smiths

NET ZERO TRANSITION PLAN

NET ZERO/CLIMATE TRANSITION PLAN

Work on the Smiths Net Zero/climate transition plan was completed in FY2023. Our Net Zero trajectory was submitted to the SBTi in May.

TRANSITION PLAN OBJECTIVE	Establish a robust and credible, bottom-up, decarbonisation pathway and delivery plan, incorporating interim emission reduction targets, to meet our long-term Net Zero commitments: – Net Zero Scope 1 & 2 emissions by 2040 – Net Zero Scope 3 emissions by 2050 Medium term: FY2032 Long term: FY2040 and FY2050
PRIORITIES	Update and enhance bespoke emission reduction plans for every division working within agreed Group principles Surface and action material decarbonisation opportunities to frontload trajectory Embed plans into business planning and budget cycles Understand risks/challenges to maintain flexibility
KEY PHASES OF WORK continued overleaf	Set emissions baseline (FY2021) for each Scope Deeper dive to analyse base year Scope 3 emissions categories by division Establish hierarchy of preference for Scope 1 & 2 delivery mechanisms to enable consistent and efficient decisions across the Group Determine parameters/assumptions for external developments e.g., decarbonisation of electricity grids, electrification and decarbonisation of transportation and distribution, progress of green heating options, and other industry/governmental commitments Maintain and monitor divisional Scope 1 & 2 operational transition plans to 2032 to enable approximately 50% reduction vs baseline by 2032 grouped by: – Emissions increases associated with strategic plan growth – Energy efficiency measures – Onsite renewables – Purchase of renewable electricity – Electrification of vehicle fleets – Green heating

KEY PHASES OF WORK continued	Divisional analysis of supply chain and supplier progress towards SBTs
	For Smiths Detection an additional analysis of the decarbonisation trajectory for products in use (Smiths Detection being the only division with a significant emissions inventory identified in this category)
	Creation of five-year divisional roadmaps of projects by Scope to embed into business planning and budget cycles
	Group planning for supplier prioritisation, engagement and implementation of Group-wide supplier management platform in FY2024
	Creation of overall Scope 3 roadmap to 2028 and 2032 and strategy beyond 2032
	Analysis of risks/challenges
	Review and sign off by Executive Committee (owned by Divisional Presidents and Chief Sustainability Officer)
	Review and sign off by SSE Committee of the Board

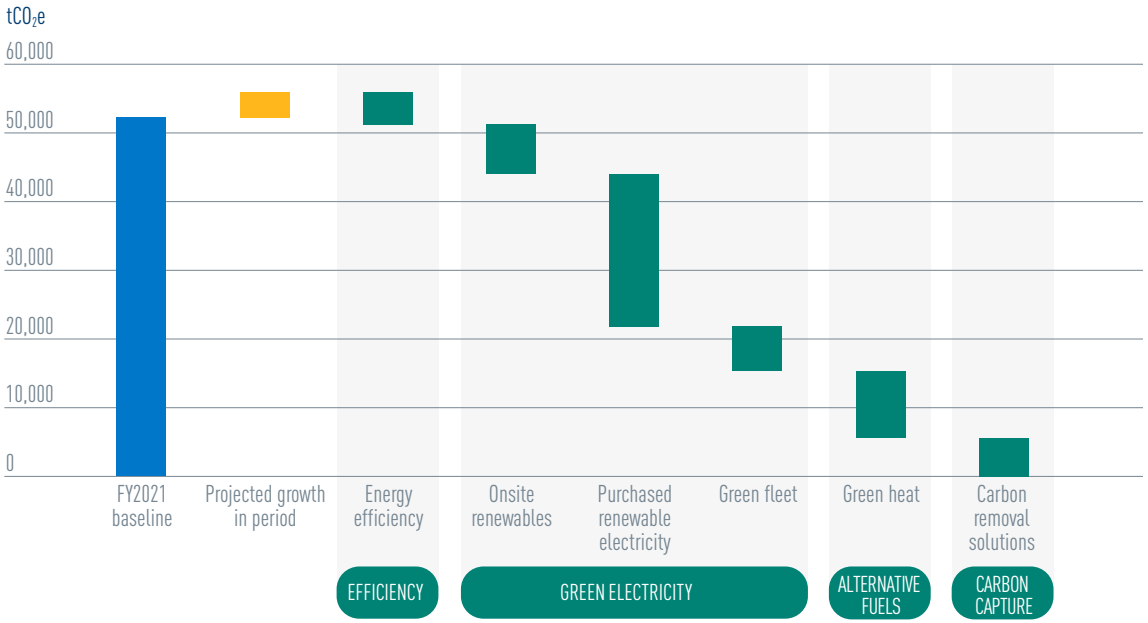
ELECTRICITY PREFERENCE HIERARCHY

We require electricity to run our business and, as part of the transition planning work, determined an electricity preference hierarchy to ensure we are making appropriate and consistent decisions across the Group as we move to 100% renewable electricity. This hierarchy has informed preparation of our divisional Scope 1 & 2 transition plans.

PREFERENCE HIERARCHY:

1. Energy efficiency measures
2. Renewable electricity self-supply for high-demand sites with adequate space, access to renewable resources, cost-effective delivery, and where regulation allows
3. Power Purchase Agreements (PPAs) – contracts to buy electricity for a set period of time from a specific energy system installed, owned and operated by a third party
4. Green electricity tariffs offered by local utilities sourcing/generating renewable electricity
5. Energy Attribution Certificates (EACs) – unbundled renewable certificates purchased separately from electricity. Reserved as a solution for challenging situations where no other option is available or viable

SCOPE 1 & 2 OPERATIONAL TRANSITION TO NET ZERO BY 2040



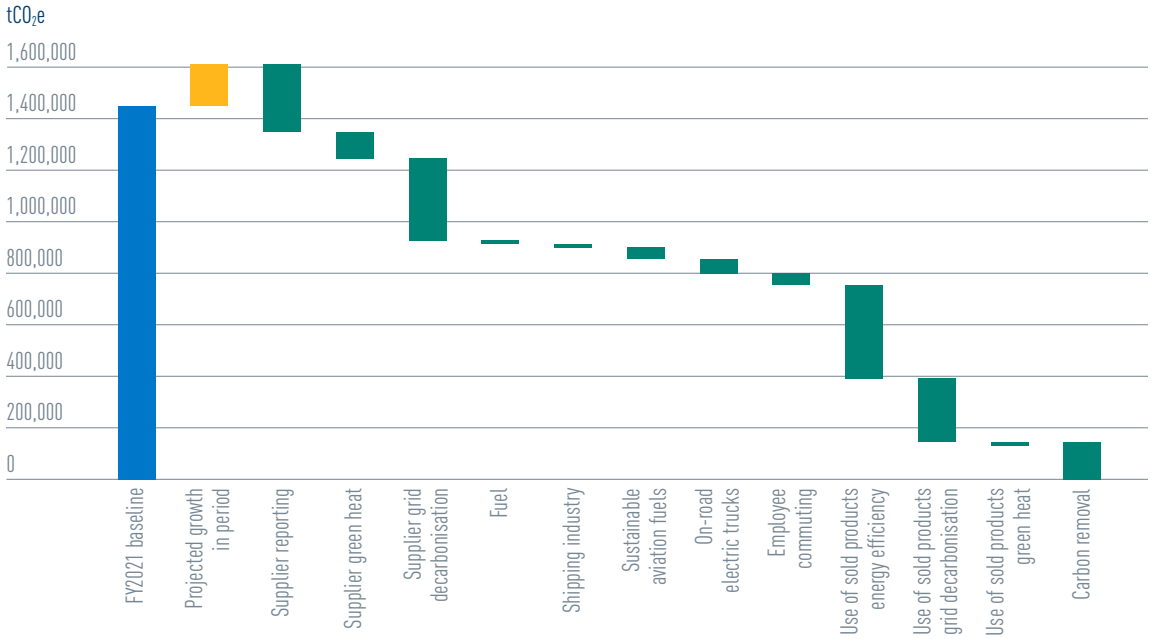
KEY ASSUMPTIONS IN MODEL:

- Delivery of our commitments in accordance with those submitted to the SBTi with a c.50% reduction by 2032
- Carbon intensity of revenue growth will decrease over time
- Energy efficiency benefit is approximately 1% per year after business growth
- Onsite renewable options/technology/incentives improve so that they become increasingly cost-effective over time
- Renewable electricity and EACs will be available in necessary quantities
- Electric vehicles and associated infrastructure suiting our fleet needs will be available
- Zero-carbon fuels will be available to power the remaining portion of our operations not amenable to electrification
- Carbon removal solutions will be available to eliminate remaining emissions, if any

EXAMPLE DELIVERY PROJECTS IN FIVE-YEAR ROADMAPS:

CROSS-DIVISION/ GROUP	– Energy efficiency (Turn it Off) campaign (FY2023) – Site energy assessments using third-party partner
JOHN CRANE	– Slough heating (FY2023) – Lutin renewable electricity contract (FY2023) – Site solar reviews – Fleet electrification – Hnevotin renewable electricity contract
SMITHS DETECTION	– Solar Hemel and Vitry – Solar and heat pump installation Wiesbaden – Heat pump installation Hemel, Vitry, Edgewood – Fleet electrification – Renewable electricity Newark and Singapore
FLEX-TEK	– Solar evaluation (FY2024) – Green heat evaluation Springfield, Tutco, Scotia – New ovens and oven insulation – LED and motion sensors installation and air compressor upgrades – Renewable energy Amnitec
SMITHS INTERCONNECT	– Solar review for Costa Rica, Tampa and Mexico – Tunisia solar implementation – Fleet electrification – Review green heat Dundee and St Aubin – LED projects and HVAC and air compressor replacements – Irving renewable electricity

SCOPE 3 VALUE CHAIN TRANSITION TO NET ZERO BY 2050



EXAMPLE DELIVERY PROJECTS IN FIVE-YEAR ROADMAPS:

- Near-term cross-Group supplier engagement and diligence implementation
  - Supplier platform and standardised procurement, diligence and reporting processes
  - 50% of suppliers by spend to have targets aligned with the SBTi by FY2028
- Medium- and long-term cross-Group supplier engagement and diligence implementation beyond top 50% to disclose emissions and set SBTs
- Smiths Detection customer engagement programme on efficient use of products
- Smiths Detection circular economy expansion

KEY ASSUMPTIONS IN MODEL:

- Emissions growth tracks as expected to business growth plans
- Scope 3 plan focused on purchased goods and services, capital goods, fuel- and energy-related activities, and Smiths Detection energy consumption of products in use, is delivered with c.50% reduction by 2032
- External factors progress as expected:
  - Supplier action on emissions and emissions reporting
  - Energy efficiency across all sectors
  - Decarbonisation of electricity grids
  - Electrification and decarbonisation of transportation and distribution
  - Adoption of low-carbon heating options
  - Continued governmental commitments and actions to support cost-effective energy transition
- Successful introduction of supplier management platform and implementation of supplier engagement campaigns
- Continued supply chain engagement and diligence post-2032
- Carbon removal solutions will be available to eliminate remaining emissions, if any