Understanding and nurturing our resources and relationships

We believe in doing business responsibly, to the benefit of society at large and our stakeholders.

Nurturing the resources on which we depend and building strong and positive relationships is in line with our purpose and values. This underpins business performance and the long-term sustainability and resilience of Smiths. It’s the Smiths Way and it connects, guides and inspires everyone at Smiths.

Our critical resources and relationships

External alignment and recognition on sustainability matters

We understand the importance of reporting on sustainability matters in a transparent way and meeting external guidance when doing so. We are generally aligned with the Global Reporting Initiative (GRI) reporting principles for environmental matters and with the Task Force on Climate-related Financial Disclosures (TCFD), for which a recent formal assessment by an external party has indicated that we meet all 11 recommendations. We also continue to receive favourable external ratings for our Environment, Social and Governance (ESG) performance.

External recognition

<table>
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<tr>
<th>Score</th>
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<th>Constituent</th>
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<tbody>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>Social 2 (Scale 1-9; 1 = leader)</td>
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<tr>
<td>CDP</td>
<td>2018 data</td>
<td>B Management - taking co-ordinated action</td>
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<tr>
<td>MSCI</td>
<td>November 2019</td>
<td>AA Leader in the sector</td>
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<td>September 2019</td>
<td>34 points</td>
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<tr>
<td></td>
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Governance and collaboration

The majority of our resource and relationship strands are managed through strategic oversight and collaboration models that bring together the skills and knowledge of our central teams and our divisional experts to champion critical issues and drive innovation, quality and best practice right across Smiths. Some areas are further supported by senior groups such as the Executive Environmental Roundtable which was set up to advise the Board and Executive Committee on environmental matters.

The Smiths Excellence System (SES)

Our efforts in this area are underpinned by SES which is building capabilities and driving excellence and continuous improvement across each of our SES pillars: Customer, People, Technology, Programme, Production and Supply. Excellence is in our DNA and is a fundamental part of how we do business at Smiths.

Figures in this section are for Total Group unless otherwise stated.
Sustainability focus areas and the United Nations (UN) Sustainable Development Goals (SDGs)

We believe that business has a vital role to play in delivering the UN SDGs. For some years our environmental targets have been proactively aligned with goals 6, 12, 13 and 14 covering responsible production and consumption, greenhouse gas (GHG) emissions and water conservation.

The further aspects of sustainability that are most relevant and/or material to us and to our stakeholders are described here and we are pleased to report progress on each during FY2020.

The symbols shown in the square boxes are the UN’s adopted icons for its 17 SDGs.

### Our people

**Focus areas**
- Safety and security  
- Employee wellbeing and engagement  
- Learning organisation  
- Diversity and inclusion

**Key highlights in FY2020**
- Record low safety incidents  
- Comprehensive colleague support through COVID-19  
- Launch of Learning@Smiths  
- Respect, Diversity and Inclusion Council

**UN SDGs**
- Read more about our people and how we support them on pages 27-33

### Our customers

**Focus areas**
- Voice of the customer  
- Quality and service

**Key highlights in FY2020**
- Continuity of production and service to customers through COVID-19  
- On time in full measure – 86%

**UN SDGs**
- Read more about our customers and how we work with them on pages 34-36

### Technology and innovation

**Focus areas**
- Culture, capabilities and collaboration  
- Enterprise IT

**Key highlights in FY2020**
- Vitality Index 20%  
- University partnerships on future-focused technology  
- Enterprise IT response to business needs through COVID-19

**UN SDGs**
- Read more about our technology capabilities and innovation culture on pages 37-39

### Production and environment

**Focus areas**
- Quality and efficiency  
- Environmental governance  
- Environmental performance

**Key highlights in FY2020**
- Smiths lean toolbox and upgrade to SESAME CI tool  
- Progress towards FY2021 environmental goals  
- Climate risk assessments

**UN SDGs**
- Read more about how we approach production and environmental governance and performance on pages 49-45

### Our supply chain

**Focus areas**
- Total value  
- Relationships and resilience

**Key highlights in FY2020**
- Real-time management of supply chain through COVID-19  
- Record level of procurement savings

**UN SDGs**
- Read more about our suppliers and how we work with them on pages 46-47

### Our communities

**Focus areas**
- Impact on communities

**Key highlights in FY2020**
- Community donations during the COVID-19 pandemic  
- Internal and external promotion of International Women in Engineering Day  
- Participation in UK Ventilator Challenge

**UN SDGs**
- Read more about our communities and how we support them on pages 48-50

### Regulators and governments

**Focus areas**
- Ethical behaviour, governance and compliance

**Key highlights in FY2020**
- Continuing development and implementation of ethics and compliance policies  
- Ongoing relationship building to support business objectives

**UN SDGs**
- Read more about how we meet the requirements of regulators and governments on page 51
Ethics and our values

Our values guide how we behave.

Our values influence every decision and help to make Smiths a place where people want to work, an organisation that is valued, and one that people want to do business with. Our values are embedded across the Group and are promoted at every opportunity.

Behaving ethically and with integrity is a fundamental part of our values. It is the right thing to do and it enhances our reputation with our stakeholders. Our people, suppliers and other partners are required to understand and uphold our high ethical standards.

Ethics governance

Our Code of Business Ethics provides guidance for colleagues to recognise and deal appropriately with legal and ethical issues they encounter in the course of their work. This is supplemented by a suite of policies and procedures relating to specific ethics and compliance issues, and associated training, some of which is mandatory for all colleagues.

Our central ethics and compliance function oversees our ethics and compliance programmes, determines a common language for ethics across Smiths and focuses work on new and/or higher risk areas. Internal Audit verifies that procedures and responsibilities are understood and functioning correctly. Other compliance matters and day-to-day responsibility for ethics and compliance are held by our divisional operational and Legal teams. The Smiths Board and Executive Committee are engaged through our risk management processes and encourage direct and open discussion should a matter require attention.

The Smiths Business Ethics Council (BEC) has been in place for more than ten years. It comprises senior, cross-functional leaders from across Smiths and acts as an advisory panel for new policies and how best to implement them. The BEC sets annual objectives to aid continuous improvement. For example, in FY2020 the BEC proposed improvements to the process for identifying and reporting potential conflicts of interest, which have been rolled out across Smiths. The central ethics team also works closely with our HR functions on investigations into such matters as labour standards and allegations of employee harassment and discrimination.

Engagement and training

Engaging and communicating on ethical matters is vitally important, as is trust in our procedures. Colleagues are encouraged to report behaviour inconsistent with our Code of Business Ethics, or our values, through their line manager, HR or the Legal team, or through our confidential ‘Speak Out’ reporting line. This is emphasised in regular communications.

Our Ethics Ambassadors network comprises grassroots colleagues from across Smiths. We look to our Ethics Ambassadors to come up with ideas and communications, for example how to promote ethics on our annual Smiths Day, to bring ethics to life and help us reach the widest possible audience. We are looking forward to the role of the Ambassadors evolving over time.

Our ethics training operates in two tiers – online modules developed with our Business Information Services team that are available to colleagues, and face-to-face training activities (now, due to COVID-19, likely to be delivered online) covering specific subjects. Our online ethics training modules are available in all of our core languages and approximately 37,000 courses were taken by colleagues during FY2020.

Additionally, we run ethics workshops which are an opportunity for leaders from across Smiths to discuss ethics and compliance challenges specific to their markets and geographies and how to navigate them. During FY2020 we ran workshops in the Middle East, South Africa, Brazil, Mexico and France.

We achieved a strong score of 72 for ethics/integrity in our most recent My Say engagement survey and the values related questions in the survey have been rising over time.

* Read more about human rights and tackling modern slavery on page 50
* Read more about other compliance matters on page 51
Our global family of diverse and talented colleagues creates, delivers and supports our products with passion and an innovative and collaborative spirit, underpinned by our relentless focus on continuous improvement and excellence.

We aim to attract, retain, develop, engage and inspire the very best by delivering a people experience based on respect, personal growth, empowerment and a sense of belonging and purpose. Engaging our people in this way is the right thing to do and the most effective way of delivering our business objectives.

The health, safety and security of our people and our operations have always been our number one priority and have been a key focus during the COVID-19 pandemic. We have a strong and robust safety culture and strive for a zero-harm workplace, with safety considerations fully integrated into all of our activities.

Health, safety, security
Keeping our people safe at work is in the Smiths DNA and is something we are passionate about.

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

Smiths colleagues, at all levels, also have personal responsibility to take due care of their own safety and to follow our safety rules. They also have a responsibility to warn others of potential hazards and unsafe behaviours. Fulfilling these obligations is a condition of employment.

Smiths has an extensive set of Health and Safety policies and procedures that all operations are required to follow. Performance against these policies is overseen by an audit process that also covers all Smiths production facilities including ISO 18001 management systems.

Smiths did not receive any significant safety or health fines or penalties in FY2020 from any regulatory agencies.

We are extremely pleased to report that Smiths has not recorded a serious safety incident, including work-related employee fatalities, or a serious physical security event during FY2020 and that this year Smiths has recorded its best ever safety performance.
**Our people continued**

**Safety programmes**
Advancing safety and security is an ongoing investment for Smiths as we implement new programmes and training activities to continuously improve performance and reduce risk. Our HSE teams also work regularly with HR colleagues to support health and wellbeing initiatives.

During FY2020 we relaunched our safety lookout peer to peer observation programme with full roll out being delayed by the COVID-19 pandemic. We also launched a global hand safety campaign focusing on five checks to keep your hands safe. Our new Alert driver safety awareness training for drivers of company vehicles is underway in all divisions apart from Smiths Medical. Over 2,500 Smiths colleagues are registered for the programme.

**Safety measurement and performance**
We monitor our recordable incident rate (RIR) – where incidents require medical attention beyond first aid – and lost time incident rate (LTIR) – where a colleague is unable to work following an incident – per 100 colleagues, per year across Smiths. In FY2020 we achieved an RIR of 0.30 and an LTIR of 0.14. According to company policy, Smiths reports all injuries globally in accordance with US OSHA guidance.

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

**Security**
With locations all over the world, and colleagues regularly travelling and/or working remotely, the security of our sites and teams is an important issue. We have physical security plans in place at all locations and risk assessments are undertaken regularly, as are reviews of our business continuity plans.

We closely monitor colleague trips to high and extreme risk locations, with all travel pre-approved per policy, albeit travel has been significantly curtailed during the COVID-19 pandemic. The ISOS (International SOS) app, introduced this year, allows colleague locations to be tracked when travelling or working remotely, with ‘take cover’ and ‘check in’ alerts issued in the event of local danger, for example storms, earthquakes, political issues and violence. Colleagues can also use the app to reach Smiths in an emergency.

**PROMOTING COLLEAGUE WELLBEING WITH THRIVE**
This year we launched our new global wellness initiative THRIVE. Developed originally by Smiths Detection and Smiths Interconnect, the programme has now been rolled out across the whole of Smiths to help educate colleagues on how to practice self-care both at home and at work.

We have focused on seven pillars of wellness:
- **Physical:** Taking care of your body and mind through physical activity, a healthy diet and sleep
- **Social:** Having a supportive and interactive social network breeds success at home and at work
- **Environmental:** Respecting your surroundings and taking care of our planet
- **Emotional:** Looking after yourself to help you live your best life
- **Financial:** Having the tools to manage your money now and for the future
- **Occupational:** Enriching your job experience for personal fulfilment
- **Intellectual:** Exploring new ideas and challenging yourself

We provide hints and tips, interesting facts and links to helpful information, as well as fun activities planned by our site Ambassadors.

Our mission is to do what we can to help empower our colleagues to look after themselves, give them access to information they may not have known about, and create an environment where people feel safe to talk about the things that are important to them.

By taking care of our wellbeing, we can THRIVE both inside and outside of work.
Supporting our people and our leaders through this extraordinary period has been a key responsibility of the Smiths leadership team. We pay tribute to the amazing dedication, commitment and contribution our colleagues have made to keeping themselves and others safe and well while helping us continue to operate and serve our customers.

The response to COVID-19 has been led by a dedicated Crisis Core team, leading a number of sub-groups made up of functional and divisional experts (sites also have local response teams). Our main aim throughout has been to keep our colleagues as safe and well as possible.

Much effort has gone into understanding and respecting individual personal circumstances and balancing these with the needs of the business. This has been coupled with the provision of practical support on the ground to ensure colleague wellbeing and safety.

A regular cadence of internal communications using a variety of mediums has ensured our colleagues have remained well informed and in regular dialogue with our leadership teams, further reinforcing a sense of belonging to Smiths, integral to our culture.

A values-led approach was adopted from the beginning of the crisis ensuring trust, integrity and serving the needs of our customers were at the core of the approach.

The response from our workforce has been outstanding and it is thanks to them that the business remains strong and able to continue to serve the needs of our customers with passion and excellence.

Practical examples of the measures put in place include:
- An absolute focus on providing the safest possible working environments for those needing to be on our premises and those visiting customers and partners including:
  - Group-wide HSE committee ensuring compliance with local requirements and sharing best practices across the Group
  - 24-hour monitored safety at Smiths email
- Enabling and supporting those able to work from home to do so
- Producing face coverings in-house and distributing employee PPE proactively
- Pursuing a consistent approach, in relation to COVID-19, for health benefits, life insurance, sick pay and absence; aligning our divisions and regions as much as possible
- Partnering with ISOS (International SOS) medical staff on safety guidance and promoting use of the ISOS app for local safety information
- Implementing a new colleague emergency contact details tool
- The creation of bespoke COVID-19 resource sites on our intranet and our Smiths Now colleague app for universal access to COVID-19 related guidance and support materials, including a regularly updated FAQ, translated into all our core languages
- Extending our Smiths Now app for desktop use for easy access to news and information
- Regular and two-way communication including:
  - Weekly all-colleague update containing the latest guidance and information from the Crisis Core team. This received an 89% approval rating from colleagues
  - Board, Chief Executive and Executive Committee email and video communications
  - #thankyoufrontline social campaign on Smiths Now
- Resilience webinars and hints and tips for leaders
- Wellness materials delivered through the new cross-Group THRIVE programme

Through our actions and our words, we believe that we have truly demonstrated that we are one Smiths family and that every member of our global team is valued.
Our people continued

People leadership and planning
Our divisional people leaders work collaboratively with our people Centre of Excellence teams to create and deliver HR programmes that support our People Plan and meet common business needs. Many programmes – for example the SES Academy – are rolled out globally, while other needs are met locally with assistance from our central specialists.

Engagement and communication
Strong engagement and a clear understanding of what it means to be Smiths is a powerful combination and drives pride, energy and ownership of our purpose and strategy.

Our annual Smiths Excellence Awards recognise achievement across our six SES pillars; outstanding contributions to HSE, to our communities, and to innovation; and include our highest honour, the Smiths Cup. Making the 2020 Awards was postponed due to the COVID-19 pandemic but a new record total of 604 entries was reached this year.

Our annual Smiths Day global celebration of Smiths culture also did not take place due to the pandemic, along with planned meetings with our Smiths European Forum, a collection of employee representatives we meet with twice yearly in normal circumstances.

My Say Survey
Using our My Say survey we have been tracking engagement since 2017. Results from the biannual survey drive central programme planning and are provided to managers who are empowered to create action plans for local improvements. For example, John Crane Korea organised company team building workshops and provided colleague suggestion boxes to promote ongoing feedback.

Our latest survey conducted in October 2019 (the May 2020 survey did not take place due to the COVID-19 pandemic) delivered a high response rate, with 87% of colleagues taking part and around 36,000 comments submitted.

Our overall engagement measure was stable at 73 (May 2019: 73), one point away from the benchmark of 74 for businesses of our type and scale, as indicated by Glint, the external third party which manages the survey process for us. Other measures where we continue to score highly are safety, customer focus, authenticity, respect and integrity.

We intend to undertake our next survey before the end of the 2020 calendar year.

Communication
Our global communications activities support our strategy and engagement plans and aim to promote open, two-way communication between our colleagues and our leadership teams.

Key communication materials, including those during the COVID-19 pandemic period, and many of our Group-wide training materials, are translated into our 11 core languages.
Learning and development

We are building a learning organisation by making learning and development opportunities available to everyone at Smiths so that all colleagues are empowered to build their skills and take ownership of their future. Through this we are sustaining and growing the capabilities of the Group – and driving excellence across our operational disciplines and our functions.

Our new Learning@Smiths portal was launched during the year. It holds all of our online training modules, including both SES Academy and Leadership@Smiths materials, and provides a consistent look and feel to the Smiths learning journey.

The portal has supported us as we adopt a change in our learning philosophy to deliver a broader range of shorter and bitesize learning activities that grow capability through practical application rather than large training events.

We have concentrated much of this year’s formal development activities on our middle managers, including continuing to build our Accelerate leadership capability learning programme which has now engaged more than 620 participants since launch. Further extension has been delayed by the COVID-19 pandemic, but we have successfully continued to work with the existing cohort online. We also launched an Inclusive Leadership online module to complement our existing suite of e-learning modules and a People Leader Pulse monthly newsletter with development hints for leaders.

We plan to grow the Accelerate programme in FY2021 as well as launch a new orientation module for new and joining leaders.

Our people have visibility of career opportunities across Smiths through our Careers@Smiths portal and an ongoing project to calibrate and enhance job architecture for functional and technical roles across the Group will further support career path planning and learning needs.

During FY2020 we continued to roll out our finance and engineering graduate programmes, hiring into Asia Pacific, Europe and the US. Supporting our global graduate hires, we ran our Graduate Development Week in May, delivering this virtually due to the COVID-19 pandemic.

SES Academy

The SES Academy and our lean six sigma belted programme were born from the vision of our Chairman and Chief Executive to drive excellence at Smiths by actively building the capabilities of the organisation through our people. Academy materials are widely available to colleagues and range from bitesize modules to focused and practical courses supporting skills development priorities in our SES pillars and areas such as project management and change management.

Our lean awareness e-learning module, created in-house and available in multiple languages, has been promoted widely at Smiths and forms part of our new joiner training. The module has now been completed by more than 19,400 colleagues.

Lean six sigma is a highly regarded and proven approach to process improvement in operations and core business functions. Working with the University of Oxford, we have created a tailored lean six sigma belted programme which offers recognition and is delivering accelerated and tangible change in our business.

The unique programme combines the best of traditional lean six sigma skills with additional content, for example machine learning, that will drive specific value for Smiths.

The courses also enable colleagues with shared specialisms to meet, collaborate and make everlasting connections.

During FY2020 lean six sigma has been extended to drive functional process excellence. We held our first ever green belt training for Group functions in February 2020, with 20 colleagues from HR, communications, insurance and company secretariat taking part.

We currently have more than 500 colleagues with yellow, green or black belt qualifications and are targeting 1,000 qualifications by the end of FY2022. We are also reviewing how we might deliver some of the programme virtually.

For the wider Academy we have identified opportunities to develop courses/qualifications in project management and design thinking.

As at the end of July, we had a total of 317 continuous improvement projects on record, of which 174 projects are currently active and 143 projects have been delivered.

A financial validation process to quantify the total savings from the projects was launched during the year. The benefit of delivered and ongoing projects is estimated to be in the region of £7.5 million to £10 million per annum.

*See more about design thinking on page 38*
Our people continued

Reward and recognition
Recognising and rewarding colleagues in a fair, open and meaningful way drives engagement and helps us to attract and retain the talent we need. Our reward structure must also work effectively to deliver Group strategy.

We are currently conducting a major global benefits review. This has involved reviewing the benefits we have available, understanding the areas that are working effectively, maximising cost efficiency, and benchmarking in sectors and markets. Our aim is to offer a core set of benefits, including Employee Assistance Programmes, consistently across divisions and territories.

Our long-term objective will be to build in greater flexibility so that colleagues have the opportunity to choose what works best for them.

In the UK we operate an all-employee Sharesave Scheme and the annual invitation to eligible employees to participate encourages colleague involvement in our performance.

We have been an accredited living wage employer in the UK since 2018.

In June we announced a strategic restructuring programme. Information on the programme can be found in the Chief Executive Q&A on pages 11-13 and in the Strong financial framework section on pages 18-21.

Diversity and inclusion
Diversity of thought and perspective, coming from a team with a wide variety of backgrounds, is an important driver of our success. Embracing difference supports our understanding of our stakeholders, our markets and our territories, accelerates new thinking and ideas, and promotes a sense of belonging in our colleagues. It is also in line with our values to promote diversity matters, work to eliminate bias and support equal opportunities.

We have made a great deal of progress, but it is recognised that we can do more.

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

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

During FY2020 our Respect, Diversity and Inclusion Council was established to provide strategic direction and tactical plans on diversity and inclusion matters, meeting four times a year. The Council is chaired by Karen Bomba, President, Smiths Interconnect and the Executive Sponsor for Diversity and Inclusion at Smiths. It’s important for us to have different perspectives guiding this work and so Council members have been carefully selected to give us a diverse mix of functions, regions, backgrounds and experience.

We also refreshed our internal support materials which are available on a dedicated intranet site and engaged with Stonewall, a leading international charity which advises institutions on building a fully inclusive workplace for LGBT+ colleagues.

We provide PwC’s respected ‘blind spots’ unconscious bias training to all colleagues with a Smiths or a divisional email address worldwide. The course has now been completed by more than 95% of invitees.

We marked World Mental Health Day, International Women’s Day and International Women in Engineering Day across Smiths through internal communication campaigns and activities, posts on our social media channels and content on our website.

RECOGNISING AND APPRECIATING COLLEAGUE CONTRIBUTIONS

We want our people to feel their contributions are recognised and appreciated. We celebrate colleagues for their work and for embodying our values.

Recognition can and should happen every day, which is why appreciation is embedded in our leadership behavioural commitments. We have a wide range of formal recognition activities, including peer to peer thank you e-cards, long service and on-the-spot recognition, as well as certificates and badges with our Smiths Excellence System programmes and accreditations.

Each year we host our annual Smiths Excellence Awards, showcasing and celebrating the very best colleague achievements and projects across Smiths. This culminates in the award of the Smiths Cup to the project or team which best demonstrates our values in action.

We understand that when our colleagues feel valued, their satisfaction and productivity increases, they are motivated to maintain or improve their good work, and they are more engaged.

In the last two years of our My Say employee feedback survey, recognition has improved by 5 points, demonstrating the success of our programmes.
In recognition of the Black Lives Matter movement our Chief Executive issued a communication to all colleagues reminding them that across Smiths we stand for harmonious relations between all people, and for respect, equality and justice for all without violence. We stand against all actions which threaten or undermine these principles which are inherent in the values we live by.

In FY2021 we intend to launch a Group-wide initiative ‘Inspire to Succeed’ to promote awareness of diversity and inclusion matters and oversee delivery of activities which focus on support for affinity communities in Smiths.

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

Information on our Board diversity policy can be found on page 97.

Gender diversity in the Group

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¹ Andy Reynolds Smith and John Shipsey are included in both Board of Directors and the Executive Committee.

² Senior managers as defined by the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013.

³ At Smiths, senior managers are defined as colleagues who are grade 15 and above. The Board of Directors and Executive Committee are not included in these numbers.

³ The Executive Committee are included in these numbers.
Our customers

The voice of the customer is an innate part of everything we do at Smiths.

Meeting customer needs and exceeding their expectations, not just on products, quality and service, but in the way we conduct business and pay attention to the things that matter to them – for example, ethics and environmental performance – is a fundamental part of our operating model and our values.

We marshall all of our resources and relationships in support of building strong and enduring customer relationships that will sustain Smiths into the future.

We have many different types of relationships with our customers – from fully integrated partnerships where we co-develop new products and services, and long-term sales and aftermarket contracts, to transactional and built to order arrangements. Our drive for innovation and flawless execution is applied to order arrangements. Our drive for excellence, high standards they have come to expect from Smiths.

Many of our customers are in critical industries and customers have been at the centre of our considerations during the COVID-19 pandemic. Our aim has been to prove that we stand by them no matter what, making every effort possible to fulfil our obligations and, through excellent people and processes, meet the high standards they have come to expect from Smiths.

Response to COVID-19

Managing our operations and our supply chain to enable continuity of supply to our customers has been a key principle during the COVID-19 pandemic. This has meant bringing together expert workstream groups from across Smiths, led by the Crisis Core team, and involving all members of our Executive Committee.

Standing with our customers, and with our people, has been the right thing to do, whilst enhancing the reputation of Smiths in the long term.

Since the start of the pandemic we have managed our operational response through our Operations and Supply Nerve Centre (OSNC). Over 90% of our manufacturing sites remained in production throughout the pandemic.

Maintaining continuity of service in our aftermarket activities, while keeping our people as safe as possible, has also been a vital part of our response. This has included finding new ways to deliver services, for example remote inspection activities at John Crane customer sites.

Creating customer value

Our aim is to create innovative and transformative products and services that add value to our customers’ operations and contribute to their goals, supported by consistently high product quality, excellent service, and appropriate pricing.

Our Smiths Excellence System customer pillar brings together our customer excellence processes, tools and materials which our divisions leverage to continuously improve our offer, our performance, and the overall customer experience.

Customer relationships are typically held in our divisions at an appropriate level. We aim to form strong bonds and work in close partnership with many customers so that we better understand their goals and needs, and are able to move fast to respond to opportunities and/or to improve the way we work.

INNOVATING TO SUPPORT CUSTOMERS DURING THE COVID-19 PANDEMIC

Restrictions resulting from the COVID-19 pandemic required John Crane to quickly adapt and develop new ways to support customer needs.

Innovative ways of undertaking critical inspection work have eliminated the need for travel, allowing parties to save on time and cost, while staying safe.

When the need arises for John Crane’s customers to inspect and approve highly-engineered mechanical seals and system components, both parties would typically meet at a John Crane site to monitor and analyse the equipment while it is put through various performance tests.

COVID-19 restrictions made it impossible for these in-person tests to happen.

The team at John Crane Bangalore, India devised a strategy to conduct seal gas panel tests remotely using a live video feed (complete with various camera angles), as well as the display of digital gauges and the ability for customers to ask real-time questions and make requests.

The John Crane Slough, UK team implemented a system where the gas seal static and dynamic test is streamed to the customer with key test information and the opportunity for direct communication with the test technician during the test.

In March 2020, John Crane France had many witness test inspections planned for high-performance couplings to be installed on ships in oil & gas and marine applications. Inspection tests are normally witnessed by the customer and a third-party inspector.

In just one week, the team developed an alternative remote solution, sourcing high-quality cameras to capture the fine details surrounding performance tests, a reliable connection source and a viable software solution.

Inspections were successfully completed remotely, on time and with approval from all sides.
Aftermarket services are a characteristic of Smiths businesses and represent almost half of Smiths revenue. As well as being a driver of revenue, our aftermarket relationships enable us to engage more deeply with our customers, build relationships over longer periods of time, and better understand customer needs and respond to them.

In FY2021 we will establish new customer pillar objectives and deliver these through our Customer Pillar Steering Group, which will formally bring together senior customer leaders from across Smiths to share their experience and identify common opportunities to advance our practices.

Voice of the customer
We bring the voice of the customer into our business in many different ways, with the aim of using every touchpoint as an opportunity to deepen knowledge.

We use formal feedback activities such as surveys, quarterly business reviews and senior team meetings with key customers, and defined processes for managing and responding to information collected from customer scorecards. We also integrate informal feedback from the conversations our operational and our field service teams are having with our customers every day. And, in addition to research that takes place for new products, we work with focus groups such as the Smiths Medical nursing panel to better understand how end users are using our products and experiencing our service.

Innovation and product lifecycle
Our innovation culture is directed to creating new products and services that respond to customer need, or that will meet a future predicted need. We design new products and services by thinking holistically from customer/societal need and problem definition, through product conception and product introduction, to support in service, to end of life. We engage and partner with many customers early in the product lifecycle to identify and leverage opportunities for collaboration and bespoke development to meet specific requirements. This has recently included Smiths Interconnect working with Boeing on bespoke connectors for NASA's Orion spacecraft and Lunar Gateway.

We aim for flawless product launches. Cross-functional project teams are formed at the beginning of each new product introduction (NPI) project so that all operational workstreams and the supply chain are aligned in support from project initiation.

BRINGING THE VOICE OF THE CUSTOMER INTO THE PRODUCT DEVELOPMENT PIPELINE
A ‘Voice of Customer’ programme was developed at Smiths Medical to instil rigour and consistency across the division in customer feedback, product value definition, strategic pricing, and go-to-market plan execution for new products.

The new Voice of Customer research workstream outlines best-in-class principles and customer touchpoints to be gathered and reviewed before a project starts.

Tools including a Voice of Customer framework, research archetypes, and template documents were created to guide research and feedback that are inputs into Smiths Medical’s technical requirements for R&D.

Standard financial models were created to align with product development phases, as well as a new pricing review process to help incorporate customer input into pricing strategies.

Standard templates were also created to define product value and outline an appropriate go-to-market strategy to ensure that project financial milestones are met after launch.

CLOSE WORKING SECURES ADDITIONAL VOLUMES FOR FLEX-TEK AND A DISTRIBUTOR CUSTOMER
When a Texas-based wholesale distributor of residential and commercial construction and industrial supplies and materials was seeking a new supplier of flexible ducting Flex-Tek sought to build a strong relationship. This resulted in the initial securing of distribution contracts in Houston, Dallas, San Antonio and Austin.

Through continued close working with the distributor, the team was able to secure additional contractor base volume for both partners, adding Fort Worth to the list of locations, and increasing sales to over $15 million.

Flex-Tek is now building the relationship nationally, as the team work to open more locations across the US.
STRATEGIC REPORT
RESOURCES AND RELATIONSHIPS CONTINUED

DIGITAL TRANSFORMATION OF SMITHS DETECTION’S SERVICE

During the year Smiths Detection launched a Service Management System (SMS) project to improve the quality of customer care by revolutionising the way the service team operates.

Part of this project is the digitalisation of field service management through a mobile application that provides the service team with a single interface for completing several service administration tasks – including scheduling and dispatch, risk assessment, and reporting – which are then automatically updated onto central systems.

Over the next 12 months Smiths Detection will roll out SMS by region, enabling a smooth transition to go-live. The project, which is one of the division’s largest digital transformation initiatives to date, will not only drive efficiencies around service and maintenance processes globally, but is intended to increase first time fix rates and ensure service delivery matches its industry-leading product lines.

Service and quality

We aim to deliver a timely and high-quality response to customers interacting with Smiths – from account queries to urgent repair requests – and deliver customer orders as agreed.

We use Key Account Management (KAM) structures across our business. These bring together our operational and functional teams on key accounts to drive ownership of the customer relationship deeper into the business and manage accounts holistically.

We are continuing to leverage our Customer Relationship Management (CRM) capabilities through leading CRM tools and associated training. Over time, we have been introducing new technology to support our go-to-market strategies – for example, webinars to introduce new products and online training for customer technicians. This process has accelerated as a result of the COVID-19 pandemic.

Our divisions use robust quality processes to minimise product safety and quality issues during production. We use advanced supply chain management techniques to optimise flow across the value chain, including outbound logistics, so that we are able to supply customers according to demand and respond quickly to any change.

ON TIME IN FULL (OTIF) FY2020

86%  
FY2019: 84%

A responsible business

Our customers expect Smiths to operate responsibly. They have a growing expectation of supplier transparency on ethical and environmental matters, as well as ongoing and strict compliance with local and international law and an appropriate approach to cyber security and the protection of information. This is likely to be reflected in contractual arrangements.

We encourage customers to contact us should they have any concerns at all on these matters. Customers may also use our confidential ‘Speak Out’ reporting line.

+ Read more about ethics and compliance on page 26
+ Read more about environmental matters on pages 40-45

+ Read more about production on pages 40-41
+ Read more about our supply chain on pages 46-47
Innovation framework
Our Group-wide innovation framework assists us in delivering a disciplined approach to innovation and a culture that supports our ambition and our strategy from horizon scanning, understanding megatrends and ideas generation through to new product introduction (NPI). The framework helps us aim for a balanced investment profile between core, next generation and transformational product development.

Our Vitality Index is a Group KPI and measures the percentage of total revenue derived from products launched in the last three years.

Each of our divisions establishes a Vitality Index target and our stage-gate NPI process is tailored for each market and product. This helps to ensure that all parts of the value chain are considered so that we are commercially effective and deliver value for customers. We are also increasingly focused on environmental matters in the NPI process – in relation to both the footprint of products and the production processes used to make them.

Read more about production and environmental matters on pages 40-45

SMITHS INTERCONNECT LABORATORY REPLICATES DEEP SPACE

In December 2019, Smiths Interconnect celebrated the opening of its new Qualification and Test laboratory in Dundee, Scotland. The new laboratory offers a one-stop shop for critical qualification and testing of Smiths Interconnect’s products in Europe.

The facility has a unique capability to replicate the environmental pressures of deep space with high power amplifiers and vacuum systems and to assess products against the same extreme vacuum and heat pressures they would have to withstand in space.

The facility offers testing which analyses high power radio frequency devices and breakdown phenomena in vacuum or near-vacuum conditions, and utilises radioactive sources to simulate the cosmic radiation that can often trigger the onset of these phenomena. This is an important factor in the reliability or operation of a satellite or other space-based equipment.

The new laboratory facility is also able to replicate the G-force for a rocket launch to assess the effects on products at launch. At maximum shock testing, shock testing equipment generates up to 105dB+ of noise and requires a special soundproof room.

Being able to offer these complex tests is a major benefit and a real point of competitive differentiation for Smiths Interconnect.

INVESTMENT IN R&D FY2020*
4.7%
FY2019*: 4.5%
* Continuing Operations

VITALITY INDEX FY2020
20%
FY2019: 13%

Dame Ann Dowling, Board sponsor of the Smiths Innovation Strategy Board, attends the December 2019 meeting hosted by the Digital Forge.
Technology and innovation continued

Driving capabilities and collaboration

Driving our innovation capability and collaborating across Smiths is vitally important, helping ensure we make the most of current and future trends.

Smiths Innovation Strategy Board (SISB)

The Smiths Innovation Strategy Board (SISB) connects colleagues from across Smiths in an ecosystem for innovative thinking, research and action in support of new opportunities. The SISB has undertaken work on megatrends and long-range targeting and forecasting, and collaboration plans with key universities – including Imperial College, London – for co-development and investment in future-focused technology and talent acquisition are underway. The SISB has also been working on an ‘adjacencies’ project to identify opportunities in line with the Smiths purpose and values that may not naturally fit into one of the Smiths divisions, or that is creating a new sector. When a project is identified it is resourced as relevant and taken forward under the guidance of the SISB.

Digital Forge

Our Digital Forge centre of excellence opened in 2018 and is accelerating the growth of digital products in our portfolio and driving efficiency and speed through common development and common platforms and tools that can be repurposed across Smiths product lines. The Digital Forge is sponsored by our Chief Executive and the Smiths Digital Advisory Committee (comprising members of the Smiths Executive Committee) determines strategy and governs our digital activities.

The Forge is predominantly focused on developing bespoke interface solutions that digitise products by connecting them to the internet/cloud and enabling the flow of data with a high degree of cyber security. This has included smart products at Smiths Medical and John Crane Sense™ condition-based seal monitoring technology, for which capability has been significantly extended in FY2020 to support large scale, high volume and high-pressure dry gas seals.

Future development includes smart heater interfaces for Flex-Tek and methane monitoring products.

Design Thinking

We are also supporting our innovation culture through the SES Academy and are moving forward with a Design Thinking programme to support cognitive skills and creative thinking to bring new products and services to life. A pilot Design Thinking awareness course (delivered online during the COVID-19 pandemic) has been taken by around 160 colleagues and a formal programme is planned for FY2021.

EXPANDING THE DIGITAL TEAM TO ACCELERATE DIGITAL TRANSFORMATION

In recent years, Smiths Detection has been pursuing digital transformation, developing solutions such as iCMORE and Checkpoint.Evoplus to bring greater screening capabilities and operational advantage to security operations.

To accelerate the development of digital solutions and reduce dependence on external developers, Smiths Detection established a global technology centre of excellence in Singapore and a technology development centre in Bangalore, India.

The Bangalore team works collaboratively with experts and product development teams at other centres of excellence in order to develop and improve Smiths Detection’s digital technology capabilities.

Smiths Detection also continues to establish partnerships with universities around the globe to research security projects.

In 2020, the division established a research relationship with Imperial College London to collaborate on a joint PhD project to develop deep learning techniques to improve automated threat detection in airport baggage scanners. The project is funded by the UK Government’s Department for Transport and the Home Office.

Digital Forge drives enthusiasm for machine learning

The Digital Forge is helping drive innovation and digital transformation at Smiths. One of its aims is to build core capabilities in artificial intelligence (AI) and machine learning, data analytics, connectivity and data security across the Group.

During FY2020, the Forge ran a competition to help colleagues improve their machine learning skills and encourage those not from science or engineering backgrounds to learn more about it. The challenge was to build a self-driving algorithm and teach a remote-controlled model car how to navigate a racecourse by itself, as fast as possible.

The competition was embraced by 35 teams from all over the world. Seven winners from different divisions competed at the Digital Forge, in San Francisco, to race against each other to decide the ultimate Smiths Self-Driving Car Champion.

Some of the model cars achieved speeds of up to 10mph. Our Chief Executive, Chief Financial Officer and Jehan Zeb Noor, Chief Executive, Smiths Medical all attended the final and awarded the trophy to the winning team.

The competition was a great success, driving enthusiasm for machine learning and highlighting internal collaboration opportunities within the business. It also opened new career paths for some participants as a result of them demonstrating their exceptional software engineering skills.
Enterprise IT

Smiths has a mature and optimised IT infrastructure environment with an advanced internal capability which leverages core external partners to develop and deliver services and applications that support business priorities and needs. Expertise is held at the centre in the Smiths Business Information Services (BIS) team which collaborates with the Smiths functions and our divisional operational and IT specialists to drive innovation and efficiency and leverage scale.

This structure and capability means that Smiths is able to manage in-house the IT delivery of significant programmes such as the Smiths Excellence System. For SES, our internal team developed and built everything from the SES knowledge portal to supporting applications such as the SESAME tool and, working with HR, our suite of creative training materials for the SES Academy.

Our IT capability supported an accelerated response to the challenges presented by the COVID-19 pandemic. This included the global roll out of secure technology in support of home working, the development of dashboards providing data analysis for the Smiths Group Crisis Core team and the Operations and Supply Nerve Centre (OSNC), and the rapid delivery of a self-service emergency contact details recording system.

FY2021 projects include working with our HR operations team to create a digital HR experience to help us better manage data and produce relevant analysis to aid delivery of our People Plan.

SESAME tool

The SESAME (Smiths Excellence System Assessment Module) diagnostic tool was developed by our BIS applications team to support continuous improvement across our SES pillars. SESAME analyses the performance of every Smiths site on the SES fundamentals using data from 150 questions completed by the site leader and provides management information from site up to division level.

An upgrade to the tool with new questions, a more granular assessment method, and the inclusion of guidance on improvement resolution actions, was launched in February 2020.

Enterprise and product cyber security

Cyber security is a principal risk area for Smiths. It is vital – from both a regulatory and business continuity perspective – that we do everything possible to maintain the confidentiality, integrity and availability of our IT systems and the data held on them. We apply a proactive and globally unified approach to the security of our IT environment, managed by BIS and overseen by the Board, and supported by global partnerships with external providers such as AT&T. This ensures that every part of the organisation is aligned on best practice as it evolves.

Cyber security efforts during FY2020 focused on delivering improved processes and controls, with additional work to deliver enhanced systems for the protection of Smiths data. The introduction of new capabilities, monitoring, and security awareness campaigns during the COVID-19 pandemic has also been an important focus for the team. In addition, we have implemented an enhanced requirement for compliance to industry security standards where we gained or renewed ISO/IEC 27001 information security management and Cyber Essentials certification for select operations. Preparation also began for the US Cyber security Maturity Model Certification (CMMC), which will replace NIST 800-171 in FY2021.

Smiths products are used in many mission-critical applications in highly regulated industries, thus requiring continued focus on ensuring that our products meet the highest standards of cyber security. Meeting product cyber security regulations is the responsibility of our divisions, with governance and risk management residing with the Smiths central team, which hosts systems and performs an advisory role on critical matters such as data privacy.

SMITHS MEDICAL R&D PILOTS COLLABORATION WORKSHOPS

Continuous improvement (CI) is an important part of the culture at Smiths Medical. A key element of CI is seeking ideas and feedback to improve processes and procedures and taking action based on the feedback received.

During the year Smith Medical’s R&D department created three teams to lead workshops focused on developing collaboration, retention and communication skills in support of CI activities.

Their goals were to create an open, ongoing discussion about collaboration; help all colleagues to learn and apply specific strategies and behaviours that contribute to effective collaboration; and build a supportive and professional culture that acknowledges the patience, courage and practice required to collaborate effectively.

The teams ran a series of two-hour, in-person workshops involving more than 200 R&D colleagues at four Smiths Medical sites between October 2019 and January 2020. The interactive workshops were delivered to groups of 15 to 25 colleagues, with a variety of small and large group activities, discussions and collaboration scenario strategy sessions.

Read more about how we protect our business from cyber attacks on page 74
Production and environment

The effectiveness of our production processes is a key contributor to the ongoing success and sustainability of Smiths. As a responsible business, it is our obligation and duty to help protect the planet.

Supported by the Smiths Excellence System, we are leveraging our manufacturing capability and technology to create an agile, reliable and responsive system, and a competitive cost base, that enables us to consistently serve customer needs while providing a safe environment for our people.

We are contributing to the protection of the planet both through products which help our customers fulfil their own environmental responsibilities and through proactive management of the environmental impact of our operations.

This includes the prevention of pollution, driving down our use of energy and natural resources, reducing carbon emissions and minimising waste. A number of Smiths products also have the potential to help end users reduce their environmental impact.

We support transparency in environmental matters so that our stakeholders, including our colleagues and potential colleagues, understand our priorities and our progress. We also recognise the importance of environmental governance at the highest level of the organisation.

Production approach

We aim to have best-in-class manufacturing processes across Smiths that optimise product and service flow, quality and safety, and improve lead times, cost and working capital requirements. This includes focusing on optimising our production footprint and assets, working closely with our supply chains, and using technology to drive speed and flexibility.

Our continuous improvement programmes help us to drive capabilities, including the skills of our people, so that we maintain leadership and competitiveness, and deliver the Smiths strategy. We use two key high-level metrics to measure the success of our production approach – working capital as a percentage of sales and stock turns. Both are Group KPIs.

Product quality and safety

Product quality and safety are vital requirements of our customers and we are committed to only shipping products that meet our high standards. Product quality is a principal risk and, during FY2020, the Audit & Risk Committee reviewed a product quality deep dive for John Crane. Product quality deep dives for the other divisions are scheduled to be held during FY2021.

We use robust quality procedures across Smiths to minimise product safety and quality issues, and we monitor performance through quality control processes and systems. During FY2021 we will pilot an electronic Quality Management System (eQMS) in John Crane to help manage our activities in meeting customer and regulatory requirements and improve quality effectiveness and efficiency on a continuous basis.

Our efforts are supported by the Smiths Quality Council, a cross-divisional leadership group that guides our approach to quality and helps embed it in our operations through sharing knowledge and ideas. We use two key high-level metrics to monitor quality performance: defects per million parts shipped (DPPM) and cost of poor quality (COPQ).

<table>
<thead>
<tr>
<th>COST OF POOR QUALITY FY2020</th>
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<tr>
<td>1.4%</td>
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FY2019: 1.4%

COPQ includes the cost of waste, corrective work, warranty claims, returns and penalties, measured as a percentage of revenue.

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<tr>
<th>DEFECTS PER MILLION PARTS SHIPPED FY2020*</th>
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<td>1,142</td>
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</table>

FY2019: 235

* FY2020 DPPM for Smiths Group was adversely impacted by three independent, non-recurring quality events on Smiths Medical high volume consumable parts

MODEL VALUE STREAMS SUPPORT EFFICIENCY AND QUALITY

Using the Smiths Excellence System Model Value Stream principles, a team at Smiths Interconnect developed an operational improvement project at its facility in Suzhou, China. The team included two green belt colleagues and one black belt colleague who worked to implement lean methods and six sigma tools.

The project delivered an integrated micro-automation solution for semiconductor probe assembly that significantly increased capacity and delivered improvements in production lead times, efficiency, quality and environmental impact. With the help of automation and mechanisation, output per hour increased by ten times and 20% more capacity was added to the site. Lead times to customers were also improved by 30%.
Continuous improvement (CI)
Our SES production pillar supports innovation and CI in our manufacturing processes. It provides standards, content, training and tools based on acknowledged best practice focused on lean methodology. Our Production Steering Group, which comprises director level production representatives from our divisions and the Smiths production pillar lead, meets regularly to agree priorities and ensure that efforts are aligned with business needs. Work is focused on developing production excellence in three key areas – leveraging best practices, developing capabilities and embedding CI everywhere and includes production/lean excellence learning. We will develop a tailored production excellence learning package for plant leaders in FY2021. We are also continuing to transform our manufacturing sites through the development of Model Value Streams, which aim to push the boundaries of what can be achieved through the use of new technologies, lean manufacturing techniques and other best practices. We have implemented 21 Model Value Streams, empowering our people and enabling us to test the effectiveness of technologies and lean manufacturing techniques in a live environment. Our CI culture also works to support delivery of our environmental goals.

The lean toolbox and SESAME
The Smiths lean toolbox comprises 26 lean tools and, along with the SESAME diagnostic tool, is helping us embed a CI mindset at every level of Smiths in support of all SES pillars. Key tools from the toolbox are being deployed through our living lean initiative, which features guidelines, training modules and templates, all in one online portal, supported by an active communications programme.

Working capital
% of sales FY2020
28%
FY2019: 26%
Working capital measures speed and efficiency in the business from manufacturing to debt collection. Working capital translates into cash.

Stock turns FY2020
3.0x
FY2019: 3.4x
Stock turns measure speed and efficiency in the business.

Environmental governance
Environmental governance flows from the Smiths Board to every Smiths site. The Board and Executive Committee oversee planning and target setting, and monitor environmental performance and environmental matters via a report that is prepared for every Board and Executive Committee meeting. The Smiths Global Head of HSE (Health, Safety, Environment) is invited to present to the Board twice a year and a presentation is made at every Executive Committee meeting. The Board also monitors environmental and climate risk through the Smiths risk management process.

John Crane partners on methane emissions monitoring
John Crane, along with two other investors – OGCI Climate Investments and Energy Innovation Capital - led a Series C funding round for Kairos Aerospace, Inc., a leading provider of large-scale aerial monitoring of methane emissions, to expand Kairos’ operations and grow its geographic footprint.

Kairos provides actionable data on major sources of methane emissions, supporting global industry need for more visibility on emissions in response to evolving standards. The company’s environmental technology enables the capture of critical, reliable and archivable data that will facilitate the efficient reduction of global methane emissions across industries.

This partnership further adds to John Crane’s portfolio of solutions to monitor and mitigate greenhouse gases and is a testament to the division’s commitment to be a proactive agent of greenhouse gas emissions reduction and environmental sustainability.
The Smiths Executive Environmental Roundtable (EER) was established by our Chief Executive in FY2019 with the aim of accelerating our environmental efforts and agenda. The EER is chaired by the Smiths Global Head of HSE and reports to the Executive Committee. It has the responsibility for developing environmental strategy, target setting, reporting and risk management and reporting performance, including:

- The governance framework for environmental risk and performance
- Considering if environmental controls are operating effectively
- Oversight of programmes and any emerging critical issues of an environmental nature

- Reviewing the effectiveness of performance reporting procedures
- Reviewing external reporting on environmental matters
- Seeking the views of stakeholders on environmental practices
- Ensuring appropriate training is provided
- Reviewing policies in relation to environmental performance
- Making recommendations to the Executive Committee for action

The work of the EER is supported by our external sustainability partner which collaborates with us on environmental disclosures, benchmarking and alignment with external reporting frameworks.

The EER oversaw the completion of near- and long-term climate sensitivity risk assessments during FY2020 and is currently working on refreshing the Group’s existing environmental policy.

The new Environmental Sustainability Policy will be implemented in FY2021. The EER is also leading a study into onsite electricity generation looking into options for generating renewable power at some Smiths locations. More than 20 high usage sites have been identified for evaluation.

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**OUR COLLEAGUES**

Many Smiths colleagues are passionate about the environment and how our business can contribute to global goals. Overseen by the EER, the launch of our refreshed Environmental Sustainability Policy and our next environmental goals will be used as an opportunity to promote further engagement through a communications programme and closer alignment with the SES Academy and other SES materials. We will also launch an environmental awareness training module in FY2021 and increase colleague focus on our FY2021 recycling target.
Alignment with external reporting frameworks
It is recognised that corporate disclosure and transparency are key catalysts for driving change.
Smiths is generally aligned with the Global Reporting Initiative (GRI) reporting principles for environmental matters, and we have in place a comprehensive portfolio of policies which include biodiversity protection, emission reductions and product compliance. Performance against these policies is overseen by audit processes, including all our ISO 14001 production sites with over 50 colleagues.
We are committed to continued alignment with the Task Force on Climate-related Financial Disclosures (TCFD) for our governance, risk management, strategic planning and execution around climate risk/GHG reduction. During FY2020 our external partner conducted a formal review of our position against all 11 recommendations of the TCFD and confirmed our alignment with all.

Climate risk assessment
During FY2020 each of our divisions completed a systematic climate-related risk assessment with a five-year time horizon. This was supplemented by a risk assessment workshop held centrally to review Group climate-related risk on a 20-year time horizon. The results of these risk assessments were presented to the Board and Executive Committee.
The assessment did not identify any near-term significant climate-related risks from internal operations. However, the EER intends to further develop this area of work.

We also submit information to external parties for benchmarking of our processes and performance against others. In FY2020 we again participated in the Carbon Disclosure Project (CDP) global environmental reporting initiative in which we received a score of A- in 2017 and B in 2018, putting us in the CDP management category indicating that we are taking coordinated action on climate issues. We are currently preparing our latest (2019) CDP submission for both GHG and water.
We have also received favourable ratings from other external parties for our Environment, Social and Governance (ESG) performance including FTSE4Good, ISS, MSCI and Dow Jones.

Aligning with the TCFD

<table>
<thead>
<tr>
<th>FY2020 progress</th>
<th>FY2021 priorities</th>
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<tbody>
<tr>
<td>Governance</td>
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<tr>
<td>Smiths governance around climate-related risk and opportunities.</td>
<td>– Continuing work of EER</td>
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<tr>
<td></td>
<td>– Enhanced reporting to the Board and Executive Committee</td>
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<tr>
<td>Strategy</td>
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<tr>
<td>The processes used by Smiths to identify, assess and manage climate-related risks.</td>
<td>– Assess opportunities for onsite renewable energy generation at key locations</td>
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<tr>
<td>Risk management</td>
<td></td>
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<tr>
<td>The actual and potential impacts of climate-related risks and opportunities on Smiths businesses, strategy, and financial planning.</td>
<td>– 5 and 20-year climate risk assessments</td>
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<tr>
<td>Metrics and targets</td>
<td></td>
</tr>
<tr>
<td>The metrics and targets used to assess and manage relevant climate-related risks and opportunities.</td>
<td>– Achieved FY2019-FY2021 renewable electricity target</td>
</tr>
<tr>
<td></td>
<td>– Prepare FY2022-FY2024 goals</td>
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<tr>
<td></td>
<td>– Update and expand climate risk assessments</td>
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<tr>
<td></td>
<td>– Investigate reporting challenges on Scope 3 GHG reporting</td>
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<tr>
<td></td>
<td>– Meet or exceed all four FY2021 targets</td>
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<tr>
<td></td>
<td>– Launch FY2022-FY2024 goals</td>
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THE MAIN ACCOMPLISHMENT IS THAT SMITHS WENT THROUGH THE PROCESS OF SYSTEMATICALLY SCREENING THE PHYSICAL AND TRANSITION RISKS OF CLIMATE CHANGE TO THEIR DIVISIONS.

FOCUSING ON RISKS ACROSS DIFFERENT CATEGORIES, TIME PERIODS AND CLIMATE PARAMETERS IS AN IMPORTANT EXERCISE SO THAT NOTHING IS OVERLOOKED.

Ramboll
Smiths external environmental partner
Production and environment continued

Environmental management

The leaders of our divisions, on behalf of the Chief Executive, have overall responsibility for environmental performance in their businesses. They are supported by divisional HSE experts and the HSE Technical Committee which include representatives from across Smiths.

We closely monitor energy and water use, waste generation, recycling and GHG emissions to identify tailored plans for improvement and collaborate on action plans and best practice.

Our production processes and the way we manage our sites aim to decrease waste and energy consumption and reduce emissions. We are also investing in low-carbon and energy efficient technologies to drive improvement in our performance. We have improved energy efficiency by over 17% and reduced GHG emissions by over 46% since FY2007. In the same period we have also reduced total water use by 44% and non-recyclable waste by 49%.

All divisions also participate in a regular forum to share best practices and ensure compliance with global restricted substance regulations including WEEE, RoHS, Prop65, TSCA and Responsible Minerals.

Our Supplier Code of Conduct sets out the environmental conditions we require of suppliers, and environmental performance (with a focus on GHG emissions) is reviewed as part of the due diligence process relating to acquisitions.

Environmental goals and performance

Smiths aims for continuous improvement in environmental performance and we have had reduction targets for environmental metrics since FY2007. Our current FY2019 to FY2021 Group environmental improvement targets are to reduce greenhouse gas (GHG) emissions and water consumption in stressed areas by 5% over the period and increase our use of renewable electricity by 5% and our recycling rate by 5%. We also have a long-range target to use more than 75% renewable electricity by 2040.

Reduction targets are compared to the FY2018 baseline year and GHG and water are normalised to FY2018 revenue. Renewable electricity and recycling are rate-based and therefore are not normalised. Water consumption targets are focused on our 13 locations in stressed areas as defined by UNESCO, as well as certain locations in China, India and Mexico where water is constrained.

Performance against FY2019-FY2021 environmental goals

Two years into the current goal period, we have exceeded both our greenhouse gas and renewable electricity goals. We are undertaking energy efficiency projects, including lighting and/or air conditioning upgrades at multiple locations and, during the year, our Smiths Detection Wiesbaden site completed an upgrade to its boiler system.

We are close to our water target with one year remaining to make our 5% reduction goal. Our recycling target will be a key focus over the next year. There are current challenges as global geopolitical matters affect recycling rates.

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<tr>
<td>Use of renewable electricity</td>
<td>5% increase to 48%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
<td>5% reduction</td>
<td>2%</td>
<td>-6%</td>
</tr>
<tr>
<td>Recycling rate</td>
<td>5% increase to 71%</td>
<td>1%</td>
<td>-2%</td>
</tr>
<tr>
<td>Water consumption in stressed areas (13 locations)</td>
<td>5% reduction</td>
<td>6%</td>
<td>-4%</td>
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1 Non GHG producing electric sources including hydroelectric and nuclear.

DRIVING SUSTAINABILITY THROUGH PACKAGING CHOICES AT FLEX-TEK

To build sustainability in its supply chain, Flex-Tek’s Thermaflex business has proactively sought environmentally friendly options for packaging.

This has resulted in the use of packaging from supplier Pratt Industries made from 100% recycled paper.

As a result of the partnership Thermaflex was awarded a 2019 Environmental Impact Award by Pratt Industries and made the following environmental savings in 2019:

- 3,983,600 gallons of water
- 16,930 trees
- 293.79 tons of CO2 prevented
- 2,987,700 kWh of power
- 2,490 yd³ diverted from landfill
**Energy use and GHG emissions**

Energy use and greenhouse gas emissions are up in FY2020 due to the inclusion of the acquired facilities of United Flexible. Normalised GHG emissions are down 6% from FY2018.

Smiths includes its Streamlined Energy and Carbon Reporting (SECR) below for FY2020 including our emissions and global energy use (multiple years) and intensity metric. For the SECR the GHG Protocol Corporate Standard has been used.

In FY2020, the UK was responsible for 22% (59,043,990 KWh) of Group energy usage, 6.1% (1,010 tonnes) of Scope 1 emissions and 0.7% (355 tonnes) of Scope 2 emissions.

Our GHG emissions calculations and reporting follow the Greenhouse Gas protocol (operational approach) and covers emissions from all sources under our control, grouped under: Scope 1 – direct GHG emissions from owned assets; and Scope 2 – GHG emissions from supplied electricity. Our Scope 1 emissions are primarily driven by fossil fuel powered facility heating systems where there are very few reliable and available green alternatives.

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<thead>
<tr>
<th></th>
<th>FY2020</th>
<th>FY2019</th>
<th>FY2018</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global energy use KWh</td>
<td>262,843,580</td>
<td>247,258,350</td>
<td>255,467,620</td>
<td>256,112,390</td>
</tr>
<tr>
<td>Emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute values</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1 (direct emissions)</td>
<td>t CO₂e</td>
<td>16,640</td>
<td>14,929</td>
<td>15,670</td>
</tr>
<tr>
<td>Scope 2 (indirect emissions)</td>
<td>t CO₂e</td>
<td>52,647</td>
<td>47,312</td>
<td>54,489</td>
</tr>
<tr>
<td>Total</td>
<td>t CO₂e</td>
<td>69,287</td>
<td>62,241</td>
<td>70,158</td>
</tr>
<tr>
<td>Normalised values</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1 (direct emissions)</td>
<td>t CO₂e/£m revenue</td>
<td>4.71</td>
<td>4.57</td>
<td>4.67</td>
</tr>
<tr>
<td>Scope 2 (indirect emissions)</td>
<td>t CO₂e/£m revenue</td>
<td>14.92</td>
<td>14.47</td>
<td>16.23</td>
</tr>
<tr>
<td>Total</td>
<td>t CO₂e/£m revenue</td>
<td>19.63</td>
<td>19.04</td>
<td>20.90</td>
</tr>
</tbody>
</table>

Previous year emissions data has been restated in accordance with up-to-date emissions factors.

**FY2022-FY2024 goals**

The EER has begun discussing short and long-term goals for the next goal period from FY2022 and alignment between them. This has included benchmarking our targets against comparable businesses.

It is probable that the next goal period will include some focus on suppliers, and packaging and product stewardship, as well as continued focus on emissions.
Our supply chain

We build mutually beneficial relationships and resilience, quality and efficiency across our supply chain.

Developing mutually beneficial relationships with our suppliers and building resilience, quality and efficiency across our supply chain is a fundamental contributor to our customer offer and the long-term competitiveness and sustainability of Smiths.

Smiths has nearly 8,000 suppliers worldwide including strategic partner suppliers with whom we work on R&D and new product development, logistics suppliers, professional service suppliers and equipment, IT and machine suppliers.

We operate a total value supply chain approach that considers all aspects of a supplier’s contribution to generate and capture value for Smiths. This includes ethical matters and alignment with our values, continuous improvement and risk.

Our supply chain networks are mainly local and regional rather than global and this, along with our real-time, data-driven approach to managing our operations through the COVID-19 pandemic, and strong supplier relationships, has underpinned our ability to continue to meet customer needs.

Response to COVID-19

Working closely with our suppliers and managing in detail all aspects of our supply chain has been a vital part of maintaining continuity of supply to our customers and enabling Smiths to operate successfully during the COVID-19 pandemic.

Our Smiths Group Crisis Core team initiated a specific supply chain workstream called the Operations and Supply Nerve Centre (OSNC) to oversee and manage in real-time our network as our territories became affected.

On the supply side this included:
- Visibility of supply status
- Managing global freight capacity
- Optimising air vs sea freight logistics
- Support for suppliers needing assistance to open as essential businesses
- Switching suppliers where necessary to ensure continuity of supply for key operations
- Reactivating sources where supply was likely to be interrupted
- Coordinating the supply of hygiene products across Smiths

As a result of our actions we have seen very limited disruption to our operations arising from issues in our supply chain during the pandemic.

Procurement and supply chain management

Our Smiths Excellence System (SES) supply pillar supports innovation and continuous improvement in both our procurement and supply chain activities. Both disciplines are developed centrally with strategy and best practice ways of working aligned across the divisions to leverage Smiths size, build capability, and efficiently manage the resources we need, as well as the cost to Smiths.

Our sales and operational planning (S&OP) processes enable us to plan the material, services and capacity we need to meet customer demand forecasts. Our procurement function manages sourcing and contracting to maintain supply of these material requirements to stringent quality, flow and cost criteria.

We aim to source right first time by identifying the best supply solution for each operation in terms of technical capability, process, cost and risk, and ensuring that our ethical requirements are met. We also want to work with suppliers that can support us flexibly and help us generate ongoing improvement in productivity.

We are reducing our total number of suppliers over time as we look to deepen relationships, pursue more efficient solutions and align procurement activities globally.

Inventory levels have seen an overall increase as a result of the COVID-19 pandemic. Targeted activity to reduce inventory is ongoing, supported by the OSNC and well established inventory optimisation processes.

Supplier relationships

We aim to build supplier relationships based on mutual confidence and respect, balanced and appropriate risk apportionment, and a return for all partners.

All Smiths suppliers are approved prior to any business award. Key suppliers are allocated a strategic status (strategic, preferred, competitive, transactional) to specify supplier management activities and this status is reviewed periodically.

We meet suppliers to review performance, discuss new business opportunities, set goals and work on improvement areas.
For our higher value and/or more complex products we engage with our suppliers at the highest level to partner on R&D, new product introduction, quality and continuous improvement projects, and we aim to be the customer of choice for supplier innovations.

An example CI process is Smiths Detection Hemel Hempstead’s collaborative work with key vendors supplying components for the IONSCAN 600 portable trace detector for narcotics and explosives. Utilising Value Analysis and Value Engineering (VA/VE) principles - including design simplification and design for service - incoming supply chains have been shortened, total cost of components has been lowered, and COPQ has been reduced.

Supplier contract models and payment terms vary depending on the size and type of relationship. Our Smiths terms and conditions describe our general approach to working with suppliers. We are currently exploring options for a supplier finance initiative which will bring benefit to our suppliers at the same time as reducing working capital.

Our planned FY2020 supplier conference did not take place due to the COVID-19 pandemic.

Logistics

Logistics has been a key area of focus in recent years as we look to optimise our inbound, internal and outbound network model. Moving goods efficiently and responsively is as critical to Smiths and to our customers as managing the inbound supply of materials. We are currently working on logistics optimisation projects to consolidate flows/providers where practical to enhance responsiveness and maximise use of capacity, with the added benefit of the positive environmental impact of fewer vehicle movements.

During FY2020 we initiated a process to put in place a logistics agreement with one third party logistics provider to manage inland logistics flows and forward orders across all divisions in the US.

Managing risk

Our integrated supply chain is identified as a principal risk and is managed accordingly through the Smiths risk management process.

We have accelerated the deployment of a supplier risk management system following the COVID-19 pandemic.

This will assess suppliers on the basis of criticality of contribution and likelihood of interruption/collapse and is an extension of the work already undertaken for sole source suppliers.

The requirement to comply with our Supplier Code of Conduct (see right) aims to limit the risk of damage to our reputation or customer service from an ethical breach on the part of a supplier.

Continuous improvement

We aim for continuous improvement in our procurement and supply chain practices by building the capabilities of our people, advancing our data and our systems, and working with our suppliers to improve quality and performance.

We offer APICS and CIPS accredited procurement and supply chain professional development programmes, as well as discipline-specific learning through the SES Academy and SES materials in our supply knowledge portal.

We have continued with the development of our S&OP process and its deployment to our divisions to improve visibility on the upstream supply chain.

We have standardised KPIs across the organisation and our relaunched SESAME diagnostic tool is assisting us to generate CI plans to improve our key KPIs. We have also developed a new 9 Box tool which provides a structured method to deploy inventory optimisation techniques at site and divisional levels. A 9 Box diagnostic and heatmap tool is under development.

APAC logistics supplier consolidation

Danli Shen’s lean six sigma black belt project in our Asia-Pacific (APAC) region is a testament to how change leaders are transforming our operations.

Danli, in partnership with our APAC China Council, led a data-driven initiative that consolidated multiple freight suppliers covering various divisional operations in the region into an aligned and complementary group of supply entities.

This business process innovation resulted in substantial cost savings, contractual leverage, and synergies across our APAC business.

For supplier delivery and quality performance we are currently focused on lead time and involving our suppliers further in the management of upstream inventory.

In FY2020 we broke our annual record for procurement savings during the year. This has been driven by consolidating our supply base and working with suppliers to improve processes, often sharing the benefits of reduced costs.

Ethics and compliance

Responsible procurement and supply chain transparency is part of the Smiths ethical framework. Our Supplier Code of Conduct makes clear our expectations of suppliers and sub-suppliers when it comes to ethical behaviour and compliance with the law, treatment of personnel, and materials from socially and environmentally responsible sources.

For the last three years we have been auditing tier 1 suppliers across the world for modern slavery.

Read more about human rights and tackling modern slavery on page 50
Our communities

We aim to contribute positively to local communities in every area that we operate.

This involves playing a beneficial role in local economies through job creation and procurement, operating safely, environmentally responsibly and ethically, and engaging directly through fundraising, charitable giving and education initiatives.

Healthy and prosperous communities and strong relationships are aligned with our Smiths values, are positive for business, and inspire and promote a sense of pride and ownership in our people.

Direct economic contribution

Smiths direct economic contribution to communities around the world through taxes paid, employee costs and supplier costs was £2.8 billion in FY2020 (FY2019: £2.6 billion).

£2.8bn

<table>
<thead>
<tr>
<th>EMPLOYEE COSTS</th>
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</thead>
<tbody>
<tr>
<td>SUPPLIER COSTS</td>
<td>£1,544m</td>
</tr>
<tr>
<td>TAX PAID</td>
<td>£186m</td>
</tr>
</tbody>
</table>

Getting involved in our communities

Community engagement is managed locally, with each division focusing on markets and communities that are important to them. We celebrate the best of these initiatives through the Smiths Excellence Awards and communicate inspiring ideas and stories in the Smiths Signal e-newsletter and on our Smiths Now colleague smartphone app.

Recognising the efforts of colleagues and sharing new ideas is an important part of being a member of the Smiths family.

During the COVID-19 pandemic many of our efforts have been directed towards supporting local communities through the disease, including contributing aid and equipment to local services. The pandemic led to the postponement of the planned adoption of the Beyond Boundaries globally aligned community outreach programme across Smiths, which we now hope to run next year.

Promoting engineering as a career

Smiths is committed to encouraging the engineers of tomorrow and to promoting engineering as an exciting and fulfilling career that is open to all. We have a number of specialist programmes, including our graduate engineering programme, to attract young people and women to the sector and position Smiths as an employer of choice. We support members of our team that wish to engage with external programmes and organisations with similar aims. We also highlight and contribute to events such as International Women in Engineering Day.

TENNESSEE TORNADO RESPONSE

On 3 March 2020, a powerful tornado moved across Cookeville, Tennessee, home to Flex-Tek’s TUTCO facility.

The tornado destroyed hundreds of homes and took the lives of 18 people, including five children, in the Putnam County community.

This was the strongest tornado recorded in the US over the past three years. Several TUTCO employees and their families were personally affected, with their homes completely destroyed or damaged.

The TUTCO team rallied together to support affected team members as well as the wider community. Their first task was to locate and ensure all team members were safe and accounted for. Those affected were contacted to assess their individual needs such as food, shelter or clothing. The team prepared meals and collected donations for the families, whilst others searched the area for personal items, cut trees and moved debris. Temporary accommodation and storage were arranged for colleagues in need.

A fundraising account was also established, with all proceeds going to colleagues affected by the tornado.

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To mark this year’s International Women in Engineering Day and celebrate the achievements of leading women in the field, we asked our four female Non-executive Directors to share their views on what it means to be a woman in engineering.

Board members Karin Hoeing, Tanya Fratto, Pam Cheng and Dame Ann Dowling recorded a video message, which was shared with colleagues worldwide, and externally, in which they reflected on their own careers and the reasons why more women should pursue engineering.

Engineering is at the very core of what we do at Smiths and we hope videos like this will help inspire the next generation of women engineers who can help #ShapeTheWorld.

I’M VERY PROUD TO BE MAKING A DIFFERENCE IN AN INDUSTRY THAT SAVES LIVES AND IMPROVES HUMAN HEALTH WHILE BEING ABLE TO RAISE A FAMILY. MY MESSAGE TO ALL YOUNG GIRLS AND TEENAGERS OUT THERE – YOU’VE GOT THIS, YOU CAN DO IT, SO PLEASE GO FOR IT!

Pam Cheng,
Smiths Non-executive Director.

Dr Selina Kolokytha, Physicist Engineer, Smiths Detection – winner of our International Women in Engineering Day #ShapeTheWorld competition
Our communities continued

Human rights and tackling modern slavery

Guided by the Smiths Code of Business Ethics, we are committed to upholding high ethical standards wherever we operate around the world and we require our suppliers and other business partners to do the same.

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our values.

We are committed to upholding all internationally recognised human rights standards, such as the United Nations Guiding Principles on Business and Human Rights, and ensuring our operations and supply chains are free of human trafficking and slavery.

This applies whether we are acting through our colleagues or third parties and we require any individual or entity acting on behalf of Smiths to know, understand and abide by the laws and regulations applicable to their conduct. This includes colleagues, suppliers, recruitment agencies, trade agents, distributors, and any other third-party representatives. We will take immediate proactive action should we need to.

During FY2020 we continued to focus on auditing and due diligence for Tier 1 suppliers through a self-assessed standardised questionnaire with some work being delayed by the COVID-19 pandemic.

The Smiths Modern Slavery and Human Trafficking Statement FY2020 and our Human Rights Policy can be found on the Smiths website.

SUPPORTING OUR COMMUNITIES DURING THE COVID-19 PANDEMIC

During the COVID-19 pandemic our aim has been to do what we can to serve and provide support that has a direct impact on our communities.

A selection of activities is described here:

Smiths Group India made a collective grant of more than £100,000 to Give India for two charities – Goonj and Oxfam – to provide essential welfare kits to families of 5-6 people for a month, including dry rations and hygiene supplies, and supply hand-wash stations and safety kits at hospitals and health centres.

This donation had a direct impact on the regions of India most impacted by the virus, where our business operates, including Delhi, Maharashtra, Karnataka and Kerala. A donation page was also set up to allow Smiths colleagues to contribute to the fund.

In China, Smiths Medical donated approximately £700,000 of medical equipment and supplies to more than 29 hospitals in the Hubei Province, including 610 syringe pumps, 24,000 needles and 24,000 Arterial Blood Sampling syringes and 80,300 PIVC (Peripheral Intravenous Cannula) products. The first donation – to Tongji hospital, part of the Huazhong University of Science and Technology – included 400 syringe pumps.

Smiths Medical also donated paraPAC plus™ ventilators, ventilator kits, PIVC products and masks to hospitals in Mexico, in the regions where it operates.

In the UK, John Crane colleagues undertook 3D printing of face visor components and parts for CPAP devices for local assemblers supplying the NHS. John Crane also provided operational assistance to a company making soap and other hygiene products, to switch their usual production to hand sanitisers to meet growing demand from the NHS.

In the UK, Smiths also played a central role in the VentilatorChallengeUK consortium which called on teams from across the Group and other manufacturers and suppliers to help with the production of Smiths Medical paraPAC plus™ ventilators to support the UK Government and the NHS to help save lives during the pandemic and beyond.
Regulators and governments

We operate in highly regulated markets and sectors requiring strict adherence to local and international laws and regulations, and strong ethical practices.

We have in place expert teams to manage these matters and we operate robust due diligence and compliance processes to reduce the likelihood of an ethical, legal or regulatory breach impacting our business.

In the normal course of business, we build relationships with governments, policymakers and regulators across the world. We do this at both Group and at divisional level so that we are able to operate effectively, our interests and those of the industries in which we operate are represented in decision making, and in order to contribute our expertise when appropriate. In some cases, governments are our customer and we engage with them as we would any other customer.

Product certification and ongoing regulatory compliance

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

Trade compliance

We operate a global trade compliance policy that covers export controls, import law, financial and trade sanctions, and anti-boycott law compliance. The policy sets out a specific prior-review process for authorised transactions that involve certain sanctioned countries, which provides corporate oversight of such transactions.

We have a network of trade compliance officers (TCOs) across Smiths who are responsible for overseeing and ensuring the compliance of Smiths activities with applicable trade regulations, laws, and Smiths policy. The TCOs also monitor upcoming changes in regulation.

We provide in-person and online training to our TCOs and other relevant colleagues, and our TCOs meet or otherwise communicate regularly with each other to share best practices and discuss emerging issues. We also regularly assess trade activities at site level to identify risks and review controls.

Anti-bribery and anti-corruption

Bribery and corruption matters are covered by our Code of Business Ethics and we also have specific policies/procedures relating to a number of activities that create bribery and corruption risks. These are included in a new umbrella anti-bribery and corruption policy that has recently been implemented to provide a single view of our approach to bribery and corruption. These policies cover, among many other things, the giving and receiving of gifts, meals and hospitality, invitations to government officials, our approach to facilitation payments, and matters in relation to the appointment of distributors and agents. We have a gift register to monitor compliance. During FY2020 our teams in China developed a country specific anti-bribery and anti-corruption policy to align with local cultural expectations, particularly around gifts.

Anti-trust

We are committed to competing fairly in the markets we operate and have an Anti-trust Policy and training modules for colleagues whose roles may expose them to competition law risk. Our divisions also use a Trade and Industry Event Register to ensure that colleagues attending events with competitors are made fully aware of what they may and may not discuss. During FY2020 we worked with our external advisers to develop bespoke anti-trust training which will be rolled out during FY2021.

GDPR and privacy

Our approach to complying with GDPR and privacy regulations has been to establish a common set of principles, policies and processes to ensure that our teams are aware of their responsibilities relating to them. This will continue as new regulations emerge. We have a network of Data Privacy Champions whose role is to cascade into their respective division any new process requirements. Training around GDPR and privacy is provided through our online training platform as well as face to face (for specific functions).

Building relationships

Our Group Corporate Affairs team leads our outreach and relationship programme with the aim of promoting a deeper understanding of the Smiths business and culture; our capabilities and critical products; and developing long-term relationships with decision-making groups to support our business objectives and facilitate specific opportunities.

The team comprises corporate affairs specialists based in the UK, US, Europe and Asia who guide and support our relationships with key regulators, local policymakers, budget holders and industry groups. As a FTSE 100 Company we have a strong relationship with the UK Government’s Department for International Trade which promotes the interests of UK businesses around the world.

These relationships and the profile of the Group have played an important role in supporting the business during the COVID-19 pandemic, for example by helping our sites to gain essential status and stay open. They also helped Smiths Medical to secure its biggest ever order for needles and syringes to aid vaccination plans in the US.