

Purpose of the Policy

The Corporate Sustainability Reporting Directive (CSRD) is a European Union (EU) directive which establishes environmental, sustainability and governance (ESG) reporting requirements for large organisations. CSRD's reporting standards require disclosures against 12 European Sustainability Reporting Standards (ESRS), depending on materiality. To comply with CSRD at Group level, Smiths businesses must disclose all topics deemed material to their operations, in line with ESRS, including topics relating to supply chains.

The Policy

Smiths Group is committed to conducting business safely, sustainably, lawfully and to the highest business and ethical standards. Our ESG activities are central to our purpose. Our business activities, the way we operate, and our ESG framework and priorities enable us to contribute in a meaningful and practical way to global sustainability commitments and goals.

Our supply chain plays an important role in delivering this. In conjunction with the Smiths Supplier Code of Conduct, which makes clear our expectations of suppliers on ethical behaviour, compliance with the law, treatment of personnel and materials from socially and environmentally responsible sources, Smiths wishes to engage suppliers who monitor, evaluate and minimise sustainability impact. We want our supply chain to operate sustainably at the same high standards we hold ourselves to.

This Policy is established to set forth clear roles, responsibilities and processes regarding ESG management and due diligence relating to the Group's supply chains. Every employee and supplier of Smiths is responsible for adhering to this Policy and its objectives.

This Policy supports four key aspects of sustainability: [environment](#), [labour and human rights](#), [ethics](#) and [sustainable procurement](#).

Supplier selection and monitoring

All new and renewing Smiths suppliers must be evaluated for ESG compliance prior to their engagement by Smiths. For the purpose of adhering to this Policy, Smiths will engage with an independent, third-party assessor (EcoVadis) to provide objective evaluation of suppliers within its supplier network. Supplier relationship managers in our businesses' procurement management teams are responsible for evaluating suppliers as follows:

- **New suppliers:** ESG risk assessment must be conducted as part of the Request for Proposal (RFP) process for all new suppliers. This initial ESG risk assessment shall be conducted using an independent, external evaluation tool EcoVadis IQ and must also be submitted for further evaluation through the EcoVadis assessment platform.
- **Existing suppliers:** shall be submitted to the EcoVadis assessment based on an internal Smiths supply chain risk assessment and, once submitted, shall be subject to annual review. All suppliers submitted to the EcoVadis assessment platform are expected to receive an annual score of at least 45/100, which indicates that they have been assessed as having:
 - A structured and proactive sustainability approach;
 - Policies and tangible actions on major ESG topics; and
 - Basic reporting on actions or key performance indicators.

Suppliers who are unable to attain this score will be evaluated for deficiency and criticality. Where possible, an improvement plan will be put in place to help the supplier obtain the necessary score by the time of their annual review. If the supplier is unable or unwilling to meet the requirements of the improvement plan, Smiths will consider removing that supplier from its supply network.

If a supplier cannot be found using the EcoVadis platform, Smiths will conduct an initial risk assessment using its internal risk assessment tool. Suppliers identified as medium or high risk in the tool will also be submitted for further evaluation through EcoVadis.

ESG expectations for suppliers

In conjunction with following the Smiths Supplier Code of Conduct, suppliers are expected to monitor and evaluate their environmental performance in relation to their own operational impact and to set appropriate goals and measures to minimise impact. Suppliers are also expected to comply with regulations relating to both location of operations and scope of activities.

In addition, our suppliers are expected to support Smiths Group's commitments to existing and future regulatory and reporting obligations.

Suppliers are further expected to have procedures in place to comply with the Modern Slavery Act 2015 and to have provided training to their workforce; they are also expected to comply with, and have trained their workforce in accordance with, the Bribery Act 2010.

Specific industries will be required to adhere to additional safeguards on top of this Policy to reflect the specific impact of their activities.

It is incumbent upon Smiths Group's procurement and supply chain teams to ensure that selected suppliers are adhering to these principles using EcoVadis, binding contractual terms, and ongoing compliance monitoring.

Oversight and continuous improvement

As the adoption of EcoVadis is in its pilot phase, Smiths Group's senior ESG analyst will review this Policy every six months to ensure continuing alignment with the Group's ESG objectives.

Any changes to this Policy must be approved in line with the Policy's document control plan.

Definitions

For the purposes of this Policy:

Corporate Sustainability Reporting Directive (CSRD) means EU Directive 2022/2464, as may be amended from time to time

Environment comprises concepts related to energy consumption and controlled halogenated gases (chgs), water, biodiversity, air pollution, materials, chemicals, waste, product use, product end-life, customer health and safety, and environmental services and advocacy

Ethics comprises concepts related to fair trade, anti-corruption, and responsible information management

European Sustainability Reporting Standards means the 12 standards adopted by the EU for use by all companies subject to CSRD, as follows:

- ESRS 2 – General Disclosures
- ESRS 2 – Minimum Disclosure Requirements (MDR)
- ESRS E1 – Climate Change
- ESRS E2 – Pollution
- ESRS E3 – Water and Marine Resources
- ESRS E4 – Biodiversity and Ecosystems
- ESRS E5 – Resource Use and Circular Economy
- ESRS S1 – Own Workforce
- ESRS S2 – Workers in the Value Chain
- ESRS S3 – Affected Communities
- ESRS S4 – Consumers and End-users
- ESRS G1 – Business Conduct

Labour and human rights comprises concepts related to employee health and safety; working conditions; social dialogue; career management and training; anti-modern slavery (forced labour, child labour and human trafficking); diversity, equity, and inclusion; and external stakeholder human rights

Supplier means any entity that sells any goods or services to any Smiths business or Smiths Group

Sustainability means an integrated approach to conducting business that takes into consideration environmental, social and economic development concerns to meet the needs of the present without compromising the ability of future generations to meet their own environmental, social and economic needs

Sustainability impacts means the adverse effects of conducting business on the environment, economy and society

Sustainable procurement means the integration of business specifications, requirements and criteria that are compatible with the protection of the environment and society as a whole

For further guidance

Should you have any queries about this Policy, please contact Smiths Group's senior ESG analyst.

Should you have any queries about the assessment process, please contact your local supplier relationship manager.

Relevant Policies and Statements

- Code of Business Ethics
- Supplier Code of Conduct
- Biodiversity Statement
- Ethical Behaviour of Suppliers and Others
- Human Rights Supply Chain Due Diligence Policy
- Human Rights Policy
- Environmental Sustainability Policy
- Water Policy
- Waste Policy

The above listed policies can be found on the Smiths Group intranet here: [Smiths Group Global Policies](#)