

MODERN SLAVERY AND HUMAN
TRAFFICKING STATEMENT FY2018

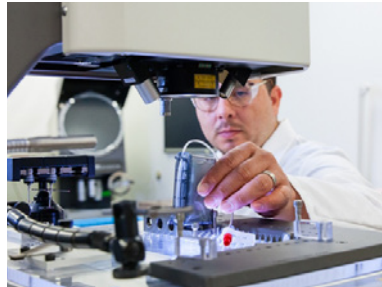
Smiths Group plc

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT FY2018

SMITHS GROUP PLC

AT SMITHS, WE CONSIDER MODERN SLAVERY AND HUMAN TRAFFICKING TO BE APPALLING CRIMES. WE ARE COMMITTED TO CONDUCTING BUSINESS IN AN ETHICAL MANNER EVERYWHERE WE OPERATE.

This statement has been published in accordance with the UK Modern Slavery Act 2015. It sets out the steps taken by Smiths Group plc and its subsidiaries¹ during the year ended 31 July 2018 to address modern slavery and human trafficking in its business and supply chains.



Today, we serve five main markets: medical technology, security and defence, general industrial, oil and gas, and space and aerospace. Around half our revenue comes from North America, with 24% Europe, 14% from APAC, and 13% from the rest of the world. Our solutions reach around 200 countries and territories, and we are listed on the London Stock Exchange.

We employ around 22,000 people in more than 50 countries through our five divisions: John Crane, Smiths Medical, Smiths Detection, Smiths Interconnect and Flex-Tek. We have manufacturing, assembly, service and repair, and warehousing operations in 40 countries, with 53% of our assets in North America, 37% in Europe, 6% in APAC and 4% in the rest of the world.

INTRODUCTION

We consider modern slavery and human trafficking to be appalling crimes. Integrity and respect are two of our core values and we are committed to conducting business in an ethical manner everywhere we operate. This includes understanding the modern slavery risks that face us and addressing them in our business and supply chains. Smiths employees and business partners are expected to report concerns using the appropriate reporting channels, and management are expected to act promptly to address them.

OUR BUSINESS

We apply leading-edge technology to design, manufacture and deliver market-leading innovative solutions that meet our customers' evolving needs. Our solutions make a real impact on the world – from enabling industry, improving healthcare and enhancing security, to advancing connectivity and supporting new homes. We are working to establish Smiths as one of the world's leading technologies companies.



OUR SUPPLY CHAINS

In total, we source components and materials from approximately 12,000 suppliers around the world. Each of our five operating divisions is responsible for selecting and managing its own supply base. Our divisions are supported by a central Group Operations team based at our London head office. The central team identifies opportunities for driving best practice and consistency in manufacturing, operations, procurement, and supply chain management across the divisions.

¹ This includes Smiths Group plc and subsidiary companies worldwide, including all relevant Smiths companies according to the requirements of the UK Modern Slavery Act (John Crane UK Limited, Smiths Business Information Services Limited, Smiths Detection United Kingdom Limited, Smiths Detection – Watford Limited and Smiths Medical International Limited).



Our people

We employ around 22,000 people globally and are building a learning organisation that enables them to be the best that they can be.

Our values

We are united by our shared values, which guide our actions and behaviour every day, no matter what our role is.

- INTEGRITY
- RESPECT
- OWNERSHIP
- CUSTOMER FOCUS
- PASSION



12,000

SUPPLIERS FROM WHOM WE SOURCE COMPONENTS AND MATERIALS FROM

OUR POLICIES AND PROGRAMME OVERSIGHT

We have several internal policies covering different aspects of international labour standards, including our revised [Code of Business Ethics](#) (the Code), [Supplier Code of Conduct](#) (the Supplier Code) and our [Human Rights policy](#). Together these documents help our employees and business partners understand what we mean by modern slavery and labour standards assurance, and outline our approach to managing associated risks. They encourage employees and business partners to look for and raise 'red flags'. These policies are maintained by Smiths Ethics and Compliance Office, and reviewed by the human resources and supply chain leadership teams, Smiths Human Rights Working Group and Smiths Business Ethics Council. The Council is made up of senior leaders from across divisions and functions at Smiths. Smiths Ethics & Compliance programme, including the human rights element of the programme, is overseen by the Audit Committee on behalf of Smiths Group Board of Directors.

Our Code, the Supplier Code and our Human Rights Policy make it clear that Smiths will not tolerate or condone abuses of human rights within any part of our business or supply chains, and we take seriously any allegations that human rights are not properly respected. In addition, our employees and business partners are expected to report any activity - whether in our business or our suppliers, joint ventures partners or other partners' business - that they consider may breach the Code, Supplier Code or Human Rights Policy. All reports are fully investigated and, if there is any evidence to support the concern, appropriate remedial actions are taken.

ASSESSMENT OF MODERN SLAVERY RISK

In the past year we have continued to take steps to better understand where modern slavery risks may exist in our operations. We conducted an internal modern slavery and labour standards site survey to review different risk areas and have used the responses to help us develop our action planning. We have continued to develop our due diligence processes and focus on training and awareness, both for our human resource personnel and our procurement teams, so they know what red flags to look for when they are looking to hire labour and/or suppliers.

In addition, our Human Rights Working Group continues to meet monthly to monitor and oversee the design of appropriate controls and their implementation related to the core risk areas we have identified, namely (i) supply

chain; (ii) use of agencies to source or recruit employees or contract labour for certain roles; and (iii) use of dormitories operated by third parties to house employees or contract labourers who work at our facilities.

DIRECT MATERIAL SUPPLIERS

Our biggest potential exposure to modern slavery risk is in our supply chains. New suppliers are subject to due diligence checks in the form of ethics and compliance questionnaires, which include questions on modern slavery. If issues are identified during the due diligence process, appropriate investigative and remedial actions are taken.

In FY2018, we conducted a review of existing suppliers. We prioritised suppliers based on risk using a variety of risk factors including the country ranking listed on the Global Slavery Index. Suppliers identified by that exercise as high risk were asked to complete a due diligence questionnaire through the Supplier Ethical Data Exchange platform, an online risk assessment and screening tool. While we are still primarily focused on first tier suppliers, we are working to incorporate language into our standard supply contracts that requires our suppliers to bind their suppliers to the same anti-modern slavery commitments.

RECRUITMENT AGENTS AND LABOUR SUPPLIERS

With around 22,000 employees in over 50 countries, we use a significant number of recruitment agents around the world. A central focus of our anti-modern slavery compliance programme is to ensure that all the agencies we use to recruit or source labour understand our expectations and honour our commitment to address modern slavery risks.

Our risk assessment identified three types of labour as the most likely to be exposed to modern slavery risks: production, warehousing, and cleaning and maintenance staff – particularly those who are temporary staff or contractors. As such, our programme is currently focused on agents who recruit these types of employees or supply them on a contracted basis.

Last year we developed and rolled out a pre-appointment due diligence process to ensure we do not partner with any recruitment agents or suppliers of labour who do not meet our ethical standards or commit to honoring our Human Rights Policy. In addition, we require recruitment agents to sign declarations confirming they meet our standards. We have set up a register of approved recruitment agents and labour suppliers to ensure only approved agents are used, and that due diligence and declarations for these agents are up-to-date and refreshed regularly.

DORMITORIES

In FY2018, we continued to monitor and audit dormitories operated by third parties to house employees or contracted labourers working at some of our facilities. After a review of dormitories last year, production employees working at our Flexible Ducting facility in Malaysia (FD Malaysia) were moved into a new and improved dormitory, which is operated by a third party. In addition, we inspected third party dormitories housing contracted labour who work at our facilities in the Middle East, leading to contracted labourers at Smiths Detection Middle East being moved to improved dormitory accommodations.

Posters in local languages have been put up in our manufacturing locations and at FD Malaysia in the area of the dormitory occupied by Smiths employees informing staff of our ethics SpeakOut Line and encouraging them to raise any concerns

(anonymously should they prefer) about their treatment or dormitory standards. The SpeakOut Line is monitored by Smiths Ethics and Compliance Office. Audits will continue at regular intervals to ensure the dormitories meet our standards.

MODERN SLAVERY TRAINING AND AWARENESS

In addition to training on the Code of Business Ethics, we continued to conduct awareness training on modern slavery and labour standards assurance for our operations, sourcing, supply chain and human resources teams across the globe. We also rolled out training for new employees as part of their orientation process. The current set of training covers our behavioural expectations and helps staff identify red flags. In FY2019, we plan to update and enhance our training around human rights.

In FY2018, we also launched a modern slavery awareness campaign to further educate our employees. The campaign was titled "Modern Slavery, Take A Closer Look". It was designed to get our employees thinking about who is 'behind' production in our operations and across the supply chain, and how modern slavery could be an issue. The campaign materials highlighted potential red flags and the expectation to report any issues through our confidential SpeakOut reporting line.



PROGRESS AND YEAR AHEAD

We understand that modern slavery risks are not static, and in the year ahead we will continue to monitor and improve our human rights programme. We will continue to develop a more detailed understanding of country-specific risks to better inform our training and assurance efforts, including due diligence.

In FY2018, a great deal of effort was spent continuing to raise awareness about modern slavery and labour standards assurance, and implementing and testing our controls. See table below outlining accomplishments for FY2018 focus areas:

In the coming year we will continue communication and awareness campaigns, and ensure that processes are fit for purpose and adequately embedded.

FY2018 KEY AREAS OF FOCUS	Status
Revise our Code of Business Ethics and Supplier Code of Business Ethics to include a more specific reference to modern slavery	✓
Complete the due diligence and certification process for existing recruitment agents	✓
Collect all outstanding surveys from sites, analyse the data, and adjust our modern slavery programme as necessary	✓
Extend the list of existing suppliers on whom we conduct diligence based on risk	✓
Roll out training to all new employees	✓
Improve training programme - more targeted and risk-based	✓
Develop metrics to measure performance against our Anti-Modern Slavery Policy (now Human Rights Policy)	✓
Send suppliers a refreshed version of our supplier guidance around modern slavery, which highlights our expectations and requirements	✓

OUR KEY AREAS OF FOCUS FOR FY2019 ARE:

- Further extend the list of existing suppliers on whom we conduct diligence based on risk
- Roll out new online training to all employees
- Develop training programme for higher risk roles (e.g. manufacturing and warehouse management teams and staff, and supplier audit teams)
- Enhance our supply chain monitoring capabilities through a third party screening tool
- Continue to conduct site audits and dormitory visits

This statement was approved by the Board of Smiths Group plc.

ANDY REYNOLDS SMITH
 CHIEF EXECUTIVE
 SMITHS GROUP PLC
 OCTOBER 2018