

# Governance report

## Chairman's introduction

I am pleased to introduce our Governance report, in which we describe our governance arrangements and how the Board discharged its responsibilities during the year.

I joined Smiths as a Director in September last year and was appointed Chairman of the Board at the conclusion of the Annual General Meeting (AGM) in November 2023. During the year we have continued to focus on Board succession planning, and were delighted to appoint Roland Carter as Chief Executive Officer, and to welcome Alister Cowan as a Non-executive Director. More information about both appointments can be found in the Nomination & Governance Committee report on page 83. This Committee also considers executive succession planning, and when Roland joined the Board there were subsequent changes to the Executive Committee. It is critical to the long-term success of Smiths that the Board and the senior leadership team possess the correct combination of skills, experience and expertise. Succession planning for both the Board and the Executive Committee will remain a key focus into FY2025.

We continue to meet our own and external diversity targets for the Board. For a Group such as Smiths, with a diverse workforce and a wide geographic spread, diversity is crucial. However, it is equally important that the Directors are capable and suitably experienced individuals. You will read in the Nomination & Governance Committee report about the changes made to the Board's governance framework this year. These included reducing the number of Committee appointments for all Non-executive Directors, to enable Board members to focus on areas of the business in line with their skills and experience. The biographies of our Directors can be found on pages 73 and 74.

At our AGM this year we will be presenting the Directors' Remuneration Policy to shareholders for approval, in line with the usual three-year cycle. Our new Remuneration & People Committee Chair, Karin Hoeng, explains the key elements of the Policy in the Committee report which you can find on page 97. The report also gives details of the Directors' remuneration in the last year, how that was calculated, and how it relates to corporate performance. The Audit & Risk Committee also has a new Chair, Richard Howes.

You can read about the work of that Committee in the report on page 87. In the report from our renamed Innovation, Sustainability & Excellence Committee you can find out about the discussions the Committee has had regarding the innovations and New Product Development in our businesses.

Smiths is an exciting and iconic business, and over the past year I have enjoyed working with Roland, Clare and the rest of the Board to help deliver on our strategic goals, enabling Smiths to reach our significant potential. I would like to thank the Smiths workforce and my fellow Directors for their work on shareholders' behalf this year. I would also like to recognise the considerable commitment of Sir George Buckley and Bill Seeger who both retired from the Board during the year.

Finally, I hope you find the following report interesting, and I would be happy to discuss any of the content at our upcoming AGM.

**Steve Williams**  
Chairman

## UK Corporate Governance Code compliance

In FY2024, and at the date of this report, the Company applied the Principles and complied with all Provisions of the FRC's UK Corporate Governance Code 2018 (the Code) as explained throughout this report, with the following exceptions:

**Provision 21** – that FTSE350 companies should have an externally facilitated board review every three years. After careful consideration, the Board agreed to defer the FY2024 external review until FY2025 due to the appointment of a new Chairman and Chief Executive Officer, and changes to the Board Committee structure and memberships. An internal evaluation was completed with assistance from Lintstock, an independent third party. More information can be found on page 82.

**Provision 24** – that the Audit Committee should have a minimum membership of three. For most of FY2024 our Audit & Risk Committee had three members. However, in June 2024, we were non-compliant for one month in the period between Bill Seeger retiring and Alister Cowan joining the Board. This non-compliance had minimal impact as there were no Committee meetings held during the transitional period, and other Board members had agreed to join the Audit & Risk Committee temporarily if necessary.

A copy of the Code is available from the Financial Reporting Council's (FRC) website at [frc.org.uk](http://frc.org.uk). Further information about how we have applied the Principles of the Code can be found in this report.



Further information about our compliance with the Code can be found as follows:

**Board leadership and Company purpose**  
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**Division of responsibilities**  
→ Page 76

**Composition, succession and evaluation**  
→ Page 82

**Audit, risk and internal control**  
→ Page 87

**Remuneration**  
→ Page 96

# Role of the Board

The Board provides leadership to the Group, approving our strategy and overseeing its implementation with the aim of achieving long-term sustainable success for our shareholders and other stakeholders

The Board exercises oversight of Smiths, and in doing so ensures that the strategy is consistent with our purpose and is delivered in line with our culture and Values. The internal controls, risk management, viability and resilience of Smiths are constantly monitored by the Board, in support of growing and protecting stakeholder value.

The Board has approved a governance framework of systems and controls to effectively discharge its collective responsibility. This framework ensures that the Board has the information it needs to assess the risks and opportunities facing the Group. It includes the delegation of specific authorities to the Board's four Committees, as set out in this table. The governance framework, which includes the Schedule of Matters Reserved for the Board and the Terms of Reference for each of the Board's Committees, can be found on our website at [www.smiths.com](http://www.smiths.com). It was reviewed by the Board and by each respective Committee during the year. Subject to applicable legislation and regulation and the Articles of Association, the Directors may exercise all powers of the Company.

## Governance model

### Board

#### Board Committees

##### Nomination & Governance Committee

Reviews and makes recommendations to the Board on the structure, size and composition of the Board and its Committees. It also leads the process for Director appointments and Director and senior management succession planning. Oversees the ongoing suitability of the Group's governance framework.

##### Audit & Risk Committee

Ensures the integrity of the Group's financial reporting and audit processes, and the maintenance of sound internal control and risk management systems, including oversight of the Internal Audit function and the Group's ethics and compliance activities. Manages the relationship with the external auditor, including making recommendations to the Board and shareholders in relation to the appointment and reappointment of the external auditor.

##### Remuneration & People Committee

Responsible for the Group's Directors' Remuneration Policy and reviews and oversees the Group's remuneration strategy for the Executive Directors and senior management. Oversees, on behalf of the Board, the implementation of the People strategy for the Group, including the Group's approach to diversity, equity and inclusion.

##### Innovation, Sustainability & Excellence Committee

Oversees the Group's approach to innovation, sustainability and excellence (ISE). This includes overseeing strategy in relation to innovation and sustainability, the Smiths Excellence System (SES) and reviewing and determining ISE targets, metrics and key performance indicators relating to remuneration.

#### Executive Management Committees

##### Executive Committee

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

##### Investment Committee

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

##### Disclosure Committee

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



#### Read more

Nomination & Governance Committee report

→ Page 83

#### Read more

Audit & Risk Committee report

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#### Read more

Innovation, Sustainability & Excellence Committee report

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#### Read more

Remuneration & People Committee report

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# Board biographies

## Steve Williams Chairman

Appointed: 1 September 2023



**Skills and experience:** Steve has over 40 years of global experience, most recently as Chairman and CEO of international businesses. Steve brings a clear focus on ESG matters and has a strong track record of growth and transformation and in creating value for customers, shareholders, employees and communities as both an executive and non-executive director. Steve has a BSc in Engineering.

**Career experience:** Steve was previously a non-executive director at TC Energy Corporation. Steve served as an advisory Board member of Canada's Ecofiscal Commission and a Board member of the business council of Canada until 2019. He served as Chief Executive Officer of Suncor Energy Inc., the US and Canadian listed integrated energy company, from 2012 to 2019 and as President from 2011 to 2018. Steve spent the first 18 years of his career at ExxonMobil in the UK, in a variety of commercial, operational, and technical roles.

**Other significant appointments:** Chairman of Alcoa Corporation and Non-executive Director of Enbridge Inc.

## Roland Carter Chief Executive Officer

Appointed: 26 March 2024

**Skills and experience:** Roland has a strong track record of innovation, sustainability and delivering results, with deep operational and strategic experience developed over three decades at Smiths. He has extensive international experience, having worked in France, Germany, the US and China. Roland is a Chartered Engineer, holding both a Bachelor's degree in mechanical engineering and a Master's degree in electronics.

**Career experience:** Prior to Roland's appointment as Chief Executive Officer, he had been with Smiths Group for more than 30 years, holding numerous leadership roles within the business. Before being appointed Chief Executive Officer, Roland was President of Smiths Detection, President of Asia Pacific for Smiths Group and President of Smiths Interconnect.

## Clare Scherrer Chief Financial Officer

Appointed: 29 April 2022

**Skills and experience:** Clare's background working with and advising a diverse range of global industrial companies provides valuable insight to Board discussions. Her expertise aligns with Smiths' strong position in sectors such as energy, safety & security, and aerospace. She holds a BA from Harvard University and an MBA from the Harvard Business School.

**Career experience:** Prior to Smiths, Clare worked at Goldman Sachs for over 25 years. During her tenure, she was Partner for more than a decade and most recently served as Co-Head of the Global Industrial business. Before joining Smiths, Clare had been a close adviser to the Group for several years, providing guidance on the sale of Smiths Medical. Prior to her time at Goldman Sachs, Clare worked as a consultant at McKinsey & Company.

**Other significant appointments:** Independent Non-executive Director and Member of the Audit Committee of Legrand SA.

## Pam Cheng Non-executive Director

Appointed: 1 March 2020



**Skills and experience:** Pam's experience in the areas of R&D, manufacturing, sales and marketing, commercial operations, supply chain management and technology strengthen the Board's discussions about embedding world-class operations. Pam holds a Bachelor of Science and a Master's degree in chemical engineering from Stevens Institute of Technology, New Jersey and an MBA in Marketing from Pace University, New York.

**Career experience:** Pam is Executive Vice President, Global Operations, IT & Chief Sustainability Officer at AstraZeneca plc, a multinational pharmaceutical and biopharmaceutical company. Pam assumed additional responsibility for the AstraZeneca sustainability strategy and function in January 2023. Prior to joining AstraZeneca in 2015, Pam was President of MSD (Merck & Co., Inc.) in China. Pam previously held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals.

## Alister Cowan Non-executive Director

Appointed: 1 July 2024



**Skills and experience:** Alister has experience at complex global public companies and brings deep and wide-ranging experience in key end markets for Smiths, notably in the energy and chemical sectors. Alister is a graduate of Heriot-Watt University in the UK and a member of the Institute of Chartered Accountants of Scotland, having qualified whilst at KPMG.

**Career experience:** Alister was Chief Financial Officer of Suncor Energy Inc., the US and Canadian listed integrated energy company, from 2014 to 2023. Prior to joining Suncor, Alister served as Chief Financial Officer of Husky Energy Inc. from 2008 to 2014. Before joining Husky Energy, he held various positions with companies throughout Europe, New Zealand and Canada.

**Other significant appointments:** Independent non-executive Director and member of the Audit and Environmental, Health, and Safety & Operational Performance Committees at The Chemours Co.



### Key

- Nomination & Governance Committee
- Audit & Risk Committee
- Remuneration & People Committee
- Innovation, Sustainability & Excellence Committee

Committee Chair

All Non-executive Directors are independent and, in the Chairman's case, independent on appointment.

### Dame Ann Dowling Non-executive Director

Appointed: 19 September 2018



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

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

### Karin Hoeing Non-executive Director

Appointed: 2 April 2020



**Skills and experience:** As a current executive with experience of oil & gas, defence, security, and aerospace, Karin brings considerable guidance in ESG and sustainability matters, as well as executive and non-executive succession planning. As Chair of the Smiths Remuneration & People Committee, Karin oversees workforce engagement by the Non-executive Directors. Karin holds a Diploma in Geophysics (MSc Geophysics) from the University of Hamburg, Germany.

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

**Other significant appointments:** Non-Executive Director at 25x25.

### Richard Howes Non-executive Director

Appointed: 1 September 2022



**Skills and experience:** Richard brings valuable insight to Board discussions, drawing on his extensive experience in senior financial roles across various sectors within large, listed companies. He holds a BSc in Geography from Loughborough University and is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

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

### Mark Seligman Senior Independent Director

Appointed: 16 May 2016



**Skills and experience:** Mark's extensive non-executive background, including as senior independent director and audit committee chairman at several FTSE 100 companies, is valuable to our Board. During the year Mark was appointed to the role of Senior Independent Director. Mark has significant experience in corporate finance and capital markets, which supports Board discussions on portfolio management and strategy. Mark has an MA in philosophy, politics and economics.

**Career experience:** Mark is a former senior investment banker. During his executive career he held various roles at Credit Suisse, including Chairman of UK Investment Banking.

**Other significant appointments:** Senior Independent Director at NatWest Group plc; Alternate member at Panel on Takeovers and Mergers for the Association for Financial Markets in Europe; and Chairman of the Trustees, Brooklands Museum.

### Noel Tata Non-executive Director

Appointed: 1 January 2017



**Skills and experience:** Noel has had a long and successful global business career, providing him with extensive knowledge of the high-growth economies which are crucial for our strategy. His contribution to developing key strategic relationships in Asia has been invaluable since joining the Board. Noel has a BA in Economics.

**Career experience:** Noel was the Managing Director of Tata International Limited (TIL), a global trading and distribution company and a trading arm of the Tata Group, a privately owned multinational holding company, until November 2021. Since then, he has held the role of Director and Non-Executive Chairman of TIL.

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

### Matthew Whyte Company Secretary

Appointed: 1 August 2021

**Skills and experience:** Matthew is a Chartered Company Secretary and a Fellow of The Chartered Governance Institute UK and Ireland. Matthew joined Smiths in 2017 having previously gained governance and legal experience in senior roles in large multinational listed groups in a variety of sectors, most recently at Schroders plc and Rio Tinto plc. Matthew is a member of the GC100 Executive Committee.



### Other Directors who served during FY2024

Sir George Buckley, Paul Keel and Bill Seeger stepped down from the Board in FY2024. Their biographies can be found in our FY2023 Annual Report.

#### Read more

The biographies of our Executive Committee members can be found on our website.

# How the Board operates

In support of the integrity of the Board's operations, there is a clear division of responsibility between Executive and Non-executive Directors. We have a schedule of matters which are considered significant to Smiths and have therefore been reserved for decision by the Board.

The items included in the Schedule of Matters Reserved for the Board is due to their strategic, financial or reputational implications or consequences. The formal schedule, which is integrated into our governance framework, can be found on our website. The Chief Executive Officer is responsible for preparing and recommending the Group's strategy to the Board and for the day-to-day management of Smiths Group. Executive management implement the strategy and provide the Chief Executive Officer, and the Board as a whole, with the information they need to make decisions that will determine the long-term success of the Group.

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

the other Non-executive Directors at least annually. The Senior Independent Director consults with the other Non-executive Directors without the Chairman present at least once a year, to assess the performance of the Chairman.

The Company Secretary ensures the distribution of clear, concise and balanced Board and Committee materials, in a timely manner. At each Board meeting the Chief Executive Officer and the Chief Financial Officer present separate reports, detailing business performance and progress against strategy. As part of the Board and Committee annual cycle, invitations to meetings are extended to business Presidents, heads of functions and subject matter experts. This also provides visibility of talent in support of executive succession planning. External advisers are invited to attend as necessary. Director attendance at Board and Committee meetings in FY2024 is set out below.

## Director attendance<sup>1</sup>

	Board	Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Innovation, Sustainability & Excellence Committee
Steve Williams	6/6	3/3	–	5/5	–
Roland Carter <sup>2</sup>	2/2	–	–	–	–
Clare Scherrer	6/6	–	–	–	–
Pam Cheng <sup>3</sup>	5/6	1/1	2/2	4/5	4/4
Alister Cowan <sup>4</sup>	1/1	–	1/1	–	–
Dame Ann Dowling	6/6	1/1	2/2	5/5	4/4
Karin Hoeing	6/6	3/3	–	5/5	4/4
Richard Howes	6/6	3/3	4/4	2/2	–
Mark Seligman	6/6	3/3	4/4	2/2	–
Noel Tata	6/6	3/3	2/2	2/2	4/4
Sir George Buckley <sup>5</sup>	2/2	–	–	2/2	2/2
Paul Keel <sup>6</sup>	4/4	–	–	–	–
Bill Seeger <sup>7</sup>	5/5	1/1	3/3	2/2	–

1 Membership of the Board Committees was reviewed and updated during the year. More information can be found on page 84

2 Roland Carter was appointed as Chief Executive Officer in March 2024

3 Pam Cheng was unable to attend the November Board meeting and the July Remuneration & People Committee meeting

4 Alister Cowan was appointed as Non-executive Director in July 2024

5 Sir George Buckley stepped down as Chairman in November 2023

6 Paul Keel resigned as Chief Executive Officer in March 2024

7 Bill Seeger retired from the Board in May 2024

## Division of responsibilities

### Chairman

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

### Chief Executive Officer

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

### Chief Financial Officer

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

### Senior Independent Director

- Supports the Chairman in the delivery of the Board's objectives
- Serves as an intermediary for the other Directors, if necessary
- Is available to shareholders if they wish to raise any concerns
- Leads the Chairman succession process

### Non-executive Directors

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

### Company Secretary

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

## Time commitment

All Directors must allocate sufficient time to their work in order to discharge their responsibilities effectively. An expected time commitment of 25 days per annum is set out in the Non-executive Director letter of appointment. However, Committee Chairs, the Senior Independent Director and the Chairman commit more time as required. In the normal course of business, Directors are expected to familiarise themselves with business priorities and challenges, prepare for and attend Board and Committee meetings, engage with stakeholders and participate in the Board review process.

Executive Directors are not permitted to take on the chairmanship or more than one non-executive directorship in a FTSE 100 company, or any other significant appointment. Any new external appointments are reviewed in advance by the Board, to consider potential conflicts and the proposed time commitment.

In FY2024 the Board concluded that the Chairman and the Non-executive Directors devoted sufficient time to fulfil their commitments to Smiths. This included considering the Directors' positions held at other organisations.

Particular consideration was given to Noel Tata's other commitments as he holds a number of board-level positions outside the Group. However, all of these are at Tata Group companies, as shown in his biography on page 74. The Board reaffirmed that Noel's other commitments do not prevent him from committing sufficient time to his work as a Director. For FY2024, this was evidenced by his attendance and effective participation at all Board and Committee meetings (of which he was a member). As a current executive with contacts in higher-growth countries which are a strategic focus for Smiths, he brings valuable and

distinct experience to our Board discussions. In FY2025 the Board is scheduled to visit our Indian operations.

## Advice and insurance

Our Directors are able to seek independent professional advice at the expense of Smiths to enable them to fulfil their obligations as members of the Board. In addition, the Directors and Officers of Smiths and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. During FY2024, and at the date of this report, qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) have remained in force for the Directors of the Company and certain other employees in respect of their directorships of some subsidiary companies in relation to certain losses and liabilities which they may incur (or may have incurred) to third parties in the course of their professional duties for the Company, or a subsidiary.

# Board activity and key decisions

## Strategy

At the two-day strategy Board meeting in May each business presented their refreshed strategy. The Board reaffirmed the strategic priorities, including organic and inorganic investment. The Board also endorsed the Group's People strategy

### People, Customers, Suppliers, Communities, Governments & Regulators, Investors

- Received enhanced reporting from each of the businesses to ensure that stakeholder considerations were embedded in decision-making
- Received regular sustainability updates, including reports on progress against our sustainability targets
- Received updates from external speakers on strategically significant topics including geopolitics and Artificial Intelligence

## People and Culture

- Discussed Board succession planning and approved the appointment of a new Chief Executive Officer and Non-executive Director. See pages 83 to 85 for more information.
- Approved a revised Directors' Remuneration Policy following consultation with shareholders, who will be asked to approve the Policy at the 2024 AGM. See page 97 for more information.

### People, Investors

- Discussed senior management succession planning, including the talent pipeline across the Group, and endorsed the appointment of two new Executive Committee members

A summary of the Board's activity and key decisions taken in FY2024 is set out below. The stakeholder groups considered as part of the decision-making process are listed under each key decision.

- Received updates from the Non-executive Directors on their workforce engagement activities. The entire Board visited the John Crane facility in Slough, where they met with local employees
- Received regular health and safety reports and statistics
- Reviewed the implementation of the Group's People strategy and a deep-dive on culture
- Monitored the Group's culture through the results of the My Say engagement survey
- Received updates about the Group's pension arrangements
- Reviewed the work of the Smiths Group Foundation
- Approved the Board Diversity Policy and the Modern Slavery Statement for publication on the website

## Finance

- Agreed the Company's capital allocation priorities in the context of its investment strategy and growth agenda. This included approving the share buyback programme, the final dividend for FY2023 and the FY2024 interim dividend, the sale of ICU Medical Inc. shares and M&A-related expenditure, including the acquisition of HCP
- Approved the FY2024 financial budget
- Approved the Group's financial results announcements and the FY2023 Annual Report

### Investors

- Considered individual business performance through deep-dives as part of the annual Board and Committee meeting cycle
- Approved the Tax Policy

## Governance and Oversight

Approved the Group's principal risks

### People, Customers, Suppliers, Communities, Governments & Regulators, Investors

- Approved and confirmed the conflicts in the Conflicts of Interests register and changes to the Board's governance framework. More information can be found on pages 84 and 85
- Received updates on the Group's principal risks, including deep-dives at the Audit & Risk Committee. More information can be found on page 92
- Continued oversight of the internal control framework to ensure an effective control environment
- Approved and provided oversight of the Ethics & Compliance annual work programme, including regular updates on the Group's Speak Out whistleblowing hotline
- Undertook an internal Board review on the effectiveness of the Board and its Committees. See page 82 for more information
- Considered investor feedback following the Group's financial results announcements, investor roadshows and John Crane investor deep-dive



### Key decisions

These decisions are considered key to the Group

# Stakeholder engagement

Understanding the needs and priorities of our key stakeholders and building strong and positive relationships is critical to our success. Stakeholder engagement takes place across the Group, by management teams within our businesses and by the Board.

In a business as diversified as Smiths, engagement with most stakeholder groups is handled locally by management, or by specialist Group teams. The Board engages directly where it can add value, or if there are issues which warrant its involvement. This is particularly true of engagement with customers and suppliers (the majority of which are unique to a specific business), but it also applies to governments, regulators and our local communities. The Board maintains oversight of our engagement with stakeholders to ensure positive relationships that support the Group's operations.

The outcomes of stakeholder engagement, including concerns raised, are reported to the Board and its Committees on a regular basis through our usual processes that support informed decision-making. In FY2024 we have matured our approach to considering stakeholder views. Discussion and decision-making by the Board takes the views of key stakeholders into account in order to balance their needs and effectively build the sustainable, long-term success of the Group.

## Engaging with our stakeholders

### Our people

Our people are vital to the success of Smiths. We aim to attract and retain the very best by creating an environment based on respect, personal growth, recognition and development of talent, and a sense of

belonging and purpose. Our culture is a powerful asset and empowers and enables our people to deliver our purpose. It is supported by our Values and our Leadership Behaviours which influence every decision, guide how we behave, and help make Smiths a place where people are happy and proud to work.

Our commitment to our people starts with keeping everyone safe and healthy. Looking after our colleagues in the workplace is an essential foundation and our number one focus. The Board receives health and safety reports at every Board meeting so they can understand health, safety and well-being and physical security management at Smiths.

As part of our Non-executive Director workforce engagement programme, across the year the Directors met with colleagues of varying seniority, allowing for informal introductions to Board members. These engagements included the entire Board visiting the John Crane facility in Slough and a Non-executive Director visiting our site in Bangalore, India. Non-executive Directors joined Senior Leadership events for discussions about innovation and reward, and attended the Smiths Excellence Awards ceremony. They also joined meetings with teams in the business and in corporate functions. Talent Roundtables were held to discuss top talent and identify potential Executive Committee successors.

The Board and Remuneration & People Committee receive regular updates and deep-dives from the Chief People Officer on employee engagement, reward, talent, and diversity and inclusion. They also monitor KPI metrics relating to those areas. Engagement can be measured by our annual My Say engagement survey, which had a high response rate of 85% this year. It was encouraging to see that all of our businesses tracked improvement in engagement. Our My Say results can be found on page 13. We value all aspects of diversity

and we are targeting improved gender balance, particularly at senior management level. To support this, Karin Hoeing hosted a company-wide webinar about the importance of our Values alongside the Group General Counsel. Initiatives such as these are important as we continue to foster a more inclusive environment.

Engaging and communicating on ethical matters is also vitally important, as is colleagues having trust in our procedures. The Audit & Risk Committee is provided with updates on 'Speak Out', our confidential reporting hotline, and other reports and statistics relating to the Group's ethical policies and performance. This ensures integrity remains on the agenda as a key driver of Smiths culture. Employees are encouraged to speak up so intervention can be made as necessary.

### Our customers

Meeting customer needs and exceeding their expectations with products, quality and service, and the way we conduct business and pay attention to the things that matter to them, is a fundamental part of our operating model and our Values. Strong and enduring customer relationships will sustain Smiths into the future. Management teams engage with customers through formal feedback activities such as surveys, quarterly business reviews, aftermarket service team reviews, and senior team meetings with key customers. They also integrate informal feedback from conversations had with customers by our operational and field-based teams. Customers and market challenges are considered as part of monthly business performance updates to the Executive Committee with a deep-dive every quarter.

Board level deep-dives on the performance and strategy of our four businesses are held on a rotational basis. These updates include customer data and commentary. In addition, the Board monitors



### Read more

Sustainability at Smiths

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performance indicators relating to customer satisfaction such as On-Time-In-Full (OTIF) and Cost of Poor Quality (COPQ) and any necessary remedial action.

The ISE Committee reviews the progress of strategic projects as well as new products introduced to market. On a rotational basis our four businesses provide deep-dives on innovation and new product development. For more information see the ISE report on pages 94 and 95. During the year the Board also reviewed key market and sector-specific macroeconomic indicators to understand the impact of the macroeconomic environment on our customers. During FY2025 we plan to provide enhanced customer updates to the Board.

### Our suppliers

Developing mutually beneficial relationships with our suppliers and building resilience, quality, efficiency and the ability to effect change across our supply chain is a fundamental contributor to our customer offer and the long-term sustainability of Smiths. We operate a total value supply chain approach that considers all aspects of a supplier's contribution to generate and capture value. This includes ethical and environmental matters, including GHG reduction and Science-Based Targets, treatment of personnel, and alignment with our Values, continuous improvement and risk.

Management teams meet regularly with suppliers to review performance, discuss new business opportunities, set goals and work on improvement areas. For our higher value and/or more complex products, management engages with our suppliers at the highest level to partner on R&D, new product introduction, quality and continuous improvement projects. Updates on suppliers and supply chain are included in business performance updates to the Executive Committee.

In line with our Supplier Code of Conduct, our suppliers are expected to meet our anti-bribery and corruption and labour rights standards and to comply with our standards on quality, health and safety, and the environment. In FY2024 we introduced the EcoVadis supplier management platform which will help us

manage supplier relationships to explicitly support our ESG commitments and reporting.

### Our communities

We aim to contribute positively to our communities and society in general. Smiths products and services support critical global industries where we are creating social and environmental value by making the world safer and improving 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. Healthy and prosperous communities and supportive relationships inspire and promote a sense of pride and ownership in our people.

Our teams across the world engage directly with their local communities through fundraising, charitable giving and education initiatives. Science, technology, engineering and maths (STEM) education initiatives are particularly important to management and to our colleagues as a way to share their passion for engineering and encourage young people to consider careers in the sector.

Engaging with our communities is overseen by the ISE Committee which is provided with updates on the Smiths Group Foundation, our charitable giving foundation with a committed initial fund of £10m. Grants are available to charitable organisations nominated by our colleagues which are in line with our purpose.

The Board is provided with updates on the elements of the Group's operations which impact the wider community, including the Group's Tax Strategy. This describes our approach to the responsible management of tax affairs to enhance long-term shareholder value while contributing to public expenditure and the welfare of our local communities.

### Governments and regulators

Governments and regulators are vital to our business as they are policy setters and influencers in the markets where we operate. In the normal course of business, we build relationships with governments,

policy makers and regulators across the world. We do this at both Group and at business level so that we are able to operate effectively and to ensure our interests, and those of the industries we serve, are represented in decision-making.

Our Government Relations team based in the UK, US, Europe and Asia guides and supports our relationships with key regulators, local policy makers, budget holders and industry groups. It also leads our outreach and relationship programme with government bodies and regulators, with the aim of promoting a deeper understanding of the Smiths culture and products. The team enables greater access to funding both at regional and national levels, through engagement with key agencies ahead of and during funding programmes.

Updates on regulatory processes for approval of new products are provided during business performance reviews at the Executive Committee. The Board is updated by the Chief Executive Officer or during business deep-dives.

### Our investors

We are committed to openness and transparency with all capital providers and to the effective management of risk. We report routinely to shareholders through our formal results activities and undertake regular meetings and one-off events such as capital markets days and investor conferences. Third-party analyst and broker briefings also form part of our communications schedule. Shareholders are directly consulted by the Board on matters such as our Directors' Remuneration Policy and views are sought on key corporate activity. In addition, shareholders are invited to our AGM to submit questions to the Board in person or in advance of the meeting.

During the year, the Chairman met with key shareholders following his appointment and the appointment of Roland Carter as Chief Executive Officer. The Chief Executive Officer and the Chief Financial Officer host results presentations and Q&A sessions for current and prospective investors. They carry out regular and proactive shareholder engagement, and attended investor conferences throughout the year.

# Section 172 statement

During the year ended 31 July 2024, the Board has acted in accordance with Section 172(1) (a) to (f) of the Companies Act 2006 (the 'Act'), with each Director acting in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors had regard to the interests of other stakeholders, whilst maintaining and overseeing high standards of business conduct. Our approach to key stakeholders and the related matters considered by Directors during the year are outlined in this section. Further related information can be found in the Board activity, Stakeholder engagement and Principal risks and uncertainties sections on pages 77 to 79 and 42 to 48.

	How our Directors address the matters set out in Section 172	Matters considered by Directors in FY2024
<p><b>The likely consequences of our decisions in the long term</b></p>	<p>The Board recognises the need to take long-term, sustainable decisions for the Company whilst understanding the impacts these decisions could have on our stakeholder groups. At times, there will be conflicting interests between stakeholder groups and the Board will consider the impacts on all groups and make decisions as fairly as possible. To support this decision-making, the Board is provided with detailed reports from the business to ensure all relevant factors are taken into account.</p> <p>The Board particularly seeks to support the Group in delivering its strategic objectives whilst maximising value for shareholders and minimising any negative impacts on its stakeholder groups.</p>	<ul style="list-style-type: none"> <li>- Sustainable growth</li> <li>- Shareholder returns</li> <li>- Budget planning</li> <li>- Capital allocation decisions</li> <li>- Delivering against our strategy</li> <li>- M&amp;A activity</li> <li>- Impact on our stakeholders and the environment</li> </ul>
<p><b>Considering the interests of our people</b></p>	<p>Our people help us drive performance and achieve our strategy. Smiths Group's key priorities include to attract and retain the very best talent and to provide a safe and positive working environment to get the best out of our workforce.</p>	<ul style="list-style-type: none"> <li>- Health, safety and well-being</li> <li>- Purpose and culture</li> <li>- Ethical behaviour</li> <li>- Reward and recognition</li> <li>- Employee retention and engagement</li> <li>- Talent pipeline and development</li> <li>- Diversity, equity and inclusion</li> <li>- Smiths Group Foundation</li> </ul>
<p><b>Fostering business relationships with suppliers, customers and others</b></p>	<p>We aim to apply best practices, develop skills and capabilities, and deliver continuous improvement in execution to enhance the overall experience of our customers. Meeting customer needs and exceeding their expectations with products, quality and service, and the way we conduct business, is a fundamental part of our operating model and our Values.</p> <p>Developing mutually beneficial relationships with our suppliers and building resilience, quality and efficiency across our supply chain is a fundamental contributor to our customer offer and the long-term sustainability of Smiths.</p>	<ul style="list-style-type: none"> <li>- Product innovation, lead times, quality and aftermarket service</li> <li>- ESG performance of products to help customers meet their own ESG goals</li> <li>- Long-term strategic relationships</li> <li>- Mutual confidence and respect</li> <li>- Ethical and safety standards of third parties</li> <li>- Economic growth and prosperity</li> </ul>



**Read more**

Our people and culture

[→ Page 9](#)

**Read more**

Building our culture

[→ Page 13](#)

**Read more**

Sustainability at Smiths

[→ Pages 32 to 39](#)

**Read more**

ESG metrics, targets and performance

[→ Pages 62 to 67](#)

**Read more**

Remuneration & People Committee report

[→ Pages 96 to 117](#)

<p><b>The impact of our operations on the community and the environment</b></p>	<p>We aim to improve our world by contributing positively to our communities and society in general.</p> <p>Smiths products and services support critical global industries where we are pioneering progress in safety, efficiency and environmental performance.</p>	<ul style="list-style-type: none"> <li>- Safe and effective operations</li> <li>- Green technology, environmental performance, respecting natural resources</li> <li>- Fair employment, skills development and prosperity</li> <li>- Ethical behaviour</li> <li>- Charitable donations</li> <li>- Environmental, and health and safety risks</li> </ul>	<p style="text-align: center;">+</p> <hr/> <p><b>Read more</b> Our people and culture <a href="#">→ Page 9</a></p> <p><b>Read more</b> Building our culture <a href="#">→ Page 13</a></p> <p><b>Read more</b> Sustainability at Smiths <a href="#">→ Pages 32 to 39</a></p> <p><b>Read more</b> ESG metrics, targets and performance <a href="#">→ Pages 62 to 67</a></p> <p><b>Read more</b> Remuneration &amp; People Committee report <a href="#">→ Pages 96 to 117</a></p>
<p><b>Maintaining our reputation for high standards of business conduct</b></p>	<p>Smiths has a mature and proactive governance framework which the Board follows when making decisions. Exacting standards, robust processes and our commitment to transparency safeguard the Group’s market positions and reputation and mean that stakeholders can have confidence and trust in Smiths. We have global policies and processes which allow all operations within Smiths to work in an appropriate manner.</p>	<ul style="list-style-type: none"> <li>- Complying with laws and regulations</li> <li>- Producing safe and high-quality products</li> <li>- Robustness of internal controls</li> <li>- Emerging regulatory environments</li> </ul>	
<p><b>Acting fairly between our shareholders</b></p>	<p>Smiths seeks to act fairly between all shareholders. Smiths provides regular updates on Company performance which allows shareholders to be kept informed of performance against strategy and make informed investment decisions. Our AGM is the annual forum for all shareholders to liaise with the Board.</p>	<ul style="list-style-type: none"> <li>- Impact of share buybacks on shareholders</li> <li>- Format of the AGM</li> <li>- Shareholder meeting opportunities for new Chairman and Chief Executive Officer</li> <li>- Remuneration outcomes</li> </ul>	

# Board review

The performance of the Board, its Committees and individual Directors is reviewed annually. In line with the Code, the review should be externally facilitated every three years.

Last year the Board confirmed its intention that the FY2024 review would be externally facilitated. As Independent Audit had supported the Board review process for six years, including the last externally

facilitated review in FY2021, the Chairman and the Company Secretary, overseen by the Nomination & Governance Committee, conducted a process to identify a new provider. Further to this process Lintstock Ltd were appointed in early 2024. Lintstock are independent of Smiths and do not provide the Group with any other services. They are a Corporate Governance Institute accredited Board reviewer.

## Deferral of the externally facilitated review

Interviews with individual Directors for the externally facilitated review were due to commence in May 2024. However, in March 2024 the Board agreed that the externally facilitated interviews should be deferred until FY2025. This was due to the appointment of a new Chairman and Chief Executive Officer, a new Board

Committee structure, revised Committee memberships and the appointment of new Committee Chairs. More information about this can be found in the Nomination & Governance Committee's report on page 84. This deferral would allow the leadership and governance framework changes to be embedded before an external review was conducted, thereby providing more value and insight to the Board.

The FY2024 review process was conducted via a series of questionnaires for Directors and, for the first time, Executive Committee members and the Company Secretary, supported by Lintstock. A summary of the FY2023 review findings and actions taken during the year, along with a summary of the actions agreed following the FY2024 review, are set out below. Overall, the Board agrees that significant progress was made across all areas.

## Board review findings and actions

### FY2023 review findings

### Progress in FY2024

### FY2024 review findings

#### Strategic decision-making

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>- Focus on developing a long-term growth strategy, with specific attention to the approach to inorganic growth and establishing risk appetite</li> </ul> | <ul style="list-style-type: none"> <li>- The Group's Strategy was reviewed in May and again at the July Board meeting</li> <li>- Updates on potential inorganic growth opportunities are provided at each Board meeting</li> </ul> | <ul style="list-style-type: none"> <li>- The Group's strategy should continue to be an immediate focus area, including inorganic growth plans</li> </ul> |
|---|--|--|

#### Succession

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>- Align succession plans to the skills required to deliver on the organisation's strategic objectives</li> <li>- Continued focus on the executive talent pipeline</li> </ul> | <ul style="list-style-type: none"> <li>- Succession, with a focus on composition, skills and experience was a regular item on the Nomination &amp; Governance Committee agenda</li> <li>- The Nomination &amp; Governance Committee increased time spent considering executive talent. In addition, certain senior leaders have been allocated Board-level mentors</li> <li>- Strength of succession planning and talent development was demonstrated through the internal Chief Executive Officer and other Executive Committee appointments</li> </ul> | <ul style="list-style-type: none"> <li>- Longer-term non-executive and executive succession planning and executive talent development should continue to be a focus in FY2025</li> </ul> |
|---|--|--|

#### Stakeholder engagement/external insight

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>- Increase focus on external stakeholders, including customers and suppliers</li> </ul> | <ul style="list-style-type: none"> <li>- Business performance updates now include enhanced stakeholder content</li> <li>- The Board undertook a deep-dive on culture in January and people and culture were considered as part of the May Board strategy sessions</li> <li>- The Board received updates from external speakers on strategically significant topics including geopolitics and Artificial Intelligence</li> </ul> | <ul style="list-style-type: none"> <li>- Opportunity to enhance external insight into stakeholders, notably customers and suppliers and the competitive landscape</li> <li>- Additional Board site visits and external speakers to be considered</li> </ul> |
|--|---|---|

# Nomination & Governance Committee report



## Steve Williams

Chairman of the Nomination & Governance Committee



## Committee membership

Steve Williams

Karin Hoeing

Richard Howes

Mark Seligman

Noel Tata

## Top Committee activities this year

- Appointment of a new Chief Executive Officer
- Board succession planning, including the appointment of a new Non-executive Director
- Review of the Board's governance framework, including Committee structure and memberships

## Chairman's statement

I am pleased to present the Committee's report for FY2024, my first as Chairman of the Committee. The Committee's remit includes reviewing the structure, size and composition of the Board and its Committees which has been a key focus this year. We are committed to maintaining a diverse Board, with a variety of skills, experience and expertise – diversity is key to our effectiveness, and the long-term success of Smiths.

Succession planning and developing an effective and impactful Board was a key priority in FY2024. During the year we were pleased to welcome Roland Carter to the Board as Chief Executive Officer and Alister Cowan as a Non-executive Director. Further details of the appointment processes can be found on pages 84 and 85. Sir George Buckley and Bill Seeger retired from the Board in November 2023 and May 2024 respectively, and Paul Keel stepped down as Chief Executive Officer in March 2024. I would like to thank each of them for their significant contribution to Smiths over the years. In addition to these changes, Mark Seligman assumed the role of Senior Independent Director following Bill Seeger's departure.

There were also a number of Committee Chair changes with Richard Howes being appointed as Chair of the Audit & Risk Committee and Karin Hoeing being appointed as Chair of the Remuneration & People Committee. In addition, I assumed the role of Chairman of the Nomination & Governance Committee.

During the year we also oversaw the continued development of senior management succession plans and the talent pipeline. We endorsed the appointments of Jerome de Chasseay and Kini Pathmanathan to the Executive Committee. Jerome de Chasseay leads our Detection business and Kini Pathmanathan holds the new role of Head of Smiths Excellence and Sustainability. Kini's role leads our new combined function of Excellence and Sustainability, bringing together these two critical priority areas which are increasingly aligned. Both appointments were internal promotions, demonstrating Smiths focus on internal talent and effective succession planning.

The Committee also undertook a thorough review of the Board's governance framework, recommending several changes to the Board earlier this year including retiring the Finance Committee and changes to the membership of each of the Board Committees. These were approved, and we are seeing the benefits of a more efficient Board Committee structure.

More information about our activities can be found on the following pages. I would like to thank members of the Committee for their hard work during my first year as Chairman.

## Steve Williams

Chairman of the Nomination & Governance Committee

## Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 73 to 75. The Chief Executive Officer is normally invited to attend Committee meetings. The Company Secretary acts as secretary to the Committee. Other members of senior management, including the Chief Financial Officer and the Chief People Officer, are invited to attend as necessary.

## Committee performance review

In FY2024, the performance of the Committee was considered as part of the internal Board review process (described on page 82). Overall, it was confirmed that the Committee continues to operate effectively and that the changes introduced during the year were providing benefits.

## Selection and appointment of a new Chief Executive Officer

The Chairman, with significant involvement from the Committee, oversaw the selection and appointment of Roland Carter as successor to Paul Keel, who left the Group in March shortly after accepting a role at a US public listed company.

### Identify

The Board has a robust executive succession planning process in place. This takes diversity in all its forms into account. The senior leadership team had been strengthened through deliberate development activities to ensure there were internal candidates who could be successors to Executive Committee members, including the Chief Executive Officer. The Board followed a rigorous process to identify the most suitable candidate for the Chief Executive Officer role, including a benchmarking exercise of external candidates undertaken by Russell Reynolds, an independent executive search consultant which has no connection to the Company, other than in assisting and facilitating in the search for senior management.

### Select

The Committee considered Roland Carter's extensive experience over three decades at Smiths, including his leadership of two of the Group's businesses and as President of Smiths Asia Pacific. The appointment of Roland, a chartered engineer with a deep knowledge of our end markets and industry sectors, and a strong focus on innovation and sustainability, ensured a smooth transition and minimal disruption to the business. The Board approved the appointment of Roland Carter as a highly regarded leader, who could take the business forward in its next stage of growth.

### Considerations

The succession process in the Smiths Detection business, where Roland Carter had been President, enabled Jerome de Chassey, previously Vice President, Commercial at Smiths Detection, to be appointed as President of Smiths Detection. All subsequent vacancies created by Roland Carter's

appointment were filled by internal candidates, thereby demonstrating the talent and succession planning process with Smiths.

### Appoint

Roland Carter's appointment as the Group's Chief Executive Officer and as a Director took effect on 26 March 2024. Roland will be subject to election by shareholders at the 2024 AGM.

### Induction

A tailored induction programme started immediately following Roland Carter's appointment as Chief Executive Officer, taking into account his extensive experience at Smiths and his existing knowledge of the Group's end markets and industry sectors. The programme focused on briefings on the role and responsibilities of being a UK listed company director, and meetings with corporate advisers, investors and other stakeholders. Roland also had individual meetings with all of the Non-executive Directors and he visited several of the Group's sites.

## Governance

The Committee is responsible for keeping the Board's governance framework under review, and during the year it led a comprehensive review of the Board's Committee structure and memberships. The review considered best practice governance frameworks for UK public companies, alongside the requirements of the UK Corporate Governance Code (the 'Code'). In particular, the Code recommendation that committee memberships are periodically refreshed and that individual directors are not overburdened.

The Committee presented the Board with several recommendations. The first was to retire the Finance Committee, which was initially established to support the sale of Smiths Medical. The review identified that Committee's responsibilities were largely considered business as usual or could be overseen by the Board or other Committees. The reduction in the number of

Board Committees introduced operational and administrative efficiencies into the Board calendar.

The Committee also recommended changes to Board Committee membership, reducing the number of Committee appointments for all Non-executive Directors. This enables Board members to focus on areas of the business in line with their skills and experience, and the reduced Committee sizes provides enhanced opportunities to add value to discussions for Smiths and the Directors.

The final recommendation related to reporting. The Committee reviewed the level and materiality of business reporting at the Board and its Committees, and recommended changes to better help Directors focus on material matters and to allow management to streamline their reporting and information flows, focusing on the key matters at hand. The quality and level of reporting is continually monitored to ensure Directors discharge their responsibilities effectively.

The Committee's recommendations were approved by the Board in January 2024 and were effective from February 2024. The Board review demonstrated the positive effects of these changes. In addition, in July, as part of the Committee's ongoing assessment of the Board's governance framework, the Committee recommended to the Board the change in name of the Science, Sustainability & Excellence Committee to the Innovation, Sustainability & Excellence Committee. This change better reflects that Committee's oversight of innovation and was approved by the Board. The Committee also reviewed the Board skills and experience matrix and its own Terms of Reference during the year. Looking ahead, the Nomination & Governance Committee remains committed to assessing the effectiveness of the Board and will also continue to monitor emerging governance trends, regulatory changes, and industry developments.

## Selection and appointment of a new Non-executive Director

As part of the Committee's succession planning activities, the Chairman led the search for a Non-executive Director to replace Bill Seeger, who stood down from the Board in May 2024. Bill Seeger's role as Chair of the Remuneration & People Committee had been transitioned to Karin Hoeing earlier in the financial year, and Mark Seligman took on the role of Senior Independent Director in May. The search process was supported by Russell Reynolds, an independent executive search consultant which has no connection to the Company, other than in assisting and facilitating in the search for senior management. Russell Reynolds is a signatory to the Enhanced Code of Conduct for Executive Search Firms.

The Board keeps the skills and experience necessary to help support management deliver and provide oversight of our strategy under constant review. Accordingly, the Committee developed a role profile which included key attributes required for the role when Bill Seeger retired. The details of the role profile and requirements of the role were shared with Russell Reynolds, who identified an extensive and diverse list of potential candidates. The shortlisted candidates were interviewed by members of the Committee and the Executive Directors, who considered the merit of each individual. The Committee was unanimous in its selection and recommended to the Board that Alister Cowan be appointed as Non-executive Director, given his breadth of experience and fit to the attributes in the role profile. Prior to his appointment, the Board considered Alister Cowan's external roles and agreed that there was no conflict which might impact his role at Smiths, and that he would have sufficient time to fulfil his responsibilities to the Company.

A comprehensive induction programme developed specifically for Alister Cowan, considering his previous experience, knowledge, and skills, is underway. This involves meeting with senior leaders in the business, the Group's external auditor, as well as visits to the Group's operations. Alister Cowan also had a briefing on the role and responsibilities of being a UK listed Company Director.

## Induction

To ensure that they are able to effectively contribute to discussions and decision-making, all of our Directors participate in an induction programme on joining the Board. Based on the personal experience and background of each Director, their individual induction programme is tailored to provide them with the necessary knowledge and understanding of the Group, its markets and its material stakeholders.

Tailored induction programmes for Steve Williams, Roland Carter and Alister Cowan were undertaken during the year, to assist the development of their knowledge and understanding of the Group and their role. The induction programmes include visiting Group operations and meeting with senior leaders across the business and key external advisers. Information on Roland Carter's induction can be found in the adjacent box. Details of the selection and appointment of Steve Williams, and his induction programme, can be found on page 88 of the FY2023 Annual Report.

## Information and training

In order to operate effectively our Directors must receive accurate, timely and high-quality information. The Company Secretary and his team assist the Chairman and Chief Executive Officer in ensuring effective information flows and that the Directors are provided with all relevant information to enable them to discharge their responsibilities. All employees who write Board and Committee papers are invited to attend bi-annual effective paper writing workshops, focused on producing high-quality reports and presentations for the Board and its Committees.

Smiths Directors are given the opportunity to update their skills and experience on a regular basis. This year external speakers attended the Board to present on several strategically significant topics including geopolitics and Artificial Intelligence. On a regular basis the Directors are provided with formal reports and updates from the businesses, functional leaders and external advisers, to ensure they remain aware of business priorities and external developments. Any individual development needs are discussed with the Directors at the annual performance evaluation.

## Independence and objectivity

The Board keeps the independence of the Non-executive Directors under continuous review. In July 2024, the Committee reviewed the guidance contained in the Code and assessed the performance and independence of each of the Non-executive Directors. Having served on the Board for more than six years, the continued objectivity and independence of Mark Seligman and Noel Tata were subject to rigorous review. Dame Ann Dowling reached her six-year anniversary in September 2024, and so was also subject to rigorous review. The Committee concluded that each of the Non-executive Directors contributed effectively to the operation of the Board and that they should all be considered as independent and objective.

## Director election and re-election

Each year the Directors are subject to election or re-election by shareholders at the AGM. The Chairman, on behalf of the Board, has confirmed that each Non-executive Director standing for election or re-election at this year's AGM continues to be an effective member of the Board and has demonstrated the commitment required. For more information about the expected time commitment of our Directors, see page 76. On behalf of the Board, the Senior Independent Director has confirmed that the Chairman continues to be effective and supports his re-election to the Board at the AGM. The rules regarding the appointment and replacement of Directors are determined by our Articles of Association and the Act. The Articles of Association can be found on our website and can only be amended by a special resolution of shareholders.

## Conflicts of interest

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

## Diversity

Diversity of thought and background is essential and will remain one of the key criteria by which candidates are selected for the Board, and for individual Committee membership, and the pipeline for senior leadership positions. Members of the Board, each Board Committee and senior management will collectively possess diversity of gender, age, sexual orientation, disability, and ethnic, socio-economic and professional backgrounds. This is in addition to cognitive and personal strengths, and a combination of skills, experience and knowledge.

The Committee is responsible for recommending appointments to the Board following its regular assessment of the Board and its Committees' composition. The Committee makes recommendations based on the merit of individual candidates, having due regard for the benefits of diversity in the broadest sense, and also the need to ensure the effective functioning of the Board at all times, especially as membership of the Board is refreshed. The Committee also considers the Group's strategic objectives. Accordingly, the Committee only partners with firms accredited under the Enhanced Code of Conduct for Executive Search Firms. The use of Executive search firms helps to ensure non-UK nationals, women and candidates from historically under-represented ethnic groups are represented on the shortlist for Board positions.

As at 31 July 2024, the Board met all of its own diversity targets, as well as the targets set out in the Financial Conduct Authority's Listing Rule 6.6.6R(9)(a). Numerical diversity data, in the format required by Listing Rule 6.6.6R(10), as at 31 July 2024 is outlined on page 67.

### Diversity performance against targets

#### Gender – Board Policy target

At least 40% of the Board to be female



● Female 40% ● Male 60%

#### Gender – Key Board Positions Policy target

At least one of the Chairman, Senior Independent Director, Chief Executive Officer or Chief Financial Officer position will be held by a female



● Female 1 ● Male 3

#### Background Policy target

At least 50% of the Board with a majority of their professional background outside of the UK



● Outside the UK 50% ● UK 50%

#### Ethnicity Policy target

At least one Director from a historically under-represented ethnic group



● Historically under-represented ethnic group 2  
● Non-Historically under-represented ethnic group 8



Diversity information for the Group, including the disclosure required by the UK Corporate Governance Code, can be found on pages 66 and 67.

The Board Diversity Policy can be found on our website.

Read more about Diversity, Equity and Inclusion at Smiths in our Sustainability at Smiths report.

[Click here](#)



# Audit & Risk Committee report



## Richard Howes

Chair of the Audit  
& Risk Committee



## Committee membership

Richard Howes

Alister Cowan

Mark Seligman

## Top Committee activities this year

- Monitored the integrity of the Group's financial reporting and the work of the auditor
- Monitored the Group's control environment
- Assessed the Group's principal risks

## Chair's statement

I am pleased to present the Committee's report for FY2024, marking my first report since being appointed Chair of the Committee in November. In July 2024, we welcomed Alister Cowan to the Committee. Alister's extensive experience as CFO at several global public companies is a valuable asset to the Committee. I would like to express my gratitude to Mark Seligman for six years of service as Chair and to Bill Seeger for his eight years of contribution to the Committee.

As part of my induction as Chair of the Committee, I engaged in in-depth discussions with the finance team on several matters. These included the Group's management controls, capitalisation of development costs, intangible assets, business acquisition accounting, and the policies and procedures for various accounting provisions and judgements. I also met with KPMG several times.

These interactions have deepened my understanding of Smiths' approach to these significant judgements and broadened my knowledge, allowing me to challenge management more effectively on the associated risks and enabling me to apply additional professional scepticism.

A key focus this year has been the ongoing monitoring of the Group's control environment to ensure we can report on the effectiveness of all material controls by FY2027, in accordance with the UK Corporate Governance Code 2024 amendments. We received regular updates on the internal controls enhancement (ICE) programme, which aims to further develop Smiths' critical financial and reporting controls. Deep-dives from each business demonstrated how these controls are being embedded throughout the Group. We are pleased with the progress and the broader benefits the programme is delivering, which are aligned with our commercial objectives. In addition to reviewing the ICE programme's progress, we conducted a detailed risk and assurance mapping exercise, initially focusing on our climate change principal risk. This provided the Committee with a greater understanding of the related material controls and existing levels of assurance. In FY2025, we will undertake the same exercise for all principal and other relevant risks.

During the year, the Committee assessed the Group's principal risks. Given our organic revenue performance, we agreed with management that organic growth should no longer be a standalone risk. We believe this risk is effectively encompassed in our commercial and technology principal risks. For more details on our principal risks, please refer to page 42 to 48.

Behaving ethically, legally and with integrity is a fundamental part of our culture and monitoring these falls within the Committee's remit. This year, we conducted an in-depth review of our legal and compliance principal risk at both the September and March Committee meetings, focusing on anti-bribery and anti-corruption risks as well as the role of agents and distributors ('intermediaries'), the risks they may pose, and the controls in place to mitigate these risks. Additionally, the Committee examined our fraud risks in light of the UK Economic Crime and Corporate Transparency Bill. As fraud risks are dynamic and continually evolving, it was beneficial to understand how our control framework adapts to address these risks.

As a Committee, we continue to ensure that the robust controls we apply to our financial information are also embedded in our non-financial information, particularly regarding GHG emissions and energy efficiency data. This focus continues to increase given upcoming regulations such as the Corporate Sustainability Reporting Directive (CSRD) that will apply to some of Smiths subsidiaries from FY2026. We work closely with the Innovation, Sustainability & Excellence (ISE) Committee to maintain high standards in the quality of the data we report externally. Once again, we engaged KPMG to provide limited assurance on our FY2024 GHG emissions inventories and energy efficiency, in accordance with the International Standard on Assurance Engagement (ISAE).

Finally, an important Committee responsibility is monitoring the integrity of the Group's financial reporting and details of all our work can be found on pages 88 to 90. I would like to thank my colleagues on the Committee for their contributions during the year and I look forward to continuing our work in FY2025.

## Richard Howes

Chair of the Audit & Risk Committee

## Committee membership and meetings

All members of the Committee are independent Non-executive Directors and collectively have recent and relevant financial, accounting and sector experience. Committee member biographies and attendance at meetings during the year can be found on pages 73 to 75. The Board considers that all Committee members have recent and relevant financial experience as described by the Code.

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

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

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

## Committee performance review

Through the annual Board review process described on page 82, the Board has again confirmed the effectiveness of this Committee in its role of supporting the Board in compliance with its duties.

## Committee activities

### Financial and Narrative Reporting

The Committee reviewed the full and interim results announcements, the Annual Report and the Viability and Going Concern Statement before recommending them to the Board for approval.

The Group has internal control and risk management arrangements in place to support the financial reporting process which provide reasonable assurance that the financial statements are prepared in accordance with applicable standards. These arrangements included seeking confirmation from the businesses that the reported information gives a true and fair view of the results for the period and ensuring that record keeping allows an accurate and fair reflection of transactions and statements. More information on risk management and internal controls can be found on page 92 and 93.

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

## Fair, balanced and understandable

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

- Accuracy, integrity and consistency of the messages conveyed in the Annual Report;
- Appropriateness of the level of detail in the narrative reporting;
- Correlation between judgements, estimation of uncertainties and issues, and the associated disclosures; and
- Explanations of the differences between statutory and headline reported results.

Taking the above into account, together with the views expressed by KPMG, the Committee recommended, and in turn the Board confirmed, that the FY2024 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

## Significant financial reporting matters

The key areas of judgement for FY2024 are as follows:

### Areas of focus

### Actions taken

## Impairment – intangible assets (including goodwill)

The Group's consolidated balance sheet includes £1.5bn of intangible assets. The largest elements of this balance relate to goodwill (£1.2bn), acquired customer relationships (£0.1bn) and capitalised development costs (£0.1bn).

Impairment testing of goodwill is the area that involves the greatest level of management judgement. Smiths Detection is the Group's only CGU where the impairment headroom is limited and there is a risk that a downside change in the key assumptions could potentially cause the current carrying value of the CGU to exceed its recoverable value.

Strong order books at Smiths Detection have driven historic levels of revenue growth in FY2023 and FY2024, following three challenging years. The FY2024 base case impairment model shows headroom of £254m a moderate improvement from the FY2023 headroom of £225m. The greater impairment headroom reflects an improved impairment model cash-flow forecast following strong organic revenue growth and contract wins experienced in FY2024, partially offset by an increase in the CGU discount rate.

The Committee reviewed the Group's impairment testing results and challenged the assumptions used within the CGU's impairment testing model, including the downside scenarios used to assess the business's sensitivity to key assumption changes. The Committee noted the sensitivity of Smiths Detection's CGU impairment headroom to variations in the discount rate and reviewed the methodology for calculating the discount rate used in the impairment testing. See note 11 of the financial statements for more details.

## Provisions for liabilities and charges

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

The Committee considered the appropriateness of the provisions for the John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST claims. They specifically considered the treatment of potential liabilities, the adjustments to assumptions used in calculating the provisions, the sensitivity to changes in these assumptions and the advice from the Group's specialist external advisers.

The Committee agreed with the judgement regarding the John Crane, Inc. asbestos litigation and agreed that the ten-year period for John Crane, Inc. asbestos litigation remained appropriate. The Committee noted that despite the large numbers of claims filed against John Crane, Inc. and other defendants every year, the evolving nature of the US legal system, and other factors effecting the asbestos legal environment, make it difficult to reliably estimate costs beyond 10 years. In both cases, the assumptions were deemed to fairly reflect the position. See note 23 of the financial statements for more details.

## Post-retirement benefits

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

The Committee reviewed and agreed the methods, assumptions and benchmarks used by the actuaries to calculate the position of the UK and US schemes at 31 July 2024. The IAS 19 valuation of post-retirement benefit obligations at 31 July 2024 showed a net accounting surplus of £29m, being a £60m reduction during FY2024.

The Committee noted that the movement in valuation during the year was mainly due to £66m of actuarial losses, principally arising from the defined benefit obligation experience losses after calibration to the latest 2023 triennial valuation data. The Committee agreed with the treatment and disclosures on these matters. See note 8 of the financial statements for more details.

## Areas of focus

## Actions taken

### Taxation

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

Management assessed the assets and liabilities recognised in income tax and deferred tax, along with the treatment of losses in the UK. Particular focus was given to the recognition of UK deferred tax assets as well as deferred tax assets relating to the John Crane, Inc. asbestos provision and the Titeflex Corporation CSST provision. The Committee received updates on the status of ongoing tax audits in the Group's larger markets and the uncertainties surrounding the outcome of these audits which are expected to conclude in the next 12 to 24 months. The Committee challenged management on the amount of provisions set aside for tax liabilities and highlighted that the final outcome could differ significantly from the current provisions for tax risks. See note 6 of the financial statements for more details.

### VAT error on chain export transactions

During FY2023 a historic VAT classification error was identified, which had resulted in certain European intercompany chain export transactions being treated as VAT exempt when they should have been initially classified as subject to VAT with subsequent refund at the time of export.

Throughout FY2024, the Committee monitored the Group's broader project to review the VAT classification of transactions and the progress made in recovering VAT paid on the European intercompany chain export transactions.

The Committee noted that during FY2024, nearly all the outstanding VAT balances related to the historic error were recovered. The Committee challenged management on the adequacy of provisioning and noted that management remained confident that the remaining provisions are adequate to address the Group's overall liability.

### Presentation of headline profits and organic growth

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

The Committee considered the policy, presentation and judgements relating to the Group's performance, particularly the separation between headline and non-headline items. This included determining which items related to the Group's ongoing trading activities and which should be considered as non-headline.

The Committee challenged management on the value and nature of items being recognised as non-headline and reviewed the level of disclosure on the non-headline items recognised in FY2024. In addition, the Committee considered the judgements in connection with items that should be reflected or adjusted in organic performance. See note 3 of the financial statements for more details.

## External audit

The Committee places great importance on the quality, effectiveness and independence of the external audit process. KPMG was appointed as the Company's external auditor at the 2019 AGM. Michael Maloney was Smiths first lead KPMG audit engagement partner until he retired following the FY2022 audit. Mike Barradell was appointed as lead engagement audit partner from the FY2023 audit. Mike Barradell's tenure will be limited to five years in line with audit standards and due to KPMG partner rotation policies. To comply with the Statutory Audit Services Order, which requires us to put our statutory audit services to tender at a minimum of every ten years, the Committee has agreed to conduct a tender for the external auditor to coincide with the change in audit partner in 2027. The ten-year limit would be to conduct a tender by 2029.

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

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

The Committee reviewed and approved KPMG's proposed audit plan and fee for the FY2024 audit. The Committee continued to monitor KPMG's execution of the audit plan during the year.

### Independence and objectivity

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

In addition to monitoring compliance with Group policies, the Committee's review of KPMG's independence included examining written confirmation from KPMG that they remained independent and

objective within the context of applicable professional standards and considering the performance of the audit engagement partner.

### Non-audit services

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

Details of the fees paid to KPMG for the year ended 31 July 2024 can be found in note 2 of the financial statements. Non-audit fees as a percentage of audit fees totalled 8% (FY2023: 6%). Non-audit fees in FY2024 principally comprised audit-related assurance services for the interim results and the limited assurance of the Group's Scope 1-3 GHG emissions and energy efficiency metrics.

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

### Effectiveness of the external audit

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

- Robustness of audit processes, including the conclusion of the FY2023 audit process, the audit review of FY2024 interim results, early-stage delivery of the FY2024 audit, the review of audit plans and scope deliverables;

- Audit quality, including quality controls and the robustness and perceptiveness of KPMG in handling of key accounting and audit judgements;
- Audit partners and team, including skills, character and knowledge;
- Independence and objectivity;
- Formal and statutory reporting including the content, insight and value of KPMG's reports, management's responses to any audit findings and discussions with management and with the external auditor;
- Feedback from previous effectiveness reviews, both from the Committee and management, ensuring these had been adequately addressed;
- Whether KPMG devoted sufficient time and resources to understand and assess the business, its key risks, and controls.

In 2023, the FRC's Audit Quality Review team ('AQR') reviewed KPMG's audit of Smiths Group plc for FY2022. The FRC routinely monitors the quality of audit work at certain UK audit firms by inspecting sample audits and related procedures. The AQR identified areas for improvement related to the challenge of the goodwill impairment model forecast. The Committee and KPMG discussed the review findings and agreed on actions, which KPMG implemented during the FY2023 audit. At the November 2023 Audit & Risk Committee meeting, the Committee concluded that these findings had been appropriately addressed.

After considering the factors above and its general interaction with KPMG throughout the period, the Committee was satisfied that the external audit was effective. The Committee therefore agreed that it was appropriate to recommend to the Board that the reappointment of KPMG as the Company's auditor for a further year be proposed to shareholders at the 2024 AGM. A further review of the FY2024 audit will be conducted ahead of the FY2025 interim results.

## Risk management and internal control

The Board is responsible for ensuring that sound risk management and internal control systems are in place. The Executive Committee is responsible for designing the risk management and internal control systems and ensuring they are effectively deployed throughout the Group. The risk management and internal control processes identify, assess, manage and monitor risks that have the potential to effect the achievement of our strategy. The Executive Committee and risk owners review our principal risks throughout the year. They assess the effectiveness of existing controls and the resulting residual risks and identify any additional necessary actions. We have sound risk management and internal control systems in place. However, they can provide only reasonable, not absolute, assurance against material loss to the Group or material misstatement in the financial statements. More detail can be found on pages 40 to 41.

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

In FY2024, the Committee, on behalf of the Board and with the assistance of the Internal Audit function, monitored, reviewed and assessed the effectiveness of the Group's risk management and internal control systems in the context of the Group's strategy, business model and risk appetite.

Throughout the year, the Committee receives risk deep-dive reports from the businesses and principal risk owners. These reports are presented on a rotational basis, allowing the Committee to cover all principal risks over time. The deep-dives help the Committee assess the effectiveness of risk management and internal control systems. This year, the businesses reviewed risks relevant to their operations, including major programme execution (commercial), product quality, margin accretion and inventory management, future market trends, and single-source raw materials. Updates were also provided on cyber security, legal and compliance risks as well as on Middle East risks and scenarios. The

cyber security risk deep-dives covered the Group's cyber security framework, employee communication and training programmes to enhance cyber awareness, and planned investments to improve resilience.

The Committee also relies on other inputs to evaluate the effectiveness of the risk management and internal controls system and details of what was covered can be found on page 41.

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

The Committee received updates on the Internal Controls Enhancement (ICE) programme which focuses on projects aimed at improving and standardising finance activities across the Group, as well as ongoing efforts to enhance the financial control framework. This year's activities continue to position Smiths strongly for the upcoming Code changes related to internal controls over financial reporting.

### Principal risks update

The Committee carried out a robust assessment of the Group's emerging and principal risks, including those that would threaten its business model, future performance, solvency and liquidity. We removed organic growth as a standalone principal risk and this is now embedded within our commercial and technology risks. We also reordered our risks based on the residual impact and likelihood of the risk occurring. Cyber security and economy and geopolitics risks remain elevated. The cyber threat landscape is constantly changing as new threats emerge and existing threats evolve and we continue to monitor geopolitical risk due to increasing international tensions and the rise of nationalism and populism. Other risks remain relatively stable.

A description of the principal risks facing the Group and how these were reviewed to assess the Group's viability can be found on pages 42 to 48.

## Internal Audit

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

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

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

During the period, the Committee received progress reports on the execution of the FY2024 Internal Audit Plan and discussed any high-priority control enhancement opportunities and action plans to address these. The Committee also approved the FY2025 Internal Audit Plan, including the proposed audit scope, approach, coverage and budget including the allocation of resources.

The Committee monitors the performance of the Internal Audit function through the Director of Internal Audit and Risk's participation in Committee meetings, reviewing work presented throughout the year, and assessing agreed KPIs reported at each meeting. This year, the Committee conducted an Internal Audit effectiveness review led by the Deputy Company Secretary. The review concluded that Internal Audit's performance remains strong. Identified enhancement opportunities involve further alignment with strategy and a greater focus on higher risk areas, which will be addressed in the Internal Audit FY2025 Plan.

## Ethics and compliance

During the year, the Committee reviewed the Ethics and Compliance annual work programme and provided oversight of investigations into allegations of non-compliance with the Code of Business Ethics. This included matters raised through the Group's ethics reporting procedures including the Group's Speak Out hotline which allows for anonymous reporting. Smiths Speak Out hotline comprises a number of different channels (including call centres operated by an independent third party across the Group's global operations) for employees and other stakeholders to report concerns. The Committee was also updated on our legal and compliance principal risk, focusing on the role of agents and distributors ('intermediaries'), the risks they pose, and the controls in place to mitigate these risks. It also examined fraud risks in light of the UK Economic Crime and Corporate Transparency Bill and reviewed Smiths Modern Slavery and Human Trafficking Statement.

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

More information on the Group's approach to behaving ethically and legally can be found on page 37 and in the Sustainability at Smiths report found on our website.

## Assessment of internal control and risk management arrangements

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

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

# Innovation, Sustainability & Excellence Committee report



## Dame Ann Dowling

Chair of the Innovation, Sustainability & Excellence Committee



## Committee membership

Dame Ann Dowling

Pam Cheng

Karin Hoeing

Noel Tata

## Top committee activities this year

- Received updates from each of the businesses on new product development and innovation
- Continued to monitor the implementation of the Smiths Excellence System (SES)
- Recommended environmental performance targets for FY2025 to the Remuneration & People Committee

## Chair's statement

I am pleased to present the progress we have made on Innovation, Sustainability and Excellence (ISE) over the past year. These are all critical elements for the successful execution of our strategy.

In December 2023, we were delighted that the Science Based Targets initiative (SBTi) validated our net zero GHG emission targets. We submitted our proposed Science-Based Targets (SBTs) and related plans for Scopes 1, 2 and 3 emissions to the SBTi in May 2023, and this validation marked a key milestone for our net zero transition plan. Our targets are aligned with the UN's critical global climate objectives and the Paris Agreement's ambition to limit global warming to 1.5°C. More details of our net zero transition plan can be found on page 35.

To ensure the business continues to prioritise sustainability and the cultural change required to achieve our net zero transition plan, we recommended further environmental performance targets for FY2025 to the Remuneration & People Committee.

In March we were updated on the work of the Smiths Foundation, which awarded its first grants totalling £1m to 12 charities across nine countries in its first nomination window. These grants support various community initiatives from providing STEM support to students, to implementing smarter engineering solutions for safe water sanitation. We were pleased to learn that over 5,000 individuals will directly benefit from the grants.

During the year, we reviewed the Committee's remit, and adopted new Terms of Reference. The new Terms have brought greater clarity to the Committee's responsibilities and its interactions with the other Board Committees. The Board also approved the change of Committee name, replacing 'Science' with 'Innovation' to better reflect our remit and activities.

At each of our four Committee meetings, one of the businesses shared updates on their innovation strategy. What continues to excite me is how innovation is helping us and our customers achieve our ESG commitments, and advance our sustainability journey. This remains a significant commercial opportunity for Smiths. Each business also provided a deep-dive on how SES is being embedded, highlighting culture change across the Group, although there is still more work to do here. Operational excellence is crucial for the long-term success of Smiths, and these deep-dives provide valuable insight into key initiatives happening across the businesses.

I would like to thank colleagues across Smiths who are driving innovation, sustainability and continuous improvement. I would also like to thank my colleagues on the Committee for their contributions during the year and I look forward to continuing our work in FY2025.

## Dame Ann Dowling

Chair of the Innovation, Sustainability & Excellence Committee



## Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 73 to 75. The Chief Executive Officer and the Head of Smiths Excellence & Sustainability, and prior to her appointment the Chief Sustainability Officer and Group SES Director, attended every meeting. Other members of senior management are invited to attend as necessary. The Deputy Company Secretary acts as secretary to the Committee.

## Committee performance review

Through the annual Board review process, described on page 82, the Board confirmed the effectiveness of the Committee in its role supporting the Board in compliance with its remit.

## Committee activities

The main topics considered at Committee meetings were:

### Innovation

Each of the businesses updated the Committee on their innovation strategy. This included progress against their FY2024 initiatives, new product development, processes and pipelines, plans for FY2025, opportunities for improvement, and sustainability across the product lifecycle. We also learnt about emerging megatrends, and the work being done to understand the market opportunities they create. This information supported Committee discussions on how innovation, technology, sustainability and understanding customer needs and aspirations, are influencing our next generation of products.

### Sustainability

The Committee continued to monitor progress against Smiths sustainability metrics including GHG emissions reduction, renewable electricity, energy efficiency, water use and waste disposal as well as monitoring how the business is driving environmental change in their operations. We received updates on global initiatives and regulations, including the Taskforce on Nature-related Financial Disclosures (TNFD), Corporate Sustainability Reporting Directive (CSRD), Taskforce on Climate-related Financial Disclosures (TCFD) and the EU Taxonomy. We were pleased to endorse Smiths commitment to proactively understand and address the biodiversity-related impact of our products, our operations and our supply chains and we look forward to an update in FY2025. More information can be found in our Sustainability at Smiths Report on our website.

### Excellence

The Committee heard about the progress to broaden and deepen SES and Lean deployment across the business in FY2024, receiving regular updates about the financial benefits of SES. Each business provided updates on their own SES progress, key projects and priorities for FY2025. Subject matter experts were invited to present on successful SES projects completed during the year. The Committee also received updates on talent development, as the first cohort of Master Black Belt trained employees re-entered the business during the year.

# Remuneration & People Committee report



## Karin Hoeing

Chair of the Remuneration & People Committee



## Committee membership

Pam Cheng

Dame Ann Dowling

Steve Williams

## Top Committee activities this year

- Reviewed the Remuneration Policy, including engagement with key shareholders, and made recommendations for 2024 onwards
- Approved FY2025 salary increases for the Board & Executive Committee aligned to the wider workforce
- Approved the exit terms for Paul Keel

## Chair's statement

I am delighted to present the Remuneration Report for the year to 31 July 2024, my first since taking up the position of Chair of the Remuneration and People Committee in May 2024. I would like to thank Bill Seeger for his leadership as Chair of the Committee for the previous five years.

In line with the normal three-year cadence, we have reviewed our Remuneration Policy during FY2024 and it is being put to a binding shareholder vote at the AGM on 13 November 2024. I look forward to your support at that meeting.

### People strategy

A key role of the Committee is to provide oversight of the implementation of the Group's People strategy. As such, at each meeting, the Committee reviews elements of the strategy to ensure it supports the Group's strategic objectives and the desired culture. This included evolving Smiths' culture with particular focus on performance, talent and succession processes. The 'internal first' appointment and development strategy was successfully implemented creating a strong talent pipeline while also supporting a positive, rewarding, and engaging culture. The Committee discussed the results of the My Say annual employee engagement survey, which showed employee satisfaction above the industry benchmark. For more information see page 13.

In addition, the Committee also considered the Group initiatives supporting progress against diversity targets and an extensive programme of work that sought to align certain employee benefit arrangements across the Group.

## Business context and leadership changes in FY2024

It is nearly three years since Smiths set out its growth strategy in 2021, and the recent results demonstrate that we continue to make solid progress, having delivered three consecutive years of organic revenue growth. With a record order book and continued strength in end markets such as energy, security and aerospace – and improving conditions in industrial segments experiencing more recent challenges – we are confident in our outlook for continued growth and margin expansion.

In March 2024, we announced that Paul Keel had resigned from his role as CEO to return to the US, to take on a new role as chief executive of a US public company. He was succeeded by Roland Carter who has been with Smiths for more than three decades and previously served as President of Smiths Detection. The appointment demonstrates the robust succession planning process that we have in place.

At this critical point in our strategy, the Board's priority is retaining and incentivising our diverse, global executive team, as we continue the growth journey. Our executive talent is sourced from a range of industrial, scientific and technology backgrounds across the world, reflecting our global footprint. Over 50% of Smiths Group's revenue is sourced from the Americas, with the remainder split across Asia Pacific, Europe and the rest of the world.

## Key decisions during FY2024

### CEO – Roland Carter

As disclosed in March, Roland was appointed on a salary of £940,000, slightly below that of his predecessor Paul Keel. His other package elements were set in line with the existing Remuneration Policy,

including a pension cash allowance of 12% in line with the UK workforce; maximum Annual Incentive Plan (AIP) opportunity of 200% of salary (with one third of any earned bonus deferred into shares for three years); and an LTIP award with an annual grant of a fixed number of shares. An additional LTIP award of 40,900 shares was granted in April 2024, to reflect promotion to the CEO role pro-rated for time in the year.

### CFO – Clare Scherrer

Clare has proven to be an outstanding member of the Board and therefore a priority of the Board is to retain Clare, ensuring leadership continuity at this pivotal time. To recognise the extensive range of her role including an expansion of M&A activity, her exceptional performance to date and industry experience we determined to provide enhanced retention and incentive arrangements at a time of executive change. Clare's base salary was increased by 12% with effect from 1 April 2024, from £581,438 to £651,110. Her maximum AIP opportunity was also increased from 165% to 200% of salary, and she was granted an additional LTIP award of 10,961 shares in April 2024, reflecting the above changes. All adjustments were made in line within the parameters of the existing approved Directors' Remuneration Policy.

As part of the review, the Committee considered Clare's package against globally focused FTSE peers of a similar market capitalisation (FTSE 40-90), to ensure it was competitively positioned within the benchmark range in the context of her role, skills and experience.

## AIP and LTIP outturns for FY2024

The Committee considered outcomes under the FY2024 AIP and the FY2022 LTIP awards in the context of strong organic revenue growth, continued operating profit margin expansion and improved headline operating cash conversion. It was considered appropriate to award a bonus of 60.5% of maximum opportunity for FY2024, representing an achievement between target and maximum against the financial and non-financial metrics. One third of the bonus earned will be deferred into shares for the Executive Directors.

The FY2022 LTIP award vested at 76.7% of maximum, reflecting performance over a three-year period aligned to the sustainable growth of the business during that time. The Committee did not exercise any discretion in respect of the outcomes.

## Remuneration Policy

Over the past year, the Committee has undertaken a comprehensive review of the existing remuneration framework to ensure it supports the retention and incentivisation of our global executive team and continues to drive an ambitious growth strategy. Smiths takes a responsible approach to pay and has demonstrated a robust pay for performance framework.

While benchmarking was not a driver of our decision, the Committee considered market positioning against our primary comparator group of globally focused FTSE peers with a similar market capitalisation (FTSE 40-90), to ensure the package is competitive and supports the attraction and retention of global talent. After consultation with major shareholders, and careful consideration, the Committee has concluded that the existing AIP and LTIP framework remains fit for purpose. The 'fixed shares' methodology that has been in place for the previous two iterations of our Remuneration Policy is working well for Smiths. Granting a fixed number of shares creates strong and direct alignment between executives and our shareholders. As such, we are proposing a few relatively modest adjustments to support talent retention and attraction over the life of the Policy, briefly set out below and provided in detail later in the main Remuneration Report.

### Increased AIP headroom

We are proposing to increase the headroom for the maximum AIP opportunity from 200% of salary to 250% of salary, to ensure the Policy has flexibility to support the attraction and retention of current and future Executive Directors over the life of the three-year Policy and drives incentivised performance and growth through the successful execution of our strategy.

For FY2025, the CEO and CFO will be eligible for a maximum AIP opportunity of 230% and 200% of salary respectively. In the event of using additional headroom in the Policy, we would consult with shareholders.

### Retention of LTIP 'fixed shares' approach

Our current approach is to grant LTIP awards based on a fixed number of shares, which applies to all LTIP participants across the Smiths Group. This has delivered strong alignment with the shareholder experience over the last six years, with the value of awards increasing and decreasing in line with Smiths Group's share price. We proposed to continue to operate this framework over the life of the Policy.

Under the current Policy, an overall cap of 400% of salary applies. This was intended to restrict the value of fixed shares if the share price increased by more than 33% over the relevant period. We intend to adjust this cap to 500% of salary to allow additional headroom thereby incentivising further share price growth and value creation. For clarity, this new cap would only be reached if Smiths Group's share price increased to £24.75 – a c.41% increase compared to the share price at the start of the performance period.

The CEO will receive an annual grant of 190,000 shares, reflecting a modest rounding from 189,900 under the previous Remuneration Policy (current value of c.344% of salary based on a three-month average share price). The CFO will receive an annual grant of 110,000 shares. This has been set to reflect Clare's salary and expanded role (current value of c.288% of salary based on a three-month average share price).

The base salaries of the Executive Directors have been increased by 3.0% effective from 1 October 2024. This is aligned with the salary increase budget across all employees in the wider UK workforce. Roland and Clare's new annual salaries will be £968,200 and £670,650 respectively.

## Implementation for FY2025

There are some minor changes to the short-term incentive plan metrics, weightings and ranges for FY2025 awards. The AIP weighting for revenue will be reduced from 40% to 30% and replaced with a strategic business objective linked to customer service. There are no changes to the Long-Term Incentive Plan for FY2025. The metrics in both the short-term and long-term incentive plans are clearly aligned to the delivery of our strategy.

## Committee meetings and performance evaluation

I had served on the Remuneration & People Committee for at least 12 months prior to my appointment as Chair. Steve Williams is absent when his own remuneration as Chairman of the Board is discussed. The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 73 to 75. The annual evaluation of the Committee was conducted as part of the internally facilitated process of the Board and its Committees and the findings were discussed with me. The Committee is viewed as effective and rigorous in discharging its responsibilities.

## Looking forward

I hope you find this report a clear explanation of the Committee's considerations, decisions and remuneration outcomes for FY2024. The proposed changes to our Remuneration Policy are designed to ensure our remuneration offering is competitive and aligned to the market. I would like to thank the numerous shareholders, institutional investors and other stakeholders who have helped inform and improve our Remuneration Policy proposals. I trust that we will have your support when voting at the 2024 AGM.

### Karin Hoeing

Chair of the Remuneration & People Committee

## Implementation of Remuneration Policy in FY2024

### Base salary

Roland Carter received:  
**£319,833**

Clare Scherrer received:  
**£600,011**

### Pension and benefits

- Pension contributions of 12% of base salary for Roland Carter and Clare Scherrer, in line with the rate available to the wider UK workforce.
- Benefits included healthcare, insurances, car benefit and tax return preparation.

### Annual Incentive Plan (AIP)

Total bonus payout (% of maximum):

Roland Carter:  
**60.5%**

Clare Scherrer:  
**60.5%**

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Revenue (40%)	£2,922m	£3,085m	£3,230m	53.0%
Operating Profit (30%)	£479m	£514m	£560m	47.5%
Headline operating cash conversion (20%)				
H1 (10%)	75%	89%	95%	68.5%
FY (10%)	80%	97%	100%	83.0%
Energy efficiency (10%)	-3.7%	-5.9% <sup>1</sup>	-5.2%	100%

1. Excludes HCP

### Long-Term Incentive Plan (LTIP)

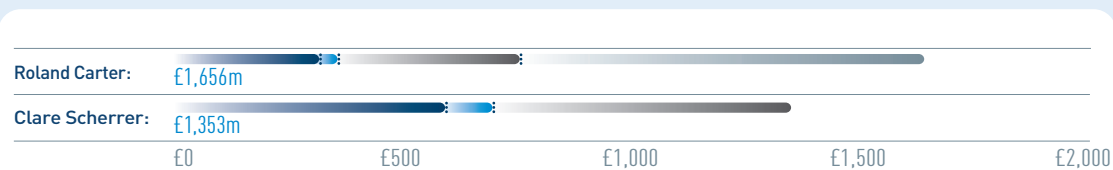
Total vesting (% of maximum):

Roland Carter:  
**76.7%**

Clare Scherrer:  
**N/A**

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Organic revenue growth (30%)	2.0%	7.5%	6.0%	100%
EPS growth after tax (20%)	4.0%	15.9%	11.0%	100%
Free cash-flow (20%)	45%	41%	55%	0%
Average ROCE (15%)	13.0%	15.8%	17.0%	78%
Reduction in GHG emissions (15%)	5.0%	16.4%	10.0%	100%

## Single figure (£000)



	Roland Carter	Clare Scherrer
Salary	320	600
Pension and benefits	50	104
Annual bonus	400	649
Long term incentives	886	-

## Statement of implementation of Remuneration Policy in FY2025

### Base salary

Roland Carter: **£968,200**  
 (3% increase)

Clare Scherrer: **£670,650**  
 (3% increase)

UK wider workforce increase of 3%.

### Pension

Roland Carter:

**12%**  
 of base salary

Benefits package consisting of healthcare, insurance and car benefit.

Clare Scherrer:

**12%**  
 of base salary

Benefits package consisting of healthcare, insurances, car benefit and tax return preparation.

### Benefits

### Annual bonus (maximum opportunity)

Roland Carter: **230%**  
 of base salary

Clare Scherrer: **200%**  
 of base salary

Performance measure	Weighting
Revenue	30%
Operating profit	30%
Headline operating cash conversion	20%
Energy reduction target	10%
Strategic business measure	10%

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

### Long-term incentive (LTIP)

Roland Carter: **190,000**  
 shares

Clare Scherrer: **110,000**  
 shares

Performance measure	Weighting	Threshold (25% vesting)	Maximum (full vesting)
Revenue growth	30%	3.5%	6.5%
EPS growth after tax	20%	6.0%	11.0%
Average free cash-flow	20%	45.0%	55.0%
Average ROCE	15%	14.0%	17.0%
Absolute reduction in GHG	15%	15.0%	20.0%

- Two-year post-vesting holding period applies

## Performance measures and link to strategy

Element	Outcome	AIP	LTIP	
Growth	Secularly attractive end markets	Revenue/revenue growth	✓	✓
	Leading businesses	Operating profit	✓	
	Customer relationships	EPS growth		✓
People	Purpose and Values	Scorecard of strategic measures key to Group and Divisional performance	✓	
	High performance culture			
Execution	Invest behind growth	ROCE		✓
	Operational excellence	Headline operating cash conversion	✓	
		Free cash-flow		✓
		Energy reduction	✓	
	Reduction in GHG emissions		✓	

### Shareholding requirements

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

## Alignment with the UK Corporate Governance Code

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

<b>Clarity</b>	<ul style="list-style-type: none"> <li>– The Committee welcomes transparency and regular engagement with shareholders with regard to executive remuneration. During FY2024, the Committee Chair has consulted with key shareholders on changes to the Remuneration Policy. The updated Remuneration Policy will be put to a shareholder vote at the 2024 AGM</li> </ul>
<b>Simplicity</b>	<ul style="list-style-type: none"> <li>– Participants in incentive plans receive annual communications to confirm award levels and performance measures. Supporting guidance documents and instructional videos are available online. The Remuneration Policy for Executive Directors underpins that of the wider workforce</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>– The Committee considers the effective management of risk throughout the delivery of incentive plans, applying reasonable discretion to override formulaic outcomes if necessary</li> <li>– The Committee considers that the structure of incentive arrangements does not encourage unnecessary risk taking</li> <li>– For Executive Directors, one third of the annual bonus payment is deferred into shares with an additional three years until vesting</li> <li>– Robust malus and clawback provisions are in place for incentive plans and are clearly communicated</li> </ul>
<b>Predictability</b>	<ul style="list-style-type: none"> <li>– Our Remuneration Policy clearly outlines the maximum award levels and vesting outcomes applicable to AIP and LTIP. As stated above under 'Risk', the Committee has the ability to apply discretion to formulaic outcomes and clear malus and clawback provisions exist</li> </ul>
<b>Proportionality</b>	<ul style="list-style-type: none"> <li>– There is a link between strategic business objectives and performance outcome, as outlined on page 99</li> <li>– Our Policy for our incentive plans outlines threshold, target and maximum opportunity levels, with actual outcomes dependent on performance achieved against predetermined measures</li> <li>– Through the design of the Remuneration Policy and the discretion of the Committee, poor performance is not rewarded</li> </ul>
<b>Alignment to culture</b>	<ul style="list-style-type: none"> <li>– The Smiths Group Values of passion, integrity, respect, ownership and customer focus underpin the design and operation of the incentive programmes. The business strategy is supported by these Values which are widely communicated across the Company. The addition of the Smiths Leadership Behaviours, of which 'Living Smiths Values' is one, describe the behaviours needed for the organisation to be dynamic, inclusive and focused on delivering results that create value</li> </ul>

## Consideration of wider workforce

The Committee considers all stakeholder groups when setting executive pay, including our people. The Committee is briefed on pay arrangements across the business and receives reports on people priorities within each of the divisions. In addition, a summary of remuneration-related issues raised by employees through the employee engagement survey is presented to the Committee. As part of a comprehensive schedule of Non-executive Director engagement with the workforce, in 2024 members of the Board, including the Committee Chair, attended events at each of our businesses to discuss and understand our culture, people priorities, employee remuneration and benefit arrangements across the Group. An extensive programme of employee benefit alignment has been underway across the Group, enhancing benefits whilst at the same time optimising costs. Details of the Non-executive Director engagement programme are summarised on page 78. The overall responsibility for workforce engagement rests with the Chair of the Committee.

## Single figure of annual remuneration (audited)

### Executive Directors

	Salary		Benefits		Payments in lieu of pension contribution		Total fixed		Annual bonus		Long-term incentives		Total performance related		Total	
	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000
Roland Carter	320	–	13	–	37	–	370	–	400	–	886	–	1,286	–	1,656	–
Clare Scherrer	600	554	32	31	72	66	704	651	649	640	–	–	649	640	1,353	1,291
Paul Keel	620	893	119	270	75	107	814	1,270	–	1,251	–	1,760	–	3,011	814	4,281

### Salary

Roland Carter was appointed to the Board as Chief Executive Officer on 26 March 2024 with an annual base salary of £940,000. The values in the single figure table above in respect of FY2024 reflect the remuneration paid from 26 March 2024.

### Benefits

Benefits for Executive Directors include life assurance, disability insurance, private healthcare insurance, car related benefits, tax return preparation and relocation benefits (Paul Keel only). In FY2023 a benefit value of £274,000 was reported for Paul Keel. This included estimated UK and US taxes settled by the Company on a grossed up basis totalling £116,197. The actual figure was UK tax of £108,652 and US tax of \$3,765 and the total amount for FY2023 has therefore been restated to £270,000.

This is in accordance with his service contract which provides housing, car and relocation payments on a net of tax basis. The benefit figure for FY2024 includes an estimated UK tax payment of £48,278 calculated on the same basis.

### Pension

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

### FY2024 annual bonus outcome

The maximum annual bonus opportunity for FY2024 was 200% of salary for Roland Carter and Paul Keel. Roland Carter also received an annual bonus payment in respect of his Smiths Detection service, prior to becoming CEO, of £358,395. The maximum annual bonus opportunity for Clare Scherrer was 165% of salary for the period 1 August 2023 to 31 March 2024 and 200% for the period from 1 April 2024 to 31 July 2024. The rationale for this change is provided in the Chair's opening statement. For FY2024 financial metrics made up 90% of the annual bonus, with the final 10% based on performance against energy efficiency objectives. The table below summarises the financial targets and the Company's actual performance (restated at budget exchange rates) against those for the FY2024 annual bonus.

Measure	Weighting	Performance targets, actual performance and outturn				
		Threshold 25% payout	Target 50% payout	Maximum 100% payout	Actual	Outturn
Revenue	40%	£2922m	£3076m	£3230m	£3080m	21.2%
Operating profit	30%	£479m	£519m	£560m	£514m	14.2%
Headline operating cash conversion						
H1	10%	75%	85%	95%	89%	6.8%
FY	10%	80%	90%	100%	97%	8.3%
<b>Total financial</b>	<b>90%</b>					<b>50.5%</b>
Energy efficiency	10%	-3.7%	-4.5%	-5.2%	-5.9%	10.0%
<b>Total</b>	<b>100%</b>					<b>60.5%</b>

### Overall FY2024 annual bonus outturn

The following table sets out the overall FY2024 bonus outturn for Executive Directors:

	Maximum opportunity	Outturn (percentage of maximum)
Roland Carter	200%	60.5%
Clare Scherrer	165%/200%	60.5%
Paul Keel	200%	0.0%

The Committee considered the amounts carefully in the context of the Group's performance, individual performance and the current macroeconomic environment, and determined that the amounts were a fair reflection of performance in the past financial year. One third of the annual bonus will be deferred into Smiths shares for three years.

### FY2022 long-term incentive plan outcome

Roland Carter received an award under the FY2022 LTIP, subject to the following performance conditions:

Measure	Weighting	Performance period	Threshold 25%	Maximum 100%	Actual	Outturn [% of vesting]
Average organic revenue growth	30%	1 August 2021 to 31 July 2024	2%	6%	7.5%	30.0%
Average annual Group EPS growth after tax	20%	1 August 2021 to 31 July 2024	4%	11%	15.9%	20.0%
Average ROCE	15%	1 August 2021 to 31 July 2024	13%	17%	15.8%	11.7%
Free cash-flow	20%	1 August 2021 to 31 July 2024	45%	55%	41.0%	0.0%
Reduction in GHG emissions	15%	1 August 2021 to 31 July 2024	5%	10%	16.4%	15.0%
<b>Total vesting</b>						<b>76.7%</b>

The Group EPS growth after-tax performance has been calculated to exclude the impact of the share buy-back scheme in order to ensure the targets were not materially easier to achieve than when originally set.

No discretion was exercised by the Remuneration & People Committee in respect of the formulaic outcomes under the LTIP. The value included in the single figure table has been calculated using an estimated share price, based on the share price over the last quarter of the financial year of £17.18. The share price appreciation attributable to the FY2022 LTIP for Roland Carter was 24.29% (£173,055). An additional holding period of two years will apply to the shares vesting.

No awards were due to vest to Clare Scherrer under this award. Paul Keel forfeited all unvested LTIP awards when he resigned on 25 March 2024.

### Scheme interests awarded in FY2024 (audited)

Scheme interests awarded are outlined below.

	Scheme	Form of award	Date of grant	Number of shares awarded	Award price	Face value (£000)	% vesting at threshold performance	Performance period end date
Roland Carter	LTIP	Conditional shares	1 November 2023	67,200	1,582p	1,063	25%	31 July 2026
Roland Carter	LTIP	Conditional shares	8 April 2024	40,900	1,626p	665	25%	31 July 2026
Clare Scherrer	LTIP	Conditional shares	1 November 2023	91,342	1,582p	1,445	25%	31 July 2026
Clare Scherrer	LTIP	Conditional shares	8 April 2024	10,961	1,626p	178	25%	31 July 2026
Clare Scherrer	Deferred bonus	Conditional shares	3 October 2023	13,303	1,603p	213	N/A	N/A
Paul Keel	LTIP	Conditional shares	1 November 2023	189,900	1,582p	3,004	25%	Lapsed
Paul Keel	Deferred bonus	Conditional shares	3 October 2023	26,010	1,603p	417	N/A	N/A

The performance measures for the FY2024 LTIP award are as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum
Revenue growth (3-year CAGR)	30%	3.5%	6.5%
EPS growth after tax (3-year CAGR)	20%	6.0%	11.0%
ROCE (average annual)	15%	14.0%	17.0%
Free cash-flow (average annual)	20%	45.0%	55.0%
Absolute reduction in GHG emissions	15%	15.0%	20.0%
<b>Total</b>	<b>100%</b>		

### Payments to past Directors (audited)

John Shipsey's share awards under the Company's LTIP are preserved in accordance with the good leaver provisions of the LTIP, subject to a time pro-rating adjustment and normal vesting dates. Mr Shipsey's FY2022 LTIP will vest in 2024, pro-rated for service to 31 July 2022. A total of 33,383 shares will vest at 76.7%, which is equivalent to 25,604 shares with an estimated value of £439,877.

### Payments for loss of office

There were no payments for loss of office in FY2024.



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

Director and Plan	Options and awards held on 31 July 2024	Options and awards held on 31 July 2023	Exercise price	Grant date	Vesting date+	Expiry date++	Date vested	Number	Exercise price	Market price at date of grant	Market price at date of vesting
<b>Roland Carter</b>											
LTIP	67,200	67,200	N/A	05/11/21	01/10/24						
	67,200	67,200	N/A	02/11/22	15/10/25						
	67,200	0	N/A	01/11/23	15/10/26						
	40,900	0	N/A	08/04/24	15/10/26						
SAYE	773	773	1,163p	17/05/22	01/08/25	01/02/26					
	725	0	1,278p	16/05/24	01/08/27	01/02/28					
<b>Clare Scherrer</b>											
LTIP	91,342	91,342	N/A	02/11/22	15/10/25						
	91,342	0	N/A	01/11/23	15/10/26						
	10,961	0	N/A	08/04/24	15/10/26						
Deferred bonus award	2,009	2,009	N/A	03/10/22	03/10/25						
	13,303	0	N/A	03/10/23	03/10/26						
SAYE	1,346	1,346	1,337p	16/05/23	01/08/26	01/02/27					
<b>Paul Keel</b>											
LTIP	0	189,900	N/A	05/11/21	Lapsed						
	0	189,900	N/A	02/11/22	Lapsed						
Deferred bonus award	5,378	5,378	N/A	05/11/21	04/11/24						
	14,941	14,941	N/A	03/10/22	03/10/25						
	26,010	0	N/A	03/10/23	03/10/26						
SAYE	0	1,547	1,163p	17/05/22	Lapsed						

## Notes

- The high and low market prices of the ordinary shares during the period 1 August 2023 to 31 July 2024 were 1,786p and 1,526p respectively. The mid-market closing price on 31 July 2023 was 1,699p and on 31 July 2024 was 1,786p.
- The five-day average closing price of a Smiths Group share on the dates of the LTIP awards made to Directors in the FY2024 financial year was 1,582p (1 November 2023) and 1,626.5p (8 April 2024).
- The SAYE options over 1,346 shares granted to and held by Clare Scherrer at 31 July 2024 were granted at an exercise price below the market price of a Smiths Group share on 16 May 2023 (1,337p). Shares are granted in May but the savings period commences in August.
- None of the options or awards listed above was subject to any payment on grant.
- No options or awards have been granted to or exercised by Directors or have lapsed during the period 1 August to 12 September 2024.
- At 31 July 2024, the trustee of the Employee Benefit Trust held 1,388,730 shares. The market value of the shares held by the trustee on 31 July 2024 was £24,802,718 and all dividends were waived in the year in respect of the shares held by the trustee.
- Special provisions permit early exercise of options and vesting of awards in the event of retirement, redundancy or death.



## Key

**LTIP** The Smiths Group Long-Term Incentive Plan 2015.

**SAYE** The Smiths Group Sharesave Scheme.

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

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



## Performance tests

- LTIP awards have the following performance tests – 20% subject to EPS growth; 15% subject to ROCE; 20% subject to free cash-flow; 30% subject to revenue growth; 15% subject to reduction in greenhouse gas emissions.

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

### Share ownership requirement for Executive Directors

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

Executive Directors will be required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment, in line with best practice guidance. To help enforce this requirement, a hold is put on vested shares held in broker accounts with Smiths Group's share plan administrator. This policy applied to John Shipsey, who stepped down from the Group during FY2022, and applies to Paul Keel who resigned from the Group during FY2024. Mr Shipsey was required to hold 54,959 shares in the Company until at least 31 July 2024. Mr Keel is required to hold 92,660 shares in the Company until 31 March 2026.

### Executive Directors' shareholdings (audited)

The table below shows the shareholding for each Executive Director against their respective shareholding requirement as at 31 July 2024.

Director	Shareholding requirement	Shares owned outright	Shares subject to performance	Vested shares in holding period	Shares arising from bonus deferral	Save As You Earn (SAYE)	Current shareholding (% of requirement) <sup>1</sup>	Shareholding requirement met
Roland Carter	190,000	120,041	242,500	28,173	0	1,498	78%	N
Clare Scherrer	110,000	25,000	193,645	0	15,312	1,346	30%	N

There have been no changes to the Executive Directors' shareholdings between 1 August 2024 and 12 September 2024.

### Share scheme dilution limits

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company's discretionary schemes to 5% in any ten-year period. As at 31 July 2024 the headroom available under these limits was 8.2% and 3.84% respectively.



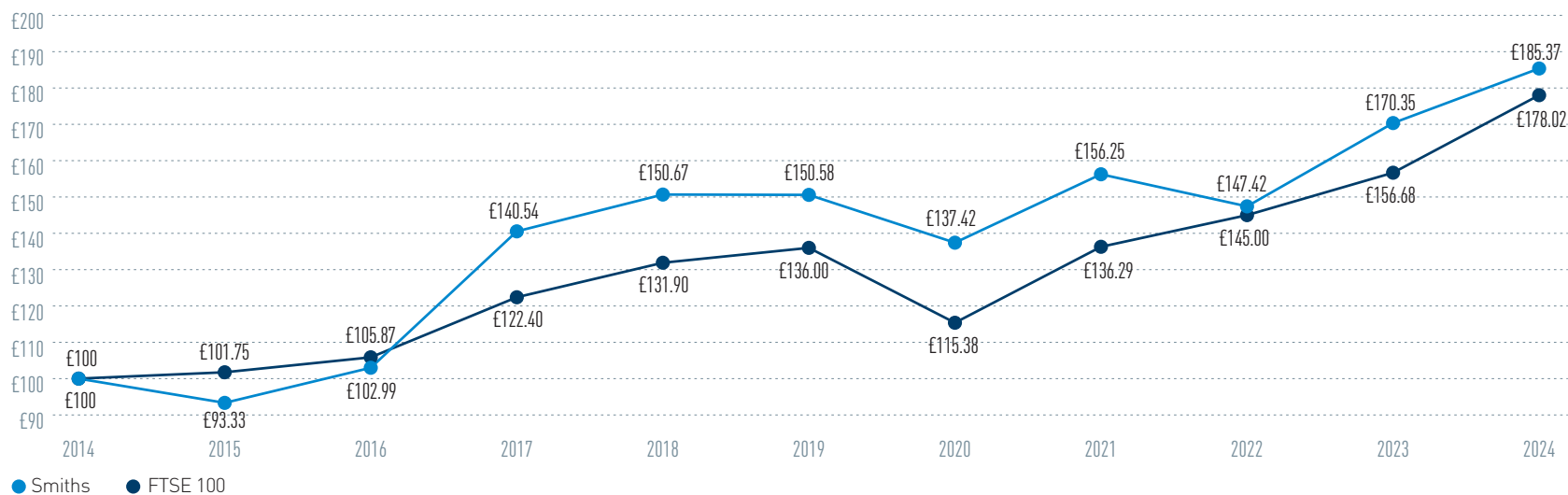
### Footnotes

- Shares owned outright (including vested shares in holding period), and the net of income tax value of shares arising from bonus deferral, are taken into account for the shareholding requirement. Executive Directors have five years from the date of appointment to meet the required personal shareholding; Roland Carter has until 26 March 2029 and Clare Scherrer has until 29 April 2027 to meet the requirement.

## TSR performance

The following graph shows the Company's total shareholder return (TSR) performance over the past ten years compared to the FTSE 100 Index. The FTSE 100 Index, of which the Company has been a member throughout the period, has been selected to reflect the TSR performance of other leading UK-listed companies. The values of hypothetical £100 investments in the FTSE 100 Index and Smiths Group plc shares at 31 July 2024 were £178.02 and £185.37 respectively.

### Total Shareholder Return



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

	FY2024 R Carter	FY2024 P Keel	FY2023 P Keel	FY2022 P Keel	FY2021 P Keel	FY2021 A Reynolds Smith	FY2020 A Reynolds Smith	FY2019 A Reynolds Smith	FY2018 A Reynolds Smith	FY2017 A Reynolds Smith	FY2016 A Reynolds Smith	FY2016 P Bowman	FY2015 P Bowman
Total remuneration £000	<b>1,656</b>	<b>814</b>	4,285	1,832	450	2,753	2,196	4,130	3,251	2,320	2,964	1,602	4,195
Annual bonus outcome (% max)	<b>60.5%</b>	<b>0%</b>	70%	39%	76%	70%	17%	41%	42%	96%	89%	88%	80%
Common Investment Plan outcome (% max)	<b>n/a</b>	<b>n/a</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%	100%
LTIP outcome (% max)	<b>76.7%</b>	<b>0%</b>	76%	n/a	n/a	19%	31%	75%	32%	n/a	n/a	18%	17%

## Chief Executive pay ratios

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

### Total remuneration

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
<b>FY2024</b>	<b>Option B</b>	<b>69:1</b>	<b>46:1</b>	<b>30:1</b>
FY2023	Option B	128:1	92:1	62:1
FY2022	Option B	58:1	39:1	26:1
FY2021	Option B	105:1	75:1	47:1
FY2020	Option B	75:1	53:1	34:1

### Salary

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
<b>FY2024</b>	<b>Option B</b>	<b>27:1</b>	<b>19:1</b>	<b>13:1</b>
FY2023	Option B	27:1	19:1	13:1
FY2022	Option B	28:1	20:1	13:1
FY2021	Option B	35:1	25:1	17:1
FY2020	Option B	31:1	22:1	15:1

	Salary (£)	Total Remuneration (£)
Chief Executive	940,172	2,462,902
25th percentile employee	35,474	35,678
Median employee	50,474	53,150
75th percentile employee	73,500	81,555

The pay data for employees in the UK workforce has been calculated using Option B, based on the data used for gender pay reporting, due to the availability of data at the time the Annual Report was published. The gender pay reporting basis comprises salary and benefits as at 15 April 2024 and incentive payments payable in respect of FY2024. The Committee considers that this provides an outcome that is representative of the employees at these pay levels. It is assumed that the value of employee benefits is 7.0% of base salary as an average across the workforce.

The workforce remuneration figures are those paid to UK employees whose pay is at the 25th, median and 75th percentile of pay for the Smiths Group's UK employees. Figures are shown on both the prescribed basis using total pay and also salary only, which provides a useful ongoing comparison as it is a less volatile basis. The figure for the Chief Executive is the total of the payments made to Roland Carter and Paul Keel. The CEO pay ratio for salary is consistent with the prior year as the salary

increases are aligned for the CEO and the wider UK workforce. There is a significant decrease in all ratios with regard to total remuneration as Paul Keel forfeited his annual bonus and LTIP upon resignation.

### Percentage change in Directors' remuneration

	FY2023 to FY2024			FY2022 to FY2023			FY2021 to FY2022			FY2020 to FY2021		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
CEO*	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Outgoing CEO	-45.0%	-48.5%	-100%	2.1%	-24.1%	185%	0%	239%	204%	n/a	n/a	n/a
CFO	8.3%	7.2%	2.2%	0.0%	10.7%	176%	n/a	n/a	n/a	n/a	n/a	n/a
NED	5.0%	-45%	n/a	2.5%	12.0%	n/a	2.5%	100%	n/a	-4.0%	-100%	n/a
All employee average	5.0%	5.0%	-14%	2.5%	2.5%	180%	2.5%	2.5%	-34%	0.0%	0.0%	267%

\* Roland Carter was appointed to the Board in March 2024 and year on year change can therefore not be calculated.

All employees' is defined as all UK Group employees. This was 196 employees at all grades in FY2024. It was 190 employees and 200 employees for FY2023 and FY2022 respectively.

Remuneration for the outgoing CEO Paul Keel was pro-rated for service from 25 May 2021 – 31 July 2021 for FY2021. Paul Keel forfeited his annual bonus for FY2024 upon his resignation on 25 March 2024. Remuneration for Roland Carter was pro-rated for service from 26 March 2024 for FY2024. Remuneration for the CFO Clare Scherrer was pro-rated for service from 29 April 2022 – 31 July 2022 for FY2022.

### Relative importance of spend on pay

The table below shows shareholder distributions (i.e., dividends and share buybacks) and total employee pay expenditure for FY2024 and FY2023 and the percentage change. The distributions are lower for FY2024 owing to a lower number of share buybacks than in FY2023.

	FY2024 £m	FY2023 £m	Change
Shareholder distributions	<b>217</b>	350	-38.0%
Employee costs	<b>992</b>	939	5.6%

### Executive Directors' service contracts

The Company's policy is that Executive Directors are normally employed on terms which include a one-year rolling period of notice from the Company and six months' notice from the individual. The contract includes provision for the payment of a predetermined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Company is entitled to

dismiss without compensation). In addition to payment of basic salary, pension allowance and benefits in respect of the unexpired portion of the one-year notice period and for good leavers only, the predetermined sum would include annual bonus and share awards only in respect of the period they have served, payable following the end of the relevant performance period and subject to the normal performance conditions.

Roland Carter is employed under a service contract with the Company dated and effective from 25 March 2024. He became an Executive Director with effect from 25 March 2024.

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

Paul Keel was employed under a service contract with the Company dated and effective from 25 May 2021. He became an Executive Director with effect from 25 May 2021 and stepped down as an Executive Director with effect from 25 March 2024.

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

### Change of control provisions

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

## Non-executive Directors

### Single figure of annual remuneration (audited)

	Salary/fees		Benefits <sup>1</sup>		Total	
	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000	FY2024 £000	FY2023 £000
Steve Williams <sup>2</sup>	354	–	–	–	354	–
Sir George Buckley	141	465	25	44	166	509
Pam Cheng	94	91	–	–	94	91
Alistair Cowan <sup>3</sup>	7	–	–	–	7	–
Dame Ann Dowling <sup>4</sup>	98	99	3	2	101	101
Karin Hoeing <sup>5</sup>	92	79	–	–	92	79
Richard Howes <sup>6</sup>	92	68	–	–	92	68
Bill Seeger <sup>7</sup>	114	151	–	4	114	155
Mark Seligman <sup>8</sup>	95	99	1	–	96	99
Noel Tata	102	95	–	3	102	98

### Non-executive Director fees

Non-executive Director fees paid during FY2024 and payable during FY2025 are shown below. It was determined that the fee increase for the Chairman and the Non-executive Directors' base fee should mirror that awarded to the wider UK workforce. For FY2025 a 3% increase was agreed by the Chairman and Executive Directors. This will apply from 1 October 2024.

	FY2025	FY2024
Fee payable to Chair of the Board for all responsibilities	£481,000	£467,000
Non-executive Director base fee	£80,956	£78,598
Additional fee payable to the Senior Independent Director	£20,000	£20,000
Additional fee for Committee Chairs	£20,000	£20,000
Attendance allowance for each meeting outside the Non-executive Director's home continent	£4,000	£4,000

### Share ownership guidance for Non-executive Directors

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



### Footnotes

- Benefits for the Chairman and Non-executive Directors relate to reimbursed travel-related and other expenses (including flight costs and tax support where applicable), which are grossed up for the UK income tax and National Insurance contributions paid by the Company on their behalf.
- Steve Williams joined the Board on 1 Sept 2023.
- Alistair Cowan joined the Board on 1 July 2024.
- Dame Ann Dowling's fee comprised her Non-executive Director's fee and her additional fee for chairing the Innovation, Sustainability & Excellence Committee.
- Karin Hoeing's fees comprised her Non-executive Director's fee and her additional fee for chairing the Remuneration & People Committee.
- Richard Howes' fees comprised his Non-executive Director's fee and his additional fee for Chairing the Audit & Risk Committee.
- Bill Seeger's fees comprised his Non-executive Director's fee, his additional fees for chairing the Remuneration & People and Finance Committees and his additional fee as Senior Independent Director. Bill retired from the Board on 31 May 2024.
- Mark Seligman's fees comprised his Non-executive Director's fee and his additional fee for chairing the Audit & Risk Committee and his additional fee as the Senior Independent Director.

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

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

	31 July 2024
Steve Williams	14,000
Pam Cheng	6,000
Alister Cowan	13,000
Dame Ann Dowling	5,813
Karin Hoeing	2,146
Richard Howes	3,739
Mark Seligman	6,000
Noel Tata	6,000

Following a quarterly acquisition of ordinary shares, under a share purchase agreement using a fixed proportion of their after-tax fees received from the Company (20%), Karin Hoeing acquired 317 shares and Richard Howes acquired 99 shares on 1 August 2024. There have been no further changes between 1 August 2024 and 23 September 2024.

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

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

	Date of appointment
Steve Williams	1 September 2023
Pam Cheng	1 March 2020
Alister Cowan	1 July 2024
Dame Ann Dowling	19 September 2018
Karin Hoeing	2 April 2020
Richard Howes	1 September 2022
Mark Seligman	16 May 2016
Noel Tata	1 January 2017

### Statement of shareholder voting

The table below sets out the Company voting outcome of the advisory resolution for approval of the Directors' Remuneration Report at the 2023 AGM and the approval of the Directors' Remuneration Policy at the 2021 AGM:

Resolution	Votes for	% of votes cast for	Votes against	% of votes cast against	Total votes cast	Votes withheld (abstentions)
Directors' Remuneration Report	262,514,509	97.53	6,640,919	2.47	269,155,428	3,532,235
Directors' Remuneration Policy	282,034,458	86.69	43,312,009	13.31	325,346,467	4,371,952

### Advisers to the Committee

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

The Company paid a total fee of £102,850 to Deloitte LLP in relation to remuneration advice to the Committee during the year. Fees were determined on the basis of time and expenses. During FY2024, Deloitte LLP provided the Committee with information on market, compliance support for this year's Directors' Remuneration Report and the provision of other advice relating to remuneration governance and market practice. Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to its Code of Conduct. Deloitte LLP provided additional tax advisory services including global corporation tax compliance and employee mobility advice, as well as company secretarial, internal audit co-source, transaction and consultancy services.

The Committee is satisfied that the advice provided by Deloitte LLP is objective and independent and that it does not have connections with the Group that may impair its independence.

### Summary of Remuneration Policy

The Remuneration Policy which follows on pages 109 to 117 will be put to a shareholder vote at the AGM on 13 November 2024 and, if approved, will be subsequently set out on the Company's website. The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

#### Karin Hoeing

Chair of the Remuneration & People Committee

# Remuneration Policy Report

The Remuneration Policy for Directors will be put to a vote at the AGM held on 13 November 2024, and if approved, will be effective for a period of up to three years from this date.

## Remuneration Policy review

Over the last 12 months, the Committee has undertaken a comprehensive review of remuneration arrangements, with a particular focus in ensuring it supports the retention and incentivisation of our global executive team and continues to drive an ambitious growth strategy. Our executive talent is sourced from a range of industrial, scientific and technology backgrounds across the world, reflecting our global footprint. As part of the Policy review process, stakeholder consultation was carried out and input was received from Remuneration & People Committee members, Board Members and key management personnel, whilst ensuring that conflicts of interest were suitably mitigated. Input was provided by Deloitte, the Committee's appointed independent advisers throughout the process. We also engaged more widely with our largest shareholders and are pleased that they were broadly supportive of the changes proposed to our Remuneration Policy. The remuneration policies and practices throughout the Group, market practice both in the UK and against our global peers, and the UK Corporate Governance Code were also taken into account.

## Summary of key changes

The Remuneration & People Committee concluded that the current Policy and incentive framework remains broadly fit for purpose and creates strong alignment between executives and shareholders. As such, we are proposing a number of relatively modest adjustments to support talent retention and attraction over the life of the Policy.

*Long-Term Incentive Plan (LTIP) awards* – We will maintain the fixed shares approach for our Executive Directors, which applies to all LTIP participants across the Smiths Group and is well understood. It is intended that the CEO will receive an annual grant of 190,000

shares, reflecting a modest rounding to the existing Policy approach, and the CFO will receive an annual grant of 110,000 shares. Under the current policy, an overall cap of 400% of salary applies. This was intended to restrict the value of fixed shares in the event that the share price increased by more than 33% over the relevant period. It is proposed that this cap is adjusted to 500% of salary to provide additional headroom in incentivising share price growth and value creation.

*Annual Incentive Plan (AIP)* – It is proposed that the maximum AIP opportunity is increased from 200% to 250% of salary to ensure the Policy has flexibility to support the attraction and retention of current and future Executive Directors over the life of the three-year Policy, and drive incentivised performance and growth through the successful execution of our strategy. For 2024, it is intended that the CEO and CFO will be eligible for a maximum AIP opportunity of 230% and 200% of salary respectively. In the event of using additional headroom in the Policy, we would consult with shareholders. We will continue to operate the deferral of one third of any earned bonus in Smiths shares for three years. This operates alongside our shareholding guideline, which requires Executive Directors to build and hold shares equivalent to their annual LTIP grant as a fixed number of shares, within five years.

The Remuneration & People Committee intends that the new Policy will operate for three years. However, its effectiveness will be monitored, and if further changes are needed over the three-year lifecycle of the Policy before its renewal at the 2027 AGM, a new Policy may be put to vote at an earlier General Meeting.

## Remuneration Policy for the Executive Directors

### Base salary

#### To attract, motivate and retain Executive Directors with the required skills and expertise to deliver the Group's objectives

Salaries are normally reviewed (but not necessarily adjusted) annually. On review, consideration is given by the Committee to a range of factors including, but not limited to, individual performance and experience, changes in role and responsibility, the relative performance of the Company and the Remuneration Policy operated across the Group as a whole.

The Remuneration & People Committee may also consider pay data for comparable roles at companies of similar market capitalisation, revenues and complexity.

The salary increase date (if applicable) is normally 1 October.

#### Opportunity

Base salaries are adjusted according to the outcome of the annual review and will be disclosed in the Annual Report on Remuneration.

There is no maximum salary or maximum increase in salary under the Policy.

Salary increases for the Executive Directors will normally be in line with those awarded to Smiths Group's wider employee population. Where increases are awarded in excess of this, for example if there is a material change in the responsibility, size or complexity of the role, or a significant change in the market competitiveness of salary, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.

#### Performance measures

Not applicable

### Benefits

#### To provide market-competitive benefits to Executive Directors

Benefits comprise car benefit, driver for business purposes, life assurance and private healthcare insurance, and other such benefits as the Committee may from time to time determine are appropriate. These include, but are not limited to, relocation allowances, as well as any other future benefits made available either to all employees globally or all employees in the region in which the Executive Director is employed, or benefits that may be necessary in order to be competitive locally.

#### Opportunity

Benefits vary by role and individual circumstances.

Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.

Whilst there is no maximum level of benefits prescribed, they are generally set at an appropriate market-competitive level determined by the Committee.

The Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside the Group's control have changed materially (e.g. market increases in insurance costs).

#### Performance measures

Not applicable

### Pensions

#### Enables Executive Directors to save for their retirement in a cost-efficient manner

Executives may choose either to participate in the Company's defined contribution pension plan or to receive a pension allowance in lieu thereof (and thus arrange their own pension provision).

Pension allowances for the employee population are reviewed periodically to ensure market competitiveness.

Base salary is the only element of remuneration that is taken into account when determining pension contributions or allowances.

#### Opportunity

The maximum level of pension contribution (or allowance in lieu thereof) for Executive Directors will be aligned to the rates available to the wider workforce in the Executive Director's local market.

#### Performance measures

Not applicable



## Remuneration Policy for the Executive Directors continued

### Annual bonus

		Opportunity	Performance measures
<p><b>Incentivises short-term priorities in line with the Group's business strategy.</b></p>	<p>Annual bonus payments are determined based upon performance against measures and targets normally set by the Committee at the start of each financial year.</p> <p>After the end of the financial year, to the extent that the performance criteria have been met, up to 67% of the earned annual bonus is paid in cash. The balance is normally deferred into shares and released after a further period of three years, without further performance or other conditions. Dividends accrue and are normally payable in shares at the end of the deferral period.</p> <p>The Committee may use its discretion to adjust payout of the annual bonus, both upwards and downwards, to Executive Directors, within the range of the minimum to maximum opportunity, including reducing it down to zero. Such discretion will be used in circumstances such as, but not limited to, where the Committee believes that performance against the prescribed targets does not accurately reflect the Company's underlying performance.</p> <p>In addition, cash and deferred share bonuses awarded will be subject to malus and/or clawback for a period of three years from the end of the relevant performance year in case of misconduct, serious reputational damage, corporate failure or material misstatement in the published results of the Group.</p>	<p>The maximum annual bonus opportunity for Executive Directors is up to 250% of salary.</p> <p>The annual bonus opportunities for the year under review and the coming year are disclosed in the Annual Report on Remuneration.</p> <p>Under the financial element of the annual bonus, threshold performance must be exceeded before any annual bonus becomes payable. The percentage payout then increases according to the level of achievement against targets. Payment of up to 25% of maximum opportunity occurs on achievement of threshold performance and 50% of maximum opportunity on achievement of on-target performance.</p> <p>For non-financial measures, the amount of bonus earned will be determined by the Committee between 0% and 100% by reference to its assessment of the extent to which the relevant metric or objective has been met.</p>	<p>Based on a combination of financial and non-financial performance measures linked to short-term objectives. Financial performance will normally account for no less than 70% of the bonus opportunity and may include, but is not limited to, profit, organic revenue growth and cash measures.</p>

## Remuneration Policy for the Executive Directors continued

### Long-Term Incentive Plan (LTIP)

	Opportunity	Performance measures
<p><b>Incentivises long-term value creation for shareholders, sustainable growth and effective management of the balance sheet</b></p> <p>Awards of conditional shares are normally granted annually and vest after a performance period of at least three years, subject to the achievement of performance targets set by the Committee, normally at the start of each cycle. Vested shares are subject to a two-year post vesting holding period.</p> <p>To the extent that the performance targets are not met over the performance period, awards will normally lapse. No retesting of awards under any performance condition is permitted.</p> <p>Dividends accrue and are normally paid in shares at the end of the vesting period, on shares that vest.</p> <p>The Committee may use its discretion to adjust payout of the LTIP to Executive Directors, within the limits of the Plan rules. Such discretion will be used in circumstances such as, but not limited to, where the Committee believes that performance against the prescribed targets does not accurately reflect the Company's underlying performance.</p> <p>Awards will be subject to malus over the vesting period and clawback from the vesting date for a period of five years from the date of grant in the case of misconduct, serious reputational damage, corporate failure or material misstatement in the published results of the Group.</p>	<p>The maximum LTIP award opportunity for Executive Directors is up to 500% of salary.</p> <p>Normally, awards of a fixed number of shares will be made in respect of the relevant financial year. For awards made in respect of FY2025, this fixed number of shares is 190,000 shares for the CEO and 110,000 shares for the CFO. In future years for which this policy applies, normally it is intended that the Executive Directors will each be awarded the same fixed number of shares as in respect of FY2025. In the event that the Company share price increases during the three-year policy period, the fixed number of shares awarded will be restricted so that the value of the award is no more than 500% of salary.</p> <p>LTIP award sizes for the relevant year will be disclosed in the Annual Report on Remuneration.</p> <p>At threshold performance against each measure, up to 25% of the award subject to that measure vests, increasing to 100% for achieving stretch targets.</p>	<p>Based on measures of performance that are aligned with the Group's strategy.</p> <p>To ensure continued alignment with the Company's strategic priorities, the Committee may, at its discretion, vary the measures and their weightings from time to time (but will consult shareholders before making significant changes to the performance measures).</p>

### Sharesave

	Opportunity	Performance measures
<p><b>Encourages ownership of shares in the Company and alignment with shareholder interests.</b></p> <p>All UK employees (including Executive Directors) may save up to a maximum monthly savings limit (as determined by UK legislation, or other such lower limit as the Committee may determine at its discretion) for three years.</p> <p>At the end of the savings period, participants may use their savings to exercise options to acquire shares, which may be granted at a discount of up to 20% to the market price on grant.</p>		None required

### Shareholding guidelines

	Opportunity	Performance measures
<p><b>Encourages ownership of shares in the Company and alignment with shareholder interests.</b></p> <p>Executive Directors should build a minimum shareholding equivalent to the fixed number of shares awarded in respect of FY2025 under the LTIP within five years. In normal circumstances, 50% of any net vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met.</p> <p>Shareholding guidelines may also apply below Executive Director level.</p> <p>Executive Directors are required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment.</p>		None applicable

## Existing grants or entitlements

It is the Company's intention to honour all pre-existing commitments at the date of this Report and to honour all future obligations entered into, consistent with the approved Remuneration Policy in force at that time. In the case of internal promotion to the Board, the Committee intends to honour any pre-existing commitments made prior to becoming a member of the Board, including where these differ from the approved Remuneration Policy.

## Performance measure selection and approach to target setting

Annual bonus measures are selected to reflect the Company's short-term financial and non-financial priorities. At its discretion, the Committee may vary these measures at the start of each financial year to maintain close alignment between executive incentives and the annual operating plan.

The measures used in the Long-Term Incentive Plan are selected to reflect Smiths Group strategy and to reinforce the key drivers of value creation and growth highlighted elsewhere in this Annual Report which may include, but are not limited to, earnings per share, cash measures, organic revenue growth, delivering sustainable return on capital and measures relating to Environmental, Social and Governance matters. The Committee retains full discretion to change the performance metrics, weightings and targets of the annual bonus and LTIP if there is a significant and material event which causes the Committee to believe the original metrics, weightings and targets are no longer appropriate. The rationale will be disclosed in the Remuneration Report of the following year.

Annual bonus and LTIP targets are reviewed annually, and take into account the Company's strategic plan, analyst forecasts for Smiths and its sector comparators and external expectations for Smiths key markets. The Committee sets targets that it considers to be challenging but attainable and aligned to the Company's business objectives over the short term, as reflected in the annual operating plan, and longer term, consistent with the strategic plan. On top of aligning incentives with strategy, targets are designed to ensure that participants' interests are aligned with the interests of shareholders.

The linkage of the performance measures to business strategy is set out in the 'Executive remuneration at a glance' section of the Remuneration Report.

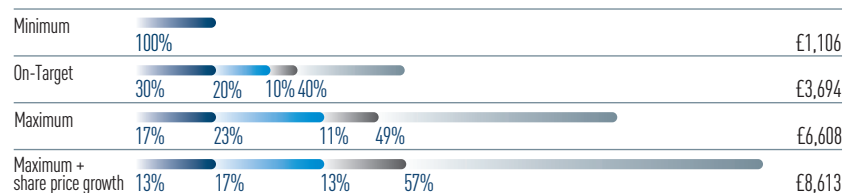
## Alignment of policy between Executive Directors and other employees

The reward policy for other senior employees is broadly consistent with that for Executive Directors. The Company operates a deferred bonus plan which only applies to Executive Directors, all other incentive plans have broader participation across the Company. The Committee reviews each year the all-employee pay and incentive trends and takes these into account in setting Executive Director remuneration levels. The principles of remuneration packages being market-related, performance-sensitive and driven by business needs are applied at all levels and geographies in the Group and the performance measures used in incentive plans apply generally across all levels of the business.

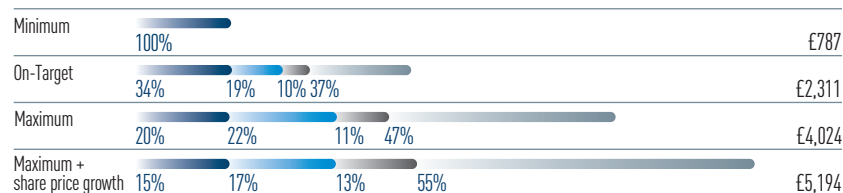
## Pay scenarios

The graphs below provide estimates of the potential future reward opportunity for the Chief Executive and the Chief Financial Officer, and the potential mix between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-Target', 'Maximum' and 'Maximum + Share Price growth' (which assumes a 50% increase in share price over the LTIP vesting period).

### CEO (£000)



### CFO (£000)



● Fixed pay (salary, benefits and pension) ● Cash bonus ● Deferred bonus ● LTIP

Potential opportunities illustrated above are based on the Policy, applied to the annualised base salaries in force from 1 October 2024. It should be noted that any awards granted under the LTIP in a year do not normally vest until the third anniversary of the date of grant. This illustration is intended to provide further information to shareholders on the relationship between executive pay and performance. Please note that actual pay delivered will further be influenced by factors such as share price appreciation or depreciation and the value of dividends paid. The following assumptions have been made in compiling the above charts:

	Minimum	On-Target	Maximum
Base salary	Annual base salary		
Pension	Company pension allowance		
Other benefits	Value of annual benefits provided		
Cash bonus	0% of salary	77% (CEO), 67% (CFO) of salary	153% (CEO), 133% (CFO) of salary
Deferred bonus	0% of salary	38% (CEO), 33% (CFO) of salary	77% (CEO), 67% (CFO) of salary
LTIP	0% of salary	152% (CEO), 127% (CFO) of salary	337% (CEO), 282% (CFO) of salary

## Remuneration Policy for the Chairman and Non-executive Directors

### Annual fee

Opportunity

**To attract, motivate and retain Non-executive Directors with the required skills and expertise.**

Fees may be paid in cash or a combination of cash and shares and are reviewed annually (but not necessarily increased) to ensure they compare appropriately to fees payable at companies of similar size and complexity to Smiths.

Additional fees are paid to the Committee Chairs and to the Senior Independent Director to reflect the additional time commitment of these roles. Additional fees may be paid for other responsibilities or time commitments.

The fee paid to the Chairman of the Board is determined by the Committee, absent the Chairman, while the fees for all Non-executive Directors are agreed by the Chairman and the Executive Directors.

Fees are adjusted according to the outcome of the annual reviews.

The basic fee for Non-executive Directors is subject to the maximum aggregate annual fee of £1,000,000, as approved by shareholders in 2017 and as set out in the Company's Articles of Association.

Performance measures

Not applicable

### Other

The Chairman and Non-executive Directors do not currently receive any benefits and are not eligible for bonuses or participation in share schemes or any pension provision. They may be paid an attendance allowance for each meeting attended outside their home continent in addition to the annual fee. Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors (including any associated tax liability). The Group may provide advice and assistance with Board Directors' tax returns where these are impacted by the duties they undertake on behalf of the Group. Modest retirement gifts, with a value of up to a maximum of £2,500, may be provided for Non-executive Directors in appropriate circumstances.

Non-executive Directors are encouraged to build up a shareholding of at least 100% of their annual base fee over the later of five years from their date of appointment or the adoption of this guideline.

## Approach to remuneration on recruitment and leaving

### Executive Directors

The Committee approves the remuneration of each Executive Director on their appointment. The package should be market competitive to facilitate the recruitment of an individual of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent. In setting the remuneration during the recruitment of external appointments, the Committee will apply the following policy:

Pay element	Policy on recruitment
<b>Base salary</b>	Salary on recruitment is determined based on the same principles as the annual salary review, as outlined in the policy table.
<b>Benefits</b>	As described in the policy table.
<b>Pensions</b>	As described in the policy table.
<b>Annual bonus</b>	As described in the policy table and typically pro-rated for the proportion of year served. Maximum annual award opportunity: 250% of salary.
<b>LTIP</b>	May be considered for an award under the LTIP on similar terms to other executives. Maximum annual award opportunity: 500% of salary.
<b>Other</b>	The structure of the ongoing remuneration package would normally include the components set out in the policy table for Executive Directors.  Circumstances in which other elements of remuneration may be awarded include: <ul style="list-style-type: none"> <li>– an interim appointment being made to fill an Executive Director role on a short-term basis;</li> <li>– if exceptional circumstances require that the Chairman or a Non-executive Director takes on an executive function on a short-term basis;</li> <li>– if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or LTIP award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.</li> </ul> <p>The Committee may make an award to compensate the prospective employee for remuneration arrangements forfeited on leaving a previous employer or engagement. Any such award will take account of relevant factors including the form of any forfeited awards (e.g. cash or shares) including the value of awards forfeited, any performance conditions attached, the likelihood of those conditions being met and the proportion of the vesting period remaining. For the purposes of making such awards, but for no other reason, the Committee may avail itself of Listing Rule 9.3.2R. Such awards or payments are excluded from the maximum level of variable remuneration referred to below. However, the Committee's intention is that the value awarded or paid would be no higher than the expected value of the forfeited arrangements.</p> <p>Recruitment awards will normally be liable to forfeiture or, "clawback", on early departure (i.e. within the first 12 months of employment). The maximum level of variable remuneration that may be granted to new Directors (excluding buy-out arrangements) is 750% of base salary. The Committee may also make payments to cover reasonable expenses in recruitment and relocation, and any other miscellaneous expenses including but not limited to housing, tax and immigration support.</p>

In cases of appointing a new Executive Director by way of internal promotion, the Policy will be consistent with that for external appointees, as detailed above. Any commitments made prior to an individual's promotion will continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled, although the Company may, where appropriate, seek to revise an individual's existing service contract on promotion to ensure it aligns with other Executive Directors and prevailing market best practice.

Disclosure on the remuneration structure of any new Executive Director (external or internal), including details of any exceptional payments, will be disclosed in the RNS notification made at the time of appointment and in the Annual Report on Remuneration for the year in which the recruitment occurred. Respecting diversity is woven into everything we do. We ensure that equal opportunities are inherent when interviewing, recruiting and promoting employees with decisions made based on skills and expertise first and foremost.

### Non-executive Directors

In recruiting a new Non-executive Director, the Committee will use the policy as set out in the table on page 114.

### Executive Directors' service contracts

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

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

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

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

### Leaving and change-of-control provisions

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

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

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

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

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

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

The Committee retains discretion to vary these provisions on a case-by-case basis.

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

### External appointments

Subject to the overriding requirements of the Company, the Committee allows Executive Directors to accept one external appointment where it considers that such appointment will contribute to the Director's breadth of knowledge and experience. Executive Directors are not permitted to take on the chairmanship of another FTSE 100 company or equivalent organisation. Directors are permitted to retain fees associated with such appointments. Non-executive Directors must obtain the approval of the Board before accepting any additional appointments once they have joined the Board.

### Consideration of employment conditions

The Committee always takes into account pay and employment conditions elsewhere in the Company. When setting remuneration for Executive Directors and the senior management team, the Committee carefully considers wider remuneration across the Group, including salary increases, bonus awards, share plan participation and pay ratios between Executive Directors and other employees. This has been a particular area of focus for the Committee in designing a new policy that is capable of cascade down the organisation.

We are committed to sharing business success across the organisation, with c.6,500 employees currently participating in an annual bonus plan. There is strong alignment of business metrics between the Executive Directors bonus plan and those in which the majority of the workforce participate. In addition, the Group offers an all-employee sharesave plan to eligible employees in the UK.

Application of the policy will be influenced by the remuneration arrangements for all employees.

### Consideration of shareholder views

The Committee considers best practice developments and publications from institutional investors and shareholder bodies as well as any shareholder views expressed during dialogue. The Committee is committed to maintaining an open and consultative dialogue with Company shareholders and shareholder bodies. During the year a formal shareholder consultation exercise was undertaken as part of the review of the Policy, to provide the major shareholders with the opportunity to provide feedback and engage on our proposals.

# Directors' report

The Strategic report is a requirement of the Companies Act 2006 (the Act) and can be found on pages 2 to 70. The Company has chosen, in accordance with section 414C(11) of the Act, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report. The Strategic report and the Directors' report together are the management report for the purposes of Rules 4.1.8R to 4.1.12R of the Disclosure Guidance and Transparency Rules.

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

Disclosure	Location
Likely future developments in the Company	Strategic report pages 2 to 31
Directors' dividend recommendation	Strategic report page 22
Research and development activities	Strategic report pages 24 to 31
Employment of disabled persons	ESG metrics, targets and performance pages 65
Engagement with UK employees	Our people and culture page 9 Building our culture page 13 ESG metrics, targets and performance pages 65 to 67 Governance report pages 78 and 80
Engagement with suppliers, customers and others in a business relationship with the Company	Sustainability at Smiths pages 32 to 39 Governance report pages 78 to 81
Political donations and expenditure	Directors' report page 119
GHG emissions, energy consumption and energy efficiency	ESG metrics, targets and performance pages 62 to 64
Corporate Governance Statement	Governance report pages 71 to 119
Directors during FY2024	Governance report pages 73 and 74
Director appointment	Governance report page 85
Amendment of Articles of Association	Governance report page 85
Indemnities	Governance report page 76
Change of control	Remuneration & People Committee report pages 107 and 116 Directors' report page 118 Borrowings and net debt note 18
Directors' responsibility statement	Statement of Directors' responsibilities page 120
Disclosure of information to the auditor	Statement of Directors' responsibilities page 120
Financial instruments	Financial risk management note 19
Share capital disclosures	Share capital note 24
Acquisition of own shares (share buyback programme)	Share capital note 24
Directors' powers	Governance report page 72 Share capital note 24
Post balance sheet event	Post balance sheet event note pages 194 and 209
Overseas branches	Subsidiary undertakings page 216

## Change of control

The Company and two of its businesses, Smiths Detection and Smiths Interconnect, have Special Security Agreements with the US Department of Defense in order to comply with the US government's national security requirements. In the event of a change of control of the Company, the agreements may be terminated or altered by the US Department of Defense.



## Listing Rules disclosure

Information required by the FCA's Listing Rules can be found as set out below. There are no further disclosures required in accordance with Listing Rule 6.6.1R.

Listing Rule	Disclosure	Location
6.6.1R(1)	Capitalised interest	There was no interest capitalised during FY2024
6.6.1R(11)(12)	Dividend waiver	Dividend note 25
6.6.6R(1)	Directors' interests	Remuneration & People Committee Report pages 108
6.6.6R(2)	Major shareholders' interests	Directors' report page 119
6.6.6R(3)(a)(b)	Going Concern and Viability Statement	Strategic report pages 68 to 70
6.6.6R(4)(a)	Purchase of own shares	Share capital note 24
6.6.6R(5)(6)(a)(b)	UK Corporate Governance Code compliance	Governance report page 71
6.6.6R(7)	Unexpired term of service contract	Remuneration & People Committee report pages 106 to 107
6.6.6R(8)(a)(b)	TCFD disclosures	Task Force on Climate-related Financial Disclosures page 49 to 59
6.6.6R(9)(10)(11)	Board and executive management diversity	ESG metrics, targets and performance pages 66 and 67 Governance report page 86

### Political donations

The Group did not give any money for political purposes in the UK, the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. In accordance with the US Federal Election Campaign Act, Smiths provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by the Company and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising Government Relations employees and reported to all eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during FY2024 totalled US\$28,000 (FY2023: US\$6,000).

### Major shareholders' interests

As at 31 July 2024, the Company had been notified under the FCA's Disclosure Guidance & Transparency Rules of the following holdings of voting rights in its shares:

	Number of voting rights	% of total voting rights	Date of notification
BlackRock, Inc.	23.3m	5.9	31 May 2018
Harris Associates L.P.	19.7m	5.0	22 July 2019
Dodge & Cox	19.2m	5.0	12 March 2022
Ameriprise Financial, Inc.	17.7m	5.0	5 December 2022
Artemis Investment Management LLP	17.6m	4.9	25 October 2022

No further notifications were received between 1 August and 12 September 2024.

By order of the Board

**Matthew Whyte**

Company Secretary

23 September 2024

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether applicable UK-adopted international accounting standards have been followed;
- For the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed subject to any material departures disclosed and explained in the Parent Company financial statements;
- Assess the Group and Parent Company's ability

to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## Directors' responsibility statement

Each of the Directors (who are listed on pages 73 and 74) confirms that to the best of his or her knowledge:

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

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

Signed on behalf of the Board of Directors:

**Roland Carter**  
Chief Executive Officer

23 September 2024