

SUSTAINABILITY AT SMITHS

Environment, Social and Governance (ESG) performance is at the very centre of our Purpose, and we are committed to sustainability leadership.

We believe in doing business responsibly, the right way every day, and translating our Purpose and Values into practical action that mobilises Smiths strengths to improve our world. We are pioneering progress towards a sustainable future through our products, services, operations, and our people – pursuing excellence in everything we do. We are committing to ambitious targets and taking tangible action to deliver value for all our stakeholders.

See our Sustainability at Smiths Report for further information on our ESG framework, priorities and performance.

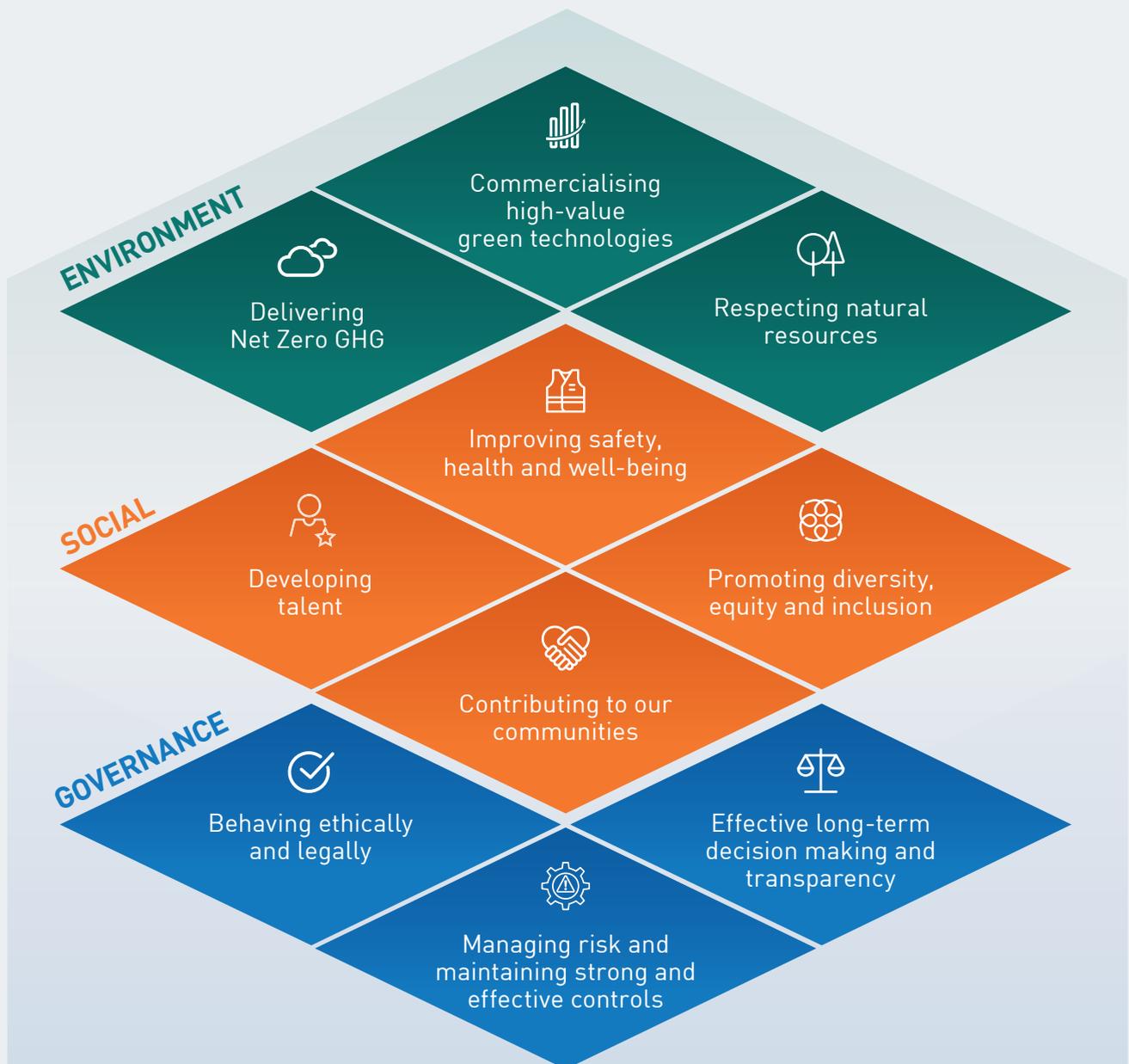


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Sustainability at Smiths Report

Our ESG framework

We distinguish ten foundational ESG elements that are essential to our success.

SUSTAINABILITY AT SMITHS



ENVIRONMENT

COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES



Among our biggest opportunities to deliver stakeholder value is running our businesses well and driving growth through delivery of top commercial programmes that enable sustainability performance for and through our customers.

We support customers and industries that are leading the way to a sustainable future by developing and implementing green technology solutions targeting climate risk, energy transition and next generation, efficient infrastructure. Our unique engineering capabilities and technologies position us strongly to support customers on this vital journey and we are targeting new product development opportunities in growth markets where our technology and capabilities offer differentiated value through improved sustainability performance.

Developing and commercialising sustainability-advantaged products and services will enable Smiths to have an even greater positive impact on global environmental priorities than we could achieve on our own.



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Sustainability at Smiths report

DELIVERING NET ZERO GHG



We have a successful record of delivering reductions in our operational GHG emissions. We are now taking big steps forward.

In FY2022, we committed to ambitious Net Zero targets that align Smiths with the UN's critical global climate objectives: Net Zero emissions from our operations (Scope 1 & 2) by 2040 and Net Zero emissions from our supply chain and products in use (Scope 3) by 2050.



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Environment

RESPECTING NATURAL RESOURCES



Natural resources are finite, and we believe that all businesses have a responsibility to use them respectfully and safely – minimising consumption and preventing pollution.

Our longstanding commitments to use energy efficiently and minimise waste are increasingly of interest and value to our customers as they also seek to manage their own environmental footprints.



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Environment

SOCIAL

IMPROVING SAFETY, HEALTH AND WELL-BEING



Our commitment to our people starts with keeping us all safe and healthy. This is our essential foundation and number one focus. We strive to always improve and be proactive, including designing for safety; strengthening our safety culture every day; and working to improve our colleagues' lives in the round.

We are thankful for those who came before us and helped establish robust safety cultures at our sites that we work to continuously renew, strengthen and connect. We understand that strong safety culture is fundamentally about keeping safety personal and must reflect, and respect, our diverse and global organisation.



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Safety

DEVELOPING TALENT



Our organisational commitment is to ensure that all our colleagues have opportunities to develop their skills and reach their full potential.

Smiths colleagues have access to training and resources to undertake their roles safely, effectively, and in line with our policies. Colleagues also have access to a developing range of personal and skills growth resources as they progress in their careers including specialist technical and functional and externally accredited programmes. We are currently honing our leadership programmes to better support business needs and so that our leaders can more effectively support their teams.



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SOCIAL continued

**PROMOTING DIVERSITY,
EQUITY AND INCLUSION**

Our team of colleagues represents dozens of nations, speaking a multiplicity of languages, and embodying many different perspectives. We strive to embrace these differences and promote actions and behaviours that will deliver an inclusive and supportive work environment where every member of the Smiths team can be the best version of themselves.

We know that when colleagues feel included, valued, and encouraged to make a meaningful contribution, Smiths will thrive as we continue to attract and retain the diverse talent that we need.



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People

**CONTRIBUTING TO
OUR COMMUNITIES**

We aim to improve our world by contributing positively to our communities and society in general.

Smiths products and services support critical global industries where we are pioneering progress in safety, efficiency, and environmental performance. Our operations around the world play a beneficial role in local economies through job creation and skills development; procurement and generating tax revenues; and operating safely, environmentally responsibly and ethically. We also engage directly through fundraising, charitable giving and education initiatives.



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GOVERNANCE

**BEHAVING ETHICALLY
AND LEGALLY**

Behaving ethically and with integrity is a fundamental part of our Values. We also operate in some highly regulated markets and sectors which require strict adherence to local and international industry regulations.

We have a mature governance environment with exacting standards, robust diligence processes and a proactive management approach. And we seek to work with partners who support our Values to minimise risk and maximise our positive social and environmental impact.



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Sustainability at Smiths report

**MANAGING RISK AND
MAINTAINING STRONG
AND EFFECTIVE CONTROLS**

Continual assessment and management of risks, and assurance through internal controls, is an integral part of day-to-day operations at Smiths.

Our enterprise risk management (ERM) process supports open communication on risk between the Board and the Audit & Risk Committee, the Executive Committee, our divisions, and sites, and ensures that risk is appropriately managed to deliver our business objectives. ESG matters are fully integrated into the ERM process and are identified and managed in the same way as other Group risks.



46

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Risk management

**EFFECTIVE LONG-TERM
DECISION MAKING
AND TRANSPARENCY**

Good quality, ethical and effective decision-making builds sustainable businesses and enables them to create long-term value for all stakeholders.

Our overall governance framework provides the structures and systems through which our strategies and objectives are set and achieved, how risk is monitored and managed via controls, and how our performance is managed and optimised with appropriate oversight from the Board.



56

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Governance

Our ESG strategic priorities

Our sustainability strategy follows our Smiths Value Engine priorities – Growth, Execution and People.

Within this framework, we focus on our highest-impact opportunities to accelerate performance and create value with specific actions that will lead to concrete and measurable results.



Growth

Deliver sustainable growth by targeting high-growth markets where we can leverage our unique capabilities to develop and deliver differentiated technology solutions which help solve some of the world's biggest challenges for our customers and global communities

- Prioritise new product development (NPD) programmes that deliver the sustainability performance our customers need and want. Develop and designate top sustainable growth NPD programmes in each division that contribute significantly to divisional revenue growth and where commercial success will deliver corresponding sustainability performance benefits, such as energy efficiency, GHG reduction, and renewable energy production
- Integrate environmental sustainability metrics into our NPD processes to enable our own Net Zero delivery, and our customers' and the industries we serve



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about Growth



Execution

Deliver our commitments to Net Zero Science-Based Targets (SBTs) and further improve the environmental performance of our operations

- Deliver operational targets for renewable energy, waste generation, water use and packaging
- Deliver Net Zero GHG emissions commitments for Scopes 1, 2 and 3 and associated SBTs through energy efficiency and renewable energy, including optimising product design and our supply chains



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about Execution



People

Deliver for people, ensuring that we grow our business in line with our Values, our Leadership Behaviours, and plan for the long-term future of Smiths

- Sustain and vitalise our safety culture and performance
- Develop and empower Smiths talent for the future
- Embed an inclusive and diverse culture and increase gender diversity



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about People

Remuneration

To align decision-making and ownership of our ESG goals, SSE metrics will form part of the Smiths annual and long-term incentive plans for FY2023. A GHG reduction metric formed part of our long-term incentive plan in FY2022.

75 [READ MORE](#)
Remuneration & People Committee Report

Our enabling culture

At Smiths our culture empowers and enables our people to deliver on our Purpose. Living our five Values every day, in each action and decision that we take, makes Smiths a place where we are happy and proud to work. It's what makes us reliable, trustworthy, and valued partners for our customers and suppliers and supports the long-term sustainability and success of our business model.

The Smiths Leadership Behaviours incorporate our Values and apply them to delivering for all stakeholders. The seven Leadership Behaviours describe how we work with one another, demonstrate our Values, and create value through our actions. Importantly, the Leadership Behaviours apply to everyone at Smiths – from the shop floor to senior executives. Whatever role we play, we can all demonstrate and develop our Leadership Behaviours to improve and deliver as a team, developing and sharing our talents to support each other and improve our tomorrow.

Our goal is to use the Leadership Behaviours to inspire and help strengthen and shift the Smiths culture to be even more dynamic, inclusive, and focused on delivering results that create value for our people, customers and other stakeholders.

We have been tracking engagement on a range of important cultural measures including safety, ethics, belonging, inclusivity, leadership, and service since 2017. Our overall global engagement score remained stable for May 2022 and November 2021, just below the benchmark provided by our survey partner. We continued to have a very high survey response rate of 82% in May 2022 with nearly 19,000 comments submitted. See our KPIs on page 23.

We will continue to use the survey in a transparent and meticulous way to surface issues and more precisely understand what we are doing well and where we need to do better. We also intend to flex the questions in future surveys to test engagement within focus areas and to ensure that we continue to work and communicate effectively.

Ethics

Behaving ethically and with integrity is a fundamental part of our Values. Our Code of Business Ethics guides Smiths colleagues to recognise and deal appropriately with legal and ethical issues that they may encounter in the course of their work. This is supplemented by a suite of policies and procedures relating to specific ethics and compliance matters.

Our colleagues and business partners are expected to report any activity – whether in our business or those of our partners – that they consider may be in breach of our ethics codes and policies. Both our colleagues and partners have access to our confidential 'Speak Out' reporting hotline, which is accessible 24 hours a day, seven days a week. Reports can be made anonymously.



ESG governance and oversight

The Smiths Board of Directors and Executive Committee have ultimate responsibility for Smiths ESG performance and associated governance and oversight. The Science, Sustainability & Excellence (SSE) Committee of the Board, chaired by Dame Ann Dowling, is responsible for overseeing the Group’s approach to science, sustainability, and excellence. The oversight covers R&D, commercialisation and sustainability strategies, including the impact of climate change and related metrics and targets. The Remuneration & People Committee oversees our approach to people and culture matters, and the Audit & Risk Committee oversees our risk management processes and systems of internal control. The Nomination & Governance Committee keeps the Group’s high-level governance framework under review to ensure appropriate guidance and oversight is maintained. Sustainability strategy and delivery are led by members of the Smiths Executive Committee: our Chief Sustainability Officer; Chief People Officer; Group General Counsel; and our divisional Presidents.

Our strategic oversight and collaboration model enables us to bring together the skills and knowledge of our Board, our executive team and business and functional leaders to drive effective long-term decision making, ESG innovation and best practices across Smiths. Our Smiths Excellence System supports the whole, driving business-wide results-focused execution. ESG metrics and targets are cascaded through the divisions and embedded in our core operating model.

ESG reporting

We follow established reporting standards and regularly report our performance, transparently sharing our data and engaging with third-party ratings agencies. We use this information to evaluate our own progress and inform the work we are doing in our focus areas.

Environmental data – basis of preparation

Group environmental data in this report excludes Smiths Medical. Smiths Medical energy use and GHG Scope 1 & 2 emissions data is shown separately in the table on page 30.

In preparation for setting Science-Based Targets aligned to our Net Zero commitments, in FY2022 a robust review of our FY2021 Scope 1 & 2 GHG inventory and historic assessments of materiality and classification was undertaken by our external specialist partner, Ramboll. This was undertaken in accordance with ISO standards. This process resulted in the reclassification of certain activities and site data, previously determined to be immaterial and Scope 3. The reclassification meant that such activities and data is now incorporated within our Scope 1 & 2 inventories. In addition, our GHG emissions are calculated using revised regional emissions factors. Based on this work, energy use and emissions data for Smiths Group has been restated from that previously disclosed for FY2021. The same approach has been used for FY2022 emissions data and calculations.

FY2021 restatement:

- Smiths leased ground fleet and small leased offices/sites (previously considered to be Scope 3) re-classified as Scopes 1&2 (added 39,083 MWh)
- Inclusion of our Royal Metal acquisition’s site and transportation fleet (added 5,289 MWh)
- Energy use updated for some sites (added less than 500 MWh)
- Regional Scope 2 emission factors updated (reduced emissions by 9,981 t CO₂e)
- Base revenue data has also been updated for all normalised calculations including GHG emissions, water and waste

Stakeholder expectations, standards and third-party assurance practices continue to evolve in this area. Our methods and practices will continue to improve and be reflected in our environmental performance results and associated disclosures.

ESG governance and oversight model



Smiths Excellence System

ENVIRONMENT

Smiths has had environmental improvement targets since FY2007. Since FY2007 we have reduced water use and non-recyclable waste by more than 30% on an absolute basis and we have increased the use of renewable electricity in our operations to 63% of total electricity use (sites reporting utility data under Smiths HSE Reporting Policy, with 20 or more employees). We achieved this by engaging our people, changing our processes, investing in low-carbon and energy efficient technologies, and increasing our use of renewable electricity.

Climate-related risks and their potential impact on the business and its strategy form part of risk reporting and risk management across the Group. Due to its long-term nature, climate change is not considered to be a principal risk, but we recognise the importance of assessing both physical and transition risk from climate change in a formal way. See our TCFD disclosure on page 35.

We have agreed the three standards relevant to our business under the Sustainability Accounting Standards Board (SASB) framework (Aerospace Defence; Electronic and Electric Equipment; and Industrial Machinery and Goods) and we are reviewing the potential applicability of a fourth (Electronic Manufacturing and Original Design Manufacturing). In FY2022, we undertook a gap analysis to identify the reporting areas we need to progress to fully align to the framework and are targeting alignment during FY2023.

In FY2022, we committed to ambitious Net Zero targets that align Smiths with the UN's critical global climate objectives: Net Zero emissions from our operations (Scope 1 & 2) by 2040 and Net Zero emissions from our supply chain and products in use (Scope 3) by 2050.

We have committed to set Science-Based Targets (SBTs) with the SBT initiative (SBTi) and signed on to the 1.5° C Business Ambition under the UN Race to Zero, covering Scope 1, 2 and 3 GHG emissions. We will submit proposals to the SBTi in 2022 to establish our bespoke plans and interim SBTs.

Based on our review of data materiality, our Scope 3 emissions will likely significantly exceed our operational emissions (Scopes 1 & 2). As is typical and expected for diversified industrial businesses, emissions associated with our supply chain (Category 1 Purchased Goods and Services) and Products in use (Category 11) are anticipated, pending in-process verification, to account for the majority of our Scope 3 emissions. As required by the SBTi, our proposed interim reduction target will cover more than two thirds of our total Scope 3 GHG inventory.

We recognise that delivering our Net Zero targets will require consistent and priority focus across all aspects of our global operations for the next 15-25 years. In FY2023, we will be focused on establishing foundational processes and approaches necessary to define and deliver near- and mid-term targets, including the interim SBTs required under the SBTi framework.

Energy use and GHG (Scope 1 & 2) emissions

Smiths includes its Streamlined Energy and Carbon Reporting (SECR) for FY2022, including our emissions and global energy use and intensity (normalised) metric below. Our GHG emissions calculations and reporting follows the WRI/WBCSD Greenhouse Gas protocol (operational approach) and covers emissions from all sources under our control, grouped under Scope 1 and Scope 2.

Performance in current three-year goal period

	FY2022-2024 target	Progress FY2022
Use of renewable electricity ^{1,2}	+5% increase to 66%	+2% increase to 63%
Normalised greenhouse gas emissions ^{3,4}	5% reduction	7.2% reduction
Normalised non-recyclable waste ^{2,3}	5% reduction	11.5% reduction
Normalised water use in stressed areas (11 locations) ^{2,3}	5% reduction	4.5% reduction
Water reduction projects	10 in FY2022	12 projects
Packaging reduction projects	8 in FY2022	5 projects

1 Non-GHG producing electric sources including hydroelectric and nuclear.

2 Sites reporting utility data under Smiths HSE Reporting Policy, with 20 or more employees

3 Normalised to revenue. Absolute GHG emissions down 1.1%.

4 We have built a more aggressive GHG reduction target trajectory to meet our SBTs and an energy efficiency target into our colleague and executive incentive plans for FY2023.

Energy use and GHG (Scope 1 & 2) emissions

		FY2022	FY2021 ¹
Global energy use – absolute values	KWh	224,334,020	224,394,230
UK energy use	KWh	10,445,900	n/a
Smiths Medical ²	KWh	27,463,800	75,006,500
Smiths Medical UK ²	KWh	461,800	n/a
Global emissions – absolute values			
Scope 1 (direct emissions)	t CO ₂ e	19,131	20,378
Scope 2 (indirect emissions)	t CO ₂ e	32,539	31,865
Total	t CO ₂ e	51,670	52,243
UK Scope 1 & 2 emissions	t CO ₂ e	1,755	n/a
Smiths Medical Scope 1 & 2 emissions ²	t CO ₂ e	6,176	16,740
Smiths Medical UK Scope 1 & 2 emissions ²	t CO ₂ e	7	n/a
Global emissions – normalised values			
Scope 1 (direct emissions)	t CO ₂ e/£m revenue	7.46	8.47
Scope 2 (indirect emissions)	t CO ₂ e/£m revenue	12.68	13.24
Total	t CO ₂ e/£m revenue	20.14	21.71

1 FY2021 data updated following verification. See basis of preparation paragraph on page 29.

2 Smiths Medical FY2021 and FY2022 data is not included in Group data and has not been updated for the changes described above.

Energy efficiency and renewable electricity

Accelerating projects that reduce overall energy use and increase our use of electricity from renewable sources will be critical to our success in achieving our Scope 1 & 2 targets.

In FY2022, we established a Group-wide Energy Team to prioritise, coordinate and ensure delivery of the projects necessary to meet our Net Zero and SBT commitments, including energy efficiency, onsite renewable energy (e.g., solar), and procuring renewable energy. The Energy Team will play a critical role in identifying, aggregating, supporting and tracking projects as we move forward.

63% of the electricity currently used in our operations is from renewable sources (sites reporting utility data under Smiths HSE Reporting Policy, with 20 or more employees) and our goal is to increase this to 66% by the end of FY2024 and to 100% by 2040. We undertook a global survey of onsite renewable opportunities in FY2021 and have been evaluating a range of technologies including solar, wind, low-carbon heating and cooling (LCHC), and combined heat and power (CHP). An onsite renewable energy system is already in place in Suzhou, China and we have recently completed a solar installation at Smiths Detection, Johor Bahru, Malaysia.

Environmental management

Performance against our comprehensive portfolio of environmental policies is overseen by our internal audit process and we maintain an external environmental compliance audit programme of approximately 15 sites every year. All Smiths operational sites with over 50 colleagues are required under Group policy to be certified under ISO environmental and safety standards (18001 or 45001 and 14001) – approximately 60 sites – unless they were recently acquired just before or during the COVID-19 pandemic. Those sites were not allowed third party visitors during the pandemic and are now working towards certification as local conditions allow. We had no environmental spills or environmental compliance penalties or fines in FY2022.

Restricted substances

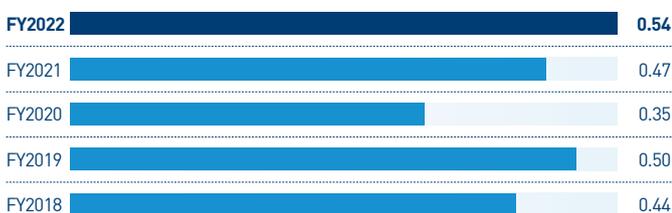
All divisions participate in a regular forum to share best practices and ensure compliance with global restricted substance regulations including WEEE, RoHS, Prop65, REACH, TSCA and Responsible Minerals. We operate a Restricted Substance Steering Committee to ensure that we are adequately resourced in this area.

RECORDABLE INCIDENT RATE

Per 100 colleagues

0.54

FY2021: 0.47



SOCIAL

Safety

We have an extensive set of health and safety policies and procedures that all operations are required to follow. Performance against these policies is overseen by an audit process that also covers all Smiths production facilities including ISO HSE management systems.

We report all injuries globally in accordance with US OSHA guidance. Our headline safety metrics are Recordable Incident Rate (RIR) – where incidents require medical attention beyond first aid – and Lost Time Incident Rate (LTIR) – where a colleague is unable to work following an incident – per 100 colleagues, per year across Smiths.

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

Our Group Recordable Incident Rate in FY2022 was 0.54; 15% above FY2021 but continued to track below the industry average and in the top quartile of industry performance¹. Our Group Lost Time Incident Rate was 0.24.

While our focus on safety did not waver during FY2022, like many companies, we faced several challenges that likely affected our safety performance. Evidence indicates that these increased injury rates have been broadly experienced across the industrial sector more recently. Staffing and supply chain challenges during and following the COVID-19 pandemic have meant that at some Smiths sites colleagues have had to work irregular or extended hours. Nearly 3,000 colleagues reported having COVID-19 during the year; returning to work and suffering the after-effects of COVID-19 is challenging. We have seen the further impact of limited face to face interaction; safety committees unable to meet; limits on travel; and the general impact of people dealing with the upheaval of COVID-19.

This performance does not reflect the work environment we wish to have, and we intend to improve safety performance consistently year on year by continuing to invest in new programmes, training activities and site-specific injury reduction plans.

During FY2022 Smiths recorded zero work-related colleague or contractor fatalities. Three contractor recordable incidents were reported. We received no significant safety fines or penalties. Including Smiths Medical, we achieved an RIR of 0.50 and an LTIR of 0.21. The nature of work in the Smiths Medical operations meant that the division previously had a positive impact on injury rates.

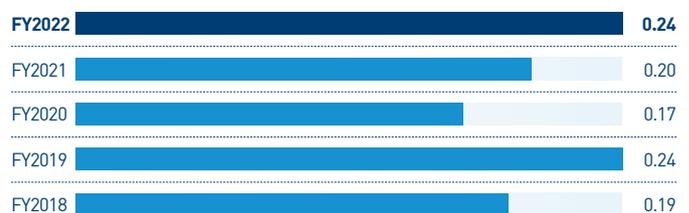
¹ BLS data – NAICS 339900; https://www.bls.gov/iif/oshsum.htm#20Quartile_Data

LOST TIME INCIDENT RATE

Per 100 colleagues

0.24

FY2021: 0.20



COVID-19

Safety precautions relating to COVID-19 have been an important feature of our overall safety efforts over the last 30 months. While many restrictions have now been lifted, we continue to monitor the situation, and each of our locations continues to comply with local requirements as infection rates fluctuate.

Practical measures to support our colleagues across the period have included:

- An unwavering focus on COVID-safe work environments
- Pursuing a consistent approach to core employee benefits including life cover, critical illness, disability, and medical insurance
- Rolling out a global Employee Assistance Programme (EAP)
- Regular communication, bespoke resource sites and wellness materials

As a Group, we are honoured by the incredible efforts made by our teams in supporting their own safety and the safety of others, including in our communities, while continuing to serve our customers across this extended period. Our data indicates that colleague COVID-19 cases have typically tracked local community cases and that there have been very few instances of transmission at work.

Engaging with our colleagues

Our global communications activities are designed to engage colleagues around the world with our Purpose and our strategy. Key communications materials are translated into our ten core languages.

Our Smiths Now app is a platform for colleagues to receive news from around the business and share their views and stories and is always active with grassroots content. There is also a global fortnightly e-newsletter, Signal, which amplifies key company news to the global business. Our intranet web portal acts as an online hub for holding resources for many areas including safety, well-being, ethics and compliance, diversity and inclusion, and IT tips.

We undertook our My Say colleague engagement survey in November 2021 and May 2022 and communicated the key outcomes to colleagues.

We undertook a number of engagement projects in FY2022 including:

- Communications around our results announcements and Capital Markets event;
- Communications around our SES Awards and My Say surveys;
- A global Town Hall in May 2022;
- Our Smiths Day celebration of Smiths culture in June 2022. Members of the Executive Committee shared video messages and visited sites around the world to share Smiths Day with colleagues;
- Global leadership summits for our Senior Leadership team in November 2021, February 2022 and July 2022 with the next one planned for November 2022; and
- An online presentation and Q&A about pay and the work of the Remuneration (now the Remuneration & People) Committee hosted by Committee Chair Bill Seeger.

Members of our Executive Committee and Board have also visited a range of Smiths sites during the year. Read more on page 60.

Developing talent

There are many opportunities for people to grow their careers at Smiths. Our more structured and diverse approach to succession planning following the talent reviews this year has enabled us to identify and develop high-potential individuals from a broader pool of diverse colleagues from all geographical regions, specialised skill sets and industry experience. Separately, appointments to our most senior roles are discussed at a monthly Talent Development Committee comprising all members of the Executive Committee. This year also saw the introduction of a new organisational metric to enable meaningful measurement of talent progression through the organisation. We will continue to invest in internal talent mobility as a significant source of value for Smiths.

While our divisions serve different markets, there is much common ground in the qualities and skill sets required in our technical teams as they enable us to deliver efficiently and create new products for the future. We see opportunities to leverage this common ground more effectively by creating formal Group-wide technical communities where groups of specialists can connect, share problems and ideas, and contribute to delivery of our strategy – for example energy reduction projects. We plan to introduce a common technical career ladder across the Group that will provide career visibility for individuals and enhance internal talent mobility.

Reward and recognition

Recognising and rewarding colleagues in a fair, open and meaningful way is an important underpin to developing talent. We are committed to fair pay practices and ensuring that colleagues participate in our success.

We have been an accredited Living Wage employer in the UK since 2018.

In the UK, we operate an all-employee Sharesave Scheme, which enables colleagues to buy Smiths shares at a discounted rate. We have also been undertaking a process to align employee benefits across markets, so they are the same for colleagues in any of our four divisions or Group. We have completed this work in China, India and Mexico to date.

The Board is conscious of the challenging impact of current inflationary pressures on colleagues and this is reflected in the management decision to focus more of the salary increase budget on those who are more significantly affected in the coming year.

Diversity, equity and inclusion

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

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

We are focused on proactively increasing the number of women in leadership roles at Smiths, as well as understanding the challenges and barriers that may be impeding them from fulfilling their potential. We have some way to go, which is why it is one of our ESG strategic priorities.

We have five female members of the Smiths Board (45%), and we welcomed three new female members to our Executive Committee in FY2022 (31% women). Women make up 28% of our global colleague population, but only 24% of our 656 senior leaders. We are working to change this with a programme of activities designed to identify, support and advance the careers of the high-potential women we already have at Smiths. Our target is to reach 27% by the end of FY2023 and 30% by the end of FY2024.

The opportunity to improve in the diversity, equity and inclusion area has been recognised and prioritised in our People strategy. Besides clearly articulated diversity metrics and objectives, in FY2023 we will also introduce our revised people leader development programme, which is fully aligned to our Smiths Leadership Behaviours. One entire learning module in the programme will be focused on emotional and cultural intelligence, conscious inclusion, and the role of leaders in setting and leading diverse teams. In addition, every division has introduced its own diversity and inclusion priorities, often supported by dedicated individuals, and including underrepresented group networks, education, communication and other support activities.

Communities

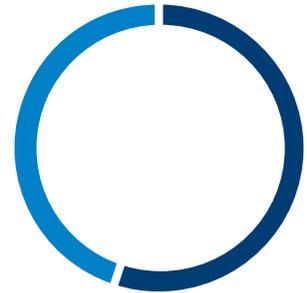
Our direct economic contribution to communities and society was £2.33bn in FY2022.

	FY2022
Employee costs	£823m
Supplier costs	£1,364m
Tax paid	£140m
Total	£2.33bn

GENDER DIVERSITY IN THE GROUP

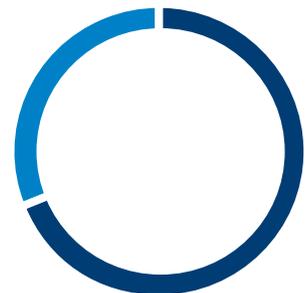
BOARD OF DIRECTORS

■ Male	6 (55%)
■ Female	5 (45%)



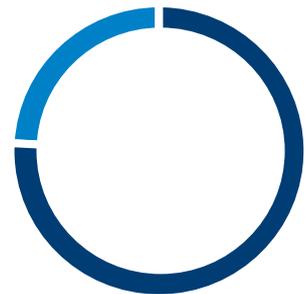
EXECUTIVE COMMITTEE

■ Male	9 (69%)
■ Female	4 (31%)



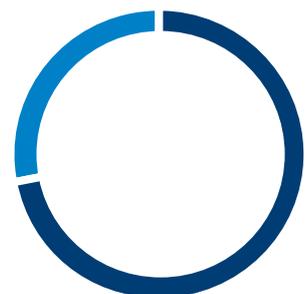
SENIOR LEADERSHIP TEAM¹

■ Male	498 (76%)
■ Female	158 (24%)



TOTAL COLLEAGUES

■ Male	10,631 (72%)
■ Female	4,133 (28%)



¹ Senior Leadership Team is the KPI used to track gender diversity at Smiths. It is defined as all colleagues that are Grade 14 or above. Data for Grade 14 and above plus Directors of subsidiary companies, in line with the definition in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is Female: 171 and Male: 561.

GOVERNANCE

Human rights

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our Values and policies and is not tolerated. We recognise the important responsibility we have, and we support the vision of a world where everyone can enjoy their universal human rights.

Our Human Rights Policy is guided by the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We adhere to national law and regulations in each market in which we operate and, should we encounter conflict between internationally recognised human rights and national laws, we will seek ways to honour the principles of international human rights. All persons working for, or on behalf of, Smiths are required to adhere to our Policy and approach.

Our Responsible Minerals Sourcing Policy addresses our commitment to the sourcing of minerals in an ethical and sustainable manner that safeguards human rights and aims to ensure that tin, tungsten, tantalum, gold and cobalt are sourced with due respect for human rights and in a manner that does not finance armed groups. To achieve this objective, we take guidance from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

We expect those with whom we have a business relationship – suppliers, contractors, subcontractors, and anyone else in our supply chains, including any recruitment agents or other providers of labour (temporary or otherwise) – to share our commitment to human rights and to be free from practices associated with human rights violations, including forced/involuntary labour or modern slavery. We take very seriously any allegations that human rights are not properly respected.

We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2022.

The Smiths Modern Slavery and Human Trafficking Statement FY2022 can be found on the Smiths corporate website www.smiths.com

Anti-bribery and anti-corruption

Bribery and corruption matters are covered by our Code of Business Ethics. We also have specific policies and procedures relating to activities that create bribery and corruption risks, and an umbrella anti-bribery and anti-corruption policy that provides a single view of our approach. These policies cover a broad range of matters including the giving and receiving of gifts, meals, and hospitality; invitations to government officials; our approach to facilitation payments; and controls around the appointment of distributors and agents, customs brokers, and freight forwarders. Our ethics dashboard enables us to interrogate our register of gifts, meals and entertainment in an effective and useful way.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) helps to improve transparency on climate-related risks and opportunities by providing an internationally recognised framework to guide companies in making more effective climate-related financial disclosures.

Over the last three years we have demonstrated our continued commitment to aligning with the recommendations of the TCFD through expanding and updating our assessment of climate-related risks and opportunities. This ongoing systematic assessment has allowed us to identify the potential risks and opportunities that climate change presents to our business, enabling us to better prepare for an uncertain future and ensure that our business strategy is resilient to future changes.

Mitigating our risks and realising our opportunities

Our diversified portfolio, responsiveness to new market requirements and geographic spread of assets mean that our business is well prepared to respond to climate risks in the short term.

However, the future is uncertain, so in FY2022 we have and will continue to take action to strengthen our longer-term climate resilience, implementing measures to reduce our exposure to the potential climate risks we have identified and ensuring that Smiths is best positioned to realise our opportunities. For example:

Climate-resilient assets: John Crane has undertaken analysis to identify facilities vulnerable to the effects of climate change and has put in place monitoring and mitigation measures to account for extreme weather. For example, one site has been relocated as a result of recent insurance claims caused by flooding issues. John Crane has also considered the risk of extreme weather during site selection of new facilities, including consideration of hurricane paths and proximity to flood plains.

Mitigating supply chain risks: Across all the divisions, single source materials are avoided wherever possible and instead, an approach of sourcing from multiple sites in multiple locations across the globe is taken. This increases resilience of the supply chain against regional disruption caused by extreme weather events.

Keeping costs down: To mitigate the risks associated with rising resource costs, the Procurement team has evaluated Smiths Detection's supply chain and transportation processes for efficiency improvements. This included implementing measures such as optimisation of space in freight through reusable stacking solutions and exploring localised business models to reduce product transportation distances.

Strengthening oversight and ownership: Our newly formed Science, Sustainability & Excellence (SSE) Committee of the Board, chaired by Dame Ann Dowling, is responsible for overseeing the Group's approach to science, sustainability, and excellence. The oversight covers R&D, commercialisation and sustainability strategies, including the impact of climate change and related metrics and targets. We also appointed a Chief Sustainability Officer to the Executive Committee.

The SSE oversees the following:

- Prioritising new product development programmes whose commercial success will deliver revenue growth and corresponding sustainability performance benefits to and through our customers. This includes energy efficiency, GHG reductions and renewable energy production and use.
- Delivering Net Zero GHG emission commitments for Scopes 1, 2 and 3 and associated SBTs through energy efficiency, renewable energy, and optimising product design and our supply chains.

TCFD recommended disclosures

At the time of publication of this Annual Report, the Group has made climate-related financial disclosures consistent with the TCFD's recommendations and Recommended Disclosures pursuant to Listing Rule 9.8.6 (R) (8). The following table summarises our disclosures and refers to where further detail on climate-related financial disclosures can be found in this Annual Report.

In completing this work the Group made use of TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets, and Transition Plans, and the TCFD Guidance for All Sectors.

The Group is continuing to make progress across all four pillars of the recommendations and is working to further align and be more transparent in its disclosures in line with the evolving guidelines to better communicate the work that is being done internally.

In FY2023 we intend to undertake a materiality assessment to demonstrate that Smiths has considered the most important topics in ESG, including climate risk and opportunities.

We are also developing a Group-wide strategic response to energy transition in relation to our own targets, the implications on current customers and end use markets, and opportunities for Smiths.

In FY2023 we intend to prepare and publish a detailed, standalone TCFD document to enhance our disclosures to cover these matters and take account of progress.

GOVERNANCE

Disclose Smiths governance around climate-related risks and opportunities.

a. Describe the Board's oversight of climate-related risks and opportunities.

The Board oversees the Group's approach to sustainability, including climate change. The Board has oversight of our Group and divisional strategies, receiving regular updates on performance and deep dives into divisional strategy on a rotational basis. Climate change opportunities are integrated into our strategic planning processes, including our ESG framework and ESG strategic priorities. The SSE Committee of the Board is responsible for overseeing the Group's approach to science, sustainability and excellence. The oversight covers R&D, commercialisation and sustainability strategy, including the impact of climate change and related metrics and targets. The Audit & Risk Committee of the Board is responsible for reviewing and assessing the effectiveness of risk management, including climate risk in the business. The results of our annual assessment of climate change risks and opportunities are reported to the Audit & Risk Committee.

- See Board governance model page 57
- See ESG governance and oversight model page 29
- See Enterprise Risk Management (ERM) process page 46
- See Board activity page 60
- See SSE Committee Report page 89
- See our ESG framework page 24
- See our ESG strategic priorities page 27
- See Stakeholders and S172 Statement page 41

b. Describe management's role in assessing and managing climate-related risks and opportunities

The Executive Committee is responsible for the Group's approach to sustainability, including climate change. Climate-related risk is reported and managed in the same way as other risks in the business. Over and above this, the results of our annual assessment of climate change risk and opportunities are reported to the Executive Committee and integrated into our strategic planning processes, including our ESG strategic priorities. Our Group and divisional strategic review and planning processes consider and respond to climate-related opportunities as part of our divisional strategic planning processes and our ESG framework and ESG strategic priorities. To align decision-making and ownership of our ESG goals, sustainability metrics form part of the Smiths annual and long-term incentive plans.

- See Enterprise Risk Management (ERM) process page 46
- See ESG governance and oversight model page 29
- See our ESG framework page 24
- See our ESG strategic priorities page 27
- See Our business model page 9
- See Our strategy and megatrends page 10
- See Remuneration & People Committee Report page 75

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning, where such information is material.

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

We conduct a systematic assessment on an annual basis to identify physical and transition risks and opportunities over the short, medium and long term. Further, our Purpose and commitment to sustainability leadership are reflected in our intent to prioritise ESG performance at Smiths. We therefore place additional emphasis on our response to megatrends in our sectors which relate to the energy transition agenda and overall reduction of waste and energy use.

- See this year's reporting on Key transition risks and opportunities and Key physical risks and opportunities page 40
- See Mitigating our risks and realising our opportunities page 35
- See Our business model page 9
- See Our strategy and megatrends page 10

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

We incorporate the climate-related risks and opportunities we identify into our business planning and strategy development processes at both the division and Group-level, including our ESG framework and strategic priorities. To align decision-making and ownership of our ESG goals, sustainability metrics form part of the Smiths annual and long-term incentive plans.

- See Mitigating our risks and realising our opportunities on page 35
- See our ESG framework page 24
- See our ESG strategic priorities page 27
- See Environment performance page 30
- See Our strategy and megatrends page 10
- See Chief Executive Officer's review of the year page 11
- See Remuneration & People Committee Report page 75

c. Describe the resilience of the organisation's strategy. Taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The scenarios we use to assess the resilience of our business always include consideration of a 2°C or lower scenario. This year we have expanded the range of scenarios we assess ourselves against and have disclosed our ratings of the resilience of our business against our identified potential risks. Whilst climate risk is not considered a principal risk for Smiths, failure to meet stakeholder expectations on ESG obligations is considered a principal risk. This is addressed through Group strategy and our ESG strategic priorities.

- See Scenario analysis – building upon previous work on page 39
- See Key transition risks and opportunities and Key physical risks and opportunities page 40
- See Principal risks page 49
- See our ESG strategic priorities page 27

RISK MANAGEMENT

Disclose how Smiths identifies, assesses and manages climate-related risks.

a. Describe the organisation's processes for identifying and assessing climate-related risks.

Climate-related risk is reported and managed in the same way as other risks in the business. Over and above this, we conduct a systematic scenario analysis exercise on an annual basis to identify and assess climate-related risks and opportunities. This uses the following staged process: i. Understand revenue streams as base case; ii. Climate scenario analysis – high-level risk and opportunity mapping conducted over two physical and two transition climate scenarios over two time horizons (medium- and long-term); iii. Integrated financial impact assessments – risks and opportunities identified to uncover the financial drivers that will inform and shape future investment; and iv. Testing and validation – workshops conducted at Group and divisional level to refine the risk and opportunity mapping by reviewing potential materiality over time, identify potential mitigation measures to inform strategy, and refine metrics and targets.

- See ERM process page 46
- See this year's approach in Scenario analysis - building upon previous work on page 39

b. Describe the organisation's processes for managing climate-related risks

Climate-related risk is reported and managed in the same way as other risks in the business. As part of our annual scenario analysis exercise, we also identify key actions to mitigate potential climate-related risks and to realise our identified opportunities. See staged process described above.

- See ERM process on page 46
- See Mitigating our risks and realising our opportunities on page 35

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

We incorporate the climate-related risks we identify into our ERM process.

- See Mitigating our risks and realising our opportunities on page 35
- See ERM process on page 46

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.

We report against our environmental metrics annually. This year we have also undertaken a gap analysis of our metrics and targets to identify key areas where we can improve our monitoring of climate-related performance. We have built a more aggressive GHG reduction target trajectory to meet Science-Based Targets and energy efficiency and new product commercialisation targets into our incentive arrangements for FY2023.

Our climate-related metrics and targets now include:

- Total energy use
- Energy efficiency target, and new product commercialisation revenue target per programme, both linked to remuneration for FY2023 AIP
- Scope 1 & 2 emissions absolute reduction target linked to remuneration for FY2023 LTIP
- Scope 1 & 2 emissions normalised to revenue target linked to remuneration for FY2022 LTIP
- See Environment performance on page 30
- See Remuneration & People Committee Report on page 75

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.

We disclose our Scope 1 and 2 emissions annually. We have created a baseline inventory of our Scope 3 emissions which will be validated before being submitted to the SBTi in FY2023.

- See Energy use and GHG (Scope 1 & 2) emissions on page 30
- See Scope 3 information on page 30
- See Environment performance on page 30

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

We report on our progress against our environmental targets annually. This year we have also undertaken a gap analysis to identify key additional metrics and targets which could improve monitoring of our climate-related performance. See metrics and targets described above.

- See Environment performance on page 30

Scenario analysis – building upon previous work

During FY2021, climate-related physical and transition risks and opportunities were assessed under two climate scenarios and time periods, and the actions that could be taken to mitigate risks and capture opportunities were incorporated into our strategic planning processes.

Our most recent scenario analysis exercise, conducted in Q3 FY2022, builds upon the assessment of previous years, and seeks to provide a more in-depth understanding and comparison of physical and transition risks and opportunities. A wider range of scenarios was considered, including two transition scenarios and two physical risk scenarios.

Physical scenarios

For the physical scenarios, the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) 4.5 and RCP8.5 scenarios were used.

RCP4.5

- RCP4.5 represents an intermediate emissions scenario whereby climate policies are implemented to limit GHG emissions.
- In the 2040s, global mean surface temperature is projected to increase by 1.1°C. By the 2080s, this reaches 1.4°C.

RCP8.5

- RCP8.5 is a high-emissions scenario and represents a future where levels of greenhouse gas (GHG) emissions continue to rise throughout the 21st century with minimal policy intervention. As such, GHG emissions were assumed to continue to increase throughout the century, without significant interventions.
- In the 2040s, global mean surface temperature is projected to increase by 1.8°C. By the 2080s, this reaches 3.7°C.

Across both scenarios:

- Some regions will experience increased annual rainfall, whilst other regions will receive less annual rainfall.
- Regions are likely to experience seasonal differences in temperature and precipitation patterns. For example, annual precipitation in the UK is projected to increase but this is due to projected wetter winters, increasing the risk of flooding; in contrast, summers are projected to become drier, increasing the risk of drought.
- Extreme weather events such as flooding, wildfires and drought are likely to become more severe and more frequent.
- The difference between the two scenarios is particularly evident in the projections towards the end of the century, which are much more extreme under RCP8.5.

Transition scenarios

For the transition scenarios, the International Energy Agency's (IEA) World Energy Outlook Sustainable Development Scenario (SDS) and Stated Policies Scenario (STEPS) were used.

2021 Stated Policies Scenario (STEPS)

- This scenario reflects current policy-setting based on sector-by-sector assessment of the specific policies in place, as well as those that have been announced by governments around the world.
- It aims to provide a benchmark to assess the potential achievements (and limitations) of recent developments in energy and climate policy:
 - Risks to oil security remain
 - Gas markets are changing rapidly
 - Electricity moves to the heart of modern energy security

2021 Sustainable Development Scenario (SDS)

- The assumptions on public health and the economy are the same as in the STEPS
- Full alignment with the Paris Agreement to hold the rise in global average temperature to "well below 2 °C ... and pursuing efforts to limit (rises) to 1.5 °C"
- It works backwards from the achievement of sustainable energy-related goals – universal access to affordable, reliable and modern energy services by 2030, a substantial reduction in air pollution, and effective action to combat climate change – and shows what would be required to meet them
 - Major transformation of the global energy system
 - Net Zero by 2070
 - Surge in clean energy policies (promotion of hydrogen, biogas, biomethane and Carbon Capture, Utilisation and Storage (CCUS) across sectors)
 - Staggered introduction of CO₂ prices
 - Fossil fuel subsidies phased out by 2025 in net-importing countries and by 2035 in net-exporting countries

As well as assessing risks and opportunities under a greater number of scenarios, this year's assessment included detailed engagement with each of the four divisions to enable a 'deep dive' into issues specific to each and to better understand the Group-level implications of these risks and opportunities.

In addition, we have assessed the level of each risk and opportunity in more detail to better understand the potential financial impacts of the identified risks and opportunities.

Although a quantitative assessment was not undertaken, risk and opportunity ratings were defined in line with the Group and division level risk registers to allow a better understanding of the scale of identified risks and opportunities, enabling Smiths to prioritise actions for risk mitigation.

These additional activities allow us to better understand the nuanced nature of risks and opportunities posed across our business, at Group and division level, under a wider range of future scenarios. This ultimately enables us to improve our resilience, by addressing risks across our portfolio and ensuring that opportunities are incorporated within our business strategy.

Priority risks and opportunities are summarised in the tables below across the range of scenarios.

Key physical risks and opportunities

Over the medium and longer term, key physical risks relate to the potential effect that projected increases in the frequency and severity of extreme weather events could have on our assets and supply chain. These risks become more severe under the high-emissions RCP8.5 scenario.

However, we have also identified several opportunities where each of our divisions can work to develop innovative solutions to our customers' climate-related challenges.

	RCP4.5 physical scenario		RCP8.5 physical scenario	
	2040s medium term	2080s long term	2040s medium term	2080s long term
Risks	Level of risk categories: Very Low – Low – Moderate – High – Very High			
Damage to Group assets from extreme weather events: Increased costs and resulting revenue losses due to repair and insurance costs.	Low	Moderate	Low	High
Temperature regulation requirements during heatwaves and cold snaps: Health and safety risks from overheating, higher operating costs from increased air conditioning and heating. Capital costs associated with retrofitting assets to provide sufficient temperature controls.	Low	Low	Low	Low
Damage to key supply chain assets from extreme weather events: Loss of revenue due to disruption/delay of manufacturing processes.	Moderate	High	Moderate	High
Disruption to transportation and distribution networks from extreme weather events: Loss of revenue due to delays getting products to market, caused by supply chain disruption.	Moderate	High	Moderate	High
Opportunities				
Growth in remote sensing market: Increased revenue from growth in demand for satellite technology for environmental monitoring and tracking.	Moderate	High	Moderate	Very High
Increased demand for cooling systems: Increased revenue from increased demand for residential and domestic cooling systems, driven by ongoing variation in global temperatures.	Low	Moderate	Moderate	Moderate

Key transition risks and opportunities

Key transition risks identified over the next 30 years primarily result from increasing costs associated with the price and availability of resources and compliance with increased reporting requirements, although increased competition also poses a risk.

New and emerging markets present us with significant opportunities for growth, with demand for energy efficient products and services increasing greatly as we transition to a lower carbon global economy.

	STEPS transition scenario		SDS transition scenario	
	2030 medium term	2050 long term	2030 medium term	2050 long term
Risks				
Increased regulations and pricing on GHG emissions: Greater costs associated with emissions reduction, monitoring and reporting obligations.	Low	Moderate	Moderate	Moderate
Increased transportation costs: Greater fuel costs due to increased pricing on GHG emissions.	Moderate	Moderate	Moderate	High
Cost and availability of resources: Increased price and reduced availability of critical raw materials. Limited supply of materials and components could lead to price volatility and production constraints.	Moderate	Moderate	Moderate	Moderate
New and emerging competitors: Reduced accessible market due to increased competition in Net Zero/energy efficiency spaces, such as methane leakage.	Moderate	Low	High	Low
Opportunities				
Growth in aviation/aerospace energy efficiency market: Increased revenue from development of new products for aviation/aerospace, such as energy efficiency detection products and solutions.	Moderate	High	High	Very High
Growth in energy efficiency products market: Increased revenue from Smiths efficiency products and services, particularly methane detection and remediation. Increased investment for new technologies e.g., carbon capture, utilisation and storage (CCUS) and hydrogen.	High	Moderate	Very High	Moderate
Growth in power industry energy efficiency: Increased revenue from development of emerging low-carbon emission technologies to reduce electricity transmission losses.	High	Very High	High	Moderate