

# CHAIRMAN'S INTRODUCTION

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

Following the COVID-19 disruption that so many of us suffered, this year we returned to face-to-face Board and Committee meetings and have had the opportunity to engage with and hear from many of our colleagues in person. This included a Board visit to our Flex-Tek operation in Portland, Tennessee. There is no substitute for meeting people to recognise the challenges they face, the aspirations they hold and the culture within which they operate. Understanding key components like these help the Board support a healthy business. It was also good to see, and for me to personally meet with, some of our shareholders at our Capital Markets event and the AGM last November.

The Board took some critical strategic decisions during the year, including the decision to sell Smiths Medical to ICU Medical, Inc. The transaction completed in January, and we wish our former Smiths Medical colleagues every success moving forward. More information can be found on page 61. Board succession planning has also been a key focus this year. The Board made the decision to appoint Clare Scherrer as Chief Financial Officer in April, and to appoint Richard Howes as an independent Non-executive Director in September 2022. The Board now comprises six males and five females, two Directors from historically under-represented ethnic groups and seven with a birthplace or background outside the UK. More information can be found in the Nomination & Governance Committee Report on page 66. For a Group such as Smiths, with a diverse workforce and a wide geographic spread, that diversity is crucial, but it is equally important that the Directors are capable and suitably experienced individuals. The biographies of our Directors can be found on pages 58 and 59.

## 03 Governance

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### UK Corporate Governance Code Compliance

In FY2022, and at the date of this report, the Company applied the Principles and complied with all Provisions of the UK Corporate Governance Code (the Code) in full, as explained throughout this Report. A copy of the Code is available from the Financial Reporting Council's website at [frc.org.uk](http://frc.org.uk). Further information on compliance with the Code can be found as follows:

Board Leadership and Company Purpose	57
Division of responsibilities	62
Evaluation, composition and succession	64
Audit, risk and internal control	69
Remuneration	75

Having a strong governance framework that supports the Group's long-term strategic goals is critical if we are to support the business and enhance the interests of all our stakeholders for the future. The Board continually keeps its governance arrangements under review. During the year the Board agreed to the formal constitution of three new Committees: the Science, Sustainability & Excellence Committee; the Remuneration & People Committee; and the Finance Committee which each evolved from the previous Remuneration and Transaction Committees respectively.

These new Committees allow for greater oversight in the areas of innovation, sustainability, people and financial agility to help better support the Smiths Value Engine, that connects our Purpose, our strengths and our priorities of Growth, Execution and People.

Finally, I would like to thank the Smiths workforce and my fellow Directors for their work on shareholders' behalf this year. In particular, I would like to thank Tanya Fratto who will be retiring from the Board at the conclusion of the 2022 AGM. During her tenure, Tanya has provided an invaluable contribution to the Company and I would like to thank her for her wise counsel and humour along the way. On behalf of the Board, I would also like to thank John Shipsey for his service to Smiths as Chief Financial Officer until April this year.

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

**Sir George W. Buckley**

CHAIRMAN

## BOARD LEADERSHIP AND COMPANY PURPOSE

# ROLE OF THE BOARD

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

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

The Board has approved a governance framework of systems and controls to effectively discharge its collective responsibility. The framework includes the delegation of specific authorities to the Board's five Committees, as set out below. The Terms of Reference for these Committees, which were reviewed during the year, can be found on our website [www.smiths.com](http://www.smiths.com).

## Governance model

### BOARD

#### BOARD COMMITTEES

##### Nomination & Governance Committee

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

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

 P 66 [READ MORE](#)  
Committee Report

##### Audit & Risk Committee

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

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

 P 69 [READ MORE](#)  
Committee Report

##### Remuneration & People Committee

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

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

 P 75 [READ MORE](#)  
Committee Report

##### Science, Sustainability & Excellence Committee

Oversees the Group's culture and approach to science, sustainability and excellence (SSE). This includes reviewing the scientific and technology strategy, innovation, research and development; overseeing the Group's sustainability strategy; overseeing the Smiths Excellence System; and reviewing and determining SSE targets, metrics and KPIs relating to remuneration.

 P 89 [READ MORE](#)  
Committee Report

##### Finance Committee

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

This Committee evolved from the Transaction Committee which previously focused on supporting the Smiths Medical sale.

 [SEE MORE](#)  
[www.smiths.com](http://www.smiths.com)

#### EXECUTIVE MANAGEMENT COMMITTEES

##### Executive Committee

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

##### Investment Committee

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

##### Disclosure Committee

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

## BOARD BIOGRAPHIES

### Sir George Buckley

#### Chairman

Appointed: 1 August 2013



**Skills and experience:** Sir George has extensive experience of large, multi-industry businesses operating in global markets and has had a long career in engineering and innovation. As Chairman, Sir George ensures effective communication with key stakeholders and that the Board provides strong leadership and guidance for the executive management team. During the year, Sir George provided invaluable leadership on the sale of Smiths Medical alongside his support of the Finance Committee. He holds a PhD in Electrical Engineering.

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

### Paul Keel

#### Chief Executive Officer

Appointed: 25 May 2021

**Skills and experience:** Paul has a strong track record of delivering results in innovation-led and diversified global industrial technology businesses. His international experience positions him well to allow Smiths to deliver on its significant potential. He is a graduate of Carleton College and Harvard Business School.

**Career experience:** Prior to joining Smiths Paul worked at 3M Company between 2004 and 2020, within the US and UK. During this period, he led a number of global businesses including the \$5bn revenue Consumer Business Group and several industrial businesses ranging in size from \$400m in revenue to over \$1bn. He also led a number of enterprise functions including Manufacturing and Supply Chain, Marketing and Sales, Strategy and Business Development. In the short period between 3M and Smiths, Paul completed a variety of consulting projects. Paul's other experience includes roles of increasing responsibility at General Electric, McKinsey & Company and General Mills.

### Clare Scherrer

#### Chief Financial Officer

Appointed: 29 April 2022. Clare will stand for election at the 2022 AGM

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

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

### Pam Cheng

#### Non-executive Director

Appointed: 1 March 2020



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

**Career experience:** Pam is Executive Vice-President, Operations and Information Technology at AstraZeneca plc, a multinational pharmaceutical and biopharmaceutical company. Prior to joining AstraZeneca in 2015, Pam was President of MSD (Merck & Co., Inc.) in China. Pam has also previously held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals.

### Dame Ann Dowling

#### Non-executive Director

Appointed: 19 September 2018



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

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

### Tanya Fratto

#### Non-executive Director

Appointed: 1 July 2012. Tanya will retire from the Board at the conclusion of the 2022 AGM



**Skills and experience:** In addition to her experience in manufacturing and operations, Tanya brings insight into product innovation, sales and marketing across a range of sectors and an extensive knowledge of operating in the US, to Board discussions. As one of the longest serving members of the Board, she has a deep knowledge of the Group. She is a qualified electrical engineer and has a BSc in Electrical Engineering.

**Career experience:** Tanya has had a successful career running businesses over 20 years with General Electric Corporation, a multinational conglomerate. Prior to joining the Smiths Board, she was the CEO of Diamond Innovations Inc, a manufacturer of industrial diamonds. Tanya also served as a non-executive director on the Board of Mondi plc from 2017 to May 2022.

**Other significant appointments:** Non-Executive Director of Advanced Drainage Systems, Inc. and Ashtead Group plc.

## Key

**A** Audit & Risk Committee

**R** Remuneration & People Committee

**F** Finance Committee

**○** Committee Chair

**N** Nomination & Governance Committee

**S** Science, Sustainability & Excellence Committee

**I** Independent Director or in the Chairman's case independent on appointment

## Karin Hoeing

### Non-executive Director

Appointed: 2 April 2020



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

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

## Richard Howes

### Non-executive Director

Appointed: 1 September 2022. Richard will stand for appointment at the 2022 AGM



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

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

## Bill Seeger

### Senior Independent Director

Appointed: 12 May 2014



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

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

**Other significant appointments:** Senior Independent Director at Spectris plc and Lecturer at UCLA Anderson School of Management.

## Mark Seligman

### Non-executive Director

Appointed: 16 May 2016



**Skills and experience:** Mark's extensive experience in corporate finance and capital markets supports Board discussion of the Group's portfolio management and strategy. He provided significant counsel during the sale of Smiths Medical through his support of the Transaction and now Finance Committee. Mark also brings non-executive experience to the Board, having served as senior independent director and audit committee chairman at several FTSE100 companies. Mark is a Chartered Accountant and has an MA in philosophy, politics and economics.

**Career experience:** Mark is a former senior investment banker and during his executive career he held various roles at Credit Suisse, including Chairman of UK Investment Banking. Mark served as a non-executive director on the Board of Kingfisher plc from 2012 to January 2021.

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

## Noel Tata

### Non-executive Director

Appointed: 1 January 2017



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

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

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

## Matthew Whyte

### Company Secretary

Appointed: 1 August 2021

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

### Other Directors who served during FY2022

John Shipsey stepped down from the Board and as Chief Financial Officer in April 2022. His biography can be found in our FY2021 Annual Report.



**READ MORE**  
The biographies of the Executive Committee members can be found on our website.

### Key

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# BOARD ACTIVITY

**During FY2022, the Directors continued to provide oversight, challenge and guidance on a broad range of topics. This included the development and implementation of the Group's strategic objectives, culture and operational performance. The key areas of focus for the Board during the year are set out below.**

## Purpose

- Ensured that our focus on strategy and business decisions aligned with our Purpose

## Strategy

- Reaffirmed the Group strategy, including the Smiths Value Engine and focus on our three priorities of Growth, Execution and People
- Endorsed the refreshed divisional strategies and implementation of the new in-market operating model for China
- Completed deep-dives on the implementation of each division's strategy providing constructive feedback and guidance
- Ensured stakeholder considerations were embedded in discussions and decision-making through enhanced reporting from each of the divisions
- Approved a new sustainability strategy
- Agreed the sale of Smiths Medical to ICU Medical, Inc (ICU) and the subsequent £742m share buyback programme
- Supported the relaunch of the Smiths Excellence System (SES)
- Discussed and considered opportunities for inorganic growth

## People, Values and culture

- Approved a workforce engagement strategy where individual Non-executive Directors have been allocated divisional or functional and geographic areas of responsibility in order to reflect the global nature of our business and international composition of our Board. The Senior Independent Director is the designated Non-executive Director responsible for workforce engagement and oversees this activity
- Received updates from the Non-executive Directors on their workforce engagement activities. This included Dame Ann Dowling's visits to the Smiths Detection Hemel Hempstead site and to a Service Team on-site at a large customer; Pam Cheng's visits to the Flex-Tek Tutco and Gastite operations; Mark Seligman's visit to the Qualification and Test laboratory at Interconnect's Dundee site; and Bill Seeger and Karin Hoeing's attendance at colleague meetings about Ethics and Compliance and ESG
- Conducted one-on-one and group online meetings between Directors and employees during the COVID-19 pandemic. This ensured that Directors stayed in touch with the Group's employees given that many were working from home
- Received a report from the new Chief People Officer on her key observations since joining the Company and priorities for the new People strategy
- Supported the Executive Committee in the launch of the new Smiths Leadership Behaviours to guide how we want our people to act in support of our culture
- Oversight of the Assessment, Develop and Reward Project to align key elements of Smiths HR processes with the three priorities of Growth, Execution and People
- Received regular updates on employee engagement, the Group's pension arrangements and health and safety

## Succession and leadership

- Focused on Board succession planning and key roles within the business
- Approved the appointment of a new Chief Financial Officer and Non-executive Director
- Approved changes to the Executive Committee, including the appointment of seven new members
- Reviewed senior management succession plans and the talent pipeline across the Group

## Finance

- Considered business performance through a series of divisional deep-dives at Board meetings
- Reviewed and approved the Group's results announcements and the FY2021 Annual Report
- Supported the de-risking of the TI Group Pension Scheme by way of a £640m bulk annuity buy-in. The Board considered and declined the request from the SI Pension Scheme Trustees to pay enhanced member benefits
- Approved the final dividend for FY2021 and the FY2022 interim dividend
- Considered the feedback from stakeholders on the Capital Markets event held in November 2021
- Other key matters considered by the Audit & Risk Committee are set out on pages 71 and 72

## Governance and risk

- Received updates on our principal risks
- Ongoing oversight of our internal controls in order to ensure an effective control environment
- Continued monitoring of risk management and internal controls by the Audit & Risk Committee, including deep-dives from the divisions on supply chain and product quality
- Approved and provided oversight of the Ethics and Compliance annual work programme
- Ongoing consideration of the Group's compliance with the Code and related activities
- Undertook an internal Board evaluation to review the effectiveness of the Board and its Committees, which included discussing the progress made from the previous year's evaluation and agreeing actions for the next financial year. See pages 64 and 65
- Approved the establishment of the Science, Sustainability & Excellence Committee and the evolution of the Remuneration & People Committee and the Finance Committee
- Established a forward agenda focused on strategy and a deep-dive programme to ensure regular reviews of key areas of focus

## Principal decisions

Having an effective and diverse Board has enabled high quality discussions ahead of executing several key decisions during the year. The Board engages with stakeholders where relevant and takes their interests into account when making decisions. Below are examples of the principal decisions taken during the year. Further examples of how stakeholder views have been considered in the boardroom can be found on pages 41 to 44.

## Sale of Smiths Medical to ICU

Smiths Medical was sold to ICU on 6 January 2022. However, the separation of Smiths Medical had been a key focus of the Board since 2018. The Board had determined that the separation of Smiths Medical would enable Smiths to concentrate on growing as a leading industrial technology group and enable Smiths Medical to focus on realising its full potential in the medical device market.

Stakeholders were a key consideration during the decision-making process. The Board actively engaged with all options to maximise value for all stakeholders and to provide the Company with an enhanced platform for future growth. This led to the Board approving the sale of Smiths Medical to ICU. Another key Board decision was the use of the proceeds once the sale had completed. The Board sought shareholder feedback on the best course of action and determined that the proceeds would be split between investment in growth and a significant return of capital to shareholders through a share buyback programme.

More information can be found on the website.

## Reaffirming the Group's strategy

Paul Keel joined the Board in May 2021 as the Group's Chief Executive Officer. His first objective was to review the Group's strategy, what was working well and where opportunities existed. In his first six months, Paul visited more than a dozen of Smiths largest operations around the world. To seek feedback he met with some of the Group's suppliers and customers and Smiths largest investors. Paul reported his findings back to the Board and the new priorities, being accessing growth, improving execution and doing more to inspire and empower our people, were discussed and endorsed by the Board. The Capital Markets event in November 2021 successfully communicated to shareholders and other stakeholders the Group's strategy, including our ESG priorities and how each of the divisions were accelerating growth and value creation. At the Board's strategy meeting in May 2022, the Board had the opportunity to review in detail and challenge the refreshed divisional strategies and the new in-market operating model for China.

The Board also decided to make several governance enhancements to support the strategy. This included the creation of the Science, Sustainability & Excellence Committee to oversee the Group's approach to science, sustainability, and excellence, including R&D, commercialisation, and sustainability strategies. As well as the evolution of the Remuneration & People Committee to support the People priority in the Smiths Value Engine. In addition, it was agreed that the Finance Committee would oversee the Group's sources and uses of cash including its approach to portfolio activity, evolving from the Transaction Committee which focused on supporting the Smiths Medical sale. Finally, to support accelerated growth and deliver on Smiths significant potential, the Board approved a number of changes to the Executive Committee.

## DIVISION OF RESPONSIBILITIES

# HOW THE BOARD OPERATES

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

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

At each scheduled Board meeting the Chief Executive Officer and the Chief Financial Officer present separate reports, detailing business performance and progress against strategy. These are supplemented by regular performance updates from the Chief Executive Officer to the Directors between meetings. When appropriate, invitations to Board meetings are extended to divisional presidents, heads of functions and subject matter experts, supporting visibility of talent and executive succession planning. External advisers are invited to attend as necessary. Director attendance at Board and Committee meetings in FY2022 is set out on page 63.

To ensure the continued effectiveness of the Board, the Chairman meets the Non-executive Directors without the Executive Directors present after each Board meeting. He also has separate meetings with the Senior Independent Director and the Chairs of the Board Committees on a regular basis and with each of the other Non-executive Directors at least annually. The Senior Independent Director consults with the other Non-executive Directors without the Chairman present at least annually, to assess the performance of the Chairman.

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

## CHAIRMAN

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

## CHIEF EXECUTIVE OFFICER

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

## CHIEF FINANCIAL OFFICER

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

## SENIOR INDEPENDENT DIRECTOR

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

## NON-EXECUTIVE DIRECTORS

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

## COMPANY SECRETARY

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

## Time commitment

All Directors must allocate sufficient time to their work in order to discharge their responsibilities effectively. An expected time commitment of 25 days per annum is set out in the Non-executive Director letter of appointment. However, Committee Chairs, the Senior Independent Director and the Chairman commit more time as required. In the normal course of business, Directors are expected to familiarise themselves with business priorities and challenges, prepare for and attend Board and Committee meetings, attend the AGM, engage with stakeholders and participate in the Board evaluation process. Executive Directors are not permitted to take on the chairmanship or more than one non-executive directorship in a FTSE100 company, or any other significant appointment. Any appointment to other directorships are reviewed in advance by the Board for conflicts and time commitment considerations.

In FY2022 the Board concluded that the Chairman and the Non-executive Directors devoted sufficient time to fulfil their commitments to Smiths. Particular consideration was given to Noel Tata's other commitments as he holds a number of Board level positions outside the Group all of which are at Tata Group companies as shown in his biography on page 59. The Board reaffirmed that Noel's other commitments do not prevent him from committing sufficient time to his work as a Director, as evidenced by his attendance and effective participation at all Board and Committee meetings and ad hoc Board update calls. As a current executive with contacts in higher-growth countries which are a strategic focus for Smiths, he brings valuable and distinct experience to our Board discussions.

## Advice and insurance

Our Directors are able to seek independent professional advice at the expense of Smiths to enable them to fulfil their obligations as members of the Board. In addition, the Directors and Officers of Smiths and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. During FY2022, and at the date of this report, qualifying third-party indemnity provisions (as defined by section 234 of the Act) have remained in force for the Directors of the Company and certain other employees in respect of their directorships of some subsidiary companies in relation to certain losses and liabilities which they may incur (or may have incurred) to third parties in the course of their professional duties for the Company, or a subsidiary.

## Director attendance

	Board	Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Science, Sustainability & Excellence Committee	Finance Committee
Sir George Buckley	10/10	5/5	–	4/4	3/3	7/7
Paul Keel	10/10	–	–	–	–	–
John Shipsey <sup>1</sup>	7/8	–	–	–	–	–
Clare Scherrer <sup>1</sup>	2/2	–	–	–	–	–
Pam Cheng <sup>2</sup>	9/10	4/5	3/4	3/4	3/3	–
Dame Ann Dowling	10/10	5/5	4/4	4/4	3/3	–
Tanya Fratto	10/10	5/5	4/4	4/4	–	–
Karin Hoeing	10/10	5/5	–	4/4	3/3	–
Bill Seeger	10/10	5/5	4/4	4/4	–	7/7
Mark Seligman	10/10	5/5	4/4	4/4	–	7/7
Noel Tata	10/10	5/5	4/4	4/4	–	–

1 On 29 April 2022 Clare Scherrer was appointed to the Board and John Shipsey stood down as a Director. John Shipsey did not attend the meeting where his ongoing appointment was discussed.

2 Pam Cheng was unable to attend the March Board and Committee meetings due to personal circumstances. Pam Cheng provided her comments and input on the matters under consideration to the Chairs of the relevant forums prior to the meetings being held.

## EVALUATION, COMPOSITION AND SUCCESSION

BOARD  
EVALUATION

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

The annual evaluation of the performance of the Non-executive Directors and the Chief Executive Officer is led by the Chairman. The evaluation of the Non-executive Directors includes individual meetings with the Chairman. Feedback is given to the Chief Executive Officer by the Chairman after each Board meeting and on an ad hoc basis throughout the year. The Senior Independent Director and the Chief Executive Officer lead the evaluations for the Chairman and the Chief Financial Officer respectively.

Following the externally facilitated evaluation in FY2021, the FY2022 evaluation was carried out internally. Independent Audit Ltd, who have supported the evaluation process since FY2019, but have no other connection to the Company, assisted with the interpretation of the results of a self-assessment questionnaire issued to the Board. The actions following the FY2022 evaluation have been grouped in four themes: strategic decision making; succession planning; Board communication; and stakeholder engagement and are set out below. Overall, the Board agreed that significant progress had been made since the external evaluation. It is the present intention that the FY2023 evaluation will be internally facilitated.

## Board evaluation findings and actions

## STRATEGIC DECISION MAKING

FY2021 external evaluation findings	Action taken in FY2022	FY2022 evaluation findings and actions for FY2023
<ul style="list-style-type: none"> <li>- Seek to reach a clearer consensus on the Group-wide strategic objectives and how the Company will achieve them</li> <li>- Ensure the Remuneration Committee has a balanced focus on both financial and non-financial considerations</li> </ul>	<ul style="list-style-type: none"> <li>- Following the appointment of Paul Keel the corporate strategy and communications plan for the Group post the sale of Smiths Medical were re-evaluated by the Board and reaffirmed. The strategy and accompanying KPIs are described on pages 10 and 21 to 23 respectively</li> <li>- The Company held a Capital Markets event in November 2021</li> <li>- Enhanced 5 year strategic planning discussions were held with Group and divisional leadership, with a focus on delivering the strategic objectives in line with the Smiths Value Engine</li> <li>- Non-financial incentive measures for management are now part of Executive Director and senior management incentive arrangements</li> </ul>	<ul style="list-style-type: none"> <li>- Greatly enhanced strategic discussions were held during the year resulting in clearer alignment on the Group's strategic priorities. Going forward, the areas of focus would be greater visibility of macro conditions, external markets and the impact or opportunities arising from technology. The appointment of a Chief Sustainability Officer and the development and embedding of a sustainability strategy were particular improvements</li> <li>- When formulating its agendas, the Board will encourage increased time for strategic deep-dives to underscore the Board focus on organic growth</li> </ul>

## SUCCESSION PLANNING

FY2021 external evaluation findings	Action taken in FY2022	FY2022 evaluation findings and actions for FY2023
<ul style="list-style-type: none"> <li>– Hold regular discussions between the Non-executive Directors and Chief Executive Officer on his own to discuss senior management succession and development</li> <li>– Continue the Board's engagement activities with key talent across the Group</li> <li>– Prepare for the transition of the Chairman and Senior Independent Director roles in the next few years</li> </ul>	<ul style="list-style-type: none"> <li>– Executive and non-executive succession planning was a key focus during the year with the Board approving a number of Executive management changes</li> <li>– The Chief Executive Officer updated the Board on enhanced talent and succession planning for senior leadership roles</li> <li>– Chair succession planning commenced led by the Senior Independent Director</li> <li>– The Board continued its interaction with high-potential employees to improve their understanding of the internal 'bench strength' with virtual and in person one-to-one talent spotlights frequently taking place</li> <li>– Face-to-face exposure at Board and Committee meetings for high-potential talent within the Group was reintroduced once travel restrictions were lifted</li> <li>– The Board visited Flex-Tek's operation in Portland, Tennessee and met with members of the Flex-Tek leadership team</li> </ul>	<ul style="list-style-type: none"> <li>– Board succession planning for non-executive positions was identified to be a key focus for consideration during the year</li> <li>– Changes to the Executive management team were well managed and succession planning oversight had been enhanced significantly</li> <li>– Further focus would be arranged on Executive Committee development and succession planning, including providing opportunities for the Non-executive Directors to meet individually and in small groups with a cross-section of employees</li> </ul>

## BOARD COMMUNICATION

FY2021 external evaluation findings	Action taken in FY2022	FY2022 evaluation findings and actions for FY2023
<ul style="list-style-type: none"> <li>– More frequent updates for the Board as the Smiths Medical separation transaction progressed were requested</li> <li>– Consider the scheduling of Committee meetings and holding hybrid meetings</li> <li>– Continue to improve the timeliness of Board information</li> <li>– Structure Chief Executive Officer and Chief Financial Officer reports to tie in more closely with progress on strategic priorities of the business</li> </ul>	<ul style="list-style-type: none"> <li>– Regular updates on the Smiths Medical sale were provided through the formation of the Transaction Committee which met eight times during FY2022 prior to its formalisation as the Finance Committee (which met a further seven times)</li> <li>– The Board continued to identify opportunities to improve communication between itself and Group executives. The new ways of working which were adopted during the pandemic were retained with one Board meeting and a number of Committee meetings held remotely or partially remotely to reduce international travel. This promoted good governance through agile and timely decision making</li> <li>– The new processes introduced to facilitate early stage information flows and ensure that the Non-executive Directors (specifically the Chairman and Committee Chairs) had the opportunity for earlier input into Board and Committee papers were further evolved and briefing processes refined</li> </ul>	<ul style="list-style-type: none"> <li>– Significant improvements were evidenced at Board meetings both in the quality and timeliness of Board and Committee materials and also the openness and quality of debate arising therefrom</li> <li>– Meeting dynamics had improved leading to better conversations</li> <li>– The success of the Transaction Committee led to the formalisation of its activities with the establishment of the Finance Committee. This helped to improve information flows and decision-making and guidance in an agile manner</li> <li>– Remote or hybrid meetings will continue and the organisation of Board and Committee meetings works well</li> </ul>

## STAKEHOLDER ENGAGEMENT

FY2021 external evaluation findings	Action taken in FY2022	FY2022 evaluation findings and actions for FY2023
<ul style="list-style-type: none"> <li>– Restructure the Board's interaction with stakeholders with more focus on ESG, employee engagement and hearing customer and supplier perspectives</li> <li>– Transfer the role of designated Non-executive Director for employee engagement from the Senior Independent Director to another Non-executive Director</li> </ul>	<ul style="list-style-type: none"> <li>– A stakeholder map has been developed</li> <li>– A Director workforce engagement strategy was developed with individual Non-executive Directors being allocated divisional or functional and geographic areas of responsibility. Oversight is provided by the Remuneration &amp; People Committee</li> <li>– The Science, Sustainability &amp; Excellence Committee was established, which provided oversight for many activities connected with the Group's stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>– The Board acknowledged that continued focus on ESG, people, talent, culture and suppliers was critical, and that the ongoing focus on the successful establishment of the Science, Sustainability &amp; Excellence Committee's role were key</li> </ul>

# NOMINATION & GOVERNANCE COMMITTEE REPORT

## Chairman's statement

**I am pleased to present the Committee's report for FY2022. The Committee has delegated responsibility from the Board to review the structure, size and composition of the Board and its Committees, and to ensure that they are fit for purpose.**

The Board wholeheartedly supports the principles of the FTSE Women Leaders Review and the Parker Review on gender and ethnic diversity and we were delighted to recommend the appointment of a new Chief Financial Officer. We were also pleased to recommend a new Non-executive Director to the Board. When making these recommendations, we considered the balance of skills, knowledge and experience on the Board. Diversity of gender, social and ethnic background of the Directors are also important considerations along with country of origin to ensure the continued international diversity of the Board. We also take into account the Group's strategy, business performance, current and future leadership needs, challenges and opportunities.

We oversaw the senior management succession pipeline and planning and during the year we approved the appointment of seven new Executive Committee members. At least once a year we review senior management succession plans and the quality of the talent pipeline across the Group.

Periodically we review the Board's governance framework. This year we recommended establishing the Science, Sustainability & Excellence Committee, and decided to change the terms of reference of the Remuneration Committee to ensure more focus on people. The Finance Committee was formalised and focuses on the sources and use of cash including portfolio activity, changes to capital structure and budgetary planning.

More information about our activities can be found on the following pages. I would like to thank my fellow Committee members for their continued hard work over the period.

### Sir George W. Buckley

CHAIRMAN OF THE NOMINATION & GOVERNANCE COMMITTEE

## Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 58, 59 and 63.

The Chief Executive Officer is normally invited to attend Committee meetings and attended all but one of the meetings in FY2022. Other members of senior management are invited to attend as necessary.

## Committee performance evaluation

In FY2022, the performance of the Committee was considered as part of the internal Board evaluation process. Overall, it was confirmed that the Committee continues to operate effectively.

## Committee activities

### Board succession

The Board has a duty to keep succession plans under regular review. The Non-executive Directors, without the Chairman present and led by the Senior Independent Director, discussed the succession arrangements for the Chairman who reached his nine-year anniversary since appointment on 1 August 2022. Following the appointment of Paul Keel, the Committee agreed and the Board supported that Sir George Buckley should be invited to remain as Chairman to oversee a period of significant strategic change for the Group. Board succession will continue to be a key focus during FY2023.

Tanya Fratto is stepping down from the Board at the conclusion of the 2022 AGM, and the Chairman led the search for a Non-executive Director to replace her. The Committee recommended the appointment of Richard Howes to the Board, and he joined as a Non-executive Director on 1 September 2022. As with all Board appointments, there was a formal, rigorous and transparent process, involving all Directors and with recommendations based on the merit of the individual candidates. Buchanan Harvey & Co. were used as executive search consultants. The firm has no other connection to Smiths and is a signatory to the Voluntary Code of Conduct on Gender Diversity.

The Chairman and the Chief Executive Officer carried out the search process for the role of Chief Financial Officer without the formal support of an external search firm. Multiple candidates were considered. The Committee was intimately involved in this process and was regularly updated on progress. Clare Scherrer, who was well known to the Company, was identified as being the preferred candidate. Clare previously worked for Goldman Sachs where she spent more than 25 years and was a Partner for more than a decade, and most recently Co-Head of the Global Industrials business. Clare has extensive experience working with a broad range of industrial companies around the globe, accelerating growth and increasing value. She has particularly relevant experience in the sectors in which Smiths operates.

The Committee considered that it was in the best interests of the Group and its stakeholders to recommend to the Board that Clare Scherrer be appointed as Chief Financial Officer with effect from 29 April 2022. John Shipsey stepped down as Chief Financial Officer and from the Board of Smiths Group with effect from 29 April 2022. His remuneration arrangements were approved by the Remuneration & People Committee.

## Diversity

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

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

In order to help achieve these aspirations, the Committee only uses the services of executive search firms who have signed up to the Voluntary Code of Conduct on Gender Diversity. This applies to management positions, not just to the Board. Executive search firms are also required to ensure non-UK nationals, women and candidates from historically under-represented ethnic groups are represented on the shortlist for all Board positions.

The Board meets all of its diversity targets, the FTSE Women Leaders Review target of 40% representation of women on FTSE 350 Boards, the Parker Review recommendation for FTSE 100 companies to have one director of ethnic diversity, and the Financial Conduct Authority's Listing Rule whereby at least one senior board position is held by a woman.

Diversity information for the Board, Executive Committee, senior managers and the Group as a whole can be found on page 33. The Board extends its work on diversity to senior leadership positions in the business and across the Group. The Board Diversity Policy was reviewed during the year and can be found on our website [www.smiths.com](http://www.smiths.com).

## Governance

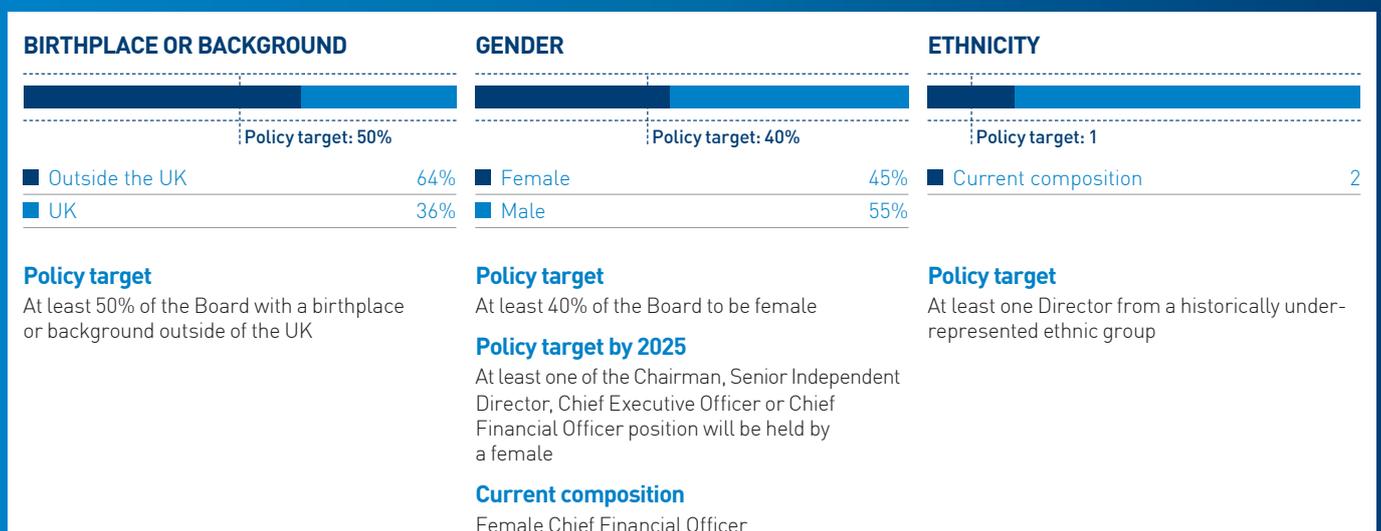
The Committee is responsible for keeping the Board's governance framework under review. In FY2022 the Committee recommended the establishment of the Science, Sustainability & Excellence Committee to oversee the Group's approach to science, sustainability and excellence, including R&D, commercialisation, and sustainability strategies. It also reviewed the operation of the Remuneration Committee and its oversight of the Group's wider People-related activities, and recommended its evolution into the Remuneration & People Committee. In addition the Committee recommended the evolution of the Transaction Committee into the Finance Committee, with responsibility for oversight of the Group's sources and uses of cash including portfolio activity, changes to capital structure and budgetary planning.

During the year the Committee reviewed the Board skills and experience matrix, Board Diversity Policy and its own Terms of Reference. The Committee also considered Director engagement with stakeholders, including the workforce, before this responsibility moved to the Remuneration & People Committee.

## Induction

To ensure that they are able to effectively contribute to discussions and decision-making, all of our Directors participate in an induction programme on joining the Board. Each induction plan is tailored to provide the individual Director with the necessary knowledge and understanding of the Group, based on their personal experience and background. Given her already extensive knowledge of Smiths, for Clare Scherrer this included meeting with key stakeholders including investors, advisers, the external auditor KPMG and receiving briefings on the role and responsibilities of being a listed company director. Clare Scherrer has also visited numerous Group operations in the US and Europe. The induction programme for Richard Howes has similarly been tailored to his experience and is currently underway.

## Diversity Performance



## Information and training

The Board recognises the importance of ongoing training and our Directors are given the opportunity to update their skills and experience on a regular basis. Any individual development needs are discussed with the Directors at the annual performance evaluation. In order for the Directors to remain aware of business priorities and external developments, the Board is provided with formal reports and updates from the divisions, functional leaders and external advisers on a regular basis.

Further to the sale of Smiths Medical to ICU, in which the Group holds a 10% stake, Bill Seeger was provided with specific training in connection with his duties as a US Company Director and potential conflicts of interest between ICU and Smiths.

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

## Independence and objectivity

The Board keeps the independence of the Non-executive Directors under continuous review. In July 2022, the Committee reviewed the guidance contained in the Code and assessed the performance and independence of each of the Non-executive Directors. It concluded that each of them contributed effectively to the operation of the Board and that they should all be considered as independent.

Tanya Fratto was appointed as a Director on 1 July 2012 and as she had served on the Board for more than nine years a particularly rigorous review of her performance was undertaken. The Board concluded that she contributed to constructive challenge and debate at meetings and that she continues to demonstrate the qualities of objectivity and independence. It is anticipated that Tanya Fratto will step down from the Board at the 2022 AGM. Having served on the Board for more than six years, Bill Seeger and Mark Seligman's continued objectivity and independence were also subject to rigorous review. It was agreed that they continue to be independent and objective. Having served on the Board for more than six years, the Board also considered and confirmed that Sir George Buckley continues to be objective.

## Conflicts of interest

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

## Director election and re-election

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

## AUDIT, RISK AND INTERNAL CONTROL

# AUDIT & RISK COMMITTEE REPORT

## Chairman's statement

**I am pleased to present the Committee's report for FY2022. The Committee fulfils an important oversight role, monitoring the integrity of the Group's financial reporting and the effectiveness of its system of internal control and risk management framework.**

The membership of the Committee has recently changed. We welcomed Richard Howes to the Committee following his appointment to the Board on 1 September 2022. Tanya Fratto will be stepping down from the Board and therefore the Committee after the AGM in November. I would like to commend Tanya's membership over many years.

The Committee met four times during the year. Each meeting agenda included a range of topics across the Committee's areas of responsibility, including:

- Consideration of financial reporting matters at each meeting. At the March meeting the Committee reviewed the half-year results announcement and at the September meeting we reviewed the Annual Report and accompanying materials, prior to the release of the Group's results. Our work included reviewing the material judgements and issues, including the treatment of the sale of Smiths Medical and the discontinuation of the Group's operations in Russia, the results of impairment testing and the going concern and long-term viability assessments.
- We performed deep-dive reviews on our principal risks including supply chain, product quality, customers and contractual obligations. Divisional Presidents and their teams attended Committee meetings on a rotational basis and presented their risk registers and principal risk deep-dives. This allowed the Committee to gain an understanding of the culture and risks present throughout the organisation.
- Our Finance Excellence Programme, particularly in relation to internal controls, continues to be a focus for the Committee and we are monitoring potential developments in relation to the audit and governance reforms, as well as how we might respond to changes in regulation.
- Behaving ethically and with integrity is a fundamental part of our Values. The Senior Vice President and General Counsel, Ethics and Compliance attended our March and September Committee meetings and provided updates on our Ethics and Compliance (E&C) programme. Our E&C programme focuses on higher risk and critical areas such as bribery and corruption, human rights, international trade and privacy/data protection. We receive a report on data compiled from 'Speak Out', our confidential reporting hotline, and any material investigations.

Our external auditor, KPMG, continues to provide robust challenge to management and provides its independent view to the Committee on specific financial reporting judgements and the control environment.

I'd like to thank my colleagues on the Committee for their contribution during the year and I look forward to continuing our work in FY2023.

### Mark Seligman

CHAIRMAN OF THE AUDIT & RISK COMMITTEE

## Committee membership and meetings

All members of the Committee are independent Non-executive Directors and collectively have recent and relevant financial, accounting and sector experience. Committee member biographies and attendance at meetings during the year can be found on pages 58, 59 and 63. The Board considers that Mark Seligman has the recent and relevant financial experience required to chair the Committee.

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

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

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

## Committee performance evaluation

Through the annual Board evaluation process, see pages 64 and 65, the Board has again confirmed the effectiveness of this Committee in its role of supporting the Board in compliance with its duties.

## Committee activities

### Financial and narrative reporting

The Committee reviewed the full and half yearly results announcements, the Annual Report and the viability and going concern statements before recommending them to the Board for approval.

The Group has internal control and risk management arrangements in place to support the financial reporting process which provide reasonable assurance that the financial statements are prepared in accordance with applicable standards. These arrangements included seeking divisional confirmation that the reported information gives a true and fair view of the results for the period and ensuring that record keeping allows an accurate and fair reflection of transactions. More information on risk management and internal controls can be found on page 73.

An important responsibility of the Committee is to review and agree the most significant management accounting estimates and judgements which impact the financial statements. The key areas of judgement in the year are set out on pages 71 and 72. After receiving reports on the significant estimates and areas of judgement and after discussion with KPMG, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual Report.

### Fair, balanced and understandable

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

- the accuracy, integrity and consistency of the messages conveyed in the Annual Report;
- the appropriateness of the level of detail in the narrative reporting;
- the correlation between judgements, estimation of uncertainties and issues and the associated disclosures; and
- the explanations of the differences between statutory and headline reported results.

Taking the above into account, together with the views expressed by KPMG, the Committee recommended, and in turn the Board confirmed, that the 2022 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

### External audit

The Committee places great importance on the quality, effectiveness and independence of the external audit process. Following a tender process KPMG was appointed as the Company's external auditor at the 2019 Annual General Meeting. Michael Maloney, the KPMG audit partner responsible for the Company's audit since 2019 will retire following the completion of the FY2022 audit. Further to an extensive selection process overseen by the Chairman of the Committee, Michael Barradell will be appointed as the lead engagement partner for the next

financial year. His tenure will be limited to five years in line with audit standards and due to KPMG partner rotation policies.

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

### Scope of the external audit plan and fee proposal

At its November 2021 meeting the Committee reviewed and approved KPMG's proposed audit plan. The fee for the FY2022 audit was agreed in July 2022. The Committee continued to monitor KPMG's execution of the 2022 audit plan during the year.

### Smiths Medical

Due to PwC's understanding of Smiths Medical's financial reporting and internal control environment and the work necessary to support the separation of that business, PwC continued to act as the auditor for Smiths Medical until the sale of the business on 6 January 2022. PwC provided an update to the Committee at its September 2021 meeting.

### Independence and objectivity

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

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

### Non-audit services

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

Details of the fees paid to KPMG for the year ended 31 July 2022 can be found in note 2 of the financial statements on page 120. Non-audit fees as a percentage of audit fees totalled 11% (FY2021: 13%). Non-audit fees comprise audit related assurance services and fees in connection with the sale of Smiths Medical.

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

## SIGNIFICANT FINANCIAL REPORTING MATTERS

The key areas of judgement for FY2022 are as follows:

### Areas of focus

### Actions taken

#### MEDICAL DISPOSAL ACCOUNTING

On 6 January 2022, the Group completed the sale of Smiths Medical to ICU Medical, Inc. (ICU). As part of the sale the Group has incurred and provided for separation expenses, that arise from contractual and commercial obligations due to the separation, and has retained a 10% holding in ICU and received \$100m of deferred contingent consideration, the values of which are dependent on the ICU share price.

The Committee considered the constituent elements of the separation expenses included within the net gain on sale of Smiths Medical and reviewed the appropriateness of the provisions made relating to the sale and the transition services being provided by Smiths Group to Smiths Medical.

The Committee reviewed the financial reporting treatment and the basis for determining the fair value of the deferred contingent consideration, which has been classified as a financial asset at fair value through profit and loss. The 31 July 2022 ICU share price of circa \$177 (6 January 2022: \$231) was 23% down from when the sale completed. This reduction in share price has resulted in Smiths recognising fair value losses through the Income Statement and Other Comprehensive Income. See notes 14 and 27 of the financial statements.

#### REVENUE RECOGNITION

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

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

#### TAXATION

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

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

#### IMPAIRMENT – INTANGIBLE ASSETS (INCLUDING GOODWILL) AND RUSSIA

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

The intangible assets and the assumptions used to justify their carrying values were reviewed, including the applicable discount rate used for impairment testing purposes.

Smiths Detection was the Group's only CGU where the impairment headroom was more limited for FY2022 and where a plausible downside scenario or a reasonable change in key assumptions could cause the carrying value of the CGU to exceed its recoverable value. Smiths Detection's limited impairment headroom is driven by a lower starting point from the FY2022 outturn, reflecting a difficult market subsequent to COVID-19 that has impacted its aviation security customers, an increased discount rate driven by the macroeconomic hurdles in FY2022 and the impact of temporary supply chain issues. Earnings growth within the impairment model is from the lower FY2022 base position and the CGU recoverable amount exceeded its carrying value - therefore no impairment was necessary. The Committee has reviewed the additional disclosures made around this impairment review. See note 11 of the financial statements.

As announced with the HY2022 interim results, the Group suspended sales into Russia. The Committee agreed with the Russia impairment charge and related wind down costs. The Committee has also agreed that these items are material in quantum and should be separately disclosed through the non-headline items within the income statement. See note 3 of the financial statements.

## Areas of focus

## Actions taken

## PROVISIONS FOR LIABILITIES AND CHARGES

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

The Committee considered the appropriateness of the level of the provisions held against John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST claims. In particular, the Committee considered the treatment of potential liabilities, the changes to the assumptions made in calculating the provisions, sensitivities to changes in assumptions and advice received from the Group's specialist external advisers. The Committee agreed the continued appropriateness of the ten-year time period for John Crane, Inc. asbestos litigation. In the case of the John Crane, Inc. asbestos litigation, the Committee also agreed with the judgement that, whilst large numbers of claims are made against John Crane, Inc. and other defendants every year, due to both known and as yet unknown developments in the US legal system and other events that will impact the asbestos legal environment, a sufficiently reliable estimate cannot be made to cover the full period over which it is expected that costs will be incurred. In both these cases, it was determined that the assumptions fairly reflect the position. See note 23 of the financial statements.

## POST-RETIREMENT BENEFITS

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

The Committee reviewed the financial reporting treatment for the final TI Group Pension Scheme (TIGPS) bulk annuity buy-in. This buy-in has been secured with a commitment to fully buy-out the Scheme over the next few years so has been accounted for as a settlement, with the resulting settlement loss and past service cost shown in the Group's income statement in FY2022. A surplus restriction has been applied to the remaining Scheme assets to bring the net surplus to zero.

The Committee has also reviewed and agreed the methods, assumptions and benchmarks used by the actuaries to calculate the position of the UK and US schemes at 31 July 2022, which have continued to show a net accounting surplus position which has been reduced by £219m in FY2022.

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

## PRESENTATION OF HEADLINE PROFITS AND ORGANIC GROWTH

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

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

The Committee reviewed the appropriate level of disclosure for the impairment charge recognised in FY2022 against the Group's Russian businesses and related wind down costs. The Committee agreed that the combined impairment charge required separate presentation as a non-headline item.

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

### Effectiveness of the external audit

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

- the conclusion of the FY2021 audit process
- the review of audit plans
- content, insight and value of KPMG's reports
- robustness and perceptiveness of KPMG in handling of key accounting and audit judgements
- management's responses to any audit findings
- discussions with management (both with and without the external auditor present) and with the external auditor (both with and without management present)
- the findings of the FRC's 2022 Audit Quality Inspection Report with KPMG to understand the activities being undertaken to address the findings and KPMG's position regarding the various areas of audit reform which are currently under review

As FY2022 was KPMG's third year as the Group's external auditor, the Committee paid particular attention to ensuring that it was satisfied that the Committee's and management's feedback from previous effectiveness reviews had been adequately addressed. This included the close out of previously discussed audit matters. In addition it also considered other statutory reporting, audit planning and scope deliverables, and that KPMG had continued to devote sufficient time and resources to understand and assess the business, its key risks and controls.

Prior to the sale of Smiths Medical, the Smiths Medical business continued to be audited by PwC. The Committee also considered the effectiveness of the process whereby KPMG was able to achieve comfort from PwC on its work for that division in respect of the FY2021 financial statements.

After taking into account the factors above and its general interaction with KPMG throughout the period, the Committee was satisfied that the audit was effective. The Committee therefore agreed that it was appropriate to recommend to the Board that the reappointment of KPMG as the Company's auditor for a further year be proposed to shareholders at the 2022 AGM. A further review of the FY2022 audit will be conducted ahead of the FY2023 half year results.

### Risk management and internal control

The Board is responsible for ensuring that sound risk management and internal control systems are in place. The Executive Committee is responsible for designing the risk management and internal control systems and ensuring they are effectively deployed throughout the Group. The internal control system is a framework to manage risks and monitor compliance with procedures. It is designed to meet the Group's particular needs and the risks to which it is exposed. However, it can provide only reasonable, not absolute, assurance against material loss to the Group or material misstatement in the financial statements. More detail can be found on pages 46 to 53.

### Effectiveness of the Group's risk management and internal controls

In FY2022, the Committee, on behalf of the Board and with the assistance of the Internal Audit function, monitored, reviewed and assessed the effectiveness of the Group's risk management and internal control systems in the context of the Group's strategy, business model and risk appetite.

Deep-dives were carried out during the year on the following principal risks. The principal risks have since been updated as detailed on page 47:

- Product quality – John Crane, Smiths Detection and Flex-Tek
- Customers – Smiths Detection and Smiths Interconnect
- Supply chain – John Crane and Flex-Tek
- Contractual obligations

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

The Committee were also provided with updates in relation to the Finance Excellence Programme particularly in relation to projects to improve and standardise finance activity across the Group and ongoing activity to improve general IT controls. They also monitored the potential development of audit and governance reforms and how the business might respond to changes in regulation.

### Principal risks update

The Committee carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. We have refreshed the FY2022 principal risks to reflect the critical risks facing the business and the following changes were made:

- Growth and ESG have been added as principal risks
- Group portfolio risk has been removed with the completion of the sale of Smiths Medical
- A number of risks, including COVID-19 and Integrated supply chain, have been combined into a Business continuity risk
- Ethical breach and Contractual obligations have merged into a Legal and compliance risk
- Customers and markets risks have merged into a Commercial risk

A description of the principal risks facing the Group and how these were reviewed to assess the Group's viability can be found on pages 47 to 53.

## Internal Audit

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

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

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

During the period, the Committee received progress reports on the execution of the FY2022 Internal Audit Plan and discussed any high priority control enhancement opportunities and action plans to address these. The Committee also approved the FY2023 Internal Audit Plan, including the proposed audit scope, approach, coverage and budget including the allocation of resources.

The Committee oversees the performance of the Internal Audit function through the Director of Internal Audit's attendance at Committee meetings, review of work presented throughout the course of the year, and a review of agreed KPIs which are reported to the Committee at each Committee meeting. The Committee also considered the results of an anonymous survey circulated to the Audit & Risk Committee, senior management and the Group's external auditor on the performance of the function during the year. Overall, Internal Audit is seen as a valued assurance function throughout the Group. It is appropriately resourced and conforms with industry standards in its approach.

In accordance with the International Standards for the Professional Practice of Internal Auditing, the assessment of the Internal Audit function is required to be carried out by an independent third party at least every five years. The last independent third-party assessment was carried out in 2018. The next independent third-party assessment will take place during FY2023.

## Ethics and compliance

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

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

During the year, the Committee provided oversight of a number of areas targeted by the Ethics and Compliance work programme. More information on the Group's approach to Ethics and Compliance can be found on page 34 and in the Sustainability at Smiths report found on our website.

## Assessment of internal control and risk management arrangements

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

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

# REMUNERATION & PEOPLE COMMITTEE REPORT

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

## Chairman's statement

I am pleased to present the Remuneration Report for the year to 31 July 2022. This will be my fourth year as Chairman of the Committee. In this time we have adapted our Policy to align with stakeholder expectations and guidelines whilst ensuring it supports business strategy. We have also been mindful of unprecedented sociopolitical pressures.

The Directors' Remuneration Policy was approved at the AGM on 17 November 2021. The Directors' Remuneration Report for FY2022 will be put to an advisory shareholder vote at the 2022 AGM on 16 November 2022. I look forward to your continued support at the upcoming AGM.

## Remuneration & People Committee

During FY2022 we took the important step of expanding the responsibilities of the Committee to include overseeing the implementation of the People strategy and, as necessary, make recommendations to the Board regarding changes to or approval of the strategy.

The broader Remuneration & People Committee now oversees the process for the Group's talent strategy and the development of a diverse pipeline of succession below senior management. Responsibility extends to the Group's diversity, equity and inclusion strategy and approach to workforce engagement including reviewing the results of the employee engagement survey and the related action plans.

There is a programme of Board engagement activities to enable the Non-Executive Directors to have regular dialogue with colleagues across the Group to inform their view of employee engagement and ensure well-being policies and programmes are effective.

The Committee remains responsible for the Group's overall remuneration strategy, overseeing the Group's Remuneration Policy for Directors and senior management. The Committee seeks to achieve a strategy that attracts, motivates and retains executive management of the quality required to run the Group successfully. The strategy promotes the long-term success of Smiths, while reflecting the views of all stakeholders.

## Business context for FY2022

We have made good progress this year with a renewed focus on technology and new product development. Following the successful sale of Smiths Medical, we have an ambitious growth strategy which will amplify Smiths post the Medical sale. Our Remuneration Policy is strongly aligned to the priorities in the Smiths Value Engine and our AIP and LTIP metrics for FY2023 outlined later in this statement are designed to support this.

We have not been immune to the macroeconomic challenges including the COVID-19 pandemic, but we have shown resilience in the face of these challenges and continue to be agile to maintain the performance of the business and support our people and communities. Organic revenue growth has been ahead of expectations and we have delivered five consecutive quarters of growth. This has been supported by stronger execution and operational resilience. Inspiring and empowering our people has been an important element of building this momentum.

## Shareholder consultation

We are conscious of the competitive global environment for executive talent. During the year, we reached out to major shareholders to discuss their views on the introduction of an additional share plan designed to reward superior performance over a five-year period, in line with the strategy announced at the Capital Markets Event in November 2021. Feedback from shareholders was that they were sympathetic to this objective but preferred the simplicity of delivery within the parameters of the current Remuneration Policy. We were delighted to have the opportunity to talk and would like to thank shareholders for the feedback provided.

## Board changes

In April 2022 we announced the appointment of Clare Scherrer as Chief Financial Officer, alongside a number of executive leadership appointments, continuing the good progress made over recent years in positioning the Company for the future. Clare was appointed on a salary of £553,750, which will be next reviewed in October 2023, and a pension allowance in line with the rate available to the wider UK workforce. Her incentive arrangements and benefits entitlement are in line with the Remuneration Policy.

A summary of the remuneration for the outgoing Chief Financial Officer is provided on page 83.

## Implementation for FY2023

The Board is conscious of the challenging impact of current inflationary pressures on our colleagues and this is reflected in the management decision to focus more of the salary increase budget on those sectors of the workforce which are more significantly affected. Paul Keel's salary has been increased by 2.5% and is effective from 1 October 2022. The increase is in line with senior management and is below the increment for the wider workforce. Clare Scherrer's salary will remain unchanged for FY2023.

We continue to assess and evolve how our sustainability strategy should be reflected within our remuneration framework. Following careful consideration by the Committee, we will be introducing new objectives within the Annual Incentive Plan (AIP) for FY2023, aligned to our strategy and the commitments made at the November 2021 Capital Markets event.

## REMUNERATION & PEOPLE COMMITTEE REPORT

For the FY2023 AIP, we will introduce two new performance metrics based on reductions in energy usage across the business and revenue from new product programmes, including our sustainable products. The new measures will each have a weighting of 10%. This builds on the quantifiable and measurable Scope 1 and 2 Greenhouse gas reduction metrics incorporated in our Long-Term Incentive Plan (LTIP), driving achievement of our commitment to Net Zero emissions from operations by 2040. There will no longer be a personal objectives metric in AIP, reinforcing the focus on team performance.

### Other activities of the Committee in FY2022

In addition to those highlighted elsewhere in this statement, the Committee has also undertaken the following activities in FY2022

- Reviewed business plans and performance to assess their potential impact on existing and future incentive arrangements
- Reviewed remuneration of the wider workforce and related policies to ensure internal alignment of reward
- Approved FY2023 salary increases for the Executive Committee considering available budget, individual performance rating and position in salary range
- Reviewed the Committee's performance and Terms of Reference
- Approved the Remuneration Report for inclusion in the Annual Report
- Approved the service contracts of the Executive Directors

### Committee membership and meetings

The membership of the Committee and their meeting attendance during the year is set out on pages 58, 59 and 60 of this report. I had served on a remuneration committee for at least 12 months prior to my appointment as Remuneration Committee Chairman.

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

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

### Committee performance evaluation

The annual evaluation of the Committee was conducted as part of the internally facilitated evaluation process of the Board and its Committees. The findings relating to the Committee were discussed with me. More information can be found on page 64. Overall, the Committee is viewed as effective and performing well and is rigorous in discharging its responsibilities.

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

### Looking forward

The Committee will continue its focus on all stakeholder groups and the wider workforce when discussing executive pay strategy. It will also consider the broader impact of non-financial measures such as Smiths Leadership Behaviours and how these should be reflected in remuneration decisions. In particular the Committee will seek to assess how the macroeconomic environment is impacting the market for global talent and the search for talent will continue to be a priority as we grow.

### Bill Seeger

CHAIRMAN OF THE REMUNERATION & PEOPLE COMMITTEE

## EXECUTIVE REMUNERATION AT A GLANCE

## IMPLEMENTATION OF REMUNERATION POLICY IN FY2022

## Base salary

Paul Keel received:

£875,000

Clare Scherrer received:

£140,567

John Shipsey (former CFO) received:

£551,496

## Pension and benefits

- Pensions contributions of 12% of base salary for Paul Keel and Clare Scherrer, in line with the rate available to the wider UK workforce. John Shipsey received contributions of 20.5%
- Benefits included healthcare, insurance, car benefit and relocation benefits for the CEO.

## Annual bonus (AIP)

Total bonus payout (% of maximum):

Paul Keel: 38.8%      Clare Scherrer: 38.8%      John Shipsey: 37.8%

	Threshold (25% payout)	Maximum (100% payout)	Achievement
Operating profit (40%)	£459m	£502m	12.8%
Organic revenue growth (30%)	£2,784m	£2,926m	13.8%
Headline operating cash conversion (20%)			
H1 (10%)	90%	110%	3.2%
FY (10%)	81%	115%	0.0%
Personal objectives (10%)*	0%	10%	9.0%

\* Personal objectives outturn for John Shipsey was 8% of maximum

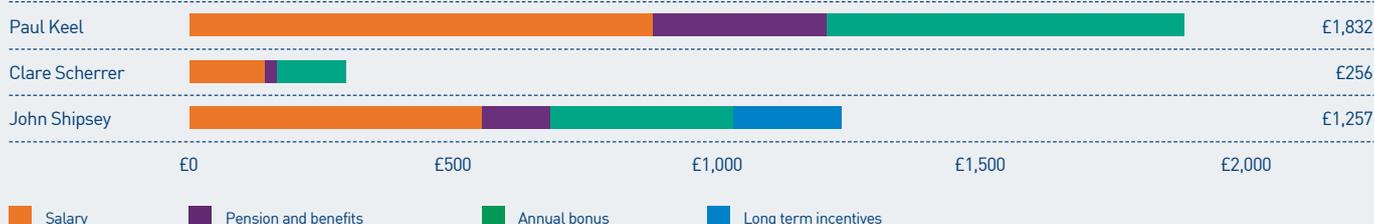
## Long term incentive (LTIP)

Total vesting (% of maximum):

Paul Keel: N/A      Clare Scherrer: N/A      John Shipsey: 14.1%

	Threshold (25% payout)	Maximum (100% payout)	Vesting
Organic revenue growth (30%)	0.6%	6%	0%
Group EPS growth after tax (25%)	1.8%	11% p.a.	0%
Average ROCE (20%)	13.7%	18% p.a.	0%
Average headline operating cash conversion (25%)	90%	105%	14.1%
Total			14.1%

## SINGLE FIGURE (£000)



	Paul Keel	Clare Scherrer	John Shipsey
Salary	875	141	551
Pension and benefits	279	24	139
Annual bonus	678	91	344
Long term incentives	-	-	223

## EXECUTIVE REMUNERATION AT A GLANCE

## STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN FY2023

## Base salary

## Paul Keel:

£896,875  
(2.5% increase)

## Clare Scherrer:

£553,750  
(0% increase)

UK wider workforce increases of 3.0%.

## Pension

## Paul Keel:

12%  
of base salary

## Clare Scherrer:

12%  
of base salary

## Benefits

Benefits package consisting of healthcare, insurance, car benefit and relocation benefits.

Benefits package consisting of healthcare, insurance and car allowance.

## Annual bonus (maximum opportunity)

## Paul Keel:

200%  
of base salary

## Clare Scherrer:

165%  
of base salary

Performance measure	Weighting
Operating Profit	30%
Revenue	30%
Headline Operating Cash Conversion	20%
New Product Commercialisation	10%
Energy Efficiency	10%

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

## Long term incentives (LTIP)

## Paul Keel:

189,900  
number of shares

## Clare Scherrer:

91,342  
number of shares

Performance measure (3 year)	Weighting	Threshold (25% vesting)	Maximum (full vesting)
EPS growth after tax	20%	6%	11%
Revenue growth	30%	3.5%	6.5%
Free cash-flow	20%	45%	55%
Average ROCE	15%	14%	17%
Reduction in GHG	15%	15%	20%

- Two-year post-vesting holding period applies.
- The same fixed number of shares as in 2021 will be granted to Paul Keel in October 2022, per the Policy.
- Clare Scherrer's award will be in line with her contract of employment (value of 250% of salary).

## PERFORMANCE MEASURES AND LINK TO STRATEGY

Annual bonus (AIP)	GROWTH					EXECUTION				PEOPLE				
	1	2	3	4	5	1	2	3	4	1	2	3	4	5
OPERATING PROFIT	✓	✓	✓		✓		✓		✓					
REVENUE GROWTH	✓	✓	✓				✓		✓					
OPERATING CASH CONVERSION						✓	✓		✓					
NEW PRODUCT COMMERCIALISATION		✓	✓		✓									
ENERGY EFFICIENCY					✓				✓				✓	✓
Long Term Incentive Plan (LTIP)														
EPS GROWTH AFTER TAX	✓			✓			✓							
REVENUE GROWTH	✓	✓	✓	✓			✓							
FREE CASH-FLOW						✓	✓							
AVERAGE ROCE	✓	✓					✓							
REDUCTION IN GHG EMISSIONS									✓				✓	✓

## GROWTH

1. Strong execution to maximise underlying market expansion
2. Improved product development and commercialisation
3. Building out priority adjacencies
4. Disciplined M&A
5. Sustainable Smiths

## EXECUTION

1. Operational
2. Financial
3. Functional
4. Sustainable Smiths

## PEOPLE

1. Safety and wellbeing
2. Inspire and empower talent
3. Diversity, Equity, Inclusion
4. Communities
5. Sustainable Smiths

## Shareholding requirements

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

## REMUNERATION

### Alignment with the UK Corporate Governance Code

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

<b>Clarity</b>	<ul style="list-style-type: none"> <li>- The Committee welcomes transparency and regular engagement with shareholders with regard to executive remuneration. During 2022, the Committee Chairman has consulted with shareholders to fully understand their views particularly in relation to share based remuneration</li> </ul>
<b>Simplicity</b>	<ul style="list-style-type: none"> <li>- Participants in incentive plans receive annual communications to confirm award levels and performance measures. Supporting guidance documents and instructional videos are available online. The Remuneration Policy for Executive Directors underpins that of the wider workforce and the 2021 Policy review further simplified the arrangements</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>- The Committee considers the effective management of risk throughout the delivery of incentive plans, applying reasonable discretion to override formulaic outcomes if necessary</li> <li>- The Committee considers that the structure of incentive arrangements does not encourage unnecessary risk taking</li> <li>- For Executive Directors, one third of the annual bonus payment is deferred into shares with an additional three years until vesting</li> <li>- Robust malus and clawback provisions are in place for incentive plans and are clearly communicated</li> </ul>
<b>Predictability</b>	<ul style="list-style-type: none"> <li>- Our Policy clearly outlines the maximum award levels and vesting outcomes applicable to annual bonus and LTIP. As stated above under 'risk', the Committee has the ability to apply discretion to formulaic outcomes and clear malus and clawback provisions exist</li> </ul>
<b>Proportionality</b>	<ul style="list-style-type: none"> <li>- There is a link between strategic business objectives and performance outcome, as outlined on page 78</li> <li>- Our Policy for our incentive plans outlines threshold, target and maximum opportunity levels, with actual outcomes dependent on performance achieved against pre-determined measures</li> <li>- Through the design of the Policy and the discretion of the Committee, poor performance is not rewarded</li> </ul>
<b>Alignment to culture</b>	<ul style="list-style-type: none"> <li>- Smiths Group Values of passion, integrity, respect, ownership and customer focus underpin the design and operation of the incentive programmes. The business strategy is supported by these Values which are widely communicated across the Company</li> </ul>

### Consideration of wider workforce

The Committee considers all stakeholder groups when setting executive pay, including our people. The Committee is briefed on pay arrangements across the business and receives reports on remuneration issues raised by employees through the employee engagement survey and at divisional and functional town hall meetings.

In September 2021 the Committee Chairman discussed executive pay and sustainable business performance at an employee Q&A event. A video was circulated in advance, explaining why we have a Remuneration & People Committee, how wider Company pay policies are aligned with executive pay structures, and how executive pay structures align to our Purpose, Values and culture drive sustainable business performance for the benefit of all our stakeholders. Employees were encouraged to submit questions in advance, and ask questions on the day.

The overall responsibility for workforce engagement rests with the Senior Independent Director while each Non-executive Director has responsibility for workforce engagement in a specific geographical region and business area. Nine events attended by Non-executive Directors specifically relating to workforce engagement took place in FY2022, further details of which are outlined on page 60.

## REMUNERATION

## Single figure of annual remuneration (audited)

## Executive Directors

	Salary		Benefits		Payments in lieu of pension contribution		Total fixed		Annual bonus <sup>2</sup>		Long-term incentives		Total performance related		Total	
	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000
Paul Keel <sup>1</sup>	875	163	183	54	96	10	1,154	227	678	223	–	–	678	223	1,832	450
Clare Scherrer	141	–	7	–	17	–	165	–	91	–	–	–	91	–	256	–
John Shipsey (former CFO)	551	540	26	11	113	131	690	682	344	567	223 <sup>3</sup>	281 <sup>4</sup>	567	848	1,257	1,530

1 An advance payment of \$87,349 was made to Paul Keel in August 2022 for him to settle US taxes due on benefits which are also taxable in the UK. Upon receipt of the refund relating to this foreign tax credit on his UK tax return, a full refund will be provided to the Company.

2 Executive Directors defer 33% of the bonus into Smiths shares. The total bonus paid during the year, including deferral, is captured under Annual Bonus above. The deferral is for a three-year period and is not subject to any further performance or other conditions.

3 The share price appreciation attributable to the FY2022 Long Term Incentive for John Shipsey was 8.0% (£7,663). For FY2021 it was 11.3% (£20,526). No discretion has been applied to the amounts attributable to share price appreciation.

4 The Long Term Incentive value for FY2021 for John Shipsey has been restated to show the actual amount (rather than the estimated amount in last year's report) and to include dividend accrual payments of £22,461 which was paid on vesting. The total remuneration is also restated accordingly. The estimated Long Term Incentive values for FY2022 are calculated using the vesting percentage of 14.1% and the average share price over the three months to 29 July 2022 of 1,479p; it also includes the dividend accrual payment of £16,791 for John Shipsey, payable on vesting. The average share price for the five days to 29 July 2022 of 1,512p is used to calculate the dividend equivalent value.

## Salary

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

John Shipsey stepped down from the Board as Chief Financial Officer on 29 April 2022 and remained employed by the Group until 31 July 2022 to ensure a smooth transition. The values in the single figure table above reflect the remuneration paid to 31 July 2022.

## Benefits

Benefits for Executive Directors include life assurance, disability insurance, private healthcare insurance, car related benefits and relocation benefits (CEO only).

## Pension

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

John Shipsey received an allowance in lieu of pension contribution of 20.5% of salary during the year.

## FY2022 annual bonus outcome

The maximum annual bonus opportunities for FY2022 were 200% of salary for Paul Keel, 165% of salary for Clare Scherrer (pro-rated for time since appointment) and 165% of salary for the former CFO, John Shipsey.

For FY2022, financial metrics made up 90% of the annual bonus, with the final 10% based on performance against personal objectives. The table below summarises the financial targets and the Company's actual performance (restated at budget exchange rates) against these for the FY2022 annual bonus.

Measure	Weighting	Performance targets, actual performance and outturn				
		Threshold 25% payout	Target 50% payout	Maximum 100% payout	Actual	Outturn
Operating Profit	40%	£459m	£478m	£502m	£464	12.8%
Revenue Growth	30%	£2,784m	£2,841m	£2,926m	£2,832	13.8%
Headline Operating Cash Conversion						
H1	10%	90%	100%	110%	93%	3.2%
FY	10%	95%	105%	115%	81%	0.0%
<b>Total Financial</b>						<b>29.8%</b>
Personal Objectives	10%				90%	9.0%
<b>Total</b>						<b>38.8%</b>

## REMUNERATION

### Personal objectives

Challenging personal objectives are set each year for the Executive Directors, to reinforce the Company's operating and strategic priorities. The personal objectives for the Executive Directors for FY2022 comprised a number of strategic long-term enablers, some of which remain commercially sensitive, together with short-term projects aligned to innovation, operational excellence and capability planning. Achievements against personal objectives in the year (which have a 10% weighting) are in the table below. During the process of stepping down, the performance of John Shipsey was considered and assessed by the Committee and an overall rating of 80% was agreed (outturn of 8% of maximum bonus).

Paul Keel			
	Category	Achievement	Outturn
 <b>Growth (including financials)</b>	Group Strategy	Developed and communicated a compelling enterprise strategy for the Group including extensive investor engagement, a highlight of which was the November 2021 Capital Markets Event.	
	Environmental, Social & Governance	Established a Board-level sustainability focused Committee - the Science, Sustainability & Excellence (SSE) Committee and appointed Chief Sustainability Officer. Oversaw the development and implementation of a compelling Group-wide sustainability strategy which was incorporated into incentive compensation programmes. Set and communicated environmental goals, to support the delivery of our commitment to Net Zero GHG Emissions from operations by 2040. Mapped our approach, signing on to the Science Based Targets Initiative and the UN Race to Zero pledge.	
	Portfolio	Closed the Smiths Medical transaction with an enterprise value of \$2.7bn and an equity value of \$2.4bn after adjustments for debt, liabilities and working capital.	44.2/50.0
 <b>Execution</b>	Smiths Excellence System (SES)	Developed and deployed a Group-wide SES programme, building on the foundations of the SES Academy and embedding lean methodology. Appointment of Master Black Belts and Black Belts in all divisions to ensure delivery of results.	
	Operations	Navigated global supply chain headwinds, including impacts from Ukraine invasion. Delivered productivity and pricing gains to offset raw material inflation. Managed working capital levels to support growth.	
	Customer	Improved On Time in Full (OTIF) and reduced Cost of Poor Quality (COPQ).	23.0/25.0
 <b>People</b>	Team	Key Executive Committee appointments including CFO, CPO, CSO, John Crane President and Group SES Director.	
	Inclusion and Diversity	Established an extended leadership team comprised of the top 200 leaders, with improved diversity. In addition, the number of senior leadership positions taken by females is 24%.	
	Talent Development	Developed and launched an assessment, development and reward programme that ensures all critical leadership roles have 'ready now' successor and talent pipeline is constantly reviewed and in development.	22.8/25.0
<b>Total (9% of maximum bonus opportunity)</b>			<b>90.0/100.0</b>
Clare Scherrer (from 29 April 2022)			
	Achievement		Outturn
 <b>Growth</b>	Clare has made an excellent start in her first quarter with Smiths including: - - Concluding the final buy-in for the £1bn legacy TI Group Pension Scheme - Developing and deploying strong internal controls - Structuring an effective Finance Leadership team with key appointments - Delivering good H2 financial results and fifth consecutive quarter of growth		<b>Overall rating of 90% was approved by the Committee representing 9% of maximum bonus (pro-rated for service)</b>
 <b>Execution</b>			
 <b>People</b>			

## REMUNERATION

### Overall FY2022 annual bonus outturn

The following table sets out the overall FY2022 bonus outturn for Executive Directors:

	Maximum opportunity	Outturn (percentage of maximum)
Paul Keel	200%	38.8%
Clare Scherrer <sup>1</sup>	165%	38.8%
John Shipsey (former CFO)	165%	37.8%

<sup>1</sup> Clare Scherrer joined the Board as Chief Financial Officer on 29 April. The maximum bonus opportunity of 165% of salary has been pro-rated to reflect the time since appointment.

The Committee considered the amounts carefully in the context of the Group's performance, individual performance and the current macroeconomic environment, and determined that the amounts were a fair reflection of performance in the past financial year.

### FY2020 long-term incentive plan outcome

John Shipsey received an award under the LTIP in October 2019, subject to the following performance conditions:

Measure	Weighting	Performance period	Threshold (25%)	Maximum (100%)	Actual	Outturn (% of vesting)
Organic sales growth	30%	1 August 2019 to 31 July 2022	3%	6%	0.6%	0.0%
Group EPS growth after tax	25%	1 August 2019 to 31 July 2022	4% p.a.	11% p.a.	1.8%	0.0%
Average ROCE	20%	1 August 2019 to 31 July 2022	15% p.a.	18% p.a.	13.7%	0.0%
Average headline operating cash conversion	25%	1 August 2019 to 31 July 2022	90%	105%	96%	14.1%
<b>Total vesting</b>						<b>14.1%</b>

No discretion was exercised by the Remuneration & People Committee in respect of the formulaic outcomes under the LTIP. No awards were due to vest to Paul Keel or Clare Scherrer under this award.

### Scheme interests awarded in respect of FY2022 (audited)

Scheme interests awarded are outlined below.

	Scheme	Form of award	Date of grant	Number of shares awarded	Award price	Face value (£000)	% vesting at threshold performance	Performance period end date
Paul Keel	LTIP	Conditional shares	5 November 2021	189,900	1,435p	2,725	25%	31 July 2024
Paul Keel	Deferred bonus	Conditional shares	5 November 2021	5,378	1,435p	77	N/A	N/A
John Shipsey	LTIP	Conditional shares	5 November 2021	100,150	1,435p	1,437	25%	31 July 2024
John Shipsey	Deferred bonus	Conditional shares	5 November 2021	13,680	1,435p	196	N/A	N/A

No awards were granted to Clare Scherrer in FY2022.

The performance measures for the FY2022 LTIP award are as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum
Three-year EPS growth after tax	20%	4% p.a.	11% p.a.
Three-year organic revenue growth	30%	2% p.a.	6% p.a.
Three-year average free cash-flow (as a percentage of operating profit)	20%	45%	55%
Three-year average return on capital employed	15%	13%	17%
Three-year reduction in greenhouse gas emissions (normalised)	15%	5%	10%
<b>Total</b>			<b>100%</b>

## REMUNERATION

### Payments to past Directors (audited)

Andy Reynolds Smith was paid an amount of £876,451 in lieu of notice for the unserved part of his twelve month notice period which ended on 24 May 2022. In addition, the FY2020 LTIP will vest in 2022, pro-rated for service to 31 July 2021. 179,627 shares, pro-rated for service will vest at 14.1%. This is equivalent to 16,885 shares with an estimated value of £249,729.

### Payments for loss of office (audited)

John Shipsey stepped down from the Board on 29 April 2022 but remained an employee of the Company on his existing terms of employment until 31 July 2022.

Mr Shipsey will be paid in lieu of notice for the unserved part of his 12 month notice period. The payment in lieu of notice will be made in monthly instalments to enable a reduction in the payments in the event that Mr Shipsey finds alternative employment prior to 29 April 2023. Further details in relation to the payment in lieu of notice will be provided in the FY2023 Annual Report.

Mr Shipsey remained entitled to receive an annual bonus for FY2022, the full value of which has been included in the single figure table. One third of the annual bonus will be deferred into shares for three years.

Mr Shipsey's share awards under the Company's Long-Term Incentive Plan (LTIP), will be preserved in accordance with the good leaver provisions of the LTIP, subject to a time pro-rating adjustment and normal vesting dates. Information relating to the vesting of shares under the LTIP will be updated in the relevant Directors' Remuneration Reports.

The Company made a contribution towards Mr Shipsey's legal fees of up to £12,000.

### Directors' share options and long-term share plans (audited)

Director and Plan	Options and awards held on 31 July 2022 Number	Options and awards held on 31 July 2021 Number	Performance test	Exercise price	Grant date	Vesting date+	Expiry date++	Date vested	Option and award data		Awards vested FY2021	
									Number	Exercise price	Market price at date of grant	Market price at date of vesting
<b>Paul Keel</b>												
LTIP	141,059	141,059	B	n/a	28/09/21	Nov 2023						
	189,900	0	C		05/11/21	Nov 2024						
Deferred bonus award	5,378	0	-	n/a	05/11/21	05/11/24						
SAYE	1,547	0	-	1163p	17/05/22	01/08/25	01/02/26					
<b>John Shipsey (Former CFO)</b>												
LTIP	0	95,837	A	n/a	31/10/18	Oct 2021		13/10/21	18,209	n/a	1,369p	1,421p
	95,837	95,837	A	n/a	03/10/19	Oct 2022						
	95,837	95,837	B	n/a	04/11/20	Nov 2023						
	100,150	0	C		05/11/21	Nov 2024						
Deferred bonus award	0	6,393	-	n/a	31/10/18	31/10/21		31/10/21	6,393	n/a	1,369p	1,421p
	6,933	6,933	-	n/a	03/10/19	03/10/22						
	3,406	0	-	n/a	04/11/20	04/11/23						
	13,680	0			05/11/21	05/11/24						
SAYE	1,969	1,969	-	914p	20/05/20	01/08/23	01/02/24					

#### Key

LTIP The Smiths Group Long-Term Incentive Plan 2015.

SAYE The Smiths Group Sharesave Scheme.

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

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

#### Performance tests

A LTIP awards in 2018 and 2019 – 25% subject to EPS growth; 20% subject to ROCE; 25% subject to cash conversion; 30% subject to organic revenue growth.

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

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

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

#### Notes

- The high and low market prices of the ordinary shares during the period 1 August 2021 to 29 July 2022 were 1,629p and 1,356p respectively. The mid-market closing price on 31 July 2021 was 1,555.5p and on 29 July 2022 was 1,543p.

- The mid-market closing price of a Smiths Group share on the date of the awards made to Directors in the FY2022 financial year was 1,435p (5 November 2021).

- The option over 1,547 shares granted to and held by Paul Keel at 31 July 2022 were granted at an exercise price below the market price of a Smiths Group share on 17 May 2022 (1,454p). Shares are granted in May but the savings period commences in August.

- The options over 1,969 shares granted to and held by John Shipsey at 31 July 2022 were granted at an exercise price below the market price of a Smiths Group share on 20 May 2020 (1,268p). Shares are granted in May but the savings period commences in August.

- None of the options or awards listed above was subject to any payment on grant.

- No other Directors held any options over the Company's shares during the period 1 August 2021 to 31 July 2022.

- No options or awards have been granted to or exercised by Directors or have lapsed during the period 1 August to 16 September 2022.

- At 31 July 2022, the trustee of the Employee Share Trust held 618,662 shares. The market value of the shares held by the trustee on 31 July 2022 was £9,545,955 and all dividends were waived in the year in respect of the shares held by the trustee.

- Special provisions permit early exercise of options and vesting of awards in the event of retirement, redundancy, and death.

## REMUNERATION

### Share ownership requirement for Executive Directors

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

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

### Share scheme dilution limits

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company's discretionary schemes to 5% in any ten-year period. As at 31 July 2022 the headroom available under these limits was 8.28% and 3.79% respectively.

### Executive Directors' shareholdings (audited)

The table below shows the shareholding for each Executive Director against their respective shareholding requirement as at 31 July 2022.

Director and Plan	Shareholding requirement	Shares owned outright	Shares subject to performance	Vested shares in holding period	Shares arising from bonus deferral	Save As You Earn (SAYE)	Current shareholding (% of requirement) <sup>1</sup>	Shareholding requirement met
Paul Keel	189,900 shares	25,000	330,959	0	5,378	1,547	14.6%	No
Clare Scherrer	91,342 shares	25,000	0	0	0	0	27.4%	No

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

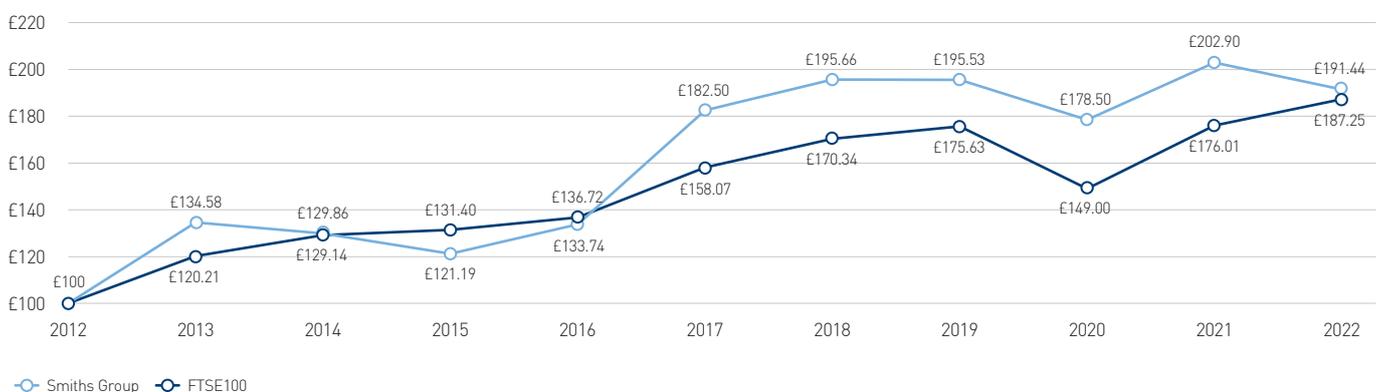
There have been no changes to the Directors' shareholdings between 1 August 2022 and 16 September 2022.

### TSR performance

The following graph shows the Company's total shareholder return (TSR) performance over the past ten years compared to the FTSE 100 Index. The FTSE 100 Index, of which the Company has been a member throughout the period, has been selected to reflect the TSR performance of other leading UK-listed companies. The values of hypothetical £100 investments in the FTSE 100 Index and Smiths Group plc shares at 31 July 2022 were £187.25 and £191.44 respectively.

### Total Shareholder Return

Value of £100 invested on 31 July 2012



## REMUNERATION

### Chief Executive's remuneration for the last ten years

	FY2022 P Keel	FY2021 P Keel	FY2021 A Reynolds Smith	FY2020 A Reynolds Smith	FY2019 A Reynolds Smith	FY2018 A Reynolds Smith	FY2017 A Reynolds Smith	FY2016 A Reynolds Smith	FY2016 P Bowman	FY2015 P Bowman	FY2014 P Bowman	FY2013 P Bowman
Total remuneration £000	1,832	450	2,753	2,196	4,130	3,251	2,320	2,964	1,602	4,195	3,912	3,864
Annual bonus outcome (% max)	39%	76%	70%	17%	41%	42%	96%	89%	88%	80%	43%	39%
Common Investment Plan outcome (% max)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%	100%	100%	100%
LTIP outcome (% max)	n/a	n/a	19%	31%	75%	32%	n/a	n/a	18%	17%	18%	n/a

### Chief Executive pay ratios

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

#### Total remuneration

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
<b>FY2022</b>	Option B	<b>58:1</b>	<b>39:1</b>	<b>26:1</b>
FY2021	Option B	105:1	75:1	47:1
FY2020	Option B	75:1	53:1	34:1
FY2019	Option B	133:1	97:1	65:1

#### Salary

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

	Salary (£)	Total Remuneration (£)
Chief Executive	875,000	1,832,130
25th percentile employee	31,200	31,375
Median employee	44,000	47,507
75th percentile employee	64,866	69,420

The pay data for employees in the UK workforce has been calculated using Option B, based on the data used for gender pay reporting, due to the availability of data at the time the Annual Report was published. The gender pay reporting basis comprises salary and benefits as at 15 April 2022 and incentive payments payable in respect of FY2022. The Committee considers that this provides an outcome that is representative of the employees at these pay levels. It is assumed that the value of employee benefits is 7.0% of base salary.

The workforce remuneration figures are those paid to UK employees whose pay is at the 25th, median and 75th percentile of pay for the Group's UK employees. Figures are shown on both the prescribed basis using total pay and also salary only which provides a useful ongoing comparison as it is a less volatile basis. The total remuneration ratios have reduced primarily due to the CEO not currently being in receipt of LTIP payments. The Committee monitors ratios on an annual basis.

### Percentage change in Directors' remuneration

	FY2021 to FY2022			FY2020 to FY2021		
	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
Chief Executive Officer	0%	239%	204%	n/a	n/a	n/a
Chief Financial Officer	n/a	n/a	n/a	n/a	n/a	n/a
Outgoing Chief Financial Officer	2.5%	100%	-39%	0%	-1.0%	308%
Non-executive Director remuneration	2.5%	100%	n/a%	-4.0%	-100%	n/a
Average of all employees	2.5%	2.5%	-34%	0%	0%	267%

'All employees' is defined as all UK Group employees, 200 and 196 employees at all grades in FY2022 and FY2021 respectively.

Remuneration for the Chief Executive Officer was pro-rated for service from 25 May 2021 - 31 July 2021 for FY2021.

## REMUNERATION

### Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for FY2021 and FY2022, and the percentage change.

	FY2022 £m	FY2021 £m	Change
Shareholder distributions	661	185	257%
Employee costs			
- Continuing operations	823	-	N/A
- Total Group (including Smiths Medical)	930	1,019	-8.73%

### Executive Directors' service contracts

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

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

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

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

### Leaving and change-of-control provisions

When determining leaving arrangements for an Executive Director the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual. For those individuals regarded as 'bad leavers' (e.g. voluntary resignation or dismissal for cause), annual bonus awards are forfeited, and outstanding awards under the LTIP automatically lapse. Deferred bonus awards are forfeited on dismissal for cause.

A 'good leaver' will typically remain eligible for a pro-rated annual bonus award, normally to be paid after the end of the financial year. The Committee retains discretion to pay the bonus early and not to apply deferral where it would otherwise apply, but would do so only in compassionate circumstances. Deferred bonus awards shall continue in full and vest on the originally anticipated vesting dates. Alternatively, in compassionate circumstances, the Committee may determine that awards should vest when the participant ceases employment. Awards in the form of options may be exercised in accordance with the rules of the applicable scheme.

LTIP awards will typically vest at the normal vesting date to the extent that the associated performance conditions are met, but will normally be pro-rated on the basis of actual service within the performance period. Any holding period will ordinarily continue to apply. The Committee retains discretion to vest the award before the end of the originally anticipated performance period, and to assess performance accordingly, and to waive the continuation of the holding period or to shorten its application, but would do so only in compassionate circumstances.

Vested LTIP awards which are subject to a holding period will ordinarily continue to be subject to the holding period, although the Committee retains discretion to waive the continuation of the holding period or to shorten its application but would do so only in compassionate circumstances.

In cases of death or disability, individuals are automatically deemed to be good leavers under the plan rules of the LTIP. All other good leavers will be defined at the discretion of the Committee on a case-by-case basis.

In connection with the termination of an Executive Director's contract, the Company may make a payment on account of accrued but untaken leave. The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements.

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

## REMUNERATION

### Non-executive Directors

#### Single figure of annual remuneration (audited)

	Salary/fees		Benefits <sup>1</sup>		Total	
	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000	FY2022 £000	FY2021 £000
Sir George Buckley <sup>2</sup>	461	461	47	–	508	461
Bruno Angelici	–	24	–	–	–	24
Olivier Bohuon	–	24	–	–	–	24
Pam Cheng	77	71	–	–	77	71
Dame Ann Dowling <sup>3</sup>	87	71	3	–	90	71
Tanya Fratto	81	71	–	–	81	71
Karin Hoeing	73	71	–	–	73	71
Bill Seeger <sup>4</sup>	146	119	–	–	146	119
Mark Seligman <sup>5</sup>	100	99	–	–	100	99
Noel Tata	89	71	–	–	89	71

1 Benefits for the Chairman and Non-executive Directors relate to reimbursed travel-related and other expenses (including flight costs where applicable), which are grossed-up for the UK income tax and National Insurance contributions paid by the Company on their behalf.

2 Sir George Buckley's fee is in respect of all his responsibilities for Smiths Group.

3 Dame Ann Dowling's fee comprised her Non-executive Director's fee and her additional fee for chairing the Science, Sustainability & Excellence Committee.

4 Bill Seeger's fees comprised his Non-executive Director's fee, his additional fee for chairing Remuneration & People Committee, his additional fee as Senior Independent Director and a supplementary fee provided to the Chairs of each of the Committees related to the sale of Smiths Medical (payable until 31 January 2022).

5 Mark Seligman's fees comprised his Non-executive Director's fee, his additional fee for chairing the Audit & Risk Committee and a supplementary fee provided to the Chairs of each of the Committees related to the sale of Smiths Medical (payable until 31 January 2022).

### Non-executive Director fees

Non-executive Director fees paid during FY2022 and payable during FY2023 are shown below. The Remuneration & People Committee made the decision to focus more of the FY2023 salary increase budget on those sectors of the workforce who are more impacted by current inflationary pressures. It was determined that the NED fee increase should mirror that awarded to senior employees and lower than that of the wider UK workforce. The fee increases of 2.5% will be effective from 1 October 2022.

	FY2022	FY2023
Fee payable to Chairman of the Board for all responsibilities	£461,250	£466,920
Non-executive Director base fee	£73,030	£74,855
Additional fee payable to the Senior Independent Director	£20,000	£20,000
Additional fee for Committee Chairs	£20,000	£20,000
Supplementary fee <sup>1</sup>	£15,000	£N/A
Attendance allowance for each meeting outside the Non-executive Director's home continent	£4,000	£4,000

1 Supplementary fee provided to the Chairs of the Audit & Risk and Remuneration & People Committees in respect of additional workload related to the separation of Smiths Medical from the period 1 February 2021 to 31 January 2022.

### Share ownership guidance for Non-executive Directors

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

### Non-executive Directors' shareholdings (audited)

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

	31 July 2022
Sir George Buckley	26,591
Pam Cheng	6,000
Dame Ann Dowling	5,813
Tanya Fratto	1,500
Karin Hoeing	503
Richard Howes <sup>1</sup>	–
Bill Seeger	10,000
Mark Seligman	6,000
Noel Tata	6,000

1 Richard Howes was appointed as an independent Non-executive Director with effect from 1 September 2022. He was not a member of the Board during FY2022.

Following their quarterly acquisition of Ordinary Shares, under a share purchase agreement using a fixed proportion of the after-tax fees received from the Company (20%), Sir George Buckley acquired 812 shares on 1 August 2022 and Karin Hoeing acquired 211 shares on 1 August 2022. There have been no further changes to the Directors' shareholdings between 1 August 2022 and 16 September 2022.

## REMUNERATION

### Chairman's and Non-executive Directors' letters of appointment

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

Non-executive Director	Date of appointment
Sir George Buckley	1 August 2013
Pam Cheng	1 March 2020
Dame Ann Dowling	19 September 2018
Tanya Fratto	1 July 2012
Karin Hoeng	2 April 2020
Richard Howes	1 September 2022
Bill Seeger	12 May 2014
Mark Seligman	16 May 2016
Noel Tata	1 January 2017

### Statement of shareholder voting

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

Resolution	Votes for	% of votes cast for	Votes against	% of votes cast against	Total votes cast	Votes withheld (abstentions)
Directors' Remuneration Report	315,633,416	95.86%	13,615,338	4.14%	329,248,754	469,665
Directors' Remuneration Policy	282,034,458	86.69%	43,312,009	13.31%	325,346,467	4,371,952

### Advisers to the Committee

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

The Company paid a total fee of £167,800 to Deloitte LLP in relation to remuneration advice to the Committee during the year. Fees were determined on the basis of time and expenses.

During FY2022, Deloitte LLP provided the Committee with information on market, compliance support for this year's Directors' Remuneration Report, advice on remuneration of the incoming Chief Financial Officer, the shareholder consultation process and the provision of other advice relating to remuneration governance and market practice. Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to its Code of Conduct. Deloitte LLP provided additional tax advisory services including global corporation tax compliance and employee mobility advice, as well as company secretarial, internal audit co-source, transaction and consultancy services. The Committee is satisfied that the advice provided by Deloitte LLP is objective and independent and that they do not have connections with the Group that may impair their independence.

### Summary of Remuneration Policy

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

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

#### Bill Seeger

CHAIRMAN OF THE REMUNERATION & PEOPLE COMMITTEE

22 September 2022

# SCIENCE, SUSTAINABILITY & EXCELLENCE COMMITTEE REPORT

## Chair's Statement

**I am pleased to present our first Science, Sustainability & Excellence (SSE) Committee Report. SSE are critical elements in the execution of our strategy.**

Reflecting the importance and commitment to this topic, this year the Board approved the creation of the SSE Committee to provide the Board with enhanced oversight of SSE matters including the Group's innovation and new product development process, environmental and sustainability performance, and the embedding and delivery of operational excellence through the Smiths Excellence System. When establishing the Committee, the Board ensured that members brought a range of experience on the SSE related topics that fall within the Committee's remit. I have had a keen interest in engineering excellence, innovation and sustainability throughout my career including leadership roles as Head of the Engineering Department at the University of Cambridge and as President of the Royal Academy of Engineering. This interest continues through my current positions as Deputy Vice Chancellor and Emeritus Professor of Mechanical Engineering at Cambridge. I was a member of bp plc's Safety and Sustainability Committee until May 2021.

I am delighted to be joined on the Committee by Sir George Buckley, Pam Cheng and Karin Hoeing. Sir George has extensive experience of leading large innovative multinational groups which has been instrumental in our consideration of matters relating to new product development. Pam brings challenge to operational excellence from her role as Executive Vice-President, Operations and Information Technology at AstraZeneca plc. Finally, Karin's current executive experience as Group ESG, Culture and Business Transformation Director at BAE Systems plc has been invaluable as we have developed our sustainability strategy and priorities. We are also all members of the Remuneration & People Committee and were delighted to be able to recommend the introduction of key and stretching sustainability measures into our incentive arrangements in support of Smiths strategy.

Over the next year, I look forward to the Committee's continued oversight of Smiths SSE agenda, including further presentations from our divisions and Group experts. I am excited by the opportunities presented by the innovation and new products we have in the pipeline to support our growth strategy. I would like to thank my colleagues on the Committee for their contributions during the year and I look forward to continuing our work in FY2023.

### Dame Ann Dowling

CHAIR OF THE SCIENCE, SUSTAINABILITY & EXCELLENCE COMMITTEE

## Committee membership and meetings

There were three scheduled meetings during the year. The members of the Committee, their biographies and attendance at meetings during the year can be found on page 58, 59 and 63.

The Chief Executive Officer, Chief Sustainability Officer and Group Operational Excellence Director attended every meeting. Other members of senior management were invited to attend as necessary.

## Committee performance evaluation

Through the annual Board evaluation process (pages 64 and 65), the Board confirmed the effectiveness of the Committee in its role of supporting the Board in compliance with its remit.

## Committee activities

The main topics considered at Committee meetings were as follows:

### Science

John Crane, Smiths Detection and Flex-Tek updated the Committee on their new product development (NPD) processes and pipelines and how technology, innovation and sustainability were influencing their next generation of products. In July the Committee visited Flex-Tek's operations in Portland, Tennessee, and experienced the new Python line sets at first-hand. Understanding each of the divisions' NPD processes from ideation to commercialisation of new products in support of the Group's Gross Vitality KPI has been important. The Committee are highly engaged in this area and are excited by the product opportunities in the NPD pipeline and by ways in which the development processes can be expedited.

### Sustainability

Smiths new Chief Sustainability Officer joined the business in January 2022 and led the development of the new sustainability strategy which was approved by the Board during the year. See page 27 for a summary of the strategy. The Committee received regular updates on the development and implementation of the strategy and how the divisions were driving sustainability in their businesses and embedding it in their new product pipeline. The Committee continued to monitor progress against Smiths sustainability metrics including GHG emissions, renewable electricity, energy efficiency, water use and waste disposal. The Committee monitored progress towards setting Science Based Targets to achieve Net Zero through the SBTi. The Committee approved the new Sustainability at Smiths Report which will provide stakeholders with an enhanced understanding of Smiths approach to ESG. The report can be found on our website [www.smiths.com](http://www.smiths.com).

### Excellence

The Group Operational Excellence Director attended each Committee meeting to report on the Smiths Excellence System (SES). The Committee were updated on the rollout and embedding of phase two of SES and how the business is targeting excellence through results-orientated process improvements and the continuing development of our talented people. SES supports our ability to innovate and deliver new technology for customers. It also supports the execution of our sustainability and Net Zero strategies. The Committee was provided with deep-dives on SES from Flex-Tek which demonstrated how SES was being embedded in the business.

# DIRECTORS' REPORT

The Strategic Report is a requirement of the Companies Act 2006 (the 'Act') and can be found on pages 5 to 55. The Company has chosen, in accordance with section 414C(11) of the Act, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report. The Strategic Report and the Directors' Report together are the management report for the purposes of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

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

Disclosure	Location
Likely future developments in the Company	Strategic Report pages 5 to 23
Directors' dividend recommendation	Strategic Report page 15
Research and development activities	Strategic Report pages 17 to 20
Employment of disabled persons	Sustainability at Smiths page 33
Engagement with UK employees	Sustainability at Smiths page 32
Engagement with suppliers, customers and others in a business relationship with the company	Sustainability at Smiths pages 41 to 44
Political donations and expenditure	Political donations page 91
Greenhouse gas emissions, energy consumption and energy efficiency	Sustainability at Smiths page 30
Corporate Governance Statement	Governance Report pages 56 to 92
Directors during FY2022	Governance Report pages 58 and 59
Director appointment	Governance Report page 68
Amendment of Articles of Association	Governance Report page 68
Indemnities	Governance Report page 63
Change of control	Remuneration Report page 86 Borrowings and net debt note page 141
Directors' Responsibility Statement	Statement of Directors' responsibilities page 92
Disclosure of information to the auditor	Statement of Directors' responsibilities page 92
Financial Instruments	Financial risk management note pages 142 to 148
Share capital disclosures	Share capital note page 155
Acquisition of own shares (share buyback programme)	Share capital note page 155
Directors' Powers	Governance Report page 57 Share capital note page 155
Post Balance Sheet Events	Post Balance Sheet Event note page 163
Overseas branches	Subsidiary undertakings note page 186

## Listing Rules Disclosure

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

Listing Rule	Disclosure	Location
9.8.4R(1)	Capitalised interest	Discontinued operations note page 157
9.8.4R(12)(13)	Dividend waiver	Dividend note page 156
9.8.6R(1)	Directors' interests	Remuneration Report pages 84 and 87
9.8.6R(2)	Major shareholders' interests	Table on page 91
9.8.6R(3)(a)(b)	Going Concern and Viability Statement	Strategic Report page 54
9.8.6R(4)(a)	Purchase of own shares	Share capital note page 155
9.8.6R(5)(6)(a) and (b)	UK Corporate Governance Code compliance	Governance Report page 56
9.8.6R(7)	Unexpired term of Service Contract	Remuneration Report page 86
9.8.6R(8)(a)	Statement on inclusion of TCFD	Sustainability at Smiths page 35
9.8.6R(9)	Board diversity targets	Governance Report page 67

## Political donations

The Group did not give any money for political purposes in the UK, the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. In accordance with the US Federal Election Campaign Act, Smiths provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by the Company and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising Government Relations employees and reported to all eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during FY2022 totalled \$8,000 (FY2021: \$30,500).

## Major shareholder' interests

As at 31 July 2022, the Company had been notified under the Financial Conduct Authority's Disclosure Guidance & Transparency Rules, or had received disclosures pursuant to the Companies Act 2006, of the following holdings of voting rights in its shares:

Number of voting rights	Number of voting rights	% of total voting rights	Date of notification
BlackRock, Inc.	23.3m	5.9	31 May 2018
Ameriprise Financial, Inc.	20.8m	5.3	3 October 2018
Artemis Investment Management LLP	19.8m	5.0	14 April 2020
Harris Associates L.P.	19.7m	5.0	22 July 2019
Dodge & Cox	19.2m	5.0	12 March 2022
Jupiter Asset Management	14.8m	3.8	22 September 2016

No further notifications were received between 1 August and 16 September 2022

By order of the Board

**Matthew Whyte**

COMPANY SECRETARY

22 September 2022

## Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework.'

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether applicable UK-adopted international accounting standards have been followed for the group financial statements;
- For the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed subject to any material departures disclosed and explained in the Parent Company financial statements;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

### Directors' responsibility statement

Each of the Directors (who are listed on pages 58 and 59) confirms that to the best of his or her knowledge:

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

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

Signed on behalf of the Board of Directors:

**Paul Keel**  
CHIEF EXECUTIVE OFFICER

**Clare Scherrer**  
CHIEF FINANCIAL OFFICER

22 September 2022