



Protecting and enhancing value

Corporate responsibility report 2009



Smiths Group plc

Smiths is a global technology company listed on the London Stock Exchange. A world leader in the practical application of advanced technologies, we deliver products and services for the threat and contraband detection, medical devices, energy, communications and components markets worldwide.

We recognise our duty to our employees, our local communities and the environment in which we operate; and we are pleased to report here on another positive year of corporate responsibility programmes and achievements.

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Chief Executive's introduction

I am very pleased to report that our safety and environmental performance continued to improve in the financial year that just completed, making it our safest on record.



Philip Bowman
Chief Executive

I strongly believe that we have a responsibility to our stakeholders to conduct our business ethically, minimise risk to our employees and impact on the environment, and to contribute positively in our communities. I require a high level of management focus in these areas, which I feel to be the foundation of performance improvement.

I am very pleased to report that our safety and environmental performance continued to improve in the financial year just completed, making it our safest on record. In 2007, we established aggressive three-year goals for safety and environmental performance and we are already beating many of these targets.

I believe that a significant contributing factor to our performance improvement is implementation of the health and safety management system OHSAS 18001, and the environmental management system ISO 14001. We require sites to certify their implementation of these excellent continuous improvement platforms to ensure they are applied properly.

Our Code of Business Ethics is part of our culture and a cornerstone to how we conduct our business. All employees are trained in the Code's requirements and must comply with its intent. Senior leaders ensure that the Code is actively followed in their business.

I am also proud that many products and services offered by the Smiths Group businesses contribute to the safety, health and security of the general population and the reduction of environmental impacts on our daily lives.

As a testament to our commitment to corporate responsibility, Smiths continues to be awarded membership in the FTSE4Good Index, which recognises businesses that meet globally recognised corporate responsibility standards. This membership should reassure all of us at Smiths, and our external stakeholders, that we continue to move in the right direction.

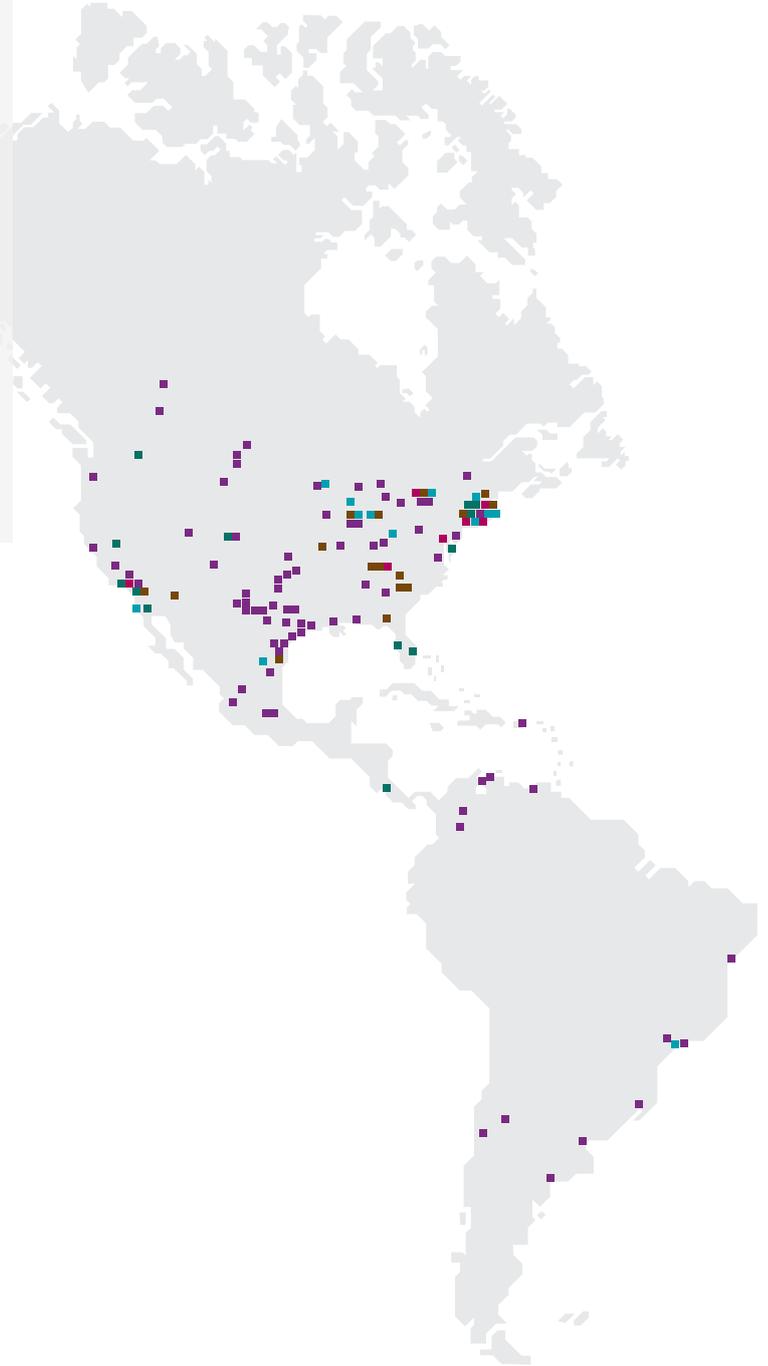
This report summarises our Code of Business Ethics, safety and environmental performance, and highlights samples of our business engagement with local communities. I hope you enjoy reading it.

Philip Bowman
Chief Executive
September 2009

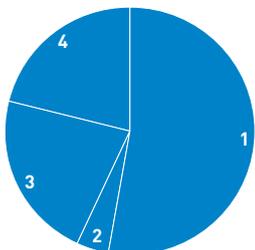
Smiths continues to be a member of the FTSE4Good index, which recognises businesses that meet globally recognised corporate responsibility standards.

Smiths Group: a global business

Smiths has evolved substantially since its foundation. Now employing around 22,000 people in more than 50 countries, we serve a diverse range of global customers including governments and their agencies, petrochemical companies, hospitals, telecommunications companies and manufacturers in a variety of sectors around the world.

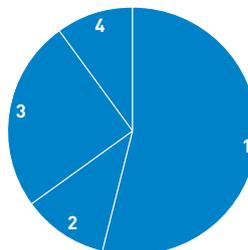


Group sales by destination



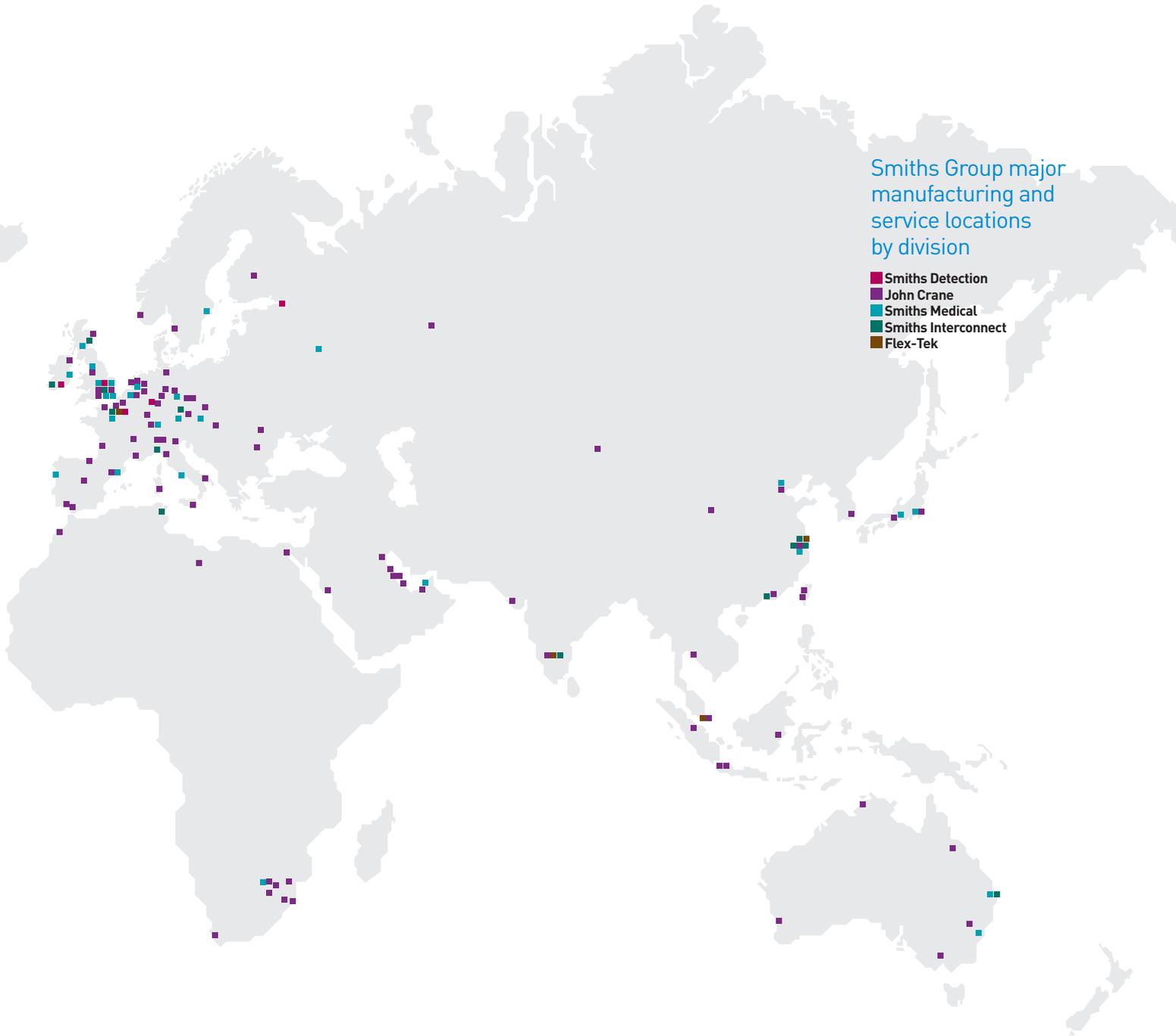
1 North America 53%
2 UK 4%
3 Europe other 22%
4 Rest of World 21%

Location of assets

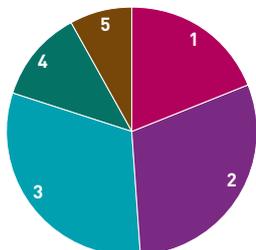


1 North America 54%
2 UK 11%
3 Europe other 25%
4 Rest of World 10%

Analysis excludes cash and cash equivalents

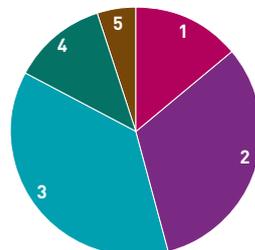


Divisional sales



- 1 Smiths Detection 19%
- 2 John Crane 30%
- 3 Smiths Medical 31%
- 4 Smiths Interconnect 12%
- 5 Flex-Tek 8%

Divisional headline operating profit

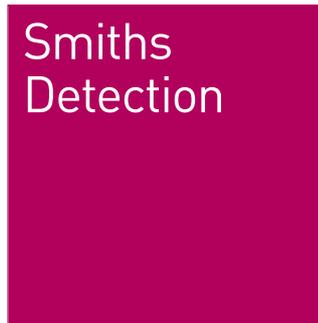
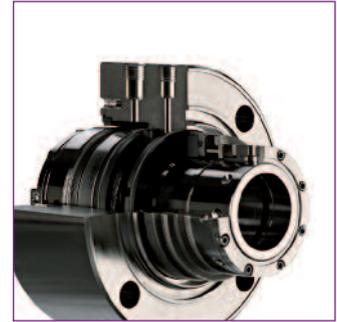


- 1 Smiths Detection 14%
 - 2 John Crane 32%
 - 3 Smiths Medical 37%
 - 4 Smiths Interconnect 12%
 - 5 Flex-Tek 5%
- Percentage relates to headline operating profit before corporate costs

Smiths divisions

Smiths Group has five divisions: Smiths Detection, John Crane, Smiths Medical, Smiths Interconnect and Flex-Tek. Our businesses are highly competitive, with strong technology positions, and operate in sectors with excellent opportunities for growth.

We bring technology to life.



Smiths Detection is a world-leading designer and manufacturer of sensors that detect and identify explosives, narcotics, weapons, chemical agents, biohazards and contraband.

John Crane is a world-leading provider of products and services for the major process industries. These include the oil and gas, power generation, chemical, pharmaceutical, pulp and paper, and mining sectors.

Contribution to 2009 sales

19%

Contribution to 2009 headline operating profit*

14%

Operational priorities

- Bring new technologies to market
- Roll-out checkpoint and cargo screening systems
- Seek complementary technologies through acquisition
- Implement cost reduction initiatives
- Complete the roll-out of single ERP business system

Customers

A significant majority of sales are influenced by more than 100 governments and their agencies, including homeland security authorities, customs authorities, emergency responders and the military. These include the US Department of Defense, US Transportation Security Administration (TSA), UK Ministry of Defence, and airport operators such as BAA in the UK.

Key strengths

- Market leader with a global presence
- Strong technology positions and excellent product engineering skills
- Access to growth markets
- Investment in R&D increasing to support innovative product launches

Employees

2,400

Contribution to 2009 sales

30%

Contribution to 2009 headline operating profit*

32%

Operational priorities

- Deliver the restructuring programme and associated operational efficiencies
- Expand technology footprint through acquisitions
- Build new upstream services business that uses existing global network
- Increase original equipment sales and manufacturing capacity and extend global customer service network

Customers

John Crane serves oil & gas and power generation companies, refineries, pump and compressor manufacturers, chemical and other process industries. Its main customers include BP, Chevron, China Petroleum, ConocoPhillips, ExxonMobil, Gazprom, Qatargas, Saudi Aramco, Shell, Petrom, Total, Dresser, Elliot, Flowserve, GE Nuovo Pignone, GE Energy and Power, Andritz Hydro, Siemens and ITT.

Key strengths

- Two-thirds of revenue from aftermarket service
- Market leader in its field, blue chip customer base
- Driven by long-term demand for energy
- Good positions in key markets

Employees

6,600



Smiths Medical

Smiths Medical is a leading supplier of specialist medical devices and equipment for global markets. Our products are focused in the medication delivery, vital care and safety devices market segments.

Contribution to 2009 sales

31%

Contribution to 2009 headline operating profit*

37%

Operational priorities

- Complete ERP implementation and optimise supply chain
- Reduce business complexity through portfolio rationalisation
- Leverage global product development process and increase percentage of sales from products under three years old
- Scope to reduce costs and improve margins

Customers

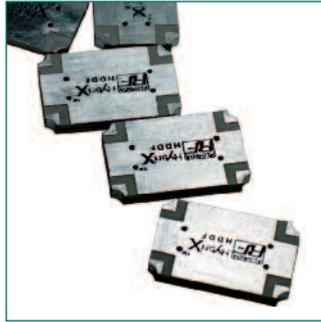
Smiths Medical estimates that around three-quarters of its end customers are hospitals with the remainder comprising the alternate care market such as home care and other surgery centres. We have a direct sales presence in 20 countries with distribution arrangements in many others.

Key strengths

- Established brands with practitioner loyalty
- Global sales & marketing network
- Increasing roll-out of new products
- Focusing increased R&D investment on higher growth segments and markets

Employees

7,400



Smiths Interconnect

Smiths Interconnect designs and manufactures specialised electronic and radio frequency products that connect, protect and control critical systems for global wireless telecommunications, aerospace, defence, space, rail, medical and industrial markets.

Contribution to 2009 sales

12%

Contribution to 2009 headline operating profit*

12%

Operational priorities

- Expand globally from US base
- Leverage market knowledge and customer relationships throughout the business
- Add new technologies and territories through bolt-on acquisitions from fragmented sector
- Rationalise manufacturing and continue to move to lower cost markets

Customers

Smiths Interconnect supplies to multiple levels of the supply chain and its blue chip customers include primes and service providers, OEMs, system suppliers and sub-system manufacturers. Amongst our largest customers are Raytheon, Finmeccanica, BAE Systems, Boeing, AAI/Textron, Northrop Grumman, General Dynamics, Lockheed Martin, Ericsson, Motorola, AT&T, Verizon, Sprint Nextel, Emerson, ZTE, Huawei, GE Medical and Alstom.

Key strengths

- Technical differentiation providing barriers to entry for competition
- Strong brands recognised by customers
- Excellent military programme positions
- Positive market dynamics in wireless infrastructure and defence

Employees

3,350



Flex-Tek

Flex-Tek provides engineered components that heat and move fluids and gases for the aerospace, medical, industrial, construction and domestic markets.

Contribution to 2009 sales

8%

Contribution to 2009 headline operating profit*

5%

Operational priorities

- Expand non-construction market activities eg aerospace and medical
- Exploit growth potential in Asian industrial and appliance markets
- Develop new products to drive revenue growth and returns
- Continue the site rationalisation programme

Customers

Flex-Tek serves mainly aerospace engine and airframe manufacturers, domestic appliance manufacturers and the US construction industry. Large customers include Whirlpool, Electrolux, Trane, Carrier, Boeing, Airbus, Pratt & Whitney, GE Aerospace, and Respirationics.

Key strengths

- Strong positions in niche markets
- Lean manufacturing culture with strong cost control
- Good performance in markets other than US construction market, civil and military aircraft demand rising

Employees

2,000

*Percentage relates to headline operating profit before corporate costs

Managing corporate responsibility and business ethics

The Code applies to all Smiths businesses and employees worldwide and provides the framework for policies, programmes and procedures for a range of corporate responsibility issues. It is endorsed and fully supported by the Board.

The Code of Business Ethics

In 2004 we introduced a Code of Corporate Responsibility and Business Ethics ('the Code') which set out 12 broad principles for how Smiths does business, based on common values of integrity, honesty, fairness and transparency. It was acknowledged that the principles cannot address all areas or all circumstances, but they provide a framework for wider policies and programmes.

In early 2008, Smiths retained the consultancy URS to conduct a benchmarking exercise of the Code against guidance on content and implementation from the Institute of Business Ethics. We took this opportunity to benchmark against companies operating in similar segments, from both a product and an investor perspective, using publicly available materials. The purpose was to establish the comparative strengths, weaknesses and opportunities for development of the Code.

Whilst URS highlighted many strengths, they also helped us to identify the following changes that, in the main, describe areas covered by policies but not previously set out explicitly in the Code:

- we have incorporated more references to the shareholders as a key group of stakeholders;
- we have strengthened the non-retaliation language;
- we have made more explicit the principles in relation to confidential information and use of Smiths and third parties' assets (including IT and communications equipment);
- we have included reference to protection from potential security threats;
- we have included references to payment of taxes and assessment of risk;
- we have expanded references to the availability of resources to support the Code; and
- we have expanded provisions and advice for reporting issues, and have included, at the end of the Code, a section on governance which previously appeared on the website and intranet, but not in printed versions of the Code.

The revised Code, although expanded, retains the 12 core principles structure and has the simplified title 'Code of Business Ethics'. It has been produced in 12 of Smiths operating languages, and is available both in hard copy format and on the Smiths intranet for each employee.

The new Code of Business Ethics is available to the public on the Smiths website. www.smiths.com

In 2008, in order to communicate the revised Code and provide ethics training to individuals across the Group, a Smiths Code of Business Ethics training course was created. In collaboration with Global IT this course was launched online through a custom-built electronic training platform, the Global Learning Resource (GLR), and installed on a Smiths training portal available through the internet. The course is also available on CD-Rom.

The online Code of Business Ethics training was launched in five core languages and completed in June 2009. Smiths employees have been trained on the revised Code of Business Ethics through the intranet, portal or classroom-style training. New employees also participate in ethics training.

The GLR and portal are designed to support future employee training in the areas of business ethics, compliance, safety, and security.

The 12 principles of the Code of Business Ethics:

- 1 We comply with the law
- 2 We compete fairly
- 3 We act with integrity in all our business dealings
- 4 We treat suppliers, partners and customers properly
- 5 We treat our co-workers respectfully
- 6 We contribute to healthy, safe and secure workplaces
- 7 We respect the environment
- 8 We contribute to our communities
- 9 We participate in relevant public debates
- 10 We respect human rights
- 11 We have high standards of financial record-keeping and reporting
- 12 The Code applies to all of us

Managing the Code

The Code is approved by the Board of Directors of Smiths Group plc and is supported by the Chief Executive, the directors and the management of Smiths at all levels.

The Board has ultimate responsibility for the Code and its application across Smiths businesses worldwide.

The Audit Committee of the Board has particular responsibility for monitoring the implementation of the Code, in addition to the programmes and functions that underpin compliance.

The Code of Business Ethics Compliance Council ('the Council') is responsible for reviewing issues, determining priorities and making recommendations to the Audit Committee. Members of the Council brief the Audit Committee periodically on ethical issues and suspected or actual breaches of the Code. Responsibility for managing specific issues sits at different levels within Smiths Group, depending on the nature of the issue and how it can most effectively be managed:

- environment, health and safety (EHS) issues are the responsibility of line managers and all employees. The Group-wide EHS steering committee, a technical implementation committee and local co-ordinators assist in the development of strategy and policy and the provision of advice and support;
- security is managed through a Group-wide steering committee and, in each business, by line management;
- employee issues are managed through the human resources function and by line management;
- supplier and customer programmes are managed by each business; and
- community programmes are principally managed locally, although there is also some Group-level activity.

The Chief Executive and his leadership team actively champion the Code, securing its ongoing relevance and profile via several routes. These include:

- the discussion of ethics issues and Code compliance at management meetings;
- the review of ethics issues in the performance review system for managers; and
- the examination of Code compliance issues in site-level internal audit reviews.

Day-to-day responsibility for compliance with the Code rests with each and every Smiths employee.

Managing specific issues

Employees who have concerns or queries in relation to the Code are encouraged to raise these through a number of routes: by raising the issue with line management, human resources, legal counsel for their business or division, or by using the confidential Ethics Helpline established across the Group.

The Ethics Helpline is accessible by both phone and email to answer queries relating to ethics issues, as well as to act as a confidential reporting line for concerns and allegations. The Helpline is available via toll-free numbers in over thirty countries where Smiths has businesses, staffed by individuals who speak the local language. All issues are addressed promptly and referred, as required, to relevant functions to enable proper investigation. If appropriate and possible, a report back is given to the caller.

Information about the Ethics Helpline and other aspects of Code compliance is available to employees on the Smiths intranet. For employees who do not have access to Smiths Group electronic communication tools, posters are on display at Smiths sites. All employees are provided with a printed copy format of the Code.

Smiths continues to be awarded membership of the FTSE4Good Index which recognises companies that meet globally recognised corporate responsibility standards. Whilst we are not complacent about the ongoing work required, we were pleased to receive this external recognition of our corporate responsibility initiatives and business ethics programme.

Smiths is committed to conducting all its activities in a manner which achieves the highest practicable standards of health and safety.

Contributing to the world

Smiths businesses contribute towards making the world safer and greener through their products and services. From medical equipment and supplies to solar-powered water pumping systems for gas wells, Smiths is there.



Smiths Medical: EDGE™ Safety Hypodermic Syringes

More than 600,000 US healthcare workers each year report needlestick and sharps injuries, which can spread potentially fatal blood-borne infectious diseases such as HIV, Hepatitis B and Hepatitis C. In the UK, an ongoing Royal College of Nursing study has shown that around 100,000 NHS workers suffer needlestick injuries each year. Unlike standard needles, Smiths Medical's EDGE™ range of safety hypodermic syringes features a protective safety guard to cover the sharp end of the needle, helping prevent injuries and infection. As evidence of the importance of needle safety, the US Department of Health and Human Services has selected Smiths Medical to supply millions of EDGE™ needles to support the US Government's efforts to prevent the spread of H1N1 flu.



Smiths is working to make the world a safer and greener place.

Flex-Tek: EverClean™ Ducting

As part of the Flexible Technologies Group, Thermaflex® is a global leader in the flexible duct product industry for commercial and residential heating, ventilation and air conditioning applications. Thermaflex® has met the ever-increasing demand for fresh, consistent indoor air quality with EverClean™, a one-of-a-kind flexible duct. Anti-microbial properties resist and inhibit the growth of mould and mildew while the internal lining provides efficient air delivery preventing leaks and therefore reducing energy costs while providing constant comfort. All EverClean™ components are self-extinguishing and will not deteriorate in a fire until the temperature reaches the melting point of glass. Thermaflex® EverClean™ minimises our global environmental impact and creates a more sustainable world through low-embodied energy, non-toxic materials, and low volatile organic compounds earning it the Greenguard® Certification for Children and Schools.



Smiths Detection: Lightweight Chemical Detector

Chemicals used in warfare and terror attacks are a real threat. Such threats, combined with on-going military activity and increased needs for homeland security measures, have put armed forces and responders at a high risk from chemical exposure. In order to protect frontline defenders and arm them with the versatility to mitigate a wide range of scenarios, Smiths Detection has launched the newest models in its Lightweight Chemical Detector series, the LCD 3.3.



Smiths Interconnect: Surge Protectors

Transtector, a Smiths Interconnect business, is partnering with turbine manufacturers to help meet global green energy goals. Wind turbines, ranging from 20 to 65 metres in height, act as lightning rods and attract severe surges. Sensing, monitoring and control circuits, all components of wind turbine systems, are extremely sensitive to power surges. Transtector's ac, dc and data line surge protectors help to keep wind towers generating green power through challenging weather.



John Crane: solar-powered pumping systems

Natural gas can be extracted with the help of solar power, thanks to a revolutionary pumping system developed by world-leading technology business John Crane. The LVPS (low-volume pumping system) – the first of its kind – can remove water from the wells with zero carbon emissions. Solar panels generate enough electricity to power the pumping system, which pumps water from the underground field using John Crane Production Solutions' lightweight fibreglass sucker rods. This allows the gas to travel to the surface, where it is collected and transported via pipelines. The system consumes less power than a handheld hair dryer.

Smiths in the environment

We are committed to ensuring that, as far as is reasonably practicable, any detrimental effects of our activities, products and services upon the environment are minimised.

Organisational arrangements

Smiths environment, health and safety (EHS) programmes start with the EHS policy, which was recently revised by Philip Bowman, Chief Executive, and is reproduced at the back of this report. The policy deployment process within the Group is as follows:

- The Executive Committee develops policy and monitors performance.
- The Group EHS Steering Committee, which comprises senior group and divisional representatives, develops strategy and ensures progress.
- The Group EHS Technical Committee develops programmes that implement the strategy. It also facilitates the sharing of best practices and provides training opportunities.
- Regional co-ordinators and local EHS staff provide feedback on performance and issues.



John Crane, Morton Grove USA: Major Lighting Energy Reduction

While energy conservation has been the trend in business circles for some time, John Crane – the leading global supplier of mechanical seals and associated products – wanted to go beyond leaving a lighter footprint to improving the work environment for their employees. With the help of energy solutions firm Lime Energy, their mission was recently accomplished. Lime Energy and John Crane's Maintenance Department worked together to determine light levels and product specifications with the goal of reducing inventory and total system life-cycle costs for the John Crane headquarters in Morton Grove, Illinois, which has 700 employees and manufactures close to 100,000 mechanical seals per year. Lime Energy made changes to all lighting fixtures by adding lamp and ballast systems that consume less energy and are brighter. The project included installation of over 1500 new and retrofitted lighting fixtures. From an environmental standpoint, the retrofits equate to a reduction of 532 tons of CO₂ or 250 tons of coal per year.

One of Smiths goals is to reduce the total of our non-recycled waste. Where possible, packaging waste is minimised by the use of reusable and returnable packaging.



Smiths Detection, Watford UK: Eco-Design

New products developed at Smiths Detection in Watford are now designed using 'Design for Environment' or 'Eco-Design' techniques. An in-depth study was carried out to find the best tools and methods, and these have since been successfully proved in trials. Eco-Design is now part of the New Product Development Process, which means that all future products will undergo assessment for environmental impact.

Early successes have included the elimination of hazardous materials, such as lead, through the introduction of lead-free solder. Most recently, significant reductions in product power consumption have been achieved, leading to far fewer batteries being used and, as a consequence, far less hazardous waste generated. Our customers also experience lower running costs.

The processes, and the results, have been presented at a number of environmental conferences in the UK. Articles describing the work have been published internationally in, for example, the *Journal of Cleaner Production*, and the European Commission's 'Science for Environment Policy' news service.



Smiths Heimann, Wiesbaden Germany: Eco-profit Programme

Environmental protection and cost-conscious use of energy and resources are important to Smiths Heimann. Along with other Wiesbaden, Germany companies, Smiths Heimann was recognised in December 2008 for its successful involvement in the fifth Eco-profit Programme (Ecological Project for Integrated Environmental Technology).

The Eco-profit Programme was developed jointly by the City of Wiesbaden and companies in the region and has been running since 2000. The programme aims to set up a local unilateral network for effective implementation of environmentally sustainable business practices. Companies participating in the Eco-profit programme also installed the essential elements of an environmental management system which far exceeds statutory requirements. Representatives of the City of Wiesbaden certified that Smiths Heimann's commitment has made a substantial contribution to helping combat climate change and the depletion of resources.

Examples of Smiths Heimann's environmental practices include supplying technical manuals to customers electronically on compact disks (€3,000 and 600,000 sheets of paper saved per year) and re-organising waste and disposal management systems resulting in cost savings of €16,000 per year. Other activities include building energy improvements which have reduced electricity and heat consumption.

Smiths Heimann has also contributed to the first Wiesbaden Eco-profit bus, whose design will promote the programme throughout Wiesbaden.

Smiths in the environment continued

Managing environmental impacts

Smiths is committed to ensuring that, as far as is reasonably practicable, any detrimental effects of its activities, products and services upon the environment are minimised. In practice, this means using performance-based environmental management systems to drive improvement throughout the business.

All Smiths manufacturing facilities with more than 50 employees are required to achieve certification to the international environmental management system standard ISO 14001. New acquisitions and sites that grow above this threshold have two years to comply.

Currently, we have 67 of 88 manufacturing sites certified, providing an externally verified framework for continual improvement, compliance assurance, emergency preparedness and management review.

Performance against targets

Smiths set itself targets for reducing water consumption by 9%, waste generation by 9% (both normalised against sales) and to cap its greenhouse gas emissions at FY 2006/07 levels (absolute). These goals were to be achieved by 31 July 2010.

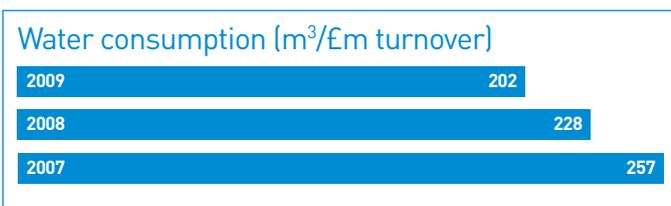
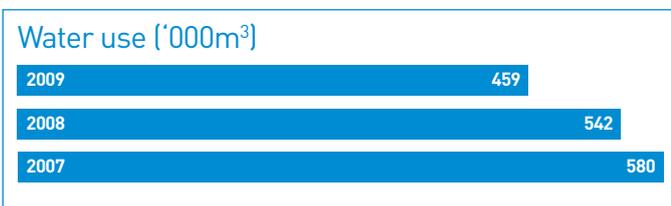
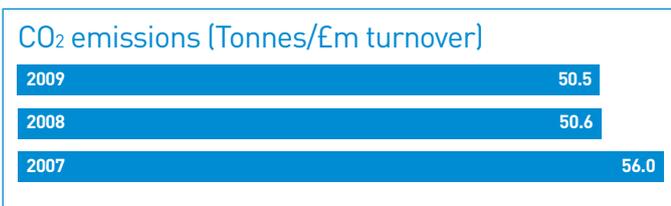
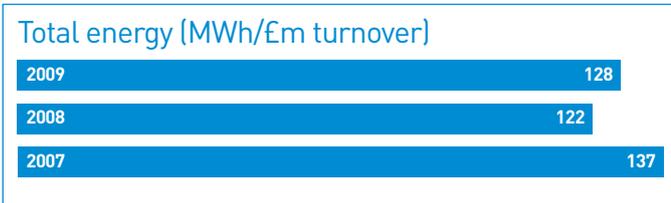
The rate of our environmental performance improvement has been beyond our expectation, currently beating our goal for 31 July 2010.

Our online data management system has given us improved quality and timely data with monthly reporting and real time checking for errors. More Smiths businesses than ever before now report. The data does not include businesses disposed of during the year.

Our heightened focus on compliance has increased our confidence that our operations are maintaining compliance. We had no fines during the 2009 fiscal year.

Performance against targets

Target (August 2007 – July 2010)	2009 result
Greenhouse gas emissions No absolute increase over the 2007 baseline	9% reduction
Total non-recycled waste 9% reduction over three years normalised against turnover	31% reduction
Water consumption 9% reduction over three years normalised against turnover	21% reduction



Smiths Medical, Monterrey Mexico: Recycling Warehouse

Smiths Medical Monterrey is committed to the environment and to minimising any impact upon it, reducing, reusing, recycling and disposing of resources responsibly. A recent improvement was made to the site's recycling programme, which included building a special recycling warehouse and implementing a new recycling system. The warehouse helps to separate recyclable materials correctly as well as making the process easier and faster. Use of the warehouse has reduced the amount of material sent to landfill.

In addition, the site has partnered with a local recycler which processes and sells waste plastic as raw materials to other companies. The recycler takes many types of materials including office paper, plastic bags, aluminium cans, and electronic products. Another external supplier even takes the kitchen organic residuals for pigs' fodder. The site earns approximately USD\$18,000 per year from its recycling programme and the money is used for the site's community programme.

Smiths in the workplace

We believe in providing our employees with the means to add value to themselves as well as the business they work in. We support our employees by investing in improved safety in the workplace, ensuring their statutory rights are upheld, treating our work colleagues fairly and with respect, and developing the Group's talent.

As a global technology group, we offer a variety of roles to help our people progress their career within Smiths in line with their capabilities and performance.

Employees

Smiths continues to be a diverse group of businesses and our people reflect that diversity.

Adding value

Throughout Smiths, people are taking action to achieve the best possible long-term performance for our shareholders. We invest in the skills and capabilities of our people and expect them to reflect that investment in their performance in terms of business results.

Career progression

As a global technology group, we offer a variety of roles to help our people progress their career within Smiths in line with their capabilities and performance. We identify potential future leaders and provide them with development tools and opportunities to support their career ambitions and the needs of the business. We also recognise the need to balance internal development and promotion with external recruitment where this is necessary to fulfil our individual and team commitment to add value.

Diversity

We welcome diversity in our workforce, not only to adhere to our legal obligations but also because we believe that everyone needs to challenge constructively and to contribute ideas from their own perspective to support the achievement of business performance objectives.

Succession management

Smiths operates a systematic succession management process for leadership roles. Our businesses identify leadership talent and development needs using a set of key competencies, common tools and a consistent language. Development plans are monitored by senior management to optimise effective succession opportunities.

Developing talent

Smiths has a number of development programmes designed to evaluate and enhance core leadership competencies. These development programmes are designed and tailored to address a wide range of learning styles, incorporating workshops, experiential learning, mentoring, team working and project experience.

For employees to add value we have to ensure they are properly engaged with and committed to the business priorities. We provide not only the training and development opportunities that represent an investment in both their future and that of the business but also a safe and responsible working environment that encourages mutual respect, provides opportunities for personal growth and rewards individual and team contributions that realise value for the business.

Communication

Communication is crucial to helping employees engage with the business. At business unit level, we have a variety of channels including team briefings, presentations, intranets and newsletters. Many businesses have well-established forums for exchanging information and best practice as well as discussing current business issues including efficiency initiatives, training and development, and environment, health and safety issues.

In European Union (EU) countries we have workplace information and consultation arrangements at our sites. These link to the Smiths European Forum, through which employee representatives from across the EU meet annually to discuss transnational matters with Group executives. This year's meeting was held in Germany and included a presentation from Smiths Chief Executive, Philip Bowman, on the performance of Smiths and on the challenges facing the Group's businesses in the light of recent economic conditions.



Smiths Medical, Latina Italy: Family Day
Smiths Medical in Latina, Italy holds an annual Family Day in the summer. The day includes a drawing competition for children with the theme of environment, energy, and community. At the end, all children are given prizes and Smiths Medical Family Day shirts.



Smiths Detection: Multicultural Fundraising

A diversity lunch was celebrated throughout some of Smiths Detection's North American sites to promote the sale of their Multicultural Cookbook. Employees joined together for some cheer and enjoyed sampling a variety of ethnic foods.

The Smiths Detection Multicultural Cookbook included recipes from across different parts of the world. The sale raised USD\$1045 which was donated to UNICEF, (the United Nations Children's Fund), a global leader in working with others to overcome the obstacles that poverty, violence, disease and discrimination place in a child's path.

Health and safety

OHSAS 18001 Occupational Health & Safety Management System

In 2007 Smiths made a commitment to achieve certification to the occupational health and safety management system standard OHSAS 18001 by July 2010 at all of its manufacturing facilities with more than 50 employees.

Some Smiths businesses have already achieved certification and we can now use this experience to help with further implementation across the Group. In total we now have 19 facilities, out of a 2010 target of 88, certified to OHSAS 18001. A programme is in place to achieve the remaining certifications in the specified timeframe.

Performance indicators

The success of OHSAS 18001, together with other targeted initiatives, is measured against our recordable incident rate performance. Smiths tracks safety performance using the US Occupational Safety and Health Administration methods for lost time incident rate and recordable incident rate which express the number of incidents per 100 employees per year. The US Bureau of Labor publishes industry comparisons each year, providing us an approximate performance benchmark.

In August 2007, we announced the goal for all Smiths businesses to achieve a recordable incident rate better than 1.5 (per 100 employees per year) by July 2010. We have outperformed this goal early, achieving a recordable injury rate of 1.03 in 2009, which is a 46% reduction over our baseline 2007 performance of 1.89. Since 2004, we have achieved a steady reduction in our recordable injury rate with 2009 being our safest on record for Smiths.

Audit

An audit process has been developed and external auditors retained to conduct legal EHS compliance audits of our operations. Facilities to be audited are chosen from across the Group based on size, complexity and compliance risks. Audited locations prepare corrective action plans, which are monitored closely to ensure proper and timely closure of issues. Common compliance issues may result in Group-wide initiatives to ensure compliance is maintained across the Group.

In total we now have 19 facilities, out of a 2010 target of 88, certified to OHSAS18001.



Smiths Medical, Monterrey Mexico: Health Fair

Health and wellness fairs are conducted each year at numerous Smiths locations. At Smiths Medical Monterrey, several specialist doctors in Otolaryngology, Paediatrics, Gynaecology and Orthopaedics provided services at the site to employees and their families. In addition, dental and optical temporary units were installed to perform evaluations and diagnosis.



Smiths Medical, Tijuana Mexico: Ergonomics

At Smiths Medical in Tijuana, Mexico, employees keep moving with regular ergonomic exercises consisting of stretches and breathing techniques at their work stations. Employees avoid the risk of ergonomic-related illnesses and feel better in general, with reduced stress and muscular pains.

Smiths Detection, USA: New Online Environment Health & Safety Training

Smiths Detection USA launched an online learning management system for the delivery of EHS and wellness. The new online training system allows efficient and effective delivery, tracking, management, and reporting on all key EHS training initiatives. Online training enables employees to complete training anytime and anywhere they have access to the internet.



TUTCO de Mexico, Monterrey: Safety Programme Recognition

TUTCO de Mexico recently received recognition from the Mexican government for their success in the Programme of Management of Health and Safety in the Workplace. The Safe Company Programme is a promotional initiative of the Department of Labour and Social Planning to recognise the self-management of companies in health and safety.

Targeting under-performance

Sites with the weakest performance in the Group are selected for focused attention, involving additional management reviews, assessment, and improvement programmes.

Safety performance

Recordable Incident Rate



Lost Time Incident Rate



Data collection and analysis

We have invested in a bespoke worldwide data collection and reporting system which was implemented in August 2007. This gives us an enhanced ability to review performance site by site in real time against Group targets.

Performance against targets

Following a concerted effort, our safety performance, as measured through recordable and lost time incident rates, continues to improve. The improvements are supported by enhanced incident investigation and return-to-work programmes. The financial year just completed has been the safest on record for Smiths.

We are starting to see other positive indicators as well. Violations and fines are at an all-time low, with no fines levied during the 2009 fiscal year. In addition, our US workers' compensation claims costs continue to decline year over year. These visible and tangible benefits exclude the business costs and personal impacts associated with injury and lost time.

Performance against targets

Target (August 2007 - July 2010)	2009 result
OHSAS18001 certification Certification at all sites with more than 50 employees by July 2010	19 out of 88 certified
Recordable incident rate Better than 1.5 per 100 employees	1.03
Lost time incident rate No target set	0.51

Smiths in the community

In addition to providing employment opportunities, we focus on community involvement through charitable giving, community activities and health and education initiatives. Our charitable donations and community initiatives facilitate projects around the globe that, like our products, seek to help make the world a safer, healthier and more productive place.

Charitable Donations and Community Initiatives

Here are some examples of charitable and community initiatives from Smiths businesses around the world.



John Crane Australia: Operation Victoria Fire Assist

It's at times of disaster and community distress that Australians turn to their Defence Force for assistance and support. That is what happened in Victoria in early February 2009 after fires wreaked havoc across the State. From the Victorian Department of Emergency Services, Operation Victoria Fire Assist was established. One of John Crane Australia's employees, Frankie Camilleri, has been a member of the Australian Defence Force (ADF) for eight years and he commanded the Community Support Hubs (CSH) site. John Crane fully supported Frankie's assignment to the Victoria bushfire. In addition, numerous John Crane employees, locally and abroad, donated a total of AUD\$6,000 towards the bushfire appeal.

An ADF Certificate of Appreciation was presented to John Crane Australia in June 2009 for providing positive support in releasing their employees in the ADF Reserves to participate in Operation Victoria Fire Assist.



Smiths Interconnect RF Labs / EMC Technology, Florida USA

In April 2009, employees, family and friends of Smiths Interconnect RF Labs and EMC Technology gathered at the Martin County Hobe Sound Boys and Girls Club to clean up the grounds and to refurbish picnic tables. The Boys and Girls Club strives to inspire and enable all young people, especially those who are in the most need, to reach their full potential as responsible, caring and productive citizens. Many of these children and teens are considered at-risk for drug and alcohol abuse, teenage pregnancy, and/or academic failure. The Martin County Boys and Girls Club currently serves more than 2,500 members and reaches out to about 4,100 other children in the community.

Our charitable donations and community initiatives help make the world a safer, healthier and more productive place.



Smiths Medical, Norwell USA

The Smiths Medical North America team got behind the Pan-Mass Challenge (PMC) Charitable Bicycle Ride, which is organised to support the Dana Farber Cancer Institute. During the last 30 years, the PMC has raised more than USD\$230 million. This year, each member of the 12-person Smiths Medical and Friends team rode nearly 200 miles, raising more than USD\$53,000 for cancer research. For some members, this effort was personal, as they have been affected directly by cancer. For others, in addition to supporting an excellent cause, the ride offers an opportunity to get to know other people from Smiths Medical.



Smiths Heimann, Wiesbaden Germany

Smiths Heimann participated in the 'Wiesbaden Engaged' Activities Day. Smiths employees designed a play area for the Sauerland day care centre, which included a multi-coloured 10-metre long snake, jumping boxes and garden landscaping. They also helped with the colourful design of the Justus-von-Liebig elementary school in Erbenheim. 'Wiesbaden Engaged' is an initiative of UPJ (Unternehmen: Partner der Jugend or Business in Partnership with Youth), which is integrated into the Social Services Department of the city of Wiesbaden. UPJ is a Germany-wide association which aims to initiate, support and accompany co-operation between companies and social associations.

Smith Group plc, London UK

During 2009, Smiths Group plc donated over £12,000 to various local UK charities including St Mungo's, London's leading homeless charity, providing shelter, support and training for people who have found themselves on the streets following relationship breakdowns, substance or alcohol abuse, or redundancy.

Education

Education is vital for people to achieve their potential. Smiths supports a host of initiatives, both centrally and within individual businesses, that provide educational opportunities.

Smiths Technology Education Programme (STEP)

Smiths is in its third year of collaboration with the UK Royal Academy of Engineering in the STEP programme. STEP is an initiative to assist able students from any background, facing economic or social barriers, to a career in technology.

Each year, 20 students who are studying for advanced level qualifications in mathematics or science have the opportunity to attend a 'Head-Start' summer school in engineering and technology, run by the Royal Academy of Engineering. Five of these alumni are then selected to receive a Smiths bursary of £1,000 per year towards the cost of a university course in either subject.



John Crane India: Apprenticeship Programmes

John Crane India actively supports and participates in apprenticeship programmes. The site encourages visits by students as part of the apprenticeship curriculum, recently receiving student visits from Carlson School of Management. They also provide opportunities to students to complete their apprenticeship programmes with the company, including training on manufacturing techniques, with practical experience opportunities. John Crane India has provided opportunities to students from various academic backgrounds to complete their projects. Recently, students completed their apprenticeship programme with the Finance team.

Environment, health and safety policy

Smiths Group ('the Company') is committed to achieving excellence in environment, health and safety (EHS) performance and demonstrating leadership to create an injury-free and environmentally responsible workplace.

The Chief Executive has overall responsibility for EHS matters in the Group and the Group Human Resources Director is responsible for its effective administration and implementation. Strategic direction and performance monitoring is undertaken by the EHS Steering Committee and the EHS Technical Committee which have representation from all Smiths divisions.

The most senior manager in each division has overall responsibility for EHS matters within their business and for implementing organisational arrangements to ensure compliance with this policy.

Smiths employees, at all levels, have a personal responsibility to take due care and follow EHS rules. They also have a responsibility to warn others of potential hazards and unsafe behaviours. Fulfilling these responsibilities is an employment obligation.

The Company conducts its business in accordance with the following key EHS principles which are supported by effective management systems:

- Commitment to meeting or exceeding all relevant legal and other requirements to which the Company is subject and monitoring compliance through periodic assessment.
- Continual improvement in EHS performance, including prevention of pollution, hazard reduction and the protection of human health.
- Robust training systems to ensure that all persons working for or on behalf of the company are competent to fulfil their EHS responsibilities.
- Clearly defined objectives and targets which are periodically reviewed.
- Regular assessment of the EHS impacts and interactions of all new and existing business activities, products and services.
- Promotion of the efficient use of energy and natural resources to minimise environmental impact.
- Promotion of the health and wellness of our employees.
- Consideration of EHS issues during acquisitions and divestitures.
- Selection of competent contractors who commit to comply with Smiths high EHS standards.
- Communication with all persons working for or on behalf of the Company and other stakeholders regarding the EHS impacts and objectives of its operations.

Philip Bowman
Chief Executive
September 2009

Smiths Group is committed to achieving excellence in environment, health and safety performance.

The report is printed on Regency Satin which has FSC (Forest Stewardship Council) certification and is produced using elemental chlorine-free pulp made from renewable timber grown on a sustainable basis.

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