

Feedback Report

Smiths Group plc

This individual Feedback Report presents the results of Smiths Group plc's participation in the Environment Index 2006. It benchmarks the organisation's performance against others in its sector and the overall universe of Index participants.

The report is split into three sections:

PART 1 – TOP LEVEL RESULTS

A headline of your overall Index performance, position relative to your sector and trend information

PART 2 – OVERALL RESULTS

Your management and performance scores, broken down by topic and issue

PART 3 – DETAILED BREAKDOWN

In-depth results on each Index question

The Environment Index assesses the extent to which organisations integrate environmental responsibility into their business functions.

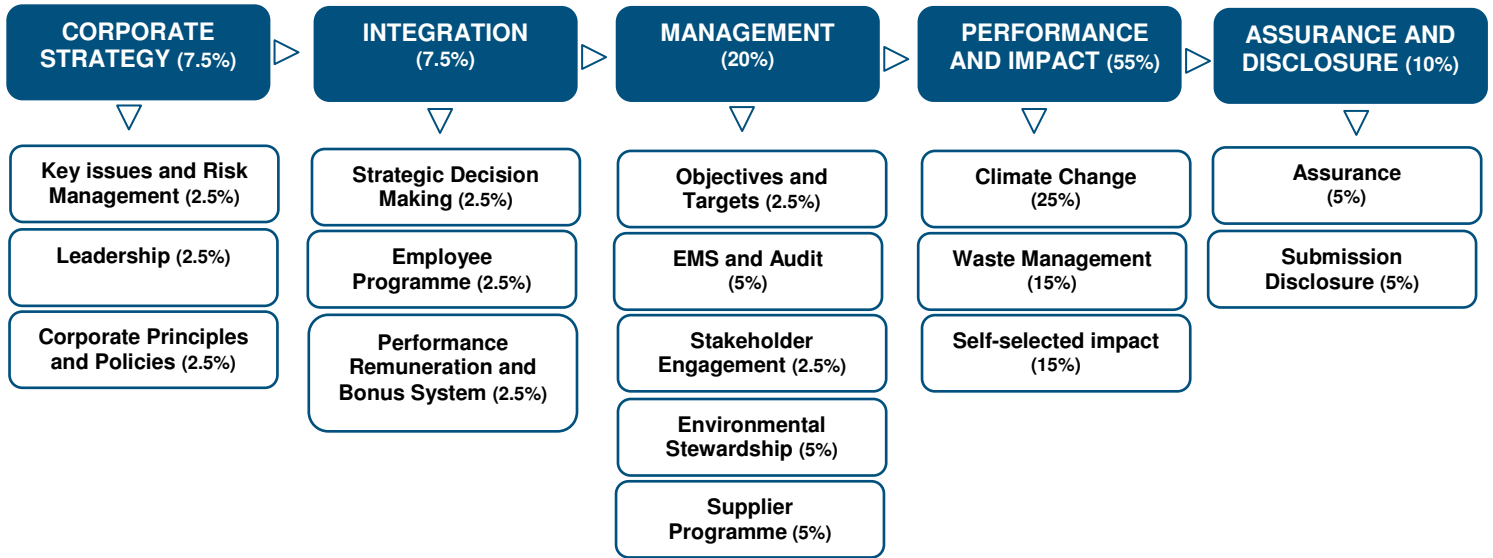
The relative percentage weighting given to each section of the overall score is shown on the first page of this document. Appendix I (available only in the electronic format) describes the survey in full, providing detailed criteria for each question.

For more in-depth analysis of your results please contact us at 0207 566 8702 or isabela.souza@bitc.org.uk.

Smiths Group plc

ENVIRONMENT INDEX 2006 FEEDBACK REPORT

ENVIRONMENT INDEX MODEL



PART 1 TOP LEVEL RESULTS

	2006	2005
Company Score	90.11%	90.34%
Band	Gold	
Sector	Aerospace & Defence	
Economic Group	Industrials	

Companies participating in the sector

Rolls-Royce (P)
Smiths Group (G)
Meggitt

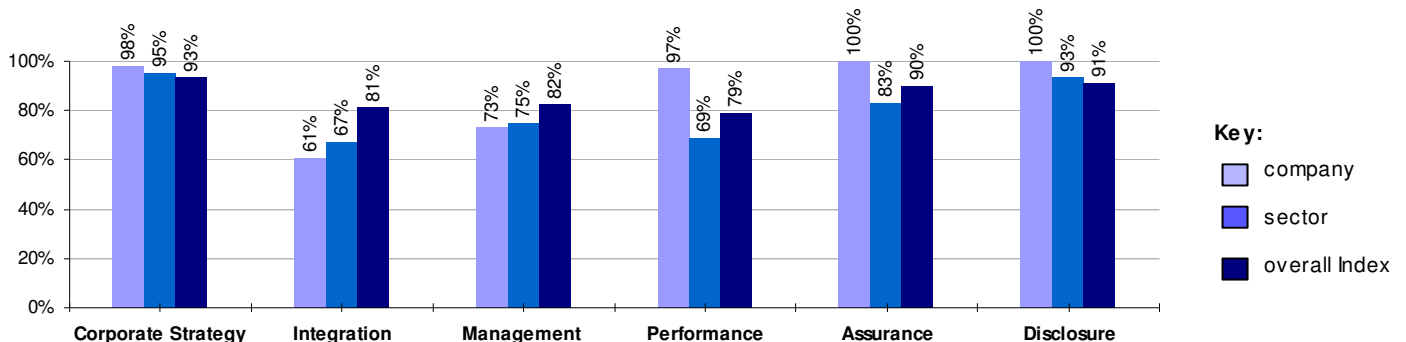
Key: (P) Platinum = >95%; (G) Gold = 90 – 95%; (S) Silver = 80 – 89%,
(B) Bronze = 70 – 79%

This Feedback Report presents the results of your participation in the 11th Environment Index. This year a total of 158 companies have used the Index as a management tool, with 134 companies participating publicly.

NB: When comparing yearly results, it should be kept in mind that some Index questions are updated annually to challenge continuous improvement.

The shift in the weighting of scores to favour performance/impact has led to a decrease in overall average scores - from 83% last year to 82% in 2006. This demonstrates that companies have not completed their journey in moving from a focus on management procedures to a wider focus on performance improvement.

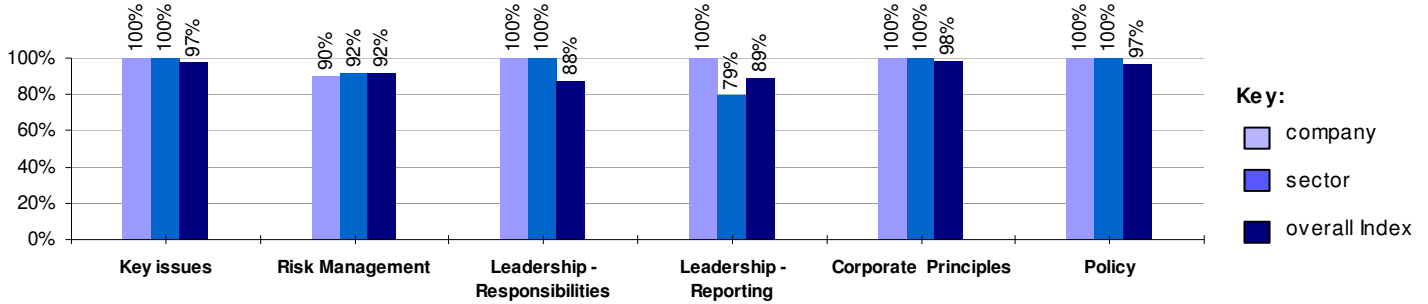
TOP LEVEL RESULTS (2006)



PART 2.1 OVERALL RESULTS: CORPORATE STRATEGY

The first section of the Environment Index deals with the overarching approaches that collectively form a company's environmental corporate strategy. It assesses how a company identifies its key issues and whether a robust risk assessment process is in place. The section then looks at the extent to which leadership is assigned and communicated to the public, as well as the coverage of corporate principles and policies.

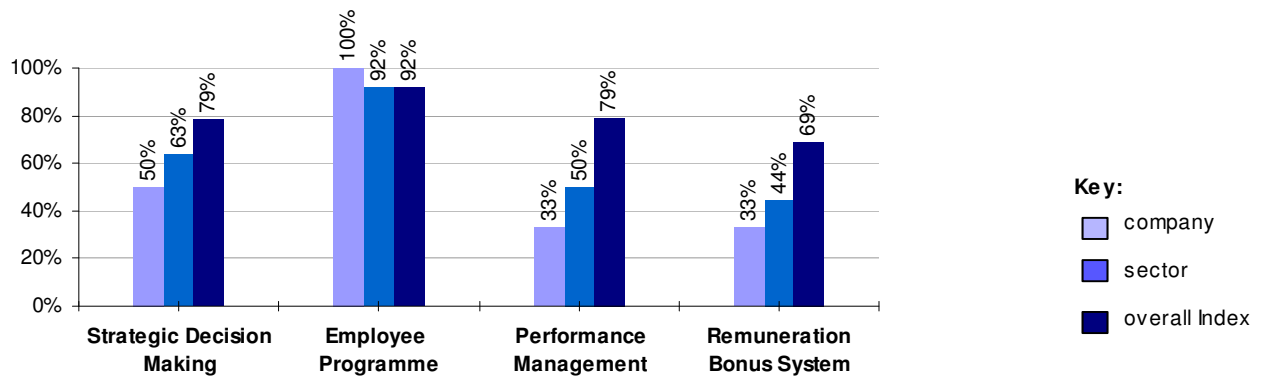
Corporate Strategy



PART 2.2 OVERALL RESULTS: INTEGRATION

The second section of the survey covers the extent to which companies integrate environmental issues into their day-to-day activities. It analyses the extent to which environmental criteria is included in different tiers of strategic decision making. It also assesses environmental elements of employee programmes, focussing on the extent to which environmental objectives and targets are included in job descriptions and whether they are part of performance appraisal and remuneration and bonus systems.

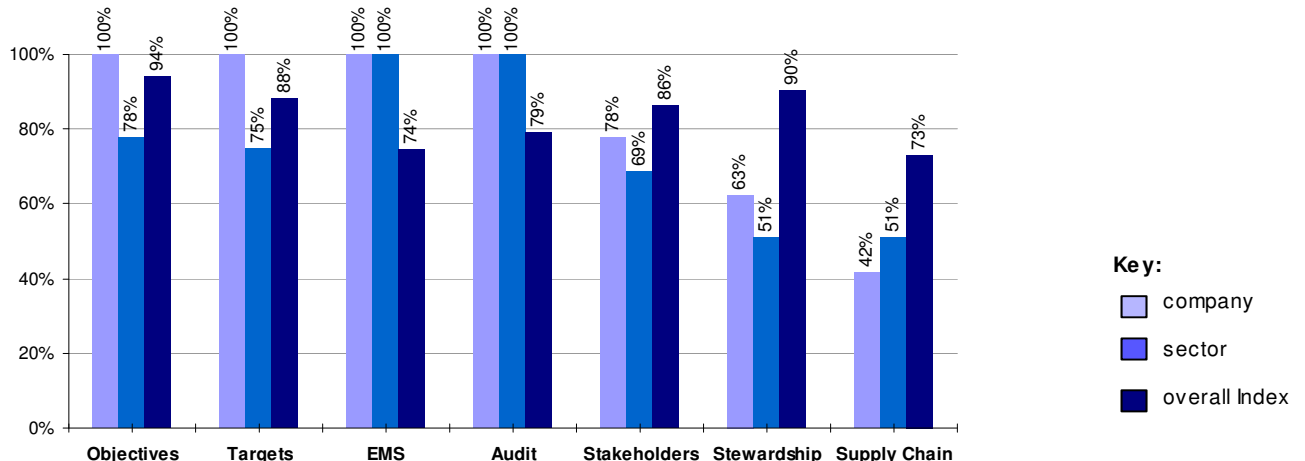
Integration



PART 2.3 OVERALL RESULTS: ENVIRONMENTAL MANAGEMENT

The third section, Environmental Management, considers the extent to which a company understands and manages its environmental impacts. It starts by assessing if and how qualitative objectives and quantitative targets are set and disclosed to the public. It then specifically considers the company's formal Environmental Management System (EMS) and its audit procedures. It concludes by measuring stakeholder engagement, product stewardship and a company's environmental supplier programme.

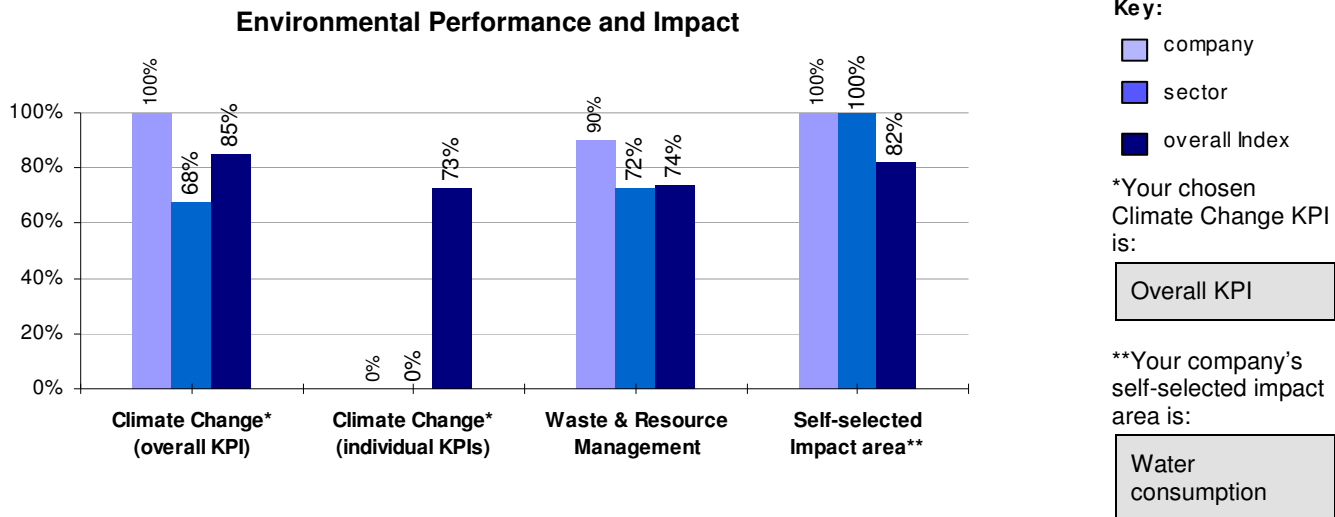
Environmental Management



PART 2.4 OVERALL RESULTS: ENVIRONMENTAL PERFORMANCE AND IMPACT

This section assesses the extent to which companies measure, manage and publicly report their key environmental impacts. As part of this, the Index considers the scope and quality of measurement and reporting, asks whether companies set performance improvement targets, and checks whether they can demonstrate continuous improvement in the different impact areas.

Each company completes a total of three impact areas – two mandatory areas (climate change and ‘waste and resource management), and one self-selected area material to their business.



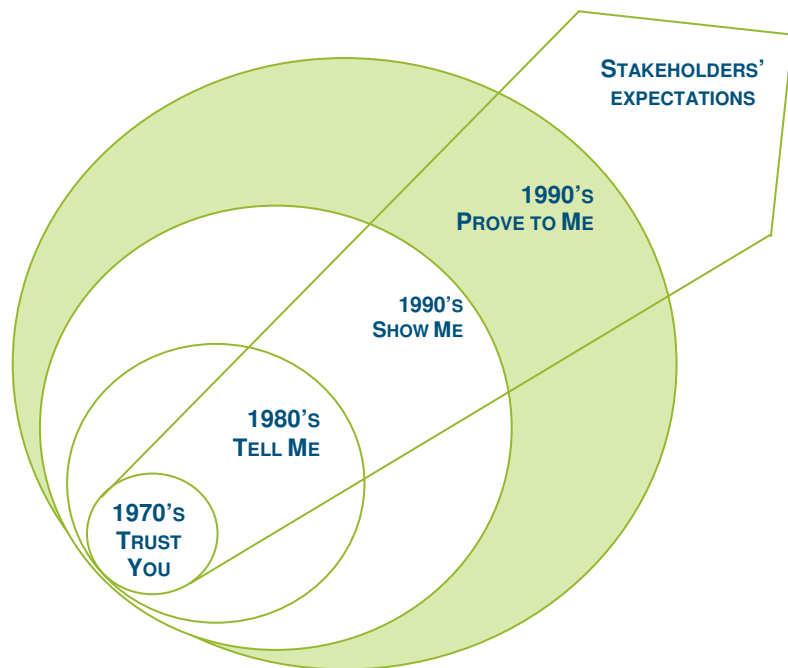
Note: The sector and Index averages relate to all self-selected impact areas, as chosen by other participants.

PART 2.5 OVERALL RESULTS: ASSURANCE AND DISCLOSURE

Most companies have a high level of assurance and disclosure, as shown in Part 1 of this report. To reflect this, we have opted not to break down this criteria this year. Instead, the text below summarises the most common drives for companies to adopt robust assurance processes, to enhance their public reporting and to disclose the results of the Environment Index survey itself.

Assurance processes are important to ensure accurateness, relevance and reliability of any information provided to external stakeholders. Companies have increasingly relied on independent assurance as means of satisfying increasing expectations from their stakeholders (see graphic opposite). In 2006, 75% of Environment Index participants had an assurance process in place to ensure their environmental information was of high quality, and had that process reviewed for effectiveness by an independent group audit or through third party verification.

The ultimate test of assurance, with regards to information submitted within this survey, is whether companies would be prepared to share their submitted information. There has been an increasing demand from stakeholders 79% of Index participants made a commitment to put their individual Feedback Report in the public domain.



PART 3.1 DETAILED BREAKDOWN OF RESULTS

Part 3 of this report presents a detailed breakdown of the areas that represented the main challenges for companies in this year's Index, showing the scores for each statement within each question. We hope it will help companies to identify specific gaps in performance.

PART 3.1 DETAILED BREAKDOWN: CORPORATE STRATEGY

Since most companies have well established risk assessment procedures to identify their key issues, and high level leadership and principles and policies in place, rather than providing detailed graphics per question, the text below provides an analysis of the key issues faced by companies.

Although climate change has been the key environmental issue of 2006, waste is still a major cause of concern and appears as a top priority for almost all sectors. Government's approach to both areas has traditionally varied. While adopting market-based instruments, such as trading schemes, to deal with climate change, there has been a more widespread use of command-and-control regulation to tackle waste. Interestingly, companies see climate change as an opportunity, especially through eco-efficiency measures associated with energy consumption. On the other hand, it appears that most companies have not yet shifted their focus from waste outputs to material inputs.

Water consumption also features highly in the list key issues, and almost half of participating companies chose this as their self-selected impact area. Like climate change, water was also in the spotlight in 2006. Droughts in the UK and their direct links to climate change helped to raise individual awareness of the severity of the issue.

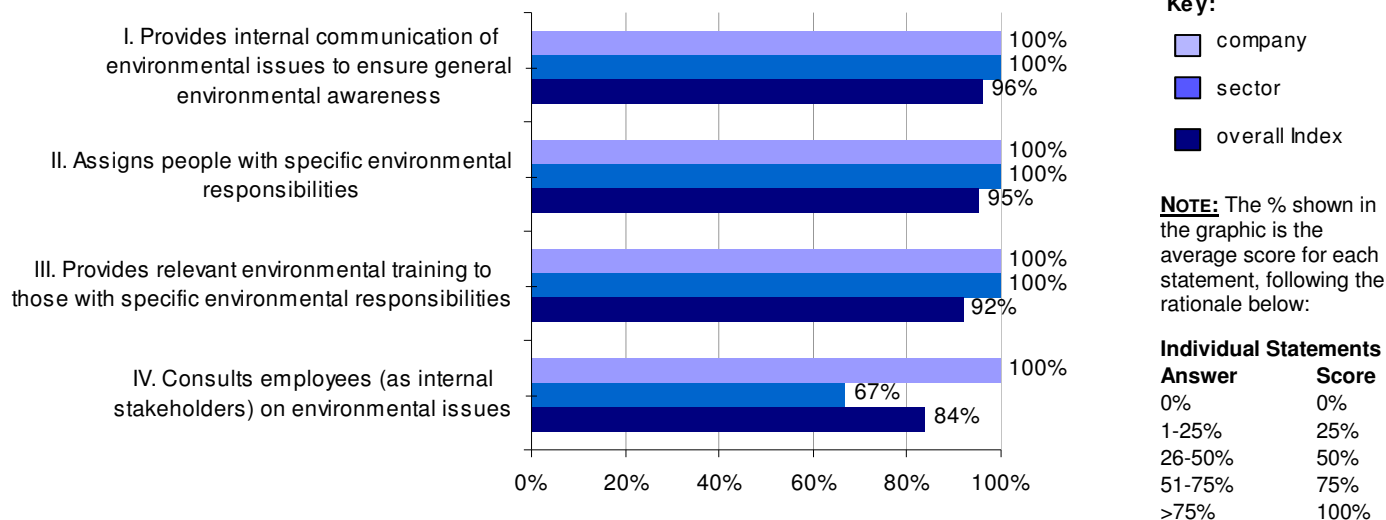
A more detailed analysis, including sector variances, will be provided in the Environment Index 2006 Report, available from July 2007.

PART 3.2 DETAILED BREAKDOWN: INTEGRATION

EMPLOYEE ENVIRONMENTAL PROGRAMME

Every employee has a direct or indirect impact on the environmental performance of a company. In order to improve a company's environmental performance it is important that employees are aware of their potential impact, are informed about corporate environmental objectives, are able to feed any ideas up to senior management, are consulted/involved in environmental decision-making, and understand how environmental performance could be improved.

Employee Environmental Programme

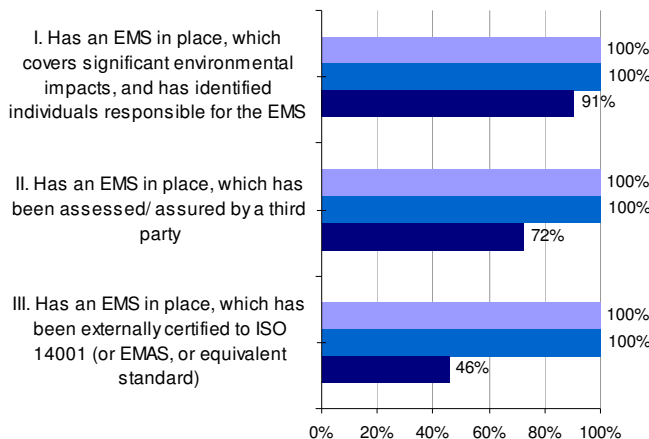


PART 3.3 DETAILED BREAKDOWN: ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL MANAGEMENT SYSTEM

An EMS can help a company improve its environmental performance and shows a company's commitment to incorporate environmental issues into its key business practices. It can also assist a company in improving its information management systems, to better understand and manage the impacts of its operations and increase efficiencies. Benefits can therefore include increased compliance with environmental legislation and regulation, improved risk management, reduced liability costs, increased competitive advantage, more employee involvement and improved public image.

EMS Statements



Key:

- company
- sector
- overall Index

NOTE: The % shown in the graphic is the average score for each statement, following the rationale below:

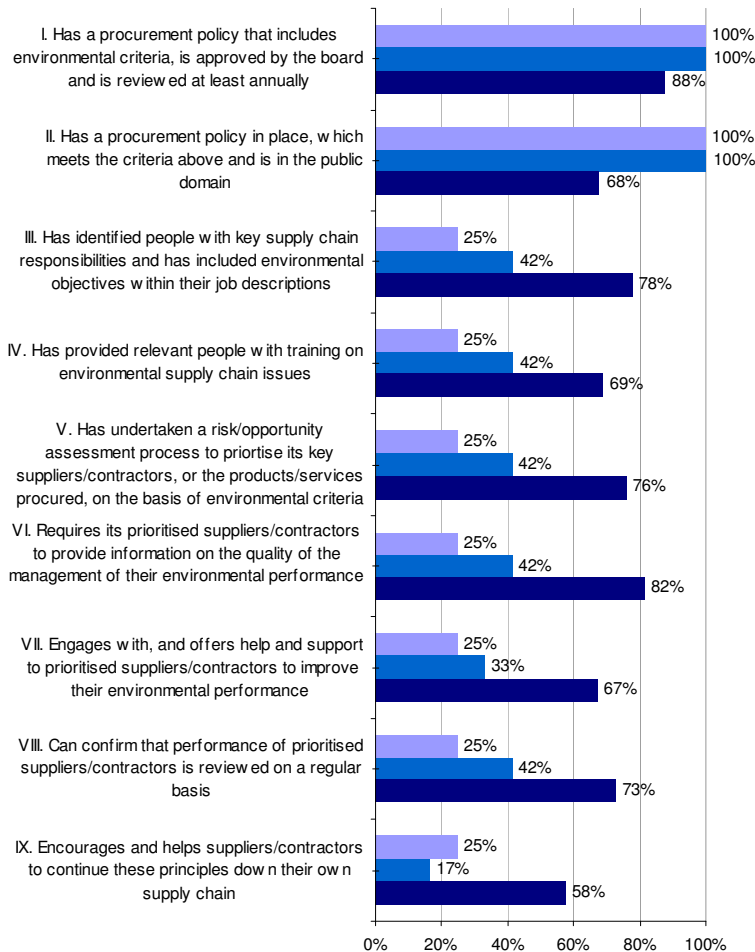
Individual Statements

Answer	Score
0%	0%
1-25%	25%
26-50%	50%
51-75%	75%
>75%	100%

ENVIRONMENTAL SUPPLIER PROGRAMME

Most companies procure an ever-widening range of materials, goods and services - a trend that has been accelerated by the move to outsourcing. Outsourcing might avoid incurring direct environmental impacts for the company, but every purchase brings with it an environmental cost. Where companies work with their supply chain, the indirect impacts can be managed through co-operative actions, promoting both potential cost savings and environmental benefits.

Environmental Supplier Programme Statements



Key:

- company
- sector
- overall Index

NOTE: The % shown in the graphic is the average score for each statement, following the rationale below:

Individual Statements

Answer	Score
0%	0%
1-25%	25%
26-50%	50%
51-75%	75%
>75%	100%

PART 3.4 DETAILED BREAKDOWN: ENVIRONMENTAL PERFORMANCE AND IMPACT

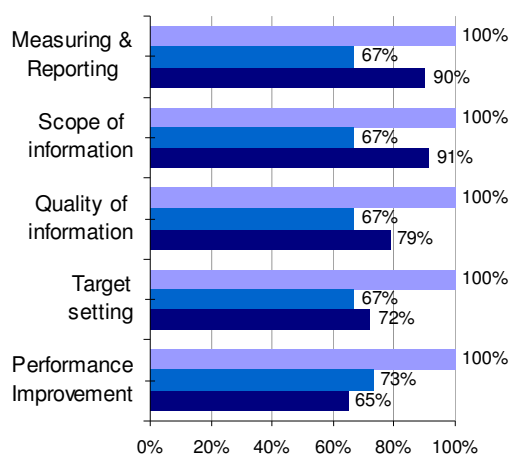
This section asked companies to demonstrate their impact on climate change and waste and resource management, as well as an additional impact that is relevant to their business. Each question assesses five key elements of managing an impact, and tests whether a company measures and reports its impact, the scope of this measurement, the quality of information provided, specific performance targets set to tackle future performance, and performance improvement over a period of up to five years.

CLIMATE CHANGE

Business' commitment to tackling climate change is growing in the UK. Many companies have recognised and acted on the cost-effective opportunities that are available for cutting greenhouse gas emissions. With the implementation of government policies such as the Climate Change Levy and the UK Emissions Trading Scheme, a company's management of its global warming impact can affect not only environmental performance, but also financial performance and competitiveness.

Since companies can take different approaches to reporting on climate change, participants were given the choice of reporting either on one **Overall** or several **Individual Key Performance Indicators** (KPIs), including energy, transport and process emissions.

Climate Change



Key:

- company
- sector
- overall Index

NOTE:

Breakdown within your sector

- **Overall KPI** was chosen by 100% of companies

- **Individual KPI** was chosen by 0% of companies

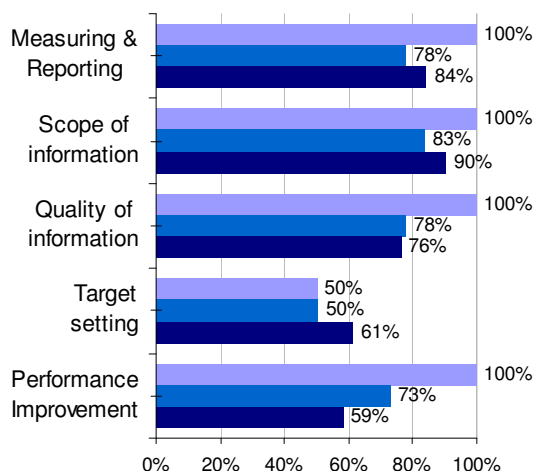
Your choice was

Overall KPI

WASTE AND RESOURCE MANAGEMENT

While waste cannot be eliminated, its environmental impacts can be reduced by preventing waste wherever possible, and making more sustainable use of the waste that is produced (the "waste hierarchy"). In addition to its negative environmental impacts, waste costs money as the discarded materials need to be purchased initially or acquired at a cost in some other way. Discarding the waste itself incurs a second cost penalty through landfill taxation, obligatory recovery operations (e.g. packaging) or some form of treatment before release. Waste is therefore becoming a key management issue for business.

Waste and Resource Management



Key:

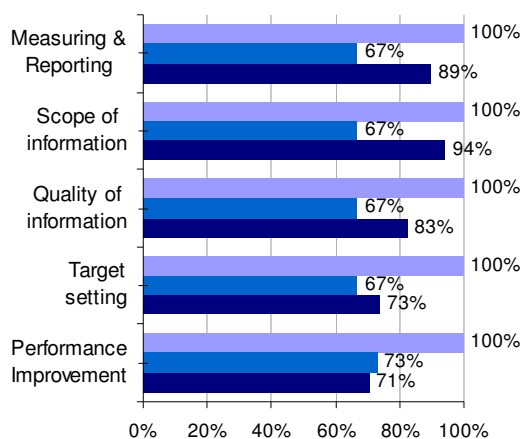
- company
- sector
- overall Index

PART 3.4 DETAILED BREAKDOWN: ENVIRONMENTAL PERFORMANCE AND IMPACT (CONT.)

SELF-SELECTED IMPACT AREA

If a company has identified a key area of risk or opportunity for your business, then it is clearly important that its business addresses this issue at a strategic level. It is vital that there is a process in place throughout the business to manage and reduce the impact effectively, and to regularly measure and report on the company's performance.

Self-Selected Impact Area



Key:

- company
- sector
- overall Index

Your Self-selected Impact Area was:

Water consumption

- Breakdown of companies that have chosen the same impact area:

37% of the Overall Index
33% of your sector

NOTE:

The sector and Index averages relate to all self-selected impact areas, as chosen by other participants.

Following comments from Environment Index participants in previous years, Business in the Community is now offering 'Benchmarking Plus'. The Benchmarking Plus service builds on this Feedback Report, and includes a narrative report detailing gaps in environmental performance, recommendations for improvement, and examples of good practice, as well as a meeting to discuss findings and explore next steps.

If you would like further information about our Benchmarking Plus service, please contact Isabela Souza, Environment Index Manager on 020 7566 8702, or visit <http://www.bitc.org.uk/environmentindex>.

In partnership with



Business in the Community is a unique movement of over 750 member companies, with a further 2,000 plus engaged through our programmes and campaigns. We operate through a local network of more than 100 business led partnerships and 90 plus global partners.

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March 2007

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