Board in 2013. I joined the Board with a resolve to help grow Smiths which was spurred not only by an enduring affection for a great company, but also from the desire to give something back to Britain after a long career. From reflecting over my time as Chairman, I am proud to see we have reached many significant milestones, and have continued to focus on greater innovation, sustainability, people and financial agility to help better support the Smiths Value Engine that connects our purpose, our strengths and our priorities of Growth, Execution and People.

Further changes to the Board this year included the appointment of Steve Williams as my successor as Chair of the Board, subject to his election as Director at this year's AGM. Steve has over 40 years of global business experience and brings with him a clear focus on environment, social and governance (ESG) matters. Richard Howes also joined us in September 2022 and will take over as Chair of the Audit & Risk Committee later in the year. I would like to welcome Steve and I wish him, the Company, and our people every future success after my retirement. The Board will continue to comprise of six males and four females, two Directors from historically under-represented ethnic groups and seven with a birthplace or background outside the UK. For a Group such as Smiths, with a diverse workforce and a wide geographic spread, that diversity is crucial, but it is equally important that the Directors are capable and suitably experienced individuals. The biographies of our Directors can be found on pages 80 and 81.

We continue to monitor the ongoing regulatory reforms in relation to audit and governance, and welcome the FCA's proposed changes to transform and streamline the Listing Rules. The Listing Rules changes represent a continuation of the efforts to reduce barriers to listed companies in the UK, helping businesses to remain competitive in today's market. Smiths continues to prioritise governance at the core of its business. I would like to acknowledge the work undertaken by Smiths to maintain an effective governance framework, including oversight by the Audit & Risk Committee on the internal controls enhancement programme.

It is evident that the expectations on governance have increased in recent years and ensuring a strong governance framework that supports the Group's long-term strategic goals is critical if we are to support the business and enhance the interests of all our stakeholders for the future. The Board continually keeps its governance arrangements under review and I would like to thank the Committee Chairs for ensuring governance has been constructive and effective.

Finally, I would like to thank the Smiths workforce and my fellow Directors for their work on shareholders' behalf this year. It has been a privilege to serve as Chairman, and I look forward to watching this special company continue to flourish in the future.

I hope you find the following report interesting, and, along with my fellow Committee Chairs, I would be happy to discuss any of the content at our upcoming AGM.

SIR GEORGE W. BUCKLEY
Chairman



UK CORPORATE GOVERNANCE CODE COMPLIANCE

In FY2023, and at the date of this report, the Company applied the Principles and complied with all Provisions of the UK Corporate Governance Code (the Code) as explained throughout this report. A copy of the Code is available from the Financial Reporting Council's (FRC) website at frc.org.uk. Further information on compliance with the Code can be found as follows:

BOARD LEADERSHIP AND COMPANY PURPOSE

→ PG 79

DIVISION OF RESPONSIBILITIES

→ PG 83

EVALUATION, COMPOSITION AND SUCCESSION

→ PG 85

AUDIT, RISK AND INTERNAL CONTROL

→ PG 91

REMUNERATION

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ROLE OF THE BOARD

The primary role of the Board is to lead Smiths in a way that ensures its long-term sustainable success. The Board is responsible for approving Group strategy and for overseeing its implementation. Subject to applicable legislation and regulation and the Articles of Association, the Directors may exercise all powers of the Company.

The Board exercises oversight of the Company and in doing so ensures that the strategy is consistent with our purpose and is delivered in line with our Values. In support of protecting and growing stakeholder value the Board continually monitors the internal controls, risk management and viability of the Company, as well as considering the views of stakeholders.

The Board has approved a governance framework of systems and controls to effectively discharge its collective responsibility. The framework includes the delegation of specific authorities to the Board's five Committees, as set out in the table. The governance framework, which includes the Matters Reserved for the Board and the Terms of Reference for each of the Board's Committees, can be found on our website at www.smiths.com. The governance framework was reviewed by the Board and by each respective Committee as applicable during the year.

GOVERNANCE MODEL

BOARD

BOARD COMMITTEES

Nomination & Governance Committee

Reviews and makes recommendations to the Board on the structure, size and composition of the Board and its Committees. It also leads the process for Director appointments and Director and senior management succession planning.

Oversees the ongoing suitability of the Group's governance framework.

Audit & Risk Committee

Ensures the integrity of the Group's financial reporting and audit processes, and the maintenance of sound internal control and risk management systems, including oversight of the Internal Audit function and the Group's ethics and compliance activities.

Manages the relationship with the external auditor, including making recommendations to the Board and shareholders in relation to the appointment and reappointment of the external auditor.

Remuneration & People Committee

Responsible for the Group's Directors' Remuneration Policy and reviews and oversees the Group's remuneration strategy for the Executive Directors and senior management.

Oversees, on behalf of the Board, the implementation of the People strategy for the Group, including the Group's approach to diversity, equity and inclusion.

Science, Sustainability & Excellence Committee

Oversees the Group's culture and approach to science, sustainability and excellence (SSE). This includes overseeing: the Company's strategy (as it relates to science and technology); the Group's sustainability strategy; the Smiths Excellence System (SES); and reviewing and determining SSE targets, metrics and key performance indicators (KPIs) relating to remuneration.

Finance Committee

Oversees and provides agility to the Group's approach to capital management including sources and uses of cash, portfolio activity, changes to capital structure and budgetary planning.

EXECUTIVE MANAGEMENT COMMITTEES

Executive Committee

Assists the Chief Executive Officer in discharging his responsibilities and is collectively responsible for implementing strategy, ensuring consistent execution and embedding the culture and Values.

Investment Committee

Assesses high-value and high-risk proposals, capital expenditure, asset disposal and special revenue expenditure projects which require Chief Executive Officer or Board approval.

Disclosure Committee

Advises the Chief Executive Officer and the Board on the identification of inside information, and the timing and method of its disclosure.



READ MORE

Nomination & Governance Committee

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Audit & Risk Committee

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Remuneration & People Committee

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READ MORE

Science, Sustainability & Excellence Committee

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SEE MORE

Finance Committee

www.smiths.com

BOARD BIOGRAPHIES

SIR GEORGE BUCKLEY Chairman

Appointed: 1 August 2013. Sir George will retire from the Board at the conclusion of the 2023 AGM

R N S F

Skills and experience: Sir George has extensive experience of large, multi-industry businesses operating in global markets and has had a long career in engineering and innovation. As Chairman, Sir George ensures effective communication with key stakeholders and that the Board provides strong leadership and guidance for the executive management team. He holds a PhD in Electrical Engineering.

Career experience: Sir George has held previous roles of Chairman and CEO at 3M Company, a US-based global technology company and Dow Jones 30 component, Chairman and CEO of Brunswick Corporation and Chief Technology Officer for appliances, motors and controls at Emerson Electric Company. Sir George also brings non-executive experience to the Board, having served as Non-executive Director at PepsiCo Inc. and Hitachi Limited, and as Chairman of Stanley Black & Decker, Inc.

PAUL KEEL Chief Executive Officer

Appointed: 25 May 2021

Skills and experience: Paul has a strong track record of energising stakeholders and delivering results in diversified, innovation-led businesses. His strategic leadership and international experience position him well to accelerate Smiths Group's growth and deliver on its significant potential. He is a graduate of Carleton College and Harvard Business School.

Career experience: Prior to joining Smiths in 2021, Paul worked at 3M Company where he led a number of global businesses ranging in size from US\$400 million to US\$5 billion. He was also SVP of several enterprise-wide functions including Manufacturing & Supply Chain, Marketing & Sales, and Strategy & Business Development. Paul's other experience includes roles of increasing responsibility at General Mills, McKinsey & Company and General Electric.

CLARE SCHERRER Chief Financial Officer

Appointed: 29 April 2022

Skills and experience: Clare has extensive experience working with and advising a broad range of industrial companies around the globe. She has particularly relevant experience in the sectors in which Smiths has strong positions, including energy, safety & security and aerospace. She holds a BA from Harvard University and an MBA from the Harvard Business School.

Career experience: Clare joined Smiths from Goldman Sachs where she spent more than 25 years, and was a Partner for more than a decade, and most recently Co-Head of the Global Industrials business. Prior to joining Smiths, Clare had been a close adviser to the Group for a number of years, including having advised on the sale of Smiths Medical as well as having contributed to the development of the strategy announced at the November 2021 Capital Markets event. Prior to Goldman Sachs, Clare was a consultant at McKinsey & Company.

Other significant appointments: Independent Non-executive Director and Member of the Audit Committee of Legrand SA.

PAM CHENG Non-executive Director

Appointed: 1 March 2020

A R N S

Skills and experience: Pam's experience in the areas of R&D, manufacturing, sales and marketing, commercial operations, supply chain management and technology gained within large global businesses in strategically important regions for Smiths, further strengthens the Board's discussions on embedding world-class operations. Pam holds a BSc and a Master's degree in chemical engineering from Stevens Institute of Technology, New Jersey and an MBA in Marketing from Pace University, New York, USA.

Career experience: Pam is Executive Vice President, Global Operations, IT & Chief Sustainability Officer at AstraZeneca plc, a multinational pharmaceutical and biopharmaceutical company. Pam assumed additional responsibility for the AstraZeneca sustainability strategy and function in January 2023. Prior to joining AstraZeneca in 2015, Pam was President of MSD (Merck & Co., Inc.) in China. Pam has also held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals.

DAME ANN DOWLING Non-executive Director

Appointed: 19 September 2018

A R N S

Skills and experience: Dame Ann's contribution to engineering research is internationally recognised, and her knowledge and background offer a different perspective to Board discussions, particularly as they relate to engineering, innovation and sustainability. Dame Ann has a degree in Mathematics and a PhD in Engineering.

Career experience: Dame Ann has had a distinguished academic career and is currently a Deputy Vice Chancellor and an Emeritus Professor of Mechanical Engineering at the University of Cambridge, where she served as Head of Engineering for five years until 2014. She served as the President and Chairman of Trustees of the Royal Academy of Engineering from 2014 to 2019 and as a Non-executive Director of BP plc from 2012 until May 2021, where she was a member of the Safety and Sustainability Committee.

KARIN HOEING Non-executive Director

Appointed: 2 April 2020

R N S

Skills and experience: Karin brings current executive experience of oil & gas, defence, security, and aerospace to the Board gained from a range of roles at large multinational groups. Karin provides valuable assistance and advice in executive and non-executive succession planning as well as ESG and sustainability matters. Karin holds a Diploma Geophysics (MSc Geophysics) from the University of Hamburg, Germany.

Career experience: Karin is Group ESG, Culture and Business Transformation Director at BAE Systems plc. Prior to joining BAE she led one of the major international business divisions at Schlumberger, a multinational oil services company. Karin spent 20 years at Schlumberger, where she held a number of senior HR, marketing, technology and line management leadership positions across Europe, the Middle East and Asia.

Other significant appointments: Non-Executive Director at 25x25



KEY

- A** Audit & Risk Committee
- R** Remuneration & People Committee
- N** Nomination & Governance Committee
- S** Science, Sustainability & Excellence Committee
- F** Finance Committee

Committee Chair

All Non-executive Directors are independent and, in the Chairman's case, independent on appointment.

RICHARD HOWES**Non-executive Director**

Appointed: 1 September 2022



Skills and experience: Richard's background in senior financial positions at large listed companies in a variety of sectors brings valuable insight to the Board's discussions. Richard holds a BSc in Geography from Loughborough University and is a Fellow of the ICAEW.

Career experience: Richard is Chief Financial Officer of Bunzl plc, the specialist international distribution and services Group. Richard qualified as a Chartered Accountant with Ernst & Young before moving to the investment bank Dresdner Kleinwort Benson. Prior to joining Bunzl in 2019, Richard held CFO positions at various multinational businesses including Inchcape plc, Coats Group plc and Bakkavor plc.

BILL SEEGER**Senior Independent Director**

Appointed: 12 May 2014



Skills and experience: Bill has had a long and successful career in finance in the engineering sector, gaining an in-depth knowledge of global markets. Bill's extensive experience in global engineering businesses supports the Board's robust decision-making. Bill has a BA in economics and an MBA.

Career experience: Bill was appointed Chairman of the Remuneration & People Committee on 1 July 2018, and as Senior Independent Director at the 2018 AGM. Bill has been Chairman of the Finance Committee since it was formalised in November 2021. With effect from 1 February 2022 Bill was appointed to the Board of ICU Medical, Inc. in accordance with the terms of the shareholder agreement entered into with the sale of Smiths Medical. He is also a member of ICU's Audit and Compliance Committee. Bill was Group Finance Director at GKN plc, a global engineering group, until his retirement in 2014. At GKN he also held the roles of CEO of the Propulsion Systems Division and CFO of the Aerospace Division. Prior to that, Bill spent 30 years at TRW, a US-based automotive and aerospace group, where he held various senior finance positions.

Other significant appointments: Non-Executive Director and Chair of the Audit & Risk Committee at Spectris plc and Lecturer at UCLA Anderson School of Management.

MARK SELIGMAN**Non-executive Director**

Appointed: 16 May 2016



Skills and experience: Mark's extensive experience in corporate finance and capital markets supports Board discussion of the Group's portfolio management and strategy. Mark brings non-executive experience to the Board, having served as senior independent director and audit committee chairman at several FTSE 100 companies. Mark has an MA in philosophy, politics and economics.

Career experience: Mark is a former senior investment banker and during his executive career he held various roles at Credit Suisse, including Chairman of UK Investment Banking.

Other significant appointments: Senior Independent Director at NatWest Group plc and Alternate member at Panel on Takeovers and Mergers for the Association for Financial Markets in Europe.

NOEL TATA**Non-executive Director**

Appointed: 1 January 2017



Skills and experience: Noel has had a successful career in global business. He has extensive experience of the high-growth economies which are key markets for our growth strategy and has been invaluable in developing key strategic relationships in Asia since joining the Board. Noel has a BA in Economics.

Career experience: Noel was the Managing Director of Tata International Limited (TIL), a global trading and distribution company and a trading arm of the Tata Group, a privately owned multinational holding company. Under the terms of the Tata Group governance guidelines, he retired from the position of Managing Director on 12 November 2021. He was thereafter reappointed as a Director and Non-Executive Chairman of TIL with effect from 15 November 2021.

Other significant appointments: Each of the following companies forms part of the Tata Group: Non-independent Non-executive Chairman at Tata Investment Corporation, Trent Ltd and Voltas Ltd. Non-independent Non-executive Vice Chairman at Tata Steel Limited and Titan Company Ltd.

STEVE WILLIAMS**Chair Designate and Non-executive Director**

Appointed: 1 September 2023. Steve will stand for election at the 2023 AGM. Subject to his election at the AGM, Steve will be appointed as Chair of the Board on 16 November 2023

Skills and experience: Steve is an experienced CEO with a track record of growth and transformation. He has more than 40 years of international global business experience. Steve brings a clear focus on environment, social and governance (ESG) matters and throughout his career has demonstrated creating value for customers, shareholders, employees, and communities as both an executive and a non-executive director. Steve has a BSc in Engineering.

Career experience: Steve was previously a non-executive director at TC Energy Corporation. Steve served as an advisory board member of Canada's Ecofiscal Commission and a board member of the Business Council of Canada until 2019. He served as Chief Executive Officer of Suncor Energy from 2012 to 2019 and as President from 2011 to 2018. Prior to that, he held various senior leadership roles at Suncor and ExxonMobil in the UK, where he spent 18 years.

Other significant appointments: Chair of Alcoa Corporation and Non-executive Director of Enbridge Inc.

MATTHEW WHYTE**Company Secretary**

Appointed: 1 August 2021

Skills and experience: Matthew is a Chartered Company Secretary and a Fellow of The Chartered Governance Institute UK and Ireland. Matthew joined Smiths in 2017 having previously gained governance and legal experience in senior roles in large multinational listed groups in a variety of sectors, most recently at Schroders plc and Rio Tinto plc.

**OTHER DIRECTORS WHO SERVED DURING FY2023**

Tanya Fratto stepped down from the Board in November 2022 at the conclusion of the AGM. Her biography can be found in our FY2022 Annual Report.

READ MORE

The biographies of Executive Committee members can be found on our website.

BOARD ACTIVITY

During FY2023, the Directors continued to provide oversight, challenge and guidance on a broad range of topics. This included the development and implementation of the Group's strategic objectives, culture and operational performance. The key areas of focus and activity for the Board during the year are set out below.

STRATEGY AND PURPOSE

- Ensured that our focus on strategy and business decisions aligned with our purpose along with the Smiths Value Engine's three priorities of Growth, Execution and People
- Completed strategic deep-dives, and endorsed the implementation of each division's strategy, including M&A. Each deep-dive included the Group's response to climate change and opportunities connected with energy transition
- Received updates on the launch of the in-market operating model for Smiths China
- Ensured stakeholder considerations were embedded in discussions and decision-making through enhanced reporting from each of the divisions
- Received reports on progress against our sustainability targets and agreed to the external assurance of our greenhouse gas (GHG) and energy efficiency data
- Received reports on the successes, challenges and financial benefits of SES
- Approved the acquisition of Plastronics, a leader in the semiconductor test socket market, and received updates on its integration with the business. Further information can be found in the Strategic Report on page 19

- Received updates from external speakers on the macroeconomic environment including the impact of high inflation, financial crisis, geopolitical events and energy transition
- Considered the feedback from stakeholders on the Capital Markets event held in November 2022

PEOPLE, VALUES AND CULTURE

- Received updates from the Non-executive Directors on their workforce engagement activities, including Richard Howes' induction programme. Further information is included on page 88
- Received regular updates on the Group's pension arrangements and health and safety performance
- Ensured that incentive plans were better aligned to business priorities
- Received updates on the Group's People strategy
- Monitored Group-wide cultural change via the implementation of the Smiths Leadership Behaviours. Furthermore, the results of the My Say colleague survey helped the Board to understand the perception and strength of the use of the Behaviours across the Group
- Approved the establishment of the Smiths Group Foundation. More information on page 20

SUCCESSION AND LEADERSHIP

- Approved the appointment of a new Chair, as detailed on page 88
- Focused on Board succession planning and key roles within the business including senior management succession plans and the talent pipeline across the Group

FINANCE

- Considered business performance through a series of divisional operating reviews at Board meetings
- Reviewed and approved the Group's results announcements and the FY2022 Annual Report
- Approved the renewal of the Group's US\$800m revolving credit facility
- Approved the final dividend for FY2022 and the FY2023 interim dividend

GOVERNANCE AND RISK

- Received updates on our principal risks including deep-dives at the Audit & Risk Committee from the divisions on supply chain and other key risks as detailed on page 96
- Continued oversight of our internal controls in order to ensure an effective control environment
- Approved and provided oversight of the Ethics & Compliance annual work programme
- Undertook an External Quality Assessment of the Internal Audit function
- Ongoing consideration of the Group's compliance with the Code and related activities
- Undertook an internal Board evaluation to review the effectiveness of the Board and its Committees, which included discussing the progress made from the previous year's evaluation and agreeing actions for the next financial year. See pages 85 and 86
- Established a forward agenda focused on strategy and business oversight to ensure regular reviews of key areas of focus



The Board completed strategic deep-dives, and endorsed the implementation of each division's strategy, including M&A. Each deep-dive included the Group's response to climate change and opportunities connected with energy transition.

HOW THE BOARD OPERATES

The following role specifications set out the clear division of responsibility between executive and non-executive Directors, which supports the integrity of the Board's operations.

There is a schedule of matters which are considered significant to Smiths and have therefore been reserved for decisions by the Board. This is due to their strategic, financial, or reputational implications or consequences. The formal schedule, which is integrated into our governance framework, can be found on our website.

The Chief Executive Officer is responsible for preparing and recommending the strategy and for the day-to-day management of the Company. Executive management implement the Group's strategy and provide the Chief Executive Officer, and the Board as a whole, with the information they need to make decisions that will determine the long-term success of the Group.

At each scheduled Board meeting the Chief Executive Officer and the Chief Financial Officer present separate reports, detailing business performance and progress against strategy. These are supplemented by regular performance updates from the Chief Executive Officer to the Directors between meetings. When appropriate, invitations to Board meetings are extended to Divisional Presidents, heads of functions and subject matter experts, supporting visibility of talent and executive succession planning. External advisers are invited to attend as necessary. Director attendance at Board and Committee meetings in FY2023 is set out on page 84.

To ensure the continued effectiveness of the Board, the Chairman meets the Non-executive Directors without the Executive Directors present after each Board

DIVISION OF RESPONSIBILITIES

CHAIRMAN

- Ensures the Board's continued effectiveness
- Shapes boardroom culture and encourages individual Director engagement
- Leads the Board and sets the Board agenda, determining the style and tone of discussions at Board meetings
- Leads the annual Board evaluation

CHIEF EXECUTIVE OFFICER

- Develops and proposes strategy to the Board
- Sets and communicates the culture, Values, and Behaviours for the Group
- Leads the Executive Committee
- Manages the day-to-day operations of the Company
- Manages relationships with key stakeholders

CHIEF FINANCIAL OFFICER

- Supports the Chief Executive Officer in ensuring the development and execution of strategy
- Ensures the accuracy and completeness of the Group's financial statements to ensure they reflect a true and accurate rendition of the Company's performance
- Ensures the Group operates robust risk management and internal control systems to ensure accurate and timely financial and non-financial reporting and ultimately to safeguard stakeholders' interests

SENIOR INDEPENDENT DIRECTOR

- Supports the Chairman in the delivery of the Board's objectives
- Is available to shareholders if they wish to raise any concerns
- Oversees workforce engagement by the Non-executive Directors
- Leads the Chair succession process

NON-EXECUTIVE DIRECTORS

- Provide constructive challenge and strategic guidance to Board and Committee discussions
- Oversee management and the business and offer specialist advice
- Assess the effectiveness of systems of internal control and risk management

COMPANY SECRETARY

- Advises the Board on governance matters
- Supports the Chairman in the efficient and effective functioning of the Board and its Committees
- Ensures the Board receives quality information in a timely manner

meeting. He also has separate meetings with the Senior Independent Director and the Chairs of the Board Committees on a regular basis and with each of the other Non-executive Directors at least annually. The Senior Independent Director typically will consult with the other Non-executive Directors without the Chairman present at least annually, to assess the performance of the Chairman.

TIME COMMITMENT

All Directors must allocate sufficient time to their work in order to discharge their responsibilities effectively. An expected time commitment of 25 days per annum is set out in the Non-executive Director letter of appointment. However, Committee Chairs, the Senior Independent Director and the Chairman commit more time as required. In the normal course of business, Directors are expected to familiarise themselves with business priorities and challenges, prepare for and attend Board and Committee meetings, attend the AGM, engage with stakeholders and participate in the Board evaluation process. Executive Directors are not permitted to take on the chairmanship or more than one non-executive directorship in a FTSE 100 company, or any other significant appointment. Any appointment to other directorships is reviewed in advance by the Board for conflicts and time commitment considerations.

In FY2023 the Board concluded that the Chairman and the Non-executive Directors devoted sufficient time to fulfil their commitments to Smiths. This included considering the Directors' positions held at other organisations. Particular consideration was given to Noel Tata's other commitments as he holds a number of Board-level positions outside the Group all of which are at Tata Group companies, as shown in his biography on page 81. The Board reaffirmed that Noel's other commitments do not prevent him from committing sufficient time to his work as a Director, as evidenced by his attendance and effective participation at all Board and Committee meetings and ad hoc Board update calls. As a current executive with contacts in higher-growth countries which are a strategic focus for Smiths, he brings valuable and distinct experience to our Board discussions.

ADVICE AND INSURANCE

Our Directors are able to seek independent professional advice at the expense of Smiths to enable them to fulfil their obligations as members of the Board. In addition, the Directors and Officers of Smiths and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. During FY2023, and at the date of this report, qualifying third-party indemnity provisions (as defined by section 234 of the Act) have remained in force for the Directors of the Company and certain other employees in respect of their directorships of some subsidiary companies in relation to certain losses and liabilities which they may incur (or may have incurred) to third parties in the course of their professional duties for the Company, or a subsidiary.

DIRECTOR ATTENDANCE

	Board ⁶	Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Science, Sustainability & Excellence Committee	Finance Committee
Sir George Buckley ¹	6/7	2/3	–	4/5	4/4	6/6
Paul Keel	7/7	–	–	–	–	–
Clare Scherrer	7/7	–	–	–	–	–
Pam Cheng	7/7	3/3	4/4	5/5	4/4	–
Dame Ann Dowling	7/7	3/3	4/4	5/5	4/4	–
Tanya Fratto ²	1/2	–	1/2	2/2	–	–
Karin Hoeing ³	7/7	3/3	–	5/5	2/4	–
Richard Howes ⁴	7/7	3/3	4/4	4/4	–	–
Bill Seeger ⁵	7/7	3/3	4/4	5/5	–	5/6
Mark Seligman	7/7	3/3	4/4	5/5	–	6/6
Noel Tata	7/7	3/3	4/4	5/5	–	–

1 In accordance with the Code, Sir George Buckley did not attend the Nomination & Governance Committee, Remuneration & People Committee or an ad hoc Board meeting relating to the succession of the Chairman.

2 Tanya Fratto stepped down from the Board at the conclusion of the AGM on 16 November 2022. She was unable to attend the November Board and Committee meetings due to personal circumstances.

3 Karin Hoeing was unable to attend the November 2022 Science, Sustainability & Excellence Committee due to a pre-existing commitment. Karin was unable to attend the July 2023 Science, Sustainability & Excellence Committee due to an unforeseen flight rescheduling on the day of the meeting. Karin provided her comments and input on the matters under consideration to the Chair of the Committee prior to the meetings being held.

4 Richard Howes was appointed on 1 September 2022 and so was not eligible to attend the Remuneration & People Committee held in August 2022.

5 Bill Seeger was unable to attend the 17 January 2023 Finance Committee due to the short notice of the meeting. Immediately subsequent to the meeting the subject matter was discussed with Mr Seeger who endorsed the proposed course of action.

6 Includes six scheduled and one ad hoc Board meeting.

BOARD EVALUATION

Each year an evaluation of the Board and its Committees is conducted to monitor their effectiveness and to help identify any improvement opportunities. It is externally facilitated every three years. This year the evaluation was carried out internally.

The annual evaluation of the performance of the Non-executive Directors and the Chief Executive Officer is led by the Chairman. The Senior Independent Director and the Chief Executive Officer lead the evaluations for the Chairman and the Chief Financial Officer respectively.

The evaluation of the Non-executive Directors includes individual meetings with the Chairman. Feedback is given to the Chief Executive Officer by the Chairman after each Board meeting and on an ad hoc basis throughout the year. All Directors are invited to complete an effectiveness questionnaire, which for FY2023 included a comprehensive review of various aspects including strategy, risk and committee effectiveness amongst other topics.

Independent Audit Ltd, who has supported the evaluation process since FY2019, but has no other connection to the Company, assisted with the interpretation of the results of the questionnaires issued to the Board.

The findings of the evaluation are used to inform future Board agenda planning and develop specific actions for improvement. The actions to be taken following the FY2023 evaluation have been grouped in four themes: strategic decision-making; succession planning; Board communication; and stakeholder engagement. A summary is set out below. Overall, the Board agreed that significant progress had been made since the internal evaluation last year. The Board seeks to continuously improve the effectiveness of the Board and its Committees and the actions identified in the FY2023 effectiveness review support this. It is the present intention that the FY2024 evaluation will be externally facilitated. The last externally facilitated Board evaluation was in FY2021.

BOARD EVALUATION FINDINGS AND ACTIONS

STRATEGIC DECISION MAKING

FY2022 EVALUATION FINDINGS

- Seek to increase time spent on strategic deep-dives to underscore the Board's focus on organic growth when formulating agendas
- Seek to increase the visibility of macro conditions and external markets and the impact of opportunities arising from technology

ACTION TAKEN IN FY2023

- Enhanced reporting from the divisions and senior leaders with a specific focus on macro conditions, external markets, technology and innovation. This included presentations from customers and the Group's external advisers
- When formulating its agendas, the Board has dedicated additional time for strategic deep dives on organic and non-organic growth particularly in the areas of climate change and the opportunities connected to customers' decarbonisation commitments

FY2023 EVALUATION FINDINGS AND ACTIONS FOR FY2024

- Increase time spent in Board discussions for in-depth debate of scenarios, key assumptions and alternatives as well as risks on major projects
- Continue to focus on developing a long-term growth strategy with specific attention given to discuss the approach to be taken to inorganic growth, particularly establishing risk appetite

SUCCESSION PLANNING

FY2022 EVALUATION FINDINGS

- Board succession planning for non-executive positions was identified to be a key focus for consideration including Chair, Senior Independent Director and Committee Chair positions
- Focus on Executive Committee development and succession planning, including providing opportunities for the Non-executive Directors to meet individually and in small groups with a cross-section of employees

ACTION TAKEN IN FY2023

- The successful search for a new Chair was a key focus during the year. As part of an orderly succession plan, in anticipation of the retirement of the Senior Independent Director, a number of Committee Chair succession changes were agreed and will take effect at the conclusion of the AGM
- A continued focus on Executive Committee development and succession planning. Non-executive Directors met individually and in small groups with a cross-section of employees, increasing Board oversight of talent within the business. A number of senior appointments were made from the Company's internal talent pool
- Select Executive Committee and senior leadership talent were allocated Board and Executive Committee level mentors respectively

FY2023 EVALUATION FINDINGS AND ACTIONS FOR FY2024

- Ensure a successful handover and induction for the new Chair of the Board
- Ensure a successful handover of the Senior Independent Director and Committee Chair roles
- Continued focus on the executive and non-executive talent pool and pipeline
- Align succession plans to the skills required to deliver on the organisation's strategic objectives

BOARD COMMUNICATION

- Remote or hybrid meetings should continue and the organisation of Board and Committee meetings works well

- Remote and hybrid meetings continue to be used when practical
- Board papers continued to be well structured and provide a strong basis for effective discussions and decision-making

- Continuous review of the Board and Committee agendas, materials and operation to support effective decision-making and discharge of duties

STAKEHOLDER ENGAGEMENT

- Continue the focus on ESG, people, talent, culture and suppliers
- Focus on the establishment of the role of the Science, Sustainability & Excellence Committee
- Continue to pursue opportunities for Non-executive Directors to meet with employees to get a deeper understanding of the culture within Smiths

- The Science, Sustainability & Excellence Committee continued to have oversight for many activities important to the Group's stakeholders including approving our Science Based Targets initiative (SBTi) submission, Net Zero targets and ESG-related incentive targets
- New opportunities for the Board to meet with employees were implemented including informal lunches and site visits to gain a better understanding of culture
- Deep-dives on supplier challenges were provided to the Board
- A Board workforce engagement strategy was endorsed and implemented. Activity is reported to the Remuneration & People Committee at each meeting
- The Board met with two customers from the security and energy sectors

- Enhance focus on how Company culture is embedded through increased time on the Board agenda with specific deep-dives scheduled for FY2024
- Dedicate additional time to communicating with, and meeting, external stakeholders with increased focus on customers, suppliers and site visits
- Ensure the remuneration strategy and new Remuneration Policy continue to support delivery of our strategy and contribute to an engaged workforce
- Continue to refine the scope of the Science, Sustainability & Excellence Committee

NOMINATION & GOVERNANCE COMMITTEE REPORT

CHAIRMAN'S STATEMENT

I am pleased to present the Committee's report for FY2023. The Committee has delegated responsibility from the Board to review the structure, size and composition of the Board and its Committees, in addition to assessing its effectiveness, performance, and independence. The Committee is dedicated to maintaining a diverse and inclusive range of appointments, with a wide variety of skills, expertise and experience. This ensures that the Board as a whole, and its Committees, can effectively navigate the complexities of our industry and contribute to the long-term success of our company.

This is my final report as Chairman of the Committee, having joined the Board in August 2013. In last year's report I highlighted that a key focus in 2023 would be Board succession. As such, following a comprehensive selection process, without my involvement and led by Bill Seeger as Senior Independent Director, Steve Williams will be appointed as Chair of the Board from November 2023. This is subject to his election at the 2023 AGM. His role as Chair Designate commenced at the start of September 2023. Board succession will continue to be a focus during FY2024 as Bill Seeger retires from the Board in May 2024.

We were also pleased to welcome Richard Howes to the Board as a Non-executive Director in September 2022. In the FY2022 Annual Report we disclosed the details of the rigorous search process that was undertaken when recommending his appointment.

During the year we oversaw the development of senior management succession plans and the talent pipeline. We endorsed the appointments of Ted Wan and James Down to the Executive Committee. Ted leads our China business and the opportunities that presents. James is the General Counsel of the Group. Pleasingly, both were internal promotions.

More information about our activities can be found on the following pages.

I would like to thank both past and present members of the Committee for their hard work and contributions throughout my tenure.

SIR GEORGE W. BUCKLEY

Chairman of the Nomination & Governance Committee

COMMITTEE MEMBERSHIP AND MEETINGS

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 80, 81 and 84.

The Chief Executive Officer is normally invited to attend Committee meetings. Other members of senior management are invited to attend as necessary.

GOVERNANCE

The Committee is responsible for keeping the Board's governance framework under review. During the year enhancements to the framework were approved. The Committee also reviewed the Board skills and experience matrix and its own Terms of Reference.

Looking ahead, the Nomination & Governance Committee remains committed to assessing the effectiveness of the Board and taking necessary steps to ensure that the Company maintains an appropriate balance of skills, experience, knowledge and diversity. The Committee will also continue to monitor emerging governance trends, regulatory changes, and industry developments, allowing it to adapt and respond effectively in a way that is appropriate for Smiths strategic objectives and governance framework.



COMMITTEE PERFORMANCE EVALUATION

In FY2023, the performance of the Committee was considered as part of the internal Board evaluation process. Overall, it was confirmed that the Committee continues to operate effectively.

SELECTION AND APPOINTMENT OF A NEW CHAIR

As part of the Committee's succession planning, Bill Seeger, as the Senior Independent Director, oversaw the search process and appointment of Steve Williams as successor to Sir George Buckley. The search process was facilitated by Russell Reynolds, an independent executive search consultant which has no connection to the Company, other than in assisting and facilitating in the search for senior management. Russell Reynolds was selected after a comprehensive review of search firms. Russell Reynolds is a signatory to the Enhanced Code of Conduct for Executive Search Firms. The Committee held several unscheduled meetings to focus on the appointment to ensure a comprehensive selection process.

IDENTIFY

Initially, the Committee developed a candidate profile and then a small working group comprising Karin Hoeing, Mark Seligman and Paul Keel was established to support Bill Seeger. The agreed profile included key attributes required for the role such as previous experience, cultural fit, management of complex stakeholder relationships, and driving growth. The details of the role profile and requirements of the role were shared with Russell Reynolds. Russell Reynolds then identified an extensive and diverse list of potential candidates who were appraised by the working group against the agreed brief. This created a longlist which was reviewed by the Committee to produce a shortlist which complied with the Board's Diversity Policy.

INTERVIEW

The shortlisted candidates were interviewed by the working group, who together determined the preferred list of candidates for consideration by the Committee. As well as meeting the candidates, the working group discussed timings

of the appointment and handover of the role. The preferred candidates then met with all Non-executive Directors, after which the Board met to discuss feedback.

SELECT

Prior to the final selection and appointment, the Senior Independent Director obtained references from key stakeholders. The Committee was unanimous in its selection and recommended to the Board that Steve Williams be appointed as Chair, given his breadth of experience and fit to the attributes in the agreed brief.

CONSIDERATIONS

Steve Williams' external roles were considered prior to his appointment and the Board agreed that there was no conflict which might impact his role at Smiths. The Board also considered his other commitments from a time perspective. The Board considered that he would have sufficient time to fulfil his responsibilities to the Company.

APPOINT

Steve Williams' appointment as a Non-executive Director and Chair Designate took effect on 1 September 2023. Subject to his election by shareholders, he will be appointed as Chair of the Board at the conclusion of the 2023 AGM when Sir George Buckley steps down.

INDUCTION

A comprehensive induction programme developed specifically for Steve Williams, taking into account his previous experience, knowledge, and skills is underway. This involves briefings on the role and responsibilities of being a UK listed Company Director, meeting with senior leaders in the business, corporate advisers, investors and other stakeholders, as well as visits to the Group's operations.

INDUCTION

To ensure that they are able to effectively contribute to discussions and decision-making, all of our Directors participate in an induction programme on joining the Board. Each induction programme is tailored to provide the individual Director with the necessary knowledge and understanding of the Group, its markets and its material stakeholders based on their personal experience and background.

On joining the Board, Richard Howes was given a tailored induction programme to develop the necessary knowledge and understanding of the Group and his role. It included visiting Group operations in the US and Europe and meeting with key senior leaders across the business. Information on Steve Williams' induction can be found in the adjacent box.

INFORMATION AND TRAINING

The Board recognises the importance of ongoing training and our Directors are given the opportunity to update their skills and experience on a regular basis. Any individual development needs are discussed with the Directors at the annual performance evaluation. In order for the Directors to remain aware of business priorities and external developments, the Board is provided with formal reports and updates from the divisions, functional leaders and external advisers on a regular basis. This year the Board was given an update from external speakers on the macroeconomic environment including the impact of high inflation, financial crises, geopolitical events and energy transition.

In order to operate effectively our Directors must receive accurate, timely and high-quality information. The Company Secretary and his team assist the Chairman and Chief Executive Officer in ensuring effective information flows and that the Board is provided with all relevant information to enable the Directors to discharge their responsibilities.

DIVERSITY

The Board supports the principles of gender and ethnic diversity and pays close attention to the international nature of its makeup. Members of the Board and senior management will collectively possess diversity of gender, national birthplace, social and ethnic backgrounds, cognitive and personal strengths, along with a combination of skills, experience and knowledge. This is important for the effective operation of the Board and oversight of the Group.

The Committee is responsible for recommending appointments to the Board following its regular assessment of the Board and its Committees' composition, whilst also considering the Group's strategic objectives. The Committee makes recommendations based on the merit of individual candidates, having due regard for the benefits of diversity in the broadest sense, including gender and ethnicity and also the need to ensure the effective functioning of the Board at all times, especially as membership of the Board is refreshed.

In order to help achieve these aspirations, the Committee only partners with firms accredited under the Enhanced Code of Conduct for Executive Search Firms. The use of Executive search firms helps to ensure non-UK nationals, women and candidates from historically under-represented ethnic groups are represented on the shortlist for all Board positions.

As at 31 July 2023, the Board met all of its own diversity targets, as well as the targets set out in the Financial Conduct Authority's Listing Rule 9.8.6R(9)(a). Steve Williams was appointed to the Board on 1 September 2023. As Sir George Buckley will step down from the Board at the conclusion of the AGM in November 2023, the Board is satisfied that its gender and ethnicity targets will not be impacted on a long-term basis. Numerical diversity data, in the format required by Listing Rule 9.8.6R(10), is outlined below as at 31 July 2023. The Board and executive management were asked to disclose which characteristic they identified with.

SEX/GENDER REPRESENTATION

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
Men	6	60%	3	10	77%
Women	4	40%	1	3	23%
Not specified/prefer not to say	0	0%	0	0	0%

ETHNICITY REPRESENTATION

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
White British or other White (including minority white groups)	8	80%	4	12	92%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	2	20%	0	1	8%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

¹ Defined as the Executive Committee and the Company Secretary in accordance with Listing Rule 9.8.6R(10).

DIVERSITY PERFORMANCE AGAINST SMITHS TARGETS

BIRTHPLACE OR BACKGROUND

Policy target

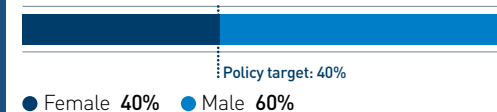
At least 50% of the Board with a birthplace or background outside of the UK



GENDER – BOARD

Policy target

At least 40% of the Board to be female



GENDER – KEY BOARD POSITIONS

Policy target

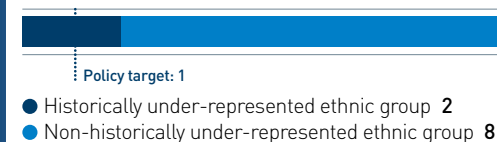
At least one of the Chairman, Senior Independent Director, Chief Executive Officer or Chief Financial Officer position will be held by a female



ETHNICITY

Policy target

At least one Director from a historically under-represented ethnic group



Diversity information for the Group, including the disclosure required by the UK Corporate Governance Code, can be found on page 46.

The Board Diversity Policy can be found on our website.

Read more about Diversity, Equity and Inclusion at Smiths in our Sustainability at Smiths report found on our website.

www.smiths.com

INDEPENDENCE AND OBJECTIVITY

The Board keeps the independence of the Non-executive Directors under continuous review. In July 2023, the Committee reviewed the guidance contained in the Code and assessed the performance and independence of each of the Non-executive Directors.

Bill Seeger was appointed as a Director in May 2014 and as such he has served on the Board for more than nine years. A particularly rigorous review of Bill's performance and independence was undertaken. The Board concluded that he contributed to constructive challenge and debate at meetings and that he continues to demonstrate the qualities of objectivity and independence.

Having served on the Board for more than six years, Mark Seligman's continued objectivity and independence was also subject to rigorous review.

The Committee concluded that each of the Non-executive Directors that were assessed contributed effectively to the operation of the Board and that they should all be considered as independent and objective.

CONFLICTS OF INTEREST

All Directors must avoid situations where they have a direct or indirect interest that conflicts, or may possibly conflict, with the best interests of Smiths. The Board has the authority to authorise conflicts and potential conflicts in accordance with our Articles of Association and the Companies Act 2006 (Act), and Board approval must be granted before a Director accepts a new external appointment, whether it amounts to a conflict or not. The Company Secretary maintains a Register of Conflicts which is reviewed by the Directors at least twice a year, and the Board retains the power to vary or terminate any authorisation previously provided.

DIRECTOR ELECTION AND RE-ELECTION

Each year Smiths Directors are subject to election or re-election by shareholders at the AGM. The Chairman, on behalf of the Board, has confirmed that each Non-executive Director standing for re-election at this year's AGM continues to be an effective member of the Board and has demonstrated the commitment required. The rules regarding the appointment and replacement of Directors are determined by our Articles of Association and the Act. The Articles of Association can be found on our website and can only be amended by a special resolution of shareholders.

Sir George Buckley reached the nine-year anniversary since his appointment on 1 August 2022. Notwithstanding his tenure, following the appointment of Paul Keel, the Committee agreed and the Board supported that Sir George Buckley should be invited at the 2022 AGM to seek re-election and to remain as Chairman to oversee a period of significant strategic change for the Group. Following the appointment of Steve Williams on 1 September 2023 and after a short handover period, Sir George Buckley will retire from the Company at the conclusion of the 2023 AGM and as such will not be standing for re-election.

On behalf of the Board, the Senior Independent Director has confirmed that he supports Steve Williams' election to the Board at the 2023 AGM.

The Board determined that notwithstanding that Bill Seeger reached his nine-year anniversary since appointment on 12 May 2023, he should nonetheless be invited to seek re-election by shareholders at the 2023 AGM. As the serving Senior Independent Director, his re-election will facilitate continuity and support the Chair transition process for a period of approximately six months. Bill Seeger will retire from the Board in May 2024.

AUDIT & RISK COMMITTEE REPORT

CHAIRMAN'S STATEMENT

I am pleased to present the Committee's report for FY2023 which is my last one as Chairman of the Committee. The Committee continues to fulfil an important oversight role, monitoring the integrity of the Group's financial reporting and the effectiveness of its system of internal control and risk management framework. Details of our work can be found on pages 92 to 97.

A key focus for the Committee this year has been the development and maturity of the Group's control environments. At each meeting we were provided with updates from the Finance Excellence function, particularly in relation to our internal controls enhancement programme. We were pleased to hear positive feedback from EY, who are supporting us on the programme. The work we have undertaken this year puts us in a strong position for readiness for the FRC proposed changes to the UK Corporate Governance Code.

This year we challenged the business to embed the level of controls we have in our financial information, into our non-financial information, specifically in respect of GHG emissions and energy data. Additional assurance layers were therefore established for the Group's GHG and energy efficiency metrics. The Smiths finance teams have implemented control procedures to provide a second line of defence in the review and validation of our site and divisional Scope 1 & 2 energy use data, with KPMG engaged to provide a third line of defence in the limited assurance of our Scope 1, 2, & 3

GHG emissions inventories. The completion of International Standard on Assurance Engagement (ISAE) Limited Assurance on our FY2022 and FY2023 emissions inventories and energy efficiency metric has been an important achievement.

In accordance with the International Standards for the Professional Practice of Internal Auditing, this year the Committee undertook an External Quality Assessment (EQA) of the Internal Audit function by an independent third party, PwC. We were pleased with the results of the EQA. Our Internal Audit function's performance against the Standards is strong, which is a testament to their focus on quality and continuous improvement.

Looking ahead to FY2024, the Committee will remain focused on the Group's internal controls programme and we will continue to oversee the development of plans to meet the Government's audit and governance reform proposals. As I hand over the Chairmanship to Richard Howes, I would like to thank my colleagues on the Committee for their contribution during the year. I look forward to continuing our work in FY2024.

MARK SELIGMAN

Chairman of the Audit & Risk Committee

COMMITTEE MEMBERSHIP AND MEETINGS

All members of the Committee are independent Non-executive Directors and collectively have recent and relevant financial, accounting and sector experience. Committee member biographies and attendance at meetings during the year can be found on pages 80, 81 and 84. The Board considers that Mark Seligman and Richard Howes have the recent and relevant financial experience required to chair the Committee.

At the invitation of the Chairman of the Committee, and in order to maintain effective communications, the Board Chairman, Chief Executive Officer, Chief Financial Officer and an audit partner of KPMG attended all meetings. Other regular attendees included the Group Financial Controller, the Director of Internal Audit, Senior Vice President and General Counsel, Ethics and Compliance and Deputy Secretary. Divisional Presidents, the Vice President Finance Excellence and senior management were also invited to attend as appropriate. At the conclusion of each meeting, KPMG and the Director of Internal Audit were each given the opportunity to discuss matters with the Committee without executive management being present.

The heads of Internal Audit and Ethics and Compliance, together with KPMG, have direct access to the Committee should they wish to raise any concerns outside formal Committee meetings.

The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management and internal control process. The Chairman of the Committee reports formally to the Board on the Committee's activities after each meeting.

COMMITTEE PERFORMANCE EVALUATION

Through the annual Board evaluation process, see pages 85 and 86, the Board has again confirmed the effectiveness of this Committee in its role of supporting the Board in compliance with its duties.

COMMITTEE ACTIVITIES

FINANCIAL AND NARRATIVE REPORTING

The Committee reviewed the full and half yearly results announcements, the Annual Report and the Viability and Going Concern Statement before recommending them to the Board for approval.

The Group has internal control and risk management arrangements in place to support the financial reporting process which provide reasonable assurance that the financial statements are prepared in accordance with applicable standards. These arrangements included seeking divisional confirmation that the reported information gives a true and fair view of the results for the period and ensuring that record keeping allows an accurate and fair reflection of transactions. More information on risk management and internal controls can be found on page 96.

An important responsibility of the Committee is to review and agree the most significant management accounting estimates and judgements which impact the financial statements. The key areas of judgement in the year are set out overleaf. After receiving reports on the significant estimates and areas of judgement and after discussion with KPMG, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual Report.

Fair, balanced and understandable

The Committee applied the same due diligence approach adopted in previous years in order to assess whether the Annual Report is fair, balanced and understandable, one of the key Code requirements. This included being updated on the internal verification process carried out to support the Committee's assessment of the disclosures made in the Annual Report. The Committee also reviewed various materials on risk management and internal controls, going concern and the assessment of the Group's long-term viability. In doing so it considered the:

- Accuracy, integrity and consistency of the messages conveyed in the Annual Report;
- Appropriateness of the level of detail in the narrative reporting;
- Correlation between judgements, estimation of uncertainties and issues, and the associated disclosures; and
- Explanations of the differences between statutory and headline reported results.

Taking the above into account, together with the views expressed by KPMG, the Committee recommended, and in turn the Board confirmed, that the 2023 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

SIGNIFICANT FINANCIAL REPORTING MATTERS

The key areas of judgement for FY2023 are as follows:

AREAS OF FOCUS

ACTIONS TAKEN

IMPAIRMENT – INTANGIBLE ASSETS (INCLUDING GOODWILL)

The Group holds a significant amount of goodwill, especially in relation to the Smiths Detection cash generating unit (CGU).

Smiths Detection was the Group's only CGU where the impairment headroom was limited for FY2023 and where a plausible downside scenario or a reasonable change in key assumptions could cause the carrying value of the CGU to be close to its recoverable value. During FY2023, strong demand drove historical levels of growth in revenue and increased profits. In FY2023 Smiths Detection continued to navigate issues with the supply of key components. As orders and revenues have grown, it has been necessary for Smith Detection to build inventory to compensate for the supply chain variability. This has reduced cash conversion but increased the carrying value of the CGU.

The Committee challenged the level of intangible assets and the assumptions used to justify their carrying values, including the applicable discount rate used for impairment testing purposes. It also reviewed and agreed additional disclosures in the sensitivity of the impairment model and movements in the key judgements. See note 11 of the financial statements.

REVENUE RECOGNITION

Smiths Detection and Smiths Interconnect have multi-year contractual arrangements for the sale of goods and services. Estimates are required at the balance sheet date when determining the stage of completion of contracts for revenue recognition.

The Committee reviewed management's revenue recognition judgements. The timing of revenue recognition involves judgements as to when control of an asset passes to the customer or, particularly with Smiths Detection and Smiths Interconnect, as to the stage of completion of contract activity and whether the separate performance obligations have been fulfilled. The Committee reviewed and concurred with management's conclusions on the timing of revenue recognition, significant judgements for complex programmes and contract accounting. See note 1 of the financial statements.

TAXATION

The Group has extensive international operations, and in the normal course of business the Directors make judgements and estimates in relation to potential tax exposures.

Management assesses the assets and liabilities recognised in income and deferred tax, as well as the treatment of losses in the UK. Particular focus was given to the recognition of UK deferred tax assets, deferred tax assets relating to the John Crane, Inc. asbestos provision, and the Titeflex Corporation CSST provision. The Committee was updated on the ongoing tax audits and the uncertainty associated with the outcome of tax audits that are likely to conclude in the next 12 to 24 months. The Committee noted that the final outcome may vary significantly from the amounts currently provided for tax risks. See note 6 of the financial statements.

VAT ERROR ON CHAIN EXPORT TRANSACTIONS

During FY2023 a historic VAT classification error was identified, which has resulted in certain European intercompany chain export transactions being treated as VAT exempt when they should have been initially classified as subject to VAT with subsequent refund at the time of export.

In correcting this error the Group has recognised £2m of irrecoverable VAT and £7m of interest on the late payment of VAT.

The Committee was updated on the status of the investigation into this VAT classification error and the wider Group review of VAT classification. The Group-wide investigation identified similar classification issues in other European entities, against which provisions have been made.

The Committee challenged management on the treatment and agreed that the classification errors had been appropriately treated as non-headline. The errors uncovered relate to up to six years of past VAT practice and involve the payment and recovery of European VAT, spanning FY2023 and FY2024. This would have materially impacted the Group's headline cash conversion metric during those years.

AREAS OF FOCUS

ACTIONS TAKEN

PROVISIONS FOR LIABILITIES AND CHARGES

The Group holds significant material provisions for John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST product claims.

The Committee considered the appropriateness of the level of the provisions held against John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST claims. In particular, the Committee considered the treatment of potential liabilities, the changes to the assumptions made in calculating the provisions, sensitivities to changes in assumptions and advice received from the Group's specialist external advisers.

The Committee agreed the ten-year time period for John Crane, Inc. asbestos litigation remained appropriate. In the case of the John Crane, Inc. asbestos litigation, the Committee also agreed with the judgement. However, whilst large numbers of claims are made against John Crane, Inc. and other defendants every year, due to both known and as yet unknown developments in the US legal system and other events that will impact the asbestos legal environment, a sufficiently reliable estimate cannot be made to cover the full period over which it is expected that costs will be incurred. In both these cases, it was determined that the assumptions fairly reflect the position. See note 23 of the financial statements.

POST-RETIREMENT BENEFITS

The Group has material pension plan assets and liabilities and there is a high degree of estimation uncertainty.

The Committee considered the impact of the extreme spike in gilt yields following the 23 September 2022 'mini-budget' on Smiths Industries Pension Scheme's (SIPS) Liability Driven Investments (LDIs). The gilt yield spike resulted in a sudden increase in the collateral required to be posted to LDI funds. SIPS maintained sufficient collateral during the spike in gilt yields, and its hedging remained intact. However, the SIPS Trustee acted in accordance with advice and took steps to disinvest a proportion of assets from the corporate bond/credit fund to bolster the LDI collateral readily available.

The Committee reviewed and agreed the methods, assumptions and benchmarks used by the actuaries to calculate the position of the UK and US schemes at 31 July 2023. These continue to show a net accounting surplus position which was reduced by £114m in FY2023.

The Committee agreed with the treatment and corresponding disclosures on these matters. See note 8 of the financial statements.

PRESENTATION OF HEADLINE PROFITS AND ORGANIC GROWTH

The Group presents headline profits and organic growth measures which require adjustment to IFRS required data. This is a material judgement and requires a consistent application of the Group's accounting policy on this topic.

The Committee considered the policy, presentation and judgements in relation to the Group's performance, in particular the separation of headline and non-headline items. This included the consideration of which items related to the Group's ongoing trading activity or those which should be recorded as non-headline.

The Committee recognised that, as announced in the FY2022 Annual Report, the Group's restructuring project to better serve our customers, maximise growth opportunities and improve efficiency has been treated as non-headline due to the project being material and part of a pre-approved programme. The Committee also reviewed the appropriate level of disclosure for the restructuring charge recognised in FY2023.

In addition, the Committee also considered those judgements in connection with items to be reflected or adjusted in organic performance. See note 3 of the financial statements.

INVENTORY MANAGEMENT AND PROVISIONING

The Group's inventory position has increased over the past reporting periods due in part to investment to mitigate post-COVID-19 supply chain inefficiencies.

The Committee considered the results and conclusions from inventory management and provisioning review with each division. The reviews challenged the divisions' inventory management and provisioning policies, procedures and practices.

The increasing level of working capital held by the business increases the risk that the controls and processes may no longer be appropriate to adequately address inherent risks.

The Committee noted that Detection contributed significantly to the Group's increased inventory and had the largest inventory balance in the Group. However, it recognised that 80% of Detection's inventory was either a finished good directly related to a sales order or an aftermarket spare.

EXTERNAL AUDIT

The Committee places great importance on the quality, effectiveness and independence of the external audit process. Following a tender process KPMG was appointed as the Company's external auditor at the 2019 AGM. Michael Maloney, the KPMG audit partner responsible for the Company's audit since 2019 retired following the completion of the FY2022 audit. Mike Barradell was appointed as the lead engagement partner for FY2023. His tenure will be limited to five years in line with audit standards and due to KPMG partner rotation policies.

The Committee confirms that the Company has complied with the provisions of the Statutory Audit Services Order 2014 relating to the UK audit market for large companies throughout the year under review and as at the date of this report.

SCOPE OF THE EXTERNAL AUDIT PLAN AND FEE PROPOSAL

The Committee reviewed and approved KPMG's proposed audit plan and fee for the FY2023 audit. The Committee continued to monitor KPMG's execution of the audit plan during the year.

INDEPENDENCE AND OBJECTIVITY

The Committee is responsible for the implementation and monitoring of the Group's policies on external audit, which are designed to maintain the objectivity and safeguard the independence of the external auditor. These policies are reviewed annually. They cover the engagement of the external auditor for non-audit services and the appointment by the Group of former employees of the external auditor.

In addition to monitoring compliance with Group policies, the Committee's review of KPMG's independence included examining written confirmation from KPMG that they remained independent and objective within the context of applicable professional standards and considering the performance of the audit engagement partner.

NON-AUDIT SERVICES

Notwithstanding developing practice being adopted by audit firms not to provide non-audit services to audit clients, the Committee recognises that certain permissible non-audit services can be completed more efficiently by, and be purchased more cost-effectively from, the incumbent auditor due to the audit firm's existing knowledge of the Group and its systems. Under the policy approved by the Committee, it has delegated its responsibility for authorising the purchase of non-audit services from the external auditor to the Chairman of the Committee and/or the Chief Financial Officer within specific limits.

Details of the fees paid to KPMG for the year ended 31 July 2023 can be found in note 2 of the financial statements. Non-audit fees as a percentage of audit fees totalled 6% (FY2022: 10%). Non-audit fees in FY2023 principally comprised audit-related assurance services for the interim report and the limited assurance of the Group's Scope 1-3 Greenhouse Gas emissions metrics.

The Group would not expect in the ordinary course of business for non-audit fees to exceed 20% of the average of the previous three years' total Group audit fees unless exceptional circumstances existed. The Committee confirms that the non-audit work performed by KPMG during the year, was properly assessed and authorised in accordance with the Group's policy.

In early 2023, KPMG identified that KPMG network firms in Argentina, China, Egypt, Hong Kong and Qatar had provided financial statement preparation assistance services and/or foreign language translation services over the period 2020 to 2023 to Smiths entities in those regions. The services, which have since been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. None of the impacted entities are material or significant components of the Group audit. In addition, there was no self-review threat in relation to the work performed by KPMG's group audit team, and

no direct or indirect effect on Smiths Group plc consolidated financial statements. KPMG sent a letter to the Audit & Risk Committee explaining the cause, analysis of implications and actions taken. The Audit & Risk Committee reviewed the letter and following discussions, have concurred with KPMG's professional judgement, that based on the assessment of the breach, KPMG's integrity, objectivity, impartiality of judgement, and professional scepticism were not impaired with respect to the impacted periods. Apart from this matter, KPMG has not performed any non-audit services during the year ended 31 July 2023 or subsequently which are prohibited by the FRC Ethical Standard.

EFFECTIVENESS OF THE EXTERNAL AUDIT

The Committee continually assessed the effectiveness of the external auditor during the year, including its independence, objectivity, appropriate mindset and professional scepticism. The Committee considered:

- The conclusion of the FY2022 audit process;
- The audit review of FY2023 interim results;
- Early-stage delivery of the FY2023 audit;
- The review of audit plans;
- Content, insight and value of KPMG's reports;
- Robustness and perceptiveness of KPMG in handling of key accounting and audit judgements;
- Management's responses to any audit findings;
- Discussions with management (both with and without the external auditor present) and with the external auditor (both with and without management present); and
- The findings of the various FRC's Audit Quality Inspection Reports with regard to KPMG and the implications and learnings for the Smiths audit.

The Committee ensured that it was satisfied that the Committee's and management's feedback from previous effectiveness reviews had been adequately addressed. It also considered other statutory reporting, audit planning and scope deliverables, and that KPMG had continued to devote sufficient time and resources to understand and assess the business, its key risks and controls.

After taking into account the factors above and its general interaction with KPMG throughout the period, the Committee was satisfied that the audit was effective. The Committee therefore agreed that it was appropriate to recommend to the Board that the reappointment of KPMG as the Company's auditor for a further year be proposed to shareholders at the 2023 AGM. A further review of the FY2023 audit will be conducted ahead of the FY2024 interim results.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that sound risk management and internal control systems are in place. The Executive Committee is responsible for designing the risk management and internal control systems and ensuring they are effectively deployed throughout the Group. The risk management and internal control processes identify, assess, manage and monitor risks that have the potential to affect the achievement of our strategy. The Executive Committee and risk owners review our principal risks throughout the year. They assess the effectiveness of existing controls and the resulting residual risks and identify any additional necessary actions. We have a sound risk management and internal control systems in place. However, they can provide only reasonable, not absolute, assurance against material loss to the Group or material misstatement in the financial statements. More detail can be found on pages 66 to 74.

EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROLS

In FY2023, the Committee, on behalf of the Board and with the assistance of the Internal Audit function, monitored, reviewed and assessed the effectiveness of the Group's risk management and internal control systems in the context of the Group's strategy, business model and risk appetite.

The Committee receives risk deep-dive reports from the divisions and principal risk owners throughout the year. The divisional reports take place on a rotational basis to enable the Committee to cover all principal risks over time. The deep-dives are intended to inform the Committee's assessment of the effectiveness of risk management and internal control systems. This year the divisions also provided reviews on business continuity, in particular supply chain, and other key risks as applicable to their business, for example, procurement, market trajectory and disruption, quality and ESG. It also received updates on cyber, and ethics and compliance risks. The deep-dives on cyber covered Smiths cyber security framework, employee communication and training programmes to increase cyber awareness, and planned investment to improve resilience. The Committee relies on other inputs to assess if the risk management and internal controls system is effective. For example, the following items relating to our principal risks were discussed at the Board, Finance Committee, and SSE Committee meetings during FY2023: organic growth and financial performance; tax, treasury, liquidity, pensions and insurance; technology; health and safety; acquisitions; litigation; our people strategy; and ESG.

Consideration of the divisional risk registers alongside the principal risk deep-dives and other thematic risk areas enables the Committee and full Board to understand the culture, risks and opportunities, and assurance processes throughout the business and the potential impact on the Group. No significant failings or weaknesses were identified.

The Committee was also provided with updates in relation to the Finance Excellence Programme particularly in relation to projects to improve and standardise finance activity across the Group and ongoing activity to improve the financial control framework. The current year activity puts Smiths in a strong position for readiness for the FRC proposed changes regarding internal controls over financial reporting.

PRINCIPAL RISKS UPDATE

The Committee carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. We replaced our ESG principal risk with climate risk on our risk register. Climate risk covers the energy transition opportunity and risks as well as climate-related regulatory risks. Due to the increasing proliferation of cyber attacks, the Committee approved increasing the probability of Smiths cyber security risk from probable to likely and the residual impact from low to moderate. Other risks remain relatively stable. Economic and geopolitical risks remain elevated, although the risk of regional or global recession is subsiding. Actions we have taken to mitigate supply chain challenges remain evident in our inventory levels and the divisions are working to reduce inventory to appropriate levels while also supporting growth.

A description of the principal risks facing the Group and how these were reviewed to assess the Group's viability can be found on pages 68, 75 and 76.

INTERNAL AUDIT

Internal Audit is independent of the business and so has no responsibility for operational business management. This ensures the integrity and objectivity of its annual Audit Plan, which is approved by the Committee. The authority of the Internal Audit function is derived from the Committee. The Director of Internal Audit is accountable to the Board through the Committee Chairman, although administratively the Director of Internal Audit reports to the Chief Financial Officer.

In order to carry out the responsibilities, as set out in a charter approved by the Committee, the Internal Audit function has:

- full and unrestricted access to all records, property and personnel;
- independent access to the Committee Chairman and members of the Committee;
- the right to request meetings with the Committee; and
- the authority and obligation to report significant findings or other concerns to the Committee.

During the period, the Committee received progress reports on the execution of the FY2023 Internal Audit Plan and discussed any high-priority control enhancement opportunities and action plans to address these. The Committee also approved the FY2024 Internal Audit Plan, including the proposed audit scope, approach, coverage and budget including the allocation of resources.

The Committee oversees the performance of the Internal Audit function through the Director of Internal Audit's attendance at Committee meetings, review of work presented throughout the course of the year, and a review of agreed KPIs which are reported to the Committee at each Committee meeting. This year, in accordance with the International Standards for the Professional Practice of Internal Auditing, the Committee undertook an EQA of the Internal Audit function by an independent third party. The results of the EQA conducted by PwC recognise that Internal Audit's performance against standards is strong, with minor improvements suggested. This is a testament to the function's focus on quality and continuous improvement. The improvement opportunity identified related to redefining the function's future, considering the increasing emphasis on internal controls and the changing risk environment. These will be addressed through the Internal Audit FY2024 Plan.

ETHICS AND COMPLIANCE

During the year, the Committee reviewed the Ethics and Compliance annual work programme and provided oversight of investigations into allegations of non-compliance with the Code of Business Ethics. This included matters raised through the Group's ethics reporting procedures including the Group's Speak Out hotline which allows for anonymous reporting. Smiths Speak Out hotline comprises a number of different channels (including call centres operated by an independent third party across the Group's global operations) for employees and other stakeholders to report concerns.

During the year there were no matters raised that required the Committee's direct intervention or investigations which resulted in a material loss to the Group or a detrimental impact on our customers or suppliers. The Committee receives regular reports on the total number and nature of cases by region, the ratio of anonymous vs attributed ethics reports, and the ratio of substantiated vs unsubstantiated cases. The anonymous vs attributed metric is used to monitor trust in the Group's reporting system. Accordingly, the Committee considered that the Group's processes and arrangements for employees to report concerns, including anonymously and without retaliation, about any improprieties and the arrangements for any subsequent investigation as necessary, were both appropriate and effective.

During the year, the Committee provided oversight of a number of areas targeted by the Ethics and Compliance work programme. More information on the Group's approach to behaving ethically and legally can be found on page 39 and in the Sustainability at Smiths report found on our website.

ASSESSMENT OF INTERNAL CONTROL AND RISK MANAGEMENT ARRANGEMENTS

The Committee was satisfied that the Group's processes governing financial reporting and controls, its culture, ethical standards and its relationships with stakeholders continued to be effective.

The Committee was also satisfied with the appropriateness and adequacy of the Group's risk management arrangements, internal control framework and three lines of defence model.

REMUNERATION & PEOPLE COMMITTEE REPORT



BILL SEEGER

Chairman of the Remuneration & People Committee

Our objectives are to create clear alignment between remuneration and sustainable, long-term stakeholder interests. We take account of shareholder views and ensure that performance supports the delivery of business strategy through targeting KPIs.

CHAIRMAN'S STATEMENT

I am pleased to present the Remuneration Report for the year to 31 July 2023.

The Directors' Remuneration Policy was approved at the AGM on 17 November 2021. The Directors' Remuneration Report for FY2023 will be put to an advisory shareholder vote at the AGM on 16 November 2023. I look forward to your continued support at the upcoming annual meeting.

BROADER CONTEXT FOR FY2023

We have continued to show resilience in the face of wider economic challenges and maintain our commitment to growth, execution and empowering our people. In terms of our people priorities, we have further improved our world class safety record, developed our internal talent pool with a significant increase in internal hires and launched a charitable foundation. The Smiths Foundation has an initial £10m commitment which will be used towards STEM-related non-profit organisations.

FY2023 has seen the successful introduction of leadership behaviours at Smiths. The Smiths Leadership Behaviours serve as a foundation to unlock the full potential of our company. They describe the behaviours needed for the organisation to be dynamic, inclusive and focused on delivering results that create value. They apply to everyone at Smiths and are relevant to every role. The Smiths Leadership Behaviours provide a basis for which our people can be assessed not only on what they do, but how they do it.

We introduced a GHG emissions reduction metric into our LTIP two years ago and more recently reinforced our commitment to our focused sustainability goals with the introduction of an energy efficiency metric for all divisions in the annual bonus. Setting the right

metrics is undertaken in collaboration with the Science, Sustainability and Excellence (SSE) Committee. Further detail on our commitment to having relevant and robust sustainability metrics in our incentive plans is available on page 12 of the Sustainability at Smiths Report.

INCENTIVE OUTTURNS FOR THE YEAR

The Committee considered outcomes under the FY2023 annual bonus and the FY2021 LTIP awards in the context of the performance of the business and wider stakeholder experience. FY2023 was a year of record organic revenue and EPS growth. We have posted nine consecutive quarters of growth and year-on-year improvement on all five of our medium-term financial targets. We are well positioned for growth within our medium-term targets next year, supported by a healthy order intake.

As a result, it was considered appropriate to award an AIP bonus of 70.0% of maximum opportunity for FY2023, representing an achievement between target and maximum against the financial and non-financial metrics. One-third of the bonus earned will be deferred into shares for the Executive Directors.

The FY2021 LTIP award vested at 75.6% of maximum, reflecting performance over a three-year period aligned to the sustainable growth of the business over that period of time.

The Committee did not exercise any discretion in respect of the incentive outcomes.

IMPLEMENTATION FOR FY2024

The base salaries of the Executive Directors have been increased by 5.0% effective from 1 October 2023. In 2022, management elected to focus a greater proportion of the salary increase budget on employees who were more significantly affected by inflationary pressures. This resulted in a below-market salary

increase of 2.5% for Paul Keel. Clare Scherrer did not receive a salary increase in October 2022. For 2023, the salary increase budget is aligned across all employees in the wider UK workforce and the increases of 5% for both Paul Keel and Clare Scherrer reflect this.

There are minimal changes to either the Annual Incentive Plan (AIP) or Long-Term Incentive Plan (LTIP) for the FY2024 awards. New Product Commercialisation (NPC) remains an important strategic driver of growth. For the FY2024 AIP, the weighting on the NPC metric has been incorporated into the broader Revenue metric. Payment of the Revenue outcome will be subject to meeting minimum NPC criteria. There are no changes to the LTIP metrics, weightings or ranges for the FY2024 awards which will be made in October 2023. The metrics in both the short-term and long-term incentive plans are aligned to the delivery of our strategy.

CONSIDERATION OF THE WIDER WORKFORCE

Our colleagues are our greatest asset. The Remuneration & People Committee is responsible for the Group's overall remuneration strategy and monitors pay and employment conditions across our workforce. During the year, the Committee received an update from HR leaders in a number of business areas, to understand how pay policies are implemented across the Group and highlighting a range of new initiatives. This included an extensive review of the benefits offered to our colleagues, and the introduction of a global parental leave policy.

The Board as a whole continues to pursue opportunities for Non-executive Directors to meet with employees under an organised programme of in-person site visits to get a deeper understanding of the culture within Smiths. Non-executive Directors attend employee forums and events engaging directly with our People. Updates are provided to the Remuneration & People Committee and further details on these activities are provided on page 59.

REMUNERATION POLICY REVIEW

As part of the three-yearly cycle, the Remuneration Policy will be formally reviewed during FY2024 to ensure that it remains clearly aligned to sustainable, long-term stakeholder interests and market best practice.

During this review we will consult with key shareholders to explain any proposed changes and take their views into account. The new Policy will be presented to shareholders for approval at the 2024 AGM.

COMMITTEE MEMBERSHIP AND MEETINGS

The membership of the Committee and their meeting attendance during the year is set out on pages 80, 81 and 84 of this report. I had served on a remuneration committee for at least 12 months prior to my appointment as Chairman of the Committee.

Sir George Buckley is absent when his own remuneration as Chairman of the Board is under consideration.

The Chief Executive attends meetings of the Committee by invitation but he is not involved in the determination of his own remuneration, or present during consideration of any changes to it.

COMMITTEE PERFORMANCE EVALUATION

The annual evaluation of the Committee was conducted as part of the internally facilitated evaluation process of the Board and its Committees. The findings relating to the Committee were discussed with me. More information can be found on page 85. Overall, the Committee is viewed as effective and performing well and is rigorous in discharging its responsibilities.

There were four scheduled Committee meetings held during the year and one special meeting.

OTHER ACTIVITIES OF THE COMMITTEE IN FY2023

In addition to those highlighted elsewhere in this statement, the Committee has also undertaken the following activities in FY2023:

- Reviewed business plans and performance to assess their potential impact on existing and future incentive arrangements;
- Reviewed remuneration of the wider workforce and related policies to ensure internal alignment of reward;
- Approved FY2024 salary increases for the Executive Committee considering available budget, individual performance rating, position in salary range and the increases provided across the wider workforce;
- Reviewed the Committee's performance and Terms of Reference; and
- Approved the Remuneration Report for inclusion in the Annual Report.

LOOKING FORWARD

It has been my pleasure to serve Smiths and its stakeholders as a Non-executive Director since May 2014. This is my fifth and final year as Chairman of the Remuneration & People Committee and I am confident the Committee is in safe hands as I pass responsibility to Karin Hoeing. Karin is an experienced Non-executive Director and has been a member of the Remuneration & People Committee since April 2020. I wish Karin every success in this role.

BILL SEEGER

Chairman of the Remuneration & People Committee

IMPLEMENTATION OF REMUNERATION POLICY IN FY2023

BASE SALARY

Paul Keel received:
£893,229

Clare Scherrer received:
£553,750

PENSION AND BENEFITS

- Pension contributions of 12% of base salary for Paul Keel and Clare Scherrer, in line with the rate available to the wider UK workforce.
- Benefits included healthcare, insurance, car benefit, tax return preparation and relocation benefits for the CEO.

ANNUAL BONUS (AIP)

Total bonus payout (% of maximum):

Paul Keel:
70.0%

Clare Scherrer:
70.0%

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Revenue (30%)	£2,700m	£3,013m	£2,977m	100%
Operating Profit (30%)	£441m	£497m	£512m	79.5%
Headline operating cash conversion (20%)				
H1 (10%)	90%	63%	110%	0%
FY (10%)	95%	87%	115%	0%
New product commercialisation (10%)	£62.4m	£76.1m	£93.6m	61.5%
Energy efficiency (10%)	-1.5%	-7.9%	-4.5%	100%

LONG-TERM INCENTIVE (LTIP)

Total vesting (% of maximum):

Paul Keel:
75.6%

Clare Scherrer:
N/A

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Organic revenue growth (25%)	2.0%	4.4%	6.0%	70%
EPS growth after tax (25%)	5.0%	17.3%	14.0%	100%
Free cash-flow (25%)	40%	47.6%	55%	63%
Average ROCE (25%)	13%	14.8%	16%	70%

SINGLE FIGURE (£000)



	Paul Keel	Clare Scherrer
Salary	893	554
Pension and benefits	381	97
Annual bonus	1,251	640
Long term incentives	1,760	–

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN FY2024

BASE SALARY

Paul Keel:
£941,719

(5% increase)

Clare Scherrer:
£581,438

(5% increase)

UK wider workforce increases of 5%.

PENSION

Paul Keel:
12%
of base salary

Benefits package consisting of healthcare, insurance, car benefit, tax return preparation and relocation benefits

Clare Scherrer:
12%
of base salary

Benefits package consisting of healthcare, insurances, car benefit and tax return preparation.

BENEFITS

ANNUAL BONUS (MAXIMUM OPPORTUNITY)

Paul Keel:
200%

of base salary

Clare Scherrer:
165%

of base salary

Performance measure	Weighting
Revenue ¹	40%
Operating profit	30%
Headline operating cash conversion	20%
Energy efficiency	10%

- 33% of annual bonus deferred into shares for three years
- Specific targets are considered to be commercially sensitive and will be disclosed retrospectively

1 Subject to a new product commercialisation underpin

LONG-TERM INCENTIVE (LTIP)

Paul Keel:
189,900

shares

Clare Scherrer:
91,342

shares

Performance measure	Weighting	Threshold (25% vesting)	Maximum (full vesting)
Revenue growth	30%	3.5%	6.5%
EPS growth after tax	20%	6%	11%
Average free cash-flow	20%	45%	55%
Average ROCE	15%	14%	17%
Absolute reduction in GHG	15%	15%	20%

- Two-year post-vesting holding period applies
- The same fixed number of shares as in 2022 will be granted to Paul Keel and Clare Scherrer in October 2023, per the Policy

PERFORMANCE MEASURES AND LINK TO STRATEGY

	GROWTH					EXECUTION					PEOPLE				
	1	2	3	4	5	1	2	3	4	1	2	3	4	5	
Annual bonus (AIP)															
Operating profit	✓	✓	✓	✓	✓	✓	✓								
Revenue growth	✓	✓	✓			✓	✓								
Operating cash conversion						✓	✓		✓						
New product commercialisation ¹		✓	✓	✓											
Energy efficiency					✓				✓					✓	✓
Long-Term Incentive Plan (LTIP)															
EPS growth after tax	✓			✓		✓									
Revenue growth	✓	✓	✓	✓		✓									
Free cash-flow						✓	✓								
Average ROCE	✓	✓				✓									
Reduction in GHG emissions									✓					✓	✓

GROWTH

- Strong execution to maximise underlying market expansion
- Improved product development and commercialisation
- Building out priority adjacencies
- Disciplined M&A
- Sustainability at Smiths

EXECUTION

- Operational
 - Financial
 - Functional
 - Sustainability at Smiths
- PEOPLE
- Safety and wellbeing
 - Inspire and empower talent
 - Diversity, equity and inclusion
 - Communities
 - Sustainability at Smiths

SHAREHOLDING REQUIREMENTS

Executive Directors should build a minimum shareholding equivalent to the annual fixed number of shares awarded under the LTIP within five years and are required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment.

1 Acts as an underpin to the revenue performance measure in AIP.

ALIGNMENT WITH THE UK CORPORATE GOVERNANCE CODE

The table below details how the Committee addresses the factors set out within Provision 40 of the Code:

CLARITY	<ul style="list-style-type: none"> – The Committee welcomes transparency and regular engagement with shareholders with regard to executive remuneration. During 2023, as there have been no changes to Remuneration Policy, the Committee Chairman has not been required to consult with shareholders on remuneration matters. The Committee intends to consult with shareholders as part of the upcoming Remuneration Policy review in 2024.
SIMPLICITY	<ul style="list-style-type: none"> – Participants in incentive plans receive annual communications to confirm award levels and performance measures. Supporting guidance documents and instructional videos are available online. The Remuneration Policy for Executive Directors underpins that of the wider workforce and the 2021 Policy review further simplified the arrangements
RISK	<ul style="list-style-type: none"> – The Committee considers the effective management of risk throughout the delivery of incentive plans, applying reasonable discretion to override formulaic outcomes if necessary – The Committee considers that the structure of incentive arrangements does not encourage unnecessary risk taking – For Executive Directors, one-third of the annual bonus payment is deferred into shares with an additional three years until vesting – Robust malus and claw back provisions are in place for incentive plans and are clearly communicated
PREDICTABILITY	<ul style="list-style-type: none"> – Our Policy clearly outlines the maximum award levels and vesting outcomes applicable to annual bonus and LTIP. As stated above under 'Risk', the Committee has the ability to apply discretion to formulaic outcomes and clear malus and claw back provisions exist
PROPORTIONALITY	<ul style="list-style-type: none"> – There is a link between strategic business objectives and performance outcome, as outlined on page 101 – Our Policy for our incentive plans outlines threshold, target and maximum opportunity levels, with actual outcomes dependent on performance achieved against predetermined measures – Through the design of the Policy and the discretion of the Committee, poor performance is not rewarded
ALIGNMENT TO CULTURE	<ul style="list-style-type: none"> – Smiths Group Values of passion, integrity, respect, ownership and customer focus underpin the design and operation of the incentive programmes. The business strategy is supported by these Values which are widely communicated across the Company. The addition of the Smiths Leadership Behaviours, of which 'Living Smiths Values' is one, describe the behaviours needed for the organisation to be dynamic, inclusive and focused on delivering results that create value

CONSIDERATION OF WIDER WORKFORCE

The Committee considers all stakeholder groups when setting executive pay, including our people. The Committee is briefed on pay arrangements across the business and receives reports on people priorities within each of the divisions. In addition, a summary of remuneration related issues raised by employees through the employee engagement survey is presented to the Committee. As part of a comprehensive schedule of Non-executive Director engagement with the workforce, in 2023 all Board members, including the Committee Chairman attended events across our regional markets to discuss culture, people priorities, employee remuneration and benefit arrangements across the Group. Details of the engagement programme and in-person site visits are summarised on page 59. The overall responsibility for workforce engagement rests with the Senior Independent Director while each Non-executive Director has responsibility for workforce engagement in a specific geographical region and business area.

SINGLE FIGURE OF ANNUAL REMUNERATION (AUDITED)

EXECUTIVE DIRECTORS

	Salary		Benefits		Payments in lieu of pension contribution		Total fixed		Annual bonus		Long-term incentives		Total performance related		Total	
	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000
Paul Keel	893	875	274	361	107	96	1,274	1,332	1,251	678	1,760	–	3,011	678	4,285	2,010
Clare Scherrer	554	141	31	7	66	17	651	165	640	91	–	–	640	91	1,291	256

SALARY

Clare Scherrer was appointed to the Board as Chief Financial Officer on 29 April 2022 with an annual base salary of £553,750. The values in the single figure table above in respect of FY2022 reflect the remuneration paid from 29 April 2022.

BENEFITS

Benefits for Executive Directors include life assurance, disability insurance, private healthcare insurance, car related benefits, tax return preparation and relocation benefits (CEO only). The benefit value for Paul Keel has been restated for FY2022 to include UK tax of £177,597 settled by the company in October 2022 on a grossed up basis for housing, car and relocation payments. This is in accordance with the CEO service contract. The benefit figure for FY2023 includes an estimated UK tax payment of £116,197, calculated on the same basis.

PENSION

Executives may choose either to participate in the Company's defined contribution pension plan or to receive a pension allowance in lieu thereof. Paul Keel and Clare Scherrer received an allowance in lieu of pension contribution equivalent to 12% of salary during the year. This is aligned to the rate available to the wider UK workforce.

FY2023 ANNUAL BONUS OUTCOME

The maximum annual bonus opportunities for FY2023 were 200% of salary for Paul Keel and 165% of salary for Clare Scherrer.

For FY2023, financial metrics made up 90% of the annual bonus, with the final 10% based on performance against energy efficiency objectives. The table below summarises the financial targets and the Company's actual performance (restated at budget exchange rates) against these for the FY2023 annual bonus.

Measure	Weighting	Performance targets, actual performance and outturn				Actual	Outturn
		Threshold 25% payout	Target 50% payout	Maximum 100% payout			
Revenue	30%	£2,700m	£2,835m	£2,977m	£3,013m	30.0%	
Operating profit	30%	£441m	£474m	£512m	£497m	23.9%	
Headline operating cash conversion							
H1	10%	90%	100%	110%	63%	0.0%	
FY	10%	95%	105%	115%	87%	0.0%	
New product commercialisation	10%	£62.4m	£70.9m	£93.6m	£76.1m	6.1%	
Total financial	90%					60.0%	
Energy efficiency	10%	-1.5%	-3.0%	-4.5%	-7.9%	10%	
Total	100%					70.0%	

OVERALL FY2023 ANNUAL BONUS OUTTURN

The following table sets out the overall FY2023 bonus outturn for Executive Directors:

	Maximum opportunity	Outturn (percentage of maximum)
Paul Keel	200%	70.0%
Clare Scherrer	165%	70.0%

The Committee considered the amounts carefully in the context of the Group's performance, individual performance and the current macroeconomic environment, and determined that the amounts were a fair reflection of performance in the past financial year. One-third of the annual bonus will be deferred into Smiths shares for three years.

FY2021 LONG-TERM INCENTIVE PLAN OUTCOME

Paul Keel received an award under the FY2021 LTIP, subject to the following performance conditions:

Measure	Weighting	Performance period	Threshold 25%	Maximum 100%	Actual	Outturn (% of vesting)
Average organic revenue growth	25%	1 August 2020 to 31 July 2023	2%	6%	4.4%	17.5%
Average annual Group EPS growth after tax	25%	1 August 2020 to 31 July 2023	5%	14%	17.3%	25.0%
Average ROCE	25%	1 August 2020 to 31 July 2023	13%	16%	14.8%	17.4%
Free cash-flow	25%	1 August 2020 to 31 July 2023	40%	55%	47.6%	15.7%
Total vesting						75.6%

The Group EPS growth after tax performance has been calculated to exclude the impact of the share buy-back scheme in order to ensure the targets were not materially easier to achieve than when originally set.

No discretion was exercised by the Remuneration & People Committee in respect of the formulaic outcomes under the LTIP. No awards were due to vest to Clare Scherrer under this award. The value included in the single figure table has been calculated using an estimated share price, based on the share price over the last quarter of the financial year of £16.51. The share price appreciation attributable to the FY2021 LTIP for Paul Keel was 19.29% (£284,729).

An additional holding period of two years will apply to the shares vesting.

SCHEME INTERESTS AWARDED IN RESPECT OF FY2023 (AUDITED)

Scheme interests awarded are outlined below.

	Scheme	Form of award	Date of grant	Number of shares awarded	Award price	Face value (£000)	% vesting at threshold performance	Performance period end date
Paul Keel	LTIP	Conditional shares	2 November 2022	189,900	1,554p	2,951	25%	31 July 2025
Paul Keel	Deferred bonus	Conditional shares	3 October 2022	14,941	1,513p	226	N/A	N/A
Clare Scherrer	LTIP	Conditional shares	2 November 2022	91,342	1,554p	1,419	25%	31 July 2025
Clare Scherrer	Deferred bonus	Conditional shares	3 October 2022	2,009	1,513p	30	N/A	N/A

The performance measures for the FY2023 LTIP award are as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum
EPS growth after tax	20%	6.0% p.a.	11.0% p.a.
Revenue growth	30%	3.5% p.a.	6.5% p.a.
Average free cash-flow (as a percentage of operating profit)	20%	45%	55%
Average ROCE	15%	14%	17%
Reduction in GHG emissions (normalised)	15%	15%	20%
Total	100%		

PAYMENTS TO PAST DIRECTORS (AUDITED)

Andy Reynolds Smith's FY2021 LTIP will vest in 2023, pro-rated for service to 31 July 2021. 59,875 shares will vest at 75.6%. This is equivalent to 45,265 shares with an estimated value of £747,325.

John Shipsey was paid an amount of £498,129 in lieu of notice for the unserved part of his 12-month notice period. The payment in lieu of notice was made in monthly instalments to 29 April 2023.

Mr Shipsey's share awards under the Company's LTIP are preserved in accordance with the good leaver provisions of the LTIP, subject to a time pro-rating adjustment and normal vesting dates. Mr Shipsey's FY2021 LTIP will vest in 2023, pro-rated for service to 31 July 2022. 63,892 shares will vest at 75.6%. This is equivalent to 48,302 shares with an estimated value of £797,466.

PAYMENTS FOR LOSS OF OFFICE

There were no payments for loss of office in FY2023.

DIRECTORS' SHARE OPTIONS AND LONG-TERM SHARE PLANS (AUDITED)

Director and Plan	Options and awards held on 31 July 2023	Options and awards held on 31 July 2022	Performance test	Exercise price	Grant date	Vesting date+	Expiry date++	Date vested	Number	Exercise price	Market price at date of grant	Market price at date of vesting
Paul Keel												
LTIP	141,059	141,059	A	n/a	28/09/21	01/10/23						
	189,900	189,900	B	n/a	05/11/21	01/10/24						
	189,900	0	B	n/a	02/11/22	15/10/25						
Deferred bonus award	5,378	5,378	-	n/a	05/11/21	04/11/24						
	14,941	0	-	n/a	03/10/22	03/10/25						
SAYE	1,547	1,547	-	1163p	17/05/22	01/08/25	01/02/26					
Clare Scherrer												
LTIP	91,342	0	B	n/a	02/11/22	15/10/25						
Deferred bonus award	2,009	0	-	n/a	03/10/22	03/10/25						
SAYE	1,346	0	-	1,337p	16/05/23	01/08/26	01/02/27					

NOTES

- The high and low market prices of the ordinary shares during the period 1 August 2022 to 31 July 2023 were 1,807p and 1,478p respectively. The mid-market closing price on 29 July 2022 was 1,543p and on 31 July 2023 was 1,699p.
- The mid-market closing price of a Smiths Group share on the date of the LTIP awards made to Directors in the FY2023 financial year was 1,554p (2 November 2022).
- The SAYE options over 1,547 shares granted to and held by Paul Keel at 31 July 2023 were granted at an exercise price below the market price of a Smiths Group share on 17 May 2022 (1,454p). Shares are granted in May but the savings period commences in August.
- The SAYE options over 1,346 shares granted to and held by Clare Scherrer at 31 July 2023 were granted at an exercise price below the market price of a Smiths Group share on 16 May 2023 (1,337p). Shares are granted in May but the savings period commences in August.
- None of the options or awards listed above was subject to any payment on grant.
- No options or awards have been granted to or exercised by Directors or have lapsed during the period 1 August to 15 September 2023.
- At 31 July 2023, the trustee of the Employee Share Trust held 1,742,929 shares. The market value of the shares held by the trustee on 31 July 2023 was £29,612,364 and all dividends were waived in the year in respect of the shares held by the trustee.
- Special provisions permit early exercise of options and vesting of awards in the event of retirement, redundancy, and death.



KEY

LTIP The Smiths Group Long-Term Incentive Plan 2015.

SAYE The Smiths Group Sharesave Scheme.

+ The vesting dates shown above in respect of awards made under the LTIP are subject to the relevant performance test(s) being passed.

++ The expiry dates shown above apply in normal circumstances.



PERFORMANCE TESTS

A LTIP awards in 2020 – 25% subject to EPS growth; 25% subject to ROCE; 25% subject to free cash-flow; 25% subject to organic revenue growth.

B LTIP awards in 2021 and 2022 – 20% subject to EPS growth; 15% subject to ROCE; 20% subject to free cash-flow; 30% subject to revenue growth; 15% subject to reduction in greenhouse gas emissions.

- There are no performance criteria for the Deferred Bonus Shares awards or SAYE.

SHARE OWNERSHIP REQUIREMENT FOR EXECUTIVE DIRECTORS

Executive Directors are required to build a minimum shareholding equivalent to the annual fixed number of shares awarded under the LTIP within five years. Executive Directors are required to retain at least 50% of any net vested share awards (after sales to meet tax liabilities) until those guidelines are achieved. Shares under deferred bonus awards and LTIP awards which have vested but are subject to a further holding period (net of assumed income tax) count towards the requirement. Awards that are still subject to performance conditions do not count towards the requirement.

Executive Directors will be required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment, in line with best practice guidance. To enforce this requirement, vested shares are held in a nominee account provided by Smiths share plan administrator. This policy applies to Andy Reynolds Smith, who stepped down from the Group during FY2021, and John Shipsey who stepped down from the Group during FY2022. Mr Reynolds Smith was required to hold a number of shares in the Company with a value at least equal to £2,109,450 at 31 July 2021 until at least 31 July 2023, while Mr Shipsey is required to hold 54,959 shares in the Company until at least 31 July 2024.

EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

The table below shows the shareholding for each Executive Director against their respective shareholding requirement as at 31 July 2023.

Director	Shareholding requirement	Shares owned outright	Shares subject to performance	Vested shares in holding period	Shares arising from bonus deferral	Save As You Earn (SAYE)	Current shareholding (% of requirement) ¹	Shareholding requirement met
Paul Keel	189,900 shares	25,000	520,859	0	20,319	1,547	20%	No
Clare Scherrer	91,342 shares	25,000	91,342	0	2,009	1,346	30%	No

There have been no changes to the Directors' shareholdings between 1 August 2023 and 15 September 2023.

SHARE SCHEME DILUTION LIMITS

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company's discretionary schemes to 5% in any ten-year period. As at 31 July 2023 the headroom available under these limits was 7.93% and 3.67% respectively.



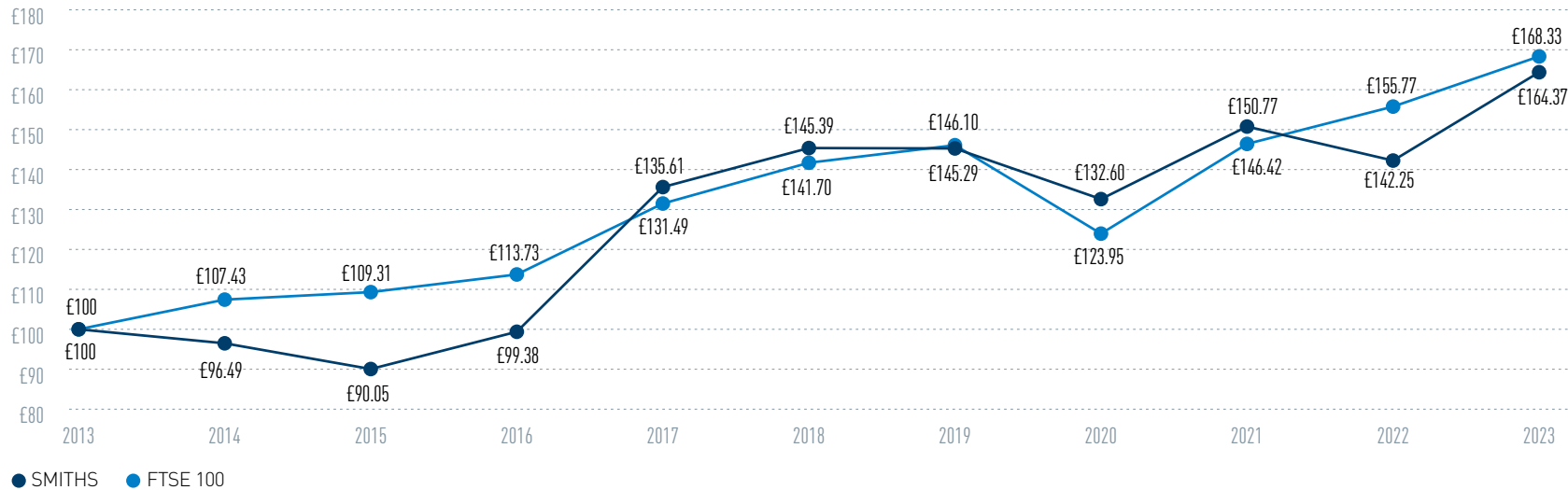
FOOTNOTES

¹ Shares owned outright (including vested shares in holding period), and the net of income tax value of shares arising from bonus deferral are taken into account for the shareholding requirement. Executive Directors have five years from the date of appointment to meet the required personal shareholding; Paul Keel has until 25 May 2026 and Clare Scherrer has until 29 April 2027 to meet the requirement.

TSR PERFORMANCE

The following graph shows the Company's total shareholder return (TSR) performance over the past ten years compared to the FTSE 100 Index. The FTSE 100 Index, of which the Company has been a member throughout the period, has been selected to reflect the TSR performance of other leading UK-listed companies. The values of hypothetical £100 investments in the FTSE 100 Index and Smiths Group plc shares at 31 July 2023 were £168.33 and £164.37 respectively.

TOTAL SHAREHOLDER RETURN



CHIEF EXECUTIVE'S REMUNERATION FOR THE LAST TEN YEARS

	FY2023 P Keel	FY2022 P Keel	FY2021 P Keel	FY2021 A Reynolds Smith	FY2020 A Reynolds Smith	FY2019 A Reynolds Smith	FY2018 A Reynolds Smith	FY2017 A Reynolds Smith	FY2016 A Reynolds Smith	FY2016 P Bowman	FY2015 P Bowman	FY2014 P Bowman
Total remuneration £000	4,285	1,832	450	2,753	2,196	4,130	3,251	2,320	2,964	1,602	4,195	3,912
Annual bonus outcome (% max)	70%	39%	76%	70%	17%	41%	42%	96%	89%	88%	80%	43%
Common Investment Plan outcome (% max)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%	100%	100%
LTIP outcome (% max)	76%	n/a	n/a	19%	31%	75%	32%	n/a	n/a	18%	17%	18%

CHIEF EXECUTIVE PAY RATIOS

These ratios set out the comparison between the Chief Executive's remuneration and that for employees in the UK workforce.

Total remuneration

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
FY2023	Option B	128:1	92:1	62:1
FY2022	Option B	58:1	39:1	26:1
FY2021	Option B	105:1	75:1	47:1
FY2020	Option B	75:1	53:1	34:1
FY2019	Option B	133:1	97:1	65:1

Salary

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
FY2023	Option B	27:1	19:1	13:1
FY2022	Option B	28:1	20:1	13:1
FY2021	Option B	35:1	25:1	17:1
FY2020	Option B	31:1	22:1	15:1
FY2019	Option B	36:1	26:1	18:1

	Salary (£)	Total Remuneration (£)
Chief Executive	893,229	4,285,650
25th percentile employee	33,260	33,452
Median employee	46,521	46,789
75th percentile employee	68,720	69,392

The pay data for employees in the UK workforce has been calculated using Option B, based on the data used for gender pay reporting, due to the availability of data at the time the Annual Report was published. The gender pay reporting basis comprises salary and benefits as at 15 April 2023 and incentive payments payable in respect of FY2023. The Committee considers that this provides an outcome that is representative of the employees at these pay levels. It is assumed that the value of employee benefits is 7.0% of base salary as an average across the workforce.

The workforce remuneration figures are those paid to UK employees whose pay is at the 25th, median and 75th percentile of pay for the Group's UK employees. Figures are shown on both the prescribed basis using total pay and also salary only which provides a useful ongoing comparison as it is a less volatile basis. The CEO pay ratio for salary has seen a slight decrease at the 25th percentile and median and remained static at the 75th percentile. There is a significant increase in all ratios with regard to

total remuneration. Strong business performance this year has resulted in a bonus between target and maximum for the CEO and FY2023 is the first time the LTIP has vested for the CEO since the date of his appointment.

PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	FY2022 to FY2023			FY2021 to FY2022			FY2020 to FY2021		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
CEO	2.1%	-24.1%	185%	0%	239%	204%	n/a	n/a	n/a
CFO	0.0%	10.7%	176%	n/a	n/a	n/a	n/a	n/a	n/a
Non-executive Director remuneration	2.5%	12.0%	n/a	2.5%	100%	n/a%	-4.0%	-100%	n/a
Average of all employees	2.5%	2.5%	180%	2.5%	2.5%	-34%	0.0%	0.0%	267%

'All employees' is defined as all UK Group employees. This was 190 employees at all grades in FY2023. It was 200 employees and 196 employees for FY2022 and FY2021 respectively.

Remuneration for the CEO Paul Keel was pro-rated for service from 25 May 2021 – 31 July 2021 for FY2021. Remuneration for the CFO Clare Scherrer was pro-rated for service from 29 April 2022 – 31 July 2022 for FY2022.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows shareholder distributions (i.e., dividends and share buybacks) and total employee pay expenditure for FY2023 and FY2022, and the percentage change. The distributions are lower for FY2023 owing to a significantly lower number of share buybacks than in FY2022.

	FY2023 £m	FY2022 £m	Change
Shareholder distributions	350	661	-47%
Employee costs	939	823	14%

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Company's policy is that Executive Directors are normally employed on terms which include a one-year rolling period of notice from the Company and six months' notice from the individual. The contract includes provision for the payment of a predetermined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Company is entitled to dismiss without compensation). In addition to payment of basic salary, pension allowance and benefits in respect of the unexpired portion of the one-year notice period and for good leavers only, the predetermined sum would include annual bonus and share awards only in respect of the period they have served, payable following the end of the relevant performance period and subject to the normal performance conditions.

Paul Keel is employed under a service contract with the Company dated and effective from 25 May 2021. He became an Executive Director with effect from 25 May 2021.

Clare Scherrer is employed under a service contract with the Company dated 13 April 2022 and effective 29 April 2022. She became an Executive Director with effect from 29 April 2022.

The service contracts for both Executive Directors may be terminated by 12 months' notice given by the Company or six months' notice given by the Director. The Company may elect to terminate the contract by making a payment in lieu of notice equal to the Director's base salary and benefits (including pension allowance) in respect of any unexpired period of notice. The service contracts contain specific provisions enabling a reduction in any phased payments in lieu of notice, in the event that the Director finds alternative employment during the notice period. The service contracts are available for viewing at the Company's Registered Office.

CHANGE OF CONTROL PROVISIONS

In the event of a change of control, LTIP awards will vest to the extent that each of the performance conditions is met based on the Committee's assessment of performance over the performance period to the date of change of control. For internal performance measures, the Committee may exercise its judgement in determining the outcome based on its assessment of whether or not the performance conditions would have been met to a greater or lesser extent at the end of the full performance period. Awards will also normally be pro-rated to reflect the time that has elapsed between the grant of the award and the date of change of control. The Committee retains discretion to vary these provisions on a case-by-case basis.

NON-EXECUTIVE DIRECTORS

Single figure of annual remuneration (audited)

	Salary/fees		Benefits ¹		Total	
	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000	FY2023 £000	FY2022 £000
Sir George Buckley ²	465	461	44	47	509	508
Pam Cheng	91	77	-	-	91	77
Dame Ann Dowling ³	99	87	2	3	101	90
Tanya Fratto ⁴	26	81	3	-	29	81
Karin Hoeing	79	73	-	-	79	73
Richard Howes	68	-	-	-	68	-
Bill Seeger ⁵	151	146	4	-	155	146
Mark Seligman ⁶	99	100	-	-	99	100
Noel Tata	95	89	3	-	98	89

NON-EXECUTIVE DIRECTOR FEES

Non-executive Director fees paid during FY2023 and payable during FY2024 are shown below. It was determined that the fee increase for the outgoing Chairman and the Non-executive Directors should mirror that awarded to senior employees and that of the wider UK workforce. The fee increases of 5.0% will be effective from 1 October 2023.

	FY2024	FY2023
Fee payable to Chair of the Board for all responsibilities ¹	£467,000	£466,920
Non-executive Director base fee	£78,598	£74,855
Additional fee payable to the Senior Independent Director	£20,000	£20,000
Additional fee for Committee Chairs	£20,000	£20,000
Attendance allowance for each meeting outside the Non-executive Director's home continent	£4,000	£4,000

¹ The fee stated above will be payable to Steve Williams when he takes over as Chair of the Board at the conclusion of the 2023 Annual General Meeting

SHARE OWNERSHIP GUIDANCE FOR NON-EXECUTIVE DIRECTORS

Non-executive Directors are encouraged to acquire shares in the Company with a value of one times the annual base fee, over a five-year period. The five-year period is from the later of 1 August 2021 or the date of appointment to the Board. In addition, the Non-executive Directors are encouraged to retain a shareholding of one times the annual base fee for at least two years after the Director leaves the Board.

NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

The table below shows the shareholding for each Non-executive Director.

	31 July 2023
Sir George Buckley	29,649
Pam Cheng	6,000
Dame Ann Dowling	5,813
Tanya Fratto ¹	1,500
Karin Hoeing	1,299
Richard Howes	3,307
Bill Seeger	10,000
Mark Seligman	6,000
Noel Tata	6,000

¹ Tanya Fratto retired as a Non-executive Director on 16 November 2022. The shareholding shown represents shares held as at 16 November 2022.

Following a quarterly acquisition of ordinary shares, under a share purchase agreement using a fixed proportion of his after-tax fees received from the Company (20%), Sir George Buckley acquired 783 shares. Karin Hoeing acquired 193 shares and Richard Howes acquired 104 shares on 1 August 2023. There have been no further changes between 1 August 2023 and 15 September 2023.



FOOTNOTES

- Benefits for the Chairman and Non-executive Directors relate to reimbursed travel-related and other expenses (including flight costs and tax support where applicable), which are grossed-up for the UK income tax and National Insurance contributions paid by the Company on their behalf.
- Sir George Buckley's fee is in respect of all his responsibilities for Smiths Group.
- Dame Ann Dowling's fee comprised her Non-executive Director's fee and her additional fee for chairing the Science, Sustainability & Excellence Committee.
- Tanya Fratto retired as a Non-executive Director effective from 16 November 2022.
- Bill Seeger's fees comprised his Non-executive Director's fee, his additional fees for chairing the Remuneration & People and Finance Committees and his additional fee as Senior Independent Director.
- Mark Seligman's fees comprised his Non-executive Director's fee and his additional fee for chairing the Audit & Risk Committee.

CHAIRMAN'S AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Chairman and the Non-executive Directors serve the Company under letters of appointment and do not have contracts of service or contracts for services. Except where appointed at a General Meeting, Directors stand for election by shareholders at the first AGM following appointment. The Board has resolved that all Directors who are willing to continue in office will stand for re-election by the shareholders each year at the AGM. Either party can terminate the appointment on one month's written notice and no compensation is payable in the event of an appointment being terminated early. The letters of appointment or other applicable agreements are available for viewing at the Company's Registered Office.

	Date of appointment
Sir George Buckley	1 August 2013
Pam Cheng	1 March 2020
Dame Ann Dowling	19 September 2018
Karin Hoeing	2 April 2020
Richard Howes	1 September 2022
Bill Seeger	12 May 2014
Mark Seligman	16 May 2016
Noel Tata	1 January 2017

STATEMENT OF SHAREHOLDER VOTING

The table below sets out the Company voting outcome of the advisory resolution for approval of the Directors' Remuneration Report at the 2022 AGM and the approval of the Directors' Remuneration Policy at the 2021 AGM:

Resolution	Votes for	% of votes cast for	Votes against	% of votes cast against	Total votes cast	Votes withheld (abstentions)
Directors' Remuneration Report	282,175,313	96.01%	11,719,764	3.99%	293,895,077	192,763
Directors' Remuneration Policy	282,034,458	86.69%	43,312,009	13.31%	325,346,467	4,371,952

ADVISERS TO THE COMMITTEE

During the year, the Committee received material assistance and advice from the Chief Executive Officer, the Chief People Officer, the Global Reward Director, Deloitte LLP and Freshfields Bruckhaus Deringer LLP. The Committee's appointed independent remuneration adviser is Deloitte LLP. The Company Secretary is secretary to the Committee.

The Company paid a total fee of £89,450 to Deloitte LLP in relation to remuneration advice to the Committee during the year. Fees were determined on the basis of time and expenses.

During FY2023, Deloitte LLP provided the Committee with information on market, compliance support for this year's Directors' Remuneration Report and the provision of other advice relating to remuneration governance and market practice. Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to its Code of Conduct. Deloitte LLP provided additional tax advisory services including global corporation tax compliance and employee mobility advice, as well as company secretarial, internal audit co-source, transaction and consultancy services. The Committee is satisfied that the advice provided by Deloitte LLP is objective and independent and that it does not have connections with the Group that may impair its independence.

SUMMARY OF REMUNERATION POLICY

Full details of the Remuneration Policy for Executive Directors, which was approved by shareholders at the AGM on 17 November 2021, are set out on the Company's website and in the 2021 Annual Report and Accounts on pages 112 to 119.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

BILL SEEGER

Chairman of the Remuneration & People Committee

SCIENCE, SUSTAINABILITY & EXCELLENCE COMMITTEE REPORT

CHAIR'S STATEMENT

I am pleased to present our Committee Report for FY2023. Science, Sustainability and Excellence (SSE) are critical elements of support for the execution of our strategy. We had a full agenda this year on SSE topics and have made good progress.

We submitted our proposed Science-Based Targets (SBTs) and related plans for Scopes 1, 2 and 3 to the SBTi in May 2023, demonstrating our absolute commitment to achieving our Net Zero goals. Completion of ISAE Limited Assurance on our FY2022 and FY2023 emissions inventories and energy efficiency metric was also an important step forward. This work was performed by our auditors KPMG and was a valuable exercise to test our processes and controls for monitoring the accuracy of these critical underpinning data.

Our ESG double materiality assessment was finalised with support from PwC, with the assessment confirming that our ESG strategy and framework are fit for purpose and capture well the most material issues for our stakeholders.

Linking our environmental targets in the form of energy efficiency to remuneration for a larger group of Smiths colleagues has generated enthusiasm across the Company, focusing the business on the necessary cultural change and building critical foundations to achieve our Net Zero goals. As such, we were pleased to recommend further targets to the Remuneration & People Committee for FY2024. More information can be found on page 98.

The Committee received deep-dive presentations from our divisions on a rolling basis throughout the year. The deep-dives from Smiths Interconnect and Smiths Detection covered science in the form of innovation and new product development (NPD). From March, the deep-dives were expanded for John Crane and Flex-Tek to include presentations on their divisional roadmaps to deliver our SBT trajectory. We also received updates on SES projects. These deep-dives are important to the Committee as they enable us to review the culture, opportunities and risks in relation to SSE across the Group. They also bring to life the innovative and exciting work taking place in the divisions which, in turn, ensures the long-term sustainability of Smiths business model.

Over the next year, I look forward to the Committee's continued oversight of our SSE agenda, including further deep-dives from the divisions and Group experts, together with regular progress updates on the development and commercialisation of our new products and on our journey to Net Zero. I am particularly excited by the opportunities presented when these combine, with the innovation and new products we have in the pipeline supporting us and our customers in meeting ESG commitments and the wider green agenda. We believe this is a continuing and significant commercial opportunity for Smiths.

I would like to thank colleagues across Smiths who are driving sustainability, innovation, more efficient processes and the commercialisation of new products. The Committee has observed a real step change in enthusiasm for SSE matters over recent years. I would also like to thank my colleagues on the Committee for their contributions during the year and I look forward to continuing our work in FY2024.

DAME ANN DOWLING

Chair of the Science, Sustainability & Excellence Committee

COMMITTEE MEMBERSHIP AND MEETINGS

There were four scheduled meetings during the year. The members of the Committee, their biographies, and attendance at meetings during the year can be found on pages 80, 81 and 84. The Chief Executive Officer, Chief Sustainability Officer and Group SES Director attended every meeting. Other senior leaders were invited to attend as necessary.

COMMITTEE PERFORMANCE EVALUATION

Through the annual Board evaluation process, described on pages 85 and 86, the Board confirmed the effectiveness of the Committee in its role supporting the Board in compliance with its remit.

COMMITTEE ACTIVITIES

The main topics considered at Committee meetings were:

SCIENCE

All divisions updated the Committee on their NPD processes and pipelines and how science, technology, sustainability and a deep understanding of customer needs and aspirations are influencing their next generations of products. These divisional deep-dives brought to life NPD in each division and enabled the Committee to test future developments to ensure they are sufficiently aspirational and aligned with Smiths strategic aims. The Committee is highly engaged in this area, regularly tracking the development and commercialisation of new and emerging technologies and products. We are excited by the differentiated product opportunities in the pipeline, particularly those designed to support our customers to decarbonise and deliver efficient and sustainable infrastructure and processes.

SUSTAINABILITY

The Committee continued to monitor progress against Smiths sustainability metrics including GHG emissions, renewable electricity, energy efficiency, water use and waste disposal. The Committee was updated on the work of the Energy Governance Committee (now known as the Net Zero Delivery Committee), a cross-divisional working group set up to coordinate a diverse mix of projects to meet our Net Zero targets. These projects include energy efficiency projects, onsite renewable projects, procurement of green electricity, moving to green fleets and alternative energy solutions.

During the divisional deep-dives, the Committee heard how the divisions have been driving environmental change in their businesses. As part of these updates, John Crane and Flex-Tek's roadmaps to achieve their SBT trajectories were reviewed by the Committee who provided challenge and guidance.

The Committee recommended to the Audit & Risk Committee the approval of the ISAE Limited Assurance of FY2022 and FY2023 energy efficiency and GHG data. Internal controls and rigour relating to sustainability data have progressed during the year and the Limited Assurance review by KPMG was an important exercise which highlighted where control efforts should be focused in the future. The Limited Assurance review also supported the Committee's confirmation to the Remuneration & People Committee of the attainment of the FY2023 energy efficiency targets and its recommendation for the new FY2024 targets to be included in remuneration.

An ESG double materiality assessment was undertaken during the year, with oversight from the Committee. While this was an important exercise, it brought no surprises but, rather, confirmed that our current prioritisation of ESG-related topics is indeed on those of highest importance to our multiple stakeholders. The results highlighted five key ESG topics where Smiths must place the most focus. These are: 1) improving safety, health and well-being; 2) delivering Net Zero GHG; 3) commercialising high-value green technologies; 4) behaving ethically and legally; and

5) supply chain management. As well as confirming the material ESG topics for Smiths, the assessment also supported our choice of key development areas for FY2024. The Committee is pleased with the outcome of the assessment and that so many colleagues engaged with the process through an internal survey. For more information on the ESG double materiality assessment, see page 32.

We were pleased to approve the FY2023 Sustainability at Smiths report which provides stakeholders with an enhanced understanding of the Group's approach to, and measurement of, ESG progress. The report can be found on our website.

EXCELLENCE

The Group SES Director attended each Committee meeting to report on SES. The Committee was updated on the embedding of phase two of SES which leverages our Group focus on continuous improvement towards greater results-orientated process improvements.

The Committee heard how the appointment of Master Black Belts and Black Belts, as well as projects that align with business priorities and deliver results, have helped drive support for SES through the business. High demand in the business for SES training has also shown the Committee that the value of SES is understood. Deep-dives from each division demonstrated how SES is becoming truly embedded in the business and in Smiths culture.

Our divisions also highlighted how they have been working in partnership with our suppliers on SES projects in the areas of supply and customer satisfaction to ensure continuity of supply for key customers.

Finally, the Committee was updated on the Internal Audit review of SES. The team assessed various SES projects and metrics to ensure that the communicated benefits were accurate. This was a valuable assurance exercise.

DIRECTORS' REPORT

The Strategic Report is a requirement of the Companies Act 2006 (the Act) and can be found on pages 8 to 77.

The Company has chosen, in accordance with section 414C(11) of the Act, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report. The Strategic Report and the Directors' Report together are the management report for the purposes of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

Other information that is relevant to the Directors' Report, and which is also incorporated by reference, can be found as follows:

Disclosure	Location
Likely future developments in the Company	Strategic Report pages 8-31
Directors' dividend recommendation	Strategic Report pages 21-22
Research and development activities	Strategic Report pages 24-28
Employment of disabled persons	Non-Financial Information Statement pages 64-65
Engagement with UK employees	Our People and Culture page 13-15 Sustainability at Smiths page 46 Employee Share Schemes note 9
Engagement with suppliers, customers and others in a business relationship with the Company	Stakeholders and Section 172 Statement pages 60-61
Political donations and expenditure	Directors' Report page 114
GHG, energy consumption and energy efficiency	Sustainability at Smiths pages 44-45
Corporate Governance Statement	Governance Report pages 78
Directors during FY2023	Governance Report pages 80-81
Director appointment	Governance Report page 90
Amendment of Articles of Association	Governance Report page 90
Indemnities	Governance Report page 84
Directors' responsibility statement	Statement of Directors' responsibilities page 115
Disclosure of information to the auditor	Statement of Directors' responsibilities page 115
Financial instruments	Financial risk management note 19
Share capital disclosures	Share capital note 24
Acquisition of own shares (share buyback programme)	Share capital note 24
Directors' powers	Governance Report page 79 Share capital note 24
Post balance sheet event	Post balance sheet event note 30
Overseas branches	Subsidiary undertakings page 210
Change of control	Remuneration Report page 109 Directors' Report page 113 Borrowings and net debt note 18

CHANGE OF CONTROL

The Company and two of its divisions, Smiths Detection and Smiths Interconnect, have Special Security Agreements with the US Department of Defense in order to comply with the US government's national security requirements. In the event of a change of control of the Company, the agreements may be terminated or altered by the US Department of Defense.

LISTING RULES DISCLOSURE

Information required by the FCA's Listing Rules can be found as set out below. There are no further disclosures required in accordance with Listing Rule 9.8R.

Listing Rule	Disclosure	Location
9.8.4R(1)	Capitalised interest	There was no interest capitalised during FY2023
9.8.4R(12)(13)	Dividend waiver	Dividend note 25
9.8.6R(1)	Directors' interests	Remuneration Report pages 109
9.8.6R(2)	Major shareholders' interests	Directors' Report page 114
9.8.6R(3)(a)(b)	Going Concern and Viability Statement	Strategic Report pages 75-77
9.8.6R(4)(a)	Purchase of own shares	Share capital note 24
9.8.6R(5)(6)(a) and (b)	UK Corporate Governance Code compliance	Governance Report page 78
9.8.6R(7)	Unexpired term of Service Contract	Remuneration Report pages 108-109
9.8.6R(8)(a)(b)	Statement on inclusion of TCFD	Sustainability at Smiths page 47
9.8.6R(9)(10)(11)	Board diversity targets	Governance Report page 89

POLITICAL DONATIONS

The Group did not give any money for political purposes in the UK, the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. In accordance with the US Federal Election Campaign Act, Smiths provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by the Company and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising Government Relations employees and reported to all eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during FY2023 totalled US\$6,000 (FY2022: US\$8,000).

MAJOR SHAREHOLDER INTERESTS

As at 31 July 2023, the Company had been notified under the FCA's Disclosure Guidance & Transparency Rules, or had received disclosures pursuant to the Act, of the following holdings of voting rights in its shares:

	Number of voting rights	% of total voting rights	Date of notification
BlackRock, Inc.	23.3m	5.9	31 May 2018
Harris Associates L.P.	19.7m	5.0	22 July 2019
Dodge & Cox	19.2m	5.0	12 March 2022
Ameriprise Financial, Inc.	17.7m	5.0	5 December 2022
Artemis Investment Management LLP	17.6m	4.9	25 October 2022

No further notifications were received between 1 August and 15 September 2023.

By order of the Board

MATTHEW WHYTE

Company Secretary

25 September 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, including a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement, and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Act and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework.'

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether applicable UK-adopted international accounting standards have been followed;
- For the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed subject to any material departures disclosed and explained in the Parent Company financial statements;

- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate governance and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the Transparency Directive European Single Electronic Format (ESEF) Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors (who are listed on pages 80 and 81) confirms that to the best of his or her knowledge:

- The financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report and Directors' Report, together the management report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- As at the date of this Annual Report and financial statements, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps he or she should have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board of Directors:

PAUL KEEL
Chief Executive Officer

25 September 2023