

## MODERN SLAVERY STATEMENT

This statement is published pursuant to section 54 of the UK Modern Slavery Act 2015 and is Smiths Group plc's modern slavery and human trafficking statement for the financial year ended 31 July 2022. It sets out the steps taken by Smiths Group plc and its subsidiaries<sup>1</sup> to address the risk of modern slavery and human trafficking in its business and supply chains. References to "Smiths" are to Smiths Group as described below.

### OUR BUSINESS

Smiths Group plc is headquartered in the UK and listed on the London Stock Exchange. Our business is organised into four divisions<sup>2</sup>: John Crane, Smiths Detection, Smiths Interconnect and Flex-Tek. Our products and solutions serve four main global markets: General Industrial, Safety & Security, Energy and Aerospace, and our products and services reach around 200 countries. We employ around 14,700 people in more than 50 countries. More information about Smiths business can be found in our [Annual Report](#).

Smiths is committed to doing business responsibly and sustainably. This commitment and the steps being taken to meet it are described in our [Sustainability at Smiths report](#). As explained there, 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 turning our purpose and values into behaviour and practical action that mobilises Smiths strengths to improve our world. This includes responsibly managing any actual and potential human rights impacts in our business and in our supply chains.

We are committed to conducting business ethically everywhere we operate, and our suppliers must do the same. Our employees and business partners are expected to report concerns using the appropriate channels, including our Speak Out hotline (described below), and management is required to act promptly to address any issues that arise. Smiths recognises its social responsibility and the role it can play in ensuring that its business partners operate within the law and in line with Smiths expectations. Smiths is committed to continue driving improvements to its modern slavery compliance programme across its businesses.

<sup>1</sup> These include Smiths Group plc's subsidiaries worldwide, including all relevant Smiths Group 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, and Smiths Detection Watford Limited).

<sup>2</sup> In January 2022 Smiths sold its medical device division, Smiths Medical. This reduced Smiths work force from 23,000 to 14,700.

## MANUFACTURING AND SUPPLY CHAIN

Each Smiths division is responsible for its own manufacturing and for its supply chain. In total the divisions have manufacturing operations in 26 countries<sup>3</sup>. Manufacturing processes vary by division. They include the assembly of purchased components, the machining and forming of metallic products, additive manufacturing, and the extrusion of specialty materials.

Supply chains are mostly local or regional rather than global. In total, Smiths has many suppliers around the world with whom it spends approximately £1.3bn. Over 95% of the divisions' direct goods spend comes from 20 countries<sup>4</sup>. Smiths divisions are supported by a global Group Operations team, which is responsible for purchasing certain goods and services centrally, and for identifying opportunities for driving best practices and consistency in procurement and supply chain management across the divisions.

Smiths supply chains include those related to the production and sale of its products and services, including aftermarket services to maintain and repair its products. Other important supply chains include catering, cleaning, maintenance, and security services procured by Smiths sites, and those supply chains related to the recruitment and sourcing of staff.

## OUR POLICIES, TRAINING AND PROGRAMME OVERSIGHT

**Policies:** Smiths commitment to human rights and responsibly managing the risks of human trafficking and modern slavery in our supply chains are set out in our [Code of Business Ethics](#), [Supplier Code](#), [Human Rights Policy](#), and [Responsible Minerals Sourcing Policy](#). These policies are managed by Smiths Ethics & Compliance team. Smiths also has in place supplier due diligence processes and procedures. Supplier contracts include clauses binding suppliers to comply with human rights and other applicable laws and require them to honour Smiths Supplier Code in the way they conduct their business.

**Training and awareness:** Smiths employees are required to take a comprehensive set of ethics and compliance related training. These include repeat awareness training on modern slavery and labour standards assurance. New employees are trained as part of their orientation process. Smiths training suite helps staff identify modern slavery red flags and is reinforced through communications. The Ethics & Compliance team conducts ethics and compliance workshops for middle and senior managers, which also cover modern slavery and associated red flags. In FY2022, workshops were conducted in China, Korea, across Latin America, and for teams operating in Africa. We communicate the need to report modern slavery concerns through posters at our manufacturing sites.

<sup>3</sup> US, Mexico, Canada, UK, Ireland, Italy, Germany, United Arab Emirates, South Africa, Czech Republic, India, Finland, Sweden, France, Spain, Japan, South Korea, Singapore, Malaysia, Russia, China, Australia, New Zealand, Brazil, The Netherlands and Costa Rica

<sup>4</sup> United States, Germany, China, United Kingdom, France, Italy, Japan, Czech Republic, Taiwan - Province of China, Switzerland, Canada, The Netherlands, South Korea, Finland, Mexico, Russia, Singapore and Brazil

**Oversight:** Procurement related modern slavery and human rights risks and controls are monitored by a working group comprised of Procurement leadership and the Ethics & Compliance team. A second working group (made of colleagues in HR and the Ethics & Compliance team) is focused on risks associated with modern slavery and labour standards arising from Smiths own operations.

Anti-modern slavery initiatives are discussed with the Smiths Business Ethics Council (a cross divisional, cross functional group of senior leaders which meets quarterly). Ethics & Compliance regularly reports on these programmes and discusses emerging issues with the Smiths Executive Committee and the Audit & Risk Committee of the Smiths Board.

## ASSESSING AND MANAGING OUR MODERN SLAVERY RISK

As stated, Smiths has operations across the world, employing 14,700 people in approximately 50 countries. Approximately 40% of our workforce are production-based. In FY2022 we employed approximately 1100 contract workers, who were sourced through third party agencies. Occasionally these contract workers include migrant workers. While we do not employ anyone under the age of 16, we have colleagues between 16 and 18 years of age (there were 11 such employees in 2022).

Our suppliers are spread across the world, providing us with materials, components, products and services. Some of our products contain raw materials regulated through conflict minerals laws and regulations and products associated with modern slavery and human rights risks, such as electronic components. Our suppliers employ a significant number of people, including labour potentially exposed to the risks of modern slavery.

*Smiths own operations.* We recognise that human rights violations can occur anywhere. To prioritise activities, we identified our sites that we consider higher risk based on labour force (particularly, contract, temporary and migrant labour) and location (primarily using the Global Slavery Index<sup>5</sup> and the Trafficking in Persons Report<sup>6</sup> (TIPR)) to guide the risk assessment. Smiths higher risk sites are in: Mexico, Costa Rica, China Malaysia, India, and the Czech Republic.

We conducted targeted reviews of sites in these countries in FY2022, focusing on the following risk areas:

- The use of agencies and labour brokers (to ensure no recruitment fees are being paid by workers),
- Treatment of migrant and contract workers (including custody of personal documents and freedom of movement),
- Poor working conditions.
- Child labour (under 16 years of age).

<sup>5</sup> Walk Free Foundation

<sup>6</sup> Published by the US Department of State

- Potential impediments to using Smiths Speak Out hotline.

No major issues were identified; however, we recognise the need to continue monitoring the risks and effectiveness of controls. In FY2023, we plan to conduct targeted reviews at sites in Thailand, Indonesia, United Arab Emirates, Saudi Arabia and Tunisia.

*Suppliers:* To prioritise activities we categorise suppliers by risk based on spend, location, and industry (using the Global Slavery Index and the TIPR and other reports). Our risk assessment and processes still currently focus on Tier 1 suppliers. Due diligence is conducted on these suppliers to assess, among other things (including capability, quality and financial stability), modern slavery and human rights risks. There is a separate due diligence process to vet recruitment agencies.

In FY2022 we took the following steps to improve our supplier modern slavery risk management:

- [Updated our Supplier Code and our Human Rights Policy](#) to clarify our position on human rights, which we have and continue to communicate internally and to suppliers (with high-risk suppliers prioritised).
- [Introduced a new Whistleblower Policy](#), which we have and continue to communicate internally and to suppliers (with high-risk suppliers prioritised).
- [Conducted a Supplier Risk Assessment, and based on it, conducted focused audits in Malaysia and the Czech Republic](#). In Malaysia, audits focused on electronic components suppliers. In the Czech Republic, where our larger (by spend) eastern Europe suppliers are based, the audits focused on recruitment practices to better understand and address any modern slavery risks associated with employing labour displaced from Ukraine. No issues were identified, but we are working with certain suppliers to help strengthen relevant processes.
- [Reviewed our process to vet and select recruitment agents](#), in which we discovered that existing processes were not being consistently applied. A project was initiated by Smiths Group HR team to assess and improve this process and to ensure it is properly embedded at all Smiths sites. This project is ongoing and will complete in FY2023.

*Reporting Concerns:* Smiths operates a global reporting hotline ('Speak Out' hotline), which is managed independently by Smiths Ethics & Compliance office. It enables anyone to report (anonymously if preferred) by telephone, email or online any breach of our Code of Business Ethics or seek guidance about Smiths ethics policies.

All reports come to the Smiths Ethics & Compliance team and are handled confidentially. Smiths Ethics & Compliance team is responsible for ensuring that reports are promptly and thoroughly investigated. We have a regular cadence of communications (including from Smiths leadership) to encourage reporting of concerns.

In FY2022 we conducted a campaign to raise awareness of the importance of reporting and how to raise concerns through the hotline. Our employee survey, the 'Ethics Pulse', run at regular intervals throughout the year, saw a sharp increase in staff confirming they know how to use Speak Out (84% to 95%) and a small increase in those confirming that they feel

safe to Speak Out (89% to 91%) (see Smiths [Sustainability at Smiths report](#)). Our new Supplier Code also encourages suppliers and their staff to use our Speak Out line.

Data from our Speak Out system provides KPIs used to monitor ethics performance (including tackling modern slavery). We monitor the number and nature of cases reported regionally and by site, substantiation rates, anonymity rates, and disciplinary action. The 'Ethics Pulse' survey monitors colleagues' perception of Smiths ethics (see Sustainability Report), and we monitor audit findings (both internal and external audits). In FY2022 we received through our Speak Out hotline 179 reports, more details of which are included in Smiths Sustainability Report.

## ACTIVITIES IN FY2023

The risks of modern slavery and human rights issues in Smiths businesses are not static – we recognise the importance of remaining vigilant to ensure we spot and react to emerging risks. Our understanding of how our businesses potentially impact human rights will continue to develop.

In FY2023, we will continue to focus on ensuring we identify our risks, that they are understood across the company, that we have appropriate controls in place to mitigate them, and that the controls are effective.

In the coming year we plan to do the following:

- Conduct a human rights/ modern slavery workshop in Malaysia with our HR teams from our APAC based HR teams;
- Conduct Ethics & Compliance workshops (which include discussing modern slavery and human rights risks) in the Middle East, Singapore, Japan, Germany, and Czech Republic;
- Review and evolve our KPIs for monitoring the effectiveness of our modern slavery risk-based initiatives;
- Complete the task of communicating our new Supplier Code to suppliers;
- Conduct targeted reviews of Smiths sites in Thailand, Indonesia, United Arab Emirates, Saudi Arabia and Tunisia; and
- Complete the project to strengthen and embed the recruitment agent vetting and selection process.

*This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 on behalf of Smiths Group plc and its subsidiaries for the financial year ending 31 July 2022. It has been approved by the Board of Directors of Smiths Group plc and is signed on behalf of the Board by its Chief Executive Officer.*

Paul Keel

CEO Smiths Group plc