

smiths

IMPROVING  
OUR WORLD  
THROUGH  
SMARTER  
ENGINEERING

SUSTAINABILITY AT SMITHS  
REPORT FY2023



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## HOW TO NAVIGATE THIS REPORT

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- ⊕ Supporting data, statistics and insights
- Links to additional content within the report
- ↗ Links to additional external content
- “ Quotes from our team and highlights

## HOW TO ACCESS MORE INFORMATION

Use the links to navigate around the report and access external content.

↗ Read more about us  
in our Annual Report  
[CLICK HERE](#)

↗ Read more about the  
Group on our website  
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# FY2023 HIGHLIGHTS

## HIGHLIGHTS



### COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES

Read about our technologies supporting decarbonisation.

[→ PG 26](#)

### OUR CLIMATE/NET ZERO TRANSITION PLAN

We publish our Net Zero/climate transition plan.

[→ PG 30](#)

### DEVELOPING AND ATTRACTING TALENT

Read about how we are developing Smiths talent for the future.

[→ PG 48](#)

### THE SMITHS GROUP FOUNDATION

We were excited to launch our new Foundation during the year.

[→ PG 54](#)

### OUR CODE OF BUSINESS ETHICS

We launched a new Code of Business Ethics in FY2023.

[→ PG 8](#)



## OUR PURPOSE

We are pioneers of progress – improving our world through smarter engineering.

Smarter engineering enables us to solve the toughest problems for our customers and address critical global needs such as decarbonisation and green re-industrialisation, safety and security, and demand for data. At the same time building the long-term sustainability of Smiths and its global operations.

We are united by our purpose. It is what we do, how we think, and how we will continue to use our passion for technology and engineering.

It is my pleasure to introduce our second Sustainability at Smiths report.

Throughout our history, Smiths has been guided and inspired by our purpose of improving our world through smarter engineering. Our purpose is both timeless and timely. It describes the impact we have had across our first 172 years, as well as our commitment to continuous advancement moving forward, for our customers, our colleagues, our communities and our shareholders.

Our Environment, Social and Governance (ESG) activities are central to our purpose. Smarter engineering means the types of game-changing innovations that Smiths has contributed across its history and continues to invent today, with a particular

focus on green technology. Smarter engineering means the kinds of global capabilities that help our customers achieve their sustainability objectives. And smarter engineering means helping to solve the world's toughest problems, many of which are environmental, social and governance in nature.

We are proud of our strong track record of sustainability, and we are pleased with our further progress this year. Most of all, though, we are energised by the exciting future we share with our stakeholders.

I hope you enjoy the report.

**PAUL KEEL**

Chief Executive Officer



# OUR MARKETS AND MEGATRENDS



## OUR MARKETS

We operate in four global markets:

### GENERAL INDUSTRIAL

Customers put their trust in our products and services to support a wide range of general industrial applications in sectors including petrochemicals, mining, pulp & paper, water treatment, semiconductor testing, heating elements, automotive and rail transportation.

### SAFETY & SECURITY

Our threat detection equipment helps keep people and assets safe. Demand in the security market is driven by persistent and evolving terror threats, changing security regulations, and increased global air travel and trade.

### ENERGY

John Crane's mechanical seals and systems support energy operations worldwide including downstream and midstream oil & gas, power generation and low-/no-carbon energy solutions. Growth is driven by increased global demand for energy, decarbonisation, productivity, and enhanced environmental and safety requirements.

### AEROSPACE

Aerospace growth is driven by increasing passenger and freight traffic and the development of new fuel-efficient aircraft. Satellite launches and emerging activities like deep space exploration are driving demand for high-reliability solutions in the space market.

## MEGATRENDS

Powerful megatrends that are aligned with our purpose propel long-term growth in these markets.

### DECARBONISATION AND GREEN RE-INDUSTRIALISATION

The need to mitigate climate change and deliver secure and affordable power is driving a fundamental revolution in energy use, energy sources and energy delivery to cut emissions across all sectors.

Macroeconomic policies and private-sector commitments are accelerating the pace of change to disrupt established energy markets and lock in the triple benefits of green re-industrialisation (affordability, security and sustainability).

- Investment to deliver the Paris commitment on global warming is projected to exceed US\$100 trillion by 2050; 3-4 times the rate of annual historical investment

### EVER-RISING SAFETY AND SECURITY NEEDS

Persistent and evolving threats are driving security needs in a range of sectors to keep people and assets safe.

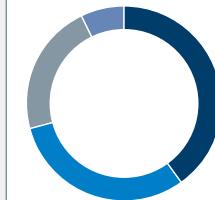
- Passenger air travel growing 6.1% per annum, freight growing 4.1%
- Consumer, business and government demands for safety are continually increasing
- Regulatory requirements amplify demand

### INSATIABLE DEMAND FOR DATA

Demand for data is continuously increasing as the world becomes more connected and computing expands. Faster data transmission, greater bandwidth and faster processing power are required across many sectors.

- Global data consumption continues to double every 4 years
- Transmission data rates continue to double every 3.5 years
- More than 2,100 satellite launches in 2022, vs 134 ten years ago

## REVENUE BY GLOBAL MARKET



General Industrial	40%
Safety & Security	31%
Energy	22%
Aerospace	7%



### DIANA HOUGHTON

Group Head of Strategy  
and Communications

“

The Paris climate agreement initiated a wave of Net Zero commitments across the globe from companies and governments alike. And corporate intent coupled with significant regulatory stimulus is now driving meaningful investment in many exciting decarbonisation and green re-industrialisation initiatives.

Our engineering capabilities and history of delivering for customers position Smiths strongly to respond well here. We are prioritising activity and investment to capture opportunities in our current end markets as well as targeting R&D spend towards establishing our position in new markets for the future.

We expect that revenue derived from a broad range of decarbonisation solutions will grow as a percentage of Smiths total revenue over time. Our current view is that efficiency solutions will come first for customers. From a cost or emissions standpoint, the best unit of energy is one that isn't used or wasted, and customers are looking to their supply chains to reduce and reuse raw materials for maximum impact.

We then see a future where widespread green electrification of everything from industrial processes to transportation to buildings will gain increasing traction. Renewable electricity wins in terms of emissions and, more recently, cost, and will support this transformation as global grids are rapidly decarbonised. And, finally, what is not amenable to electrification will need to move to low- and no-carbon fuels. Use of these fuels will inevitably need to be supported by carbon capture as well as specialist production and transportation infrastructure. Smiths plays in all these sectors.”

+

### READ MORE

Read more about commercialising high-value green technologies.

→ PG 26



# OUR DIVISIONS

Our four divisions operate in more than 50 countries.

## JOHN CRANE

Mission-critical technologies and services for energy and process industries that enable efficient and sustainable operations



John Crane is a global leader in the design, manufacture, installation and support of rotating equipment solutions that drive efficiency, safety and environmental sustainability in large-scale industrial processes.

### CUSTOMERS

- Energy: down- and mid-stream activities (e.g., refineries and pipelines) of energy multinationals and power generation, including growing applications in hydrogen and carbon capture
- Other process industries: a significant presence in chemical, life sciences, mining and pulp & paper
- Aftermarket: increasing demand for full lifecycle asset management
- Ideally positioned to help customers meet their decarbonisation and energy transition objectives

### COMPETITIVE STRENGTHS

- Strong and differentiated proprietary technologies and expertise across industries
- Largest installed base in the Energy and Industrials markets
- Innovation focused, growing service capabilities through digitisation and field engineering
- Customer intimacy and strategic alignment with end users through a network of ~200 service and support centres with unique field service capabilities

### GROWTH DRIVERS

- Global demand for stable, secure and affordable energy supply
- Secular growth in energy and primary resource demand, especially in emerging markets
- Increasing demand for enhanced efficiency
- Energy transition – environmental safeguarding and cleaner processes. Requirement to reduce emissions, with particular emphasis on methane. Growth of a more diversified and cleaner low-carbon energy ecosystem, including hydrogen and carbon capture, which drive more demanding needs in compression, pumping and filtration
- Long-term customer partnerships and outsourcing

## SMITHS DETECTION

Detection and screening technologies for safety, security, and freedom of movement



Smiths Detection is a global leader in the design, manufacture, installation and support of threat detection and screening technologies that protect people and assets.

### CUSTOMERS

- Aviation: airports and governments, including regulators who are also highly involved and help shape market development
- Other security systems: high-energy cargo inspection systems for ports and borders; integrated screening systems for a broad range of urban situations (court houses, prisons, offices, shopping malls, rail stations, etc.); and advanced chemicals and explosives detectors for governments with whom we have long-standing partnerships

### COMPETITIVE STRENGTHS

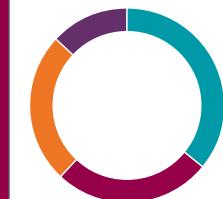
- Global reach and market-leading brand
- Differentiated proprietary technologies leveraged across a broad range of markets
- Significant research and development and digital capabilities
- Operating in regulated market segments that require product certification
- Increasing product sustainability – energy efficiency, supply chain and refurbishment
- Customer intimacy and loyalty through equipment cycle and aftermarket offer
- Coverage for 191 countries

### GROWTH DRIVERS

- Persistent and evolving threats to national security, public safety and critical infrastructure
- Changing aviation security regulations and customer requirements across our industries
- Growing populations and urbanisation
- Growth of global transportation infrastructure
- Global growth of international trade and e-commerce
- Need for integrated digital solutions and cyber security
- Increasing interest in solutions that enable the circular economy
- Staffing constraints are driving demand for digital image analysis software such as automated threat recognition
- Equipment replacement cycle, typically ~10 years



## % OF FY2023 REVENUE



● John Crane	36%
● Smiths Detection	26%
● Flex-Tek	25%
● Smiths Interconnect	13%

**FLEX-TEK**

Safe and efficient movement and temperature management of fluids



Flex-Tek is a global provider of high-performance engineered solutions that support the safe and efficient movement and temperature management of liquids and gases in a range of industry sectors.

**CUSTOMERS**

- Construction: heating, ventilation and air-conditioning (HVAC) distributors and builders (full range of heating elements, gas piping, flexible and metal ducting)
- Aerospace: aircraft manufacturers and their tier-one suppliers (full range of rigid and flexible, high- and low-pressure tubing and ducting for fluid conveyance)
- Industrial: specialist end uses including medical and industrial hoses and a broad range of heating elements for applications in industrial market segments

**COMPETITIVE STRENGTHS**

- Leading capability in design, manufacture and cost engineering
- High-performance, differentiated products
- Innovation focused
- Strong customer relationships and brand reputation

**GROWTH DRIVERS**

- Through-cycle growth of the US housing construction market
- Expanding international market for construction products
- The electrification of everything, leading to broad adoption of electrical heating solutions across industrial and domestic settings
- Long-term increase in commercial and military aircraft production
- Customer focus on efficient performance and environmental safeguarding
- Growth in use of medical devices

**SMITHS INTERCONNECT**

Smarter interconnect solutions



Smiths Interconnect is a preferred supplier of advanced electronic components, sub-systems, optical and radio frequency products for customers requiring reliable, high-speed and secure connectivity, often in harsh environments.

**CUSTOMERS/BUSINESS UNITS**

- Connectors: high-reliability electrical interconnect solutions for specialised applications across a broad range of healthcare, industrial, transport, defence and aerospace customers
- Semiconductor test: test socket and probe card solutions for higher-performing applications (graphics processing, artificial intelligence and data communication) for a broad range of chip manufacturers
- Fibre-optics and radio frequency (RF) components: broad range of devices, including transceivers for demanding high-reliability environments – especially with space and aerospace customers
- Smiths Interconnect Inc.: antenna systems, multi-function RF systems, as well as time and frequency solutions for aerospace and defence customers

**COMPETITIVE STRENGTHS**

- Broad portfolio of cutting-edge technologies and products
- Strong research and engineering capabilities
- Customer intimacy and product customisation
- Global reach and support

**GROWTH DRIVERS**

- Increased demand for faster data transmission, greater bandwidth and faster processing power in aerospace, defence and communications
- Growth of connectivity, as the world becomes more connected, driven by trends including the Internet of Things, Big Data, Internet of Space, and Industry 4.0
- Development of healthcare technology

**% EMPLOYEES**

John Crane	40%
Smiths Detection	21%
Flex-Tek	22%
Smiths Interconnect	13%
Group	4%

# INNOVATING FOR IMPACT AND DELIVERING ESG PERFORMANCE

## OUR PURPOSE



## PIONEERS OF PROGRESS

Improving our world through smarter engineering

## SMITHS VALUE ENGINE

Improving the world through smarter engineering is the purpose that drives us forward, and directing our strengths to deliver our priorities generates value for all our stakeholders. This approach, known as the Smiths Value Engine, applies equally to the value we deliver for our customers, our colleagues and our communities and, in turn, for our shareholders.

## OUR STRENGTHS



### WORLD-CLASS ENGINEERING



### LEADING POSITIONS IN CRITICAL MARKETS



### GLOBAL CAPABILITIES



### ROBUST FINANCIAL FRAMEWORK

## OUR PRIORITIES



### GROWTH

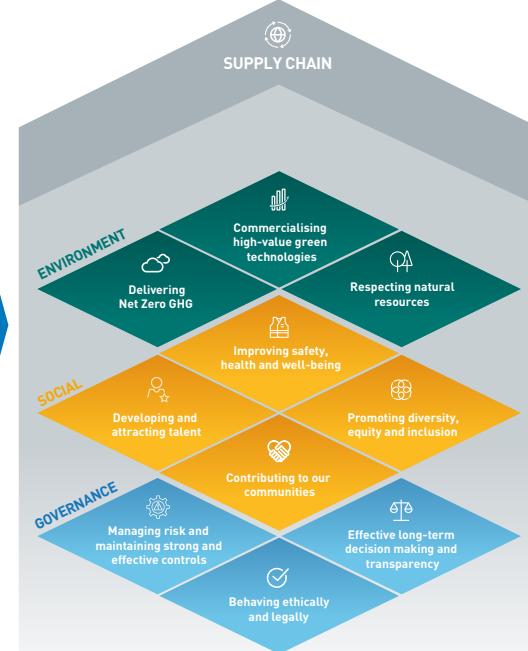


### EXECUTION



### PEOPLE

## SUSTAINABILITY AT SMITHS FRAMEWORK



## ESG DOUBLE MATERIALITY ASSESSMENT

→ PG 19

This year, we tested and further refined the framework by completing an ESG double materiality assessment (DMA) in accordance with requirements and best practices developed under the EU's Corporate Sustainability Reporting Directive (CSRD). As summarised from page 19 the ESG DMA validated the framework and helped to identify our best opportunities for value creation through our ESG performance.

# OUR PEOPLE AND CULTURE

Smiths is defined by its people and how we work together towards our shared purpose and priorities. The culture we create inspires and empowers. It's how we get things done. It's why Smiths has prospered through more than 170 years, and it's why we will succeed tomorrow.

There are four foundational elements of our culture which support our business model and drive every aspect of our ESG performance.

## 1. OUR VALUES

Our Values are the things that are important to us as an organisation. They make us reliable, trustworthy and valued partners for each other, our customers and suppliers, and they make Smiths a place where we are happy and proud to work.

We live them every day, in each action and decision that we take.

## 2. SMITHS LEADERSHIP BEHAVIOURS

The Smiths Leadership Behaviours take our Values to the next level. Grouped under growth, execution and people, they describe the behaviours needed to be displayed by all employees for the organisation to be dynamic, inclusive and focused on delivering results that create value and enable our growth strategy. Leadership is a mindset at Smiths. Everyone can be a leader.

### SETS VISION TO INSPIRE

Collaborates to uncover future growth opportunities for Smiths. Shares this in a way that inspires and energises colleagues to take action.

### INNOVATES FOR IMPACT

Committed to continuous improvement, takes opportunities to the market that differentiate Smiths and deliver sustainable value for all stakeholders.

### TAKES ACCOUNTABILITY AND OWNERSHIP

Actively takes accountability, follows through on commitments and empowers others to own their outcomes.

### DELIVERS RESULTS AT PACE

Takes an agile, focused and resilient approach that delivers excellent outcomes to meet customer/stakeholder expectations.

### LEADS INCLUSIVELY AND EMPOWERS

Champions inclusion at every opportunity. Creates the environment where others can contribute and thrive, building trust and nurturing empowerment.

### DEVELOPS SELF AND OTHERS

Visibly commits to their personal development and encourages the development of others to reach their full potential.

### LIVES SMITHS VALUES

Embody and promotes Smiths Values: integrity, respect, ownership, customer focus and passion, using these to guide all actions.

## 3.

### SMITHS CODE OF BUSINESS ETHICS

The Smiths Code is the foundational document that outlines the standards of behaviour to which we all commit at Smiths. It is a practical guide to what 'doing the right thing' looks like when conducting business and forging relationships legally, ethically and with integrity. The Code is supplemented by a suite of policies, procedures and training relating to specific ethics, compliance and people matters.

## 4.

### SMITHS EXCELLENCE SYSTEM

The Smiths Excellence System (SES) is central to how we solve problems and deliver improved results at Smiths. The SES structure, leadership, committed resources, tools and training ensure that we explicitly prioritise and resource projects according to impact and importance, and execute with greater pace, urgency and consistency in support of our Smiths Value Engine priorities.



### OUR VALUES

#### INTEGRITY

We do the right thing

#### RESPECT

We respect each other

#### OWNERSHIP

We take responsibility

#### CUSTOMER FOCUS

We earn our customers' trust

#### PASSION

We are united in purpose



### READ MORE

#### CODE OF BUSINESS ETHICS

## SMITHS EXCELLENCE SYSTEM

SES is our common approach for execution and continuous improvement based on lean six sigma (LSS) principles. It enables us to effectively determine, accelerate and deliver critical operational and functional projects that make us more efficient, faster to market, and more responsive to customer needs.

SES is also a significant development opportunity for Smiths colleagues as they take on dedicated Black Belt roles and Green Belt projects. Colleagues also have access to the in-house SES Academy which hosts Smiths-specific LSS learning and toolkit resources and offers training programmes and coaching to equip Smiths teams with the skills needed to successfully deliver SES projects as well as become everyday problem solvers. The quickly growing number of SES practitioners and alumni help anchor the 'continuous improvement mindset' in our company culture.

To build SES and lead the SES culture in our business we have created a global community of six Master Black Belts [MBB], 31 full-time Black Belts and five LSS trainer/coaches. 71 Black Belt projects are now either underway or completed and we deployed a new SES Academy curriculum in FY2023.

**6**

SES Master Black Belts.

**31**

Full-time SES Black Belts.

# GOVERNANCE AND DELIVERY

The Smiths Board of Directors and Executive Committee have ultimate responsibility for Smiths ESG performance and associated governance and oversight.

Our collaboration model enables us to bring together the skills and knowledge of our Board, our Executive team and our business leaders to harness the knowledge and skills of the whole Group to drive and deliver innovation, effective execution and best practice.



The SSE Committee of the Board has had a full agenda of interesting presentations and discussions this year. These have very clearly underlined the critical interplay between science, sustainability and excellence at Smiths as fundamental drivers of progress.

The application of science and technology through creativity and innovation is what Smiths is all about – and has been throughout our long history. Excellence is how we deliver – constantly improving our products, our processes and the skills and capabilities of the organisation. And sustainability is at our heart, driven by both science and excellence to push the boundaries of what we can do in terms of green products and in delivering our commitments to society, our customers and to our Smiths colleagues.

This Sustainability at Smiths report highlights the great progress that we have made this year as work on all aspects of sustainability has accelerated and become more formalised, targeted and concrete. We have had strong successes with our technology, particularly in the field of industrial electric heating where Flex-Tek's

BOARD COMMITTEES	RESPONSIBILITIES
<b>SCIENCE, SUSTAINABILITY &amp; EXCELLENCE (SSE) COMMITTEE</b>	Oversees the Group's approach to science, sustainability and excellence. Oversight covers R&D; new product commercialisation pipelines; Net Zero planning; the SES programme; sustainability metrics and targets including recommending those related to remuneration arrangements; and reporting. Conducts regular deep-dives with our divisions.
<b>REMUNERATION &amp; PEOPLE COMMITTEE</b>	Oversees the Group's approach to people and culture matters, including reward frameworks to deliver our strategic objectives and ESG priorities and related reporting.
<b>NOMINATION &amp; GOVERNANCE COMMITTEE</b>	Oversees the ongoing suitability of the Group's governance framework, the structure and composition of the Board, and Director and senior management succession planning.
<b>AUDIT &amp; RISK COMMITTEE</b>	Oversees the Group's risk management processes and systems of internal control, and related reporting, metrics and targets.

exciting heating applications will open up many opportunities in the future, and in carbon capture and storage at John Crane. Submitting our Net Zero trajectory and targets to the Science-Based Targets initiative was also a big milestone, as is the publication of our Net Zero/climate transition plan in this report.

The Committee has overseen a programme of increases in the rigour applied to the collection, verification and reporting of critical environmental data. This process is now guided by our finance teams, and we have expanded the scope of the limited assurance work on reported GHG and energy data to ISAE3000/3410 standards for FY2022 and FY2023. Smiths has also implemented an environmental project database and tool which will enable standardised tracking of the many projects underway across the Group. These activities and the completion of the ESG double materiality assessment during the year reassure the Committee that Smiths is both tracking and reporting the ESG information and data that is material and useful to our stakeholders.

Finally, a word on our excellent Smiths colleagues who make everything happen. The Committee has observed a real step change in engagement with sustainability matters and our sustainability goals in the last couple of years. This engagement is vital if we are to continue moving forward at pace. This focus has been augmented by the changes the Committee recommended and were adopted in our remuneration structure for FY2023 which align a large number of colleagues with our Net Zero targets, but it is really testament to the passion Smiths colleagues have for sustainability and the opportunities to participate that are offered right across the organisation. More than 1,300 colleagues took part in the internal survey conducted for the ESG double materiality assessment, and the Turn it Off campaign described on page 35 is a fantastic example of how Smiths is encouraging everyone to get involved, make suggestions and effect change.

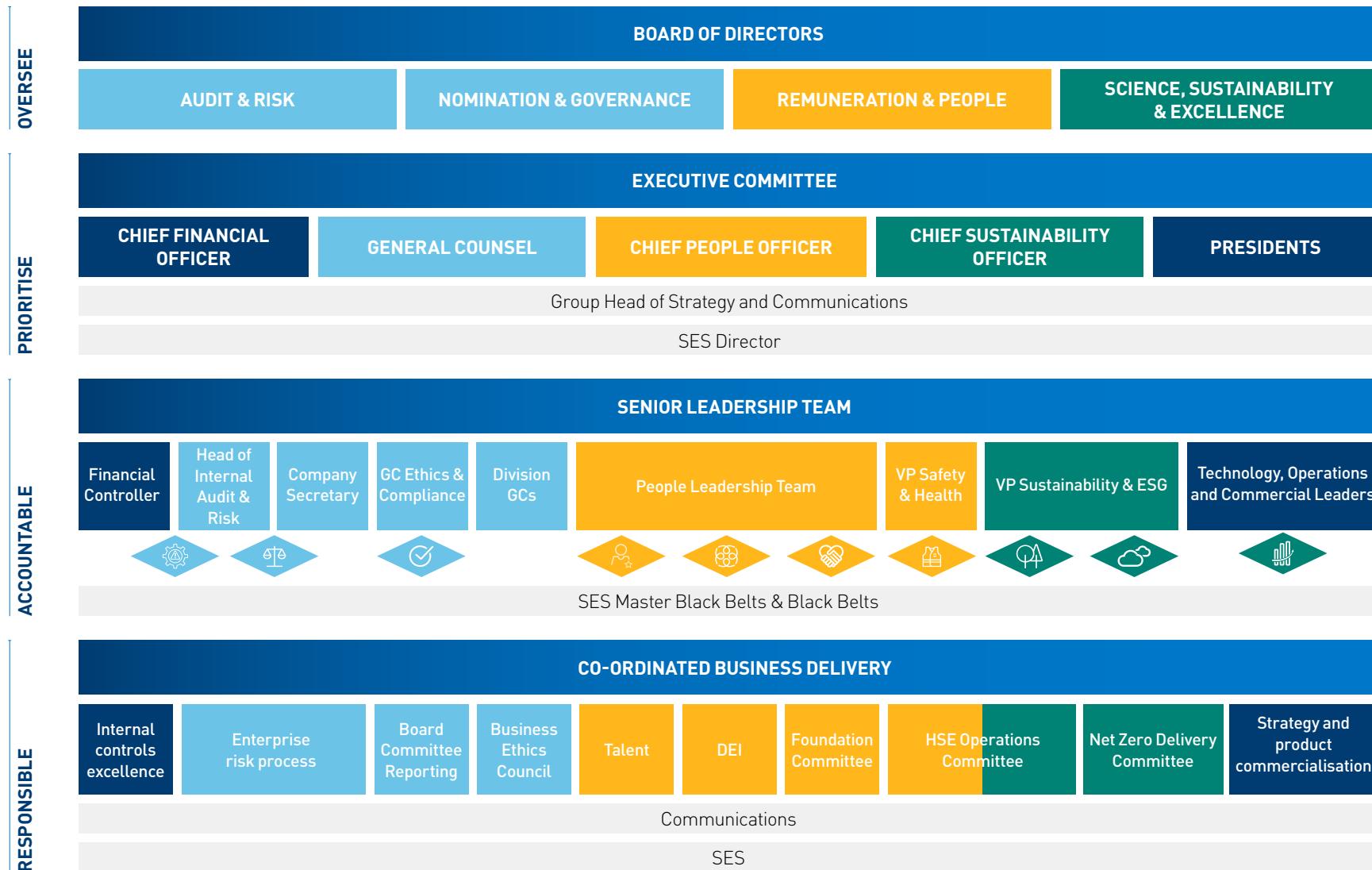
I, and the SSE Committee, look forward to continued progress in FY2024."



**DAME ANN DOWLING**  
Chair, Science,  
Sustainability &  
Excellence Committee

## GOVERNANCE AND DELIVERY ORGANISATION

Governance and delivery of ESG is integrated into our overall business organisation.



# REWARD INCENTIVES

Aligning reward incentives with results-based impact is a cornerstone of our strategy.

For FY2022, we began incorporating ESG performance alongside traditional financial metrics to determine the long-term incentive pay of our senior executives. In that first year, we based 15% of the LTIP award on achieving target-level greenhouse gas (GHG) reductions normalised to revenue, over the 3-year LTIP period.

For FY2023, we again assigned 15% of the LTIP award to reducing GHG emissions and, going a step further, aligned targets to the pace of reductions required to deliver Science-Based Targets (SBTs). This included making two changes in our approach: expressing the goal as absolute GHG reduction (versus targets normalised to revenue); and aligning the targets to the average annual rate of reduction required for SBTs meeting SBT initiative (SBTi) guidelines. In addition, we added the energy efficiency metric as a component of our Annual Incentive Plan (AIP) that potentially benefits approximately 6,000 colleagues.

In FY2024, we are continuing the same approach, setting:

- LTIP targets for absolute GHG reductions aligned to the pace required to deliver SBTs; and
- AIP targets for energy efficiency tailored to reward operational improvements that support sustainable and high-value delivery of our SBTs.

New product revenue targets (including named sustainability-focused products) were also included in the AIP in FY2023.

## ANNUAL INCENTIVE PLAN (AIP)

Performance over one-year period.

MEASURE	FY2023		FY2024		WEIGHTING
	TARGET	WEIGHTING	ACHIEVED (Group)	TARGET	
<b>ENERGY EFFICIENCY</b> The energy efficiency ratio is expressed as the MWh energy consumed (excluding renewable electricity produced and consumed onsite), divided by the local-currency revenue at budget rates (excluding price growth within the measurement year).	3%	10%	7.9%	4.5%	10%

## LONG-TERM INCENTIVE PLAN (LTIP)

Performance over three-year period.

MEASURE	TARGET	WEIGHTING	TARGET	WEIGHTING	DELIVERING NET ZERO GHG
<b>ABSOLUTE SCOPE 1 &amp; 2 GHG EMISSIONS REDUCTION</b> Scope 1 & 2 GHG emissions reduction calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol. Reductions must be achieved with a balanced portfolio of actions that prioritise energy savings, onsite renewable electricity generation and purchase of renewable electricity. Three-year target in line with Net Zero required trajectory.	15–20%	15%	15–20%	15%	→ PG 30

# MONITORING, MEASURING AND REPORTING PERFORMANCE

## INTERNAL METRICS AND REPORTING

ESG metrics and targets are incorporated into Smiths overall business performance dashboard. These metrics cover all critical aspects of business performance and are reviewed annually to ensure they remain aligned with business priorities. The metrics cascade down through business and functional operating units as relevant and realistic building block targets that aggregate to deliver performance at the overall Group level. Metrics are reported to, and discussed by, the Executive Committee and the Board and its Committees.

We report externally metrics relating to our material ESG areas and those required by reporting regulations.

## MONITORING OUR CULTURE

We recognise that a healthy culture requires continuous care and attention to support our ambitions.

We have been tracking employee engagement on a range of important cultural measures since 2017 using our My Say employee engagement survey. We use the results of the survey in a transparent and meticulous way to surface issues and more precisely understand what we are doing well and where we need to do better, both at a high level and at grassroots level in individual teams. We undertook our latest My Say survey in May 2023 with updated questions to align the survey closely with our cultural (including ESG) focus areas, testing the following categories:

- Overall happiness working at Smiths (our employee engagement eSat KPI) and excitement about our future
- Awareness and understanding of the Smiths Leadership Behaviours and people living our Values
- Commitment to safety and the environment

- Empowerment, continuous improvement, leadership, collaboration and understanding of individual priorities
- Career, recognition, feedback and opportunities to learn and grow
- Work/life balance, feeling cared about at work, equal opportunities
- Diverse perspectives valued and ability to express thoughts and ideas/speak out

### STRENGTHS

- Smiths is committed to providing a safe work place
- I understand how my work contributes to company success
- Smiths is committed to having a positive impact on the environment
- We continually improve the way the work gets done
- People frequently express their thoughts and ideas
- I am able to find the balance I desire between my work life and personal life

### OPPORTUNITIES

- Everyone has an equal opportunity to succeed
- I feel satisfied with the recognition I receive for my work
- I have good career opportunities at Smiths

Results from the survey and recommendations are reported to, and discussed by, the Executive Committee and the Smiths Board before being incorporated into strategic planning to prioritise action in lower scoring categories. Actions include continuing our efforts to strengthen and upskill our leaders; using the Leadership Behaviours as a driver for people to share their opinions and ideas; building stronger diversity and inclusion programmes; and continuing to improve our talent development processes to make career plans and prospects more visible. Each division and function has also identified a specific improvement opportunity to work on in the coming year. Some of these actions

are described in the developing and attracting talent section on page 48 and the promoting diversity, equity and inclusion section on page 51.

In addition to the My Say survey, we undertake a regular Ethics Pulse survey which delivers rich data on colleague perceptions of ethics matters. This data is reported to the Audit & Risk Committee.

## EXTERNAL FRAMEWORKS AND SCORES

We also look outside the Company to benchmark and evaluate progress and make sure that we are learning from our peers, sector leaders and subject-matter specialists. The measures used by third-party ratings agencies and framework developers help us to identify opportunities for improvement and additional disclosure that helps our external stakeholders understand and accurately assess our priorities and progress. While these external frameworks do not dictate our path, they are very helpful to inform our reporting, planning and prioritisation.

We are fully supportive of emerging sustainability reporting obligations and will take an approach guided by value creation and what matters to our stakeholders. We are preparing the business and internal workstreams for this enhanced reporting.

We currently report climate disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD). Appropriate disclosures can be found in our FY2023 Annual Report, with a summary on page 64 of this report. We participate annually in the CDP global environmental reporting initiative and during the year completed our latest carbon and water submissions to CDP for FY2022.

See page 67 for information on the Sustainability Accounting Standards Board (SASB) framework.



**84%**

of Smiths colleagues participated in the survey (May 2022: 82%; industry benchmark 75%).

↗ 2 points



**12,158**

comments were made.



**73**

Overall eSat score was 73 (May 2022: 72; industry benchmark 74).

↗ 1 point



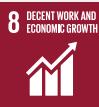
## ETHICS PULSE SURVEY

→ PG 58

# UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Business has a vital role to play in delivering the United Nations SDGs. Our business activities, the way we operate, and our ESG framework and priorities enable us to contribute in a meaningful and practical way to seven of these critical global goals.

SDG	INDICATOR	OUR CONTRIBUTION	→ PG 17
 <b>3 – GOOD HEALTH AND WELL-BEING</b>	<b>3.9</b> By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	<ul style="list-style-type: none"> <li>– Our comprehensive portfolio of environmental and safety standards ensures we manage our sites responsibly and mitigate environmental pollution risks arising from our activities</li> <li>– All Smiths operational sites with over 50 colleagues are required to be certified under ISO environmental and safety standards (45001 and 14001)</li> <li>– We had no spills or environmental compliance penalties or fines in FY2023</li> <li>– Products in our John Crane portfolio stop environmental pollutants leaking into air, water and soil</li> </ul>	 <b>EXTERNAL RECOGNITION</b>
 <b>5 – GENDER EQUALITY</b>	<b>5.5</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	<ul style="list-style-type: none"> <li>– We are focused on proactively increasing the number of women in all roles at Smiths</li> <li>– 25% of senior leadership positions held by women in FY2023</li> </ul>	 <b>SOCIAL</b>
 <b>7 – AFFORDABLE AND CLEAN ENERGY</b>	<b>7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix  <b>7.3</b> By 2030, double the global rate of improvement in energy efficiency  <b>7.a</b> By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	<ul style="list-style-type: none"> <li>– 70% of our electricity use was renewable in FY2023</li> <li>– We improved energy efficiency by 7.9% in FY2023</li> <li>– Products across our portfolio support decarbonisation and green re-industrialisation in response to climate change</li> </ul>	 <b>GOVERNANCE</b>

SDG	INDICATOR	OUR CONTRIBUTION	COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES	
			+	→ PG 26
 <b>8 – DECENT WORK AND ECONOMIC GROWTH</b>	<p><b>8.4</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead</p> <p><b>8.7</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms</p> <p><b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<ul style="list-style-type: none"> <li>- Products across our portfolio support decarbonisation and green re-industrialisation in response to climate change</li> <li>- We measure, target and report: energy use; energy efficiency; water use; non-recyclable waste; packaging and water projects</li> <li>- Our Human Rights Policy is guided by international human rights principles and covers elimination of forced/involuntary labour and child labour; humane treatment in the workplace; and right to a living wage</li> <li>- We expect those who have a business relationship with us to share our commitment to human rights and the elimination of modern slavery as required by our Supplier Code of Conduct</li> <li>- Keeping our colleagues safe in the workplace is our number one priority</li> </ul>	ENVIRONMENT	SOCIAL
 <b>9 – INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	<p><b>9.1</b> Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> <p><b>9.4</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p><b>9.5</b> Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending</p> <p><b>9.c</b> Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020</p>	<ul style="list-style-type: none"> <li>- Smiths Detection threat detection and screening technologies enable safety, security and freedom of movement</li> <li>- Products across our portfolio support decarbonisation and green re-industrialisation in response to climate change</li> <li>- Our R&amp;D spend was £113m in FY2023, 3.7% of revenue</li> <li>- 31% of our FY2023 revenue came from products launched in the last five years</li> <li>- Products in our Smiths Interconnect portfolio enable the current generation of satellites</li> </ul>	GOVERNANCE	GOVERNANCE

SDG	INDICATOR	OUR CONTRIBUTION	RESPECTING NATURAL RESOURCES <a href="#">→ PG 37</a>	TCFD SUMMARY DISCLOSURE <a href="#">→ PG 64</a>	ENVIRONMENT
<b>12 – RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	<p><b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources</p> <p><b>12.4</b> By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</p> <p><b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> <p><b>12.6</b> Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	<ul style="list-style-type: none"> <li>- We measure, target and report: energy use; energy efficiency; water use; non-recyclable waste; packaging and water projects</li> <li>- Our comprehensive portfolio of environmental and safety standards ensures we manage our sites responsibly and mitigate environmental pollution risks arising from our activities</li> <li>- All Smiths operational sites with over 50 colleagues are required to be certified under ISO environmental and safety standards (45001 and 14001)</li> <li>- We had no spills or environmental compliance penalties or fines in FY2023</li> <li>- Smiths Detection is growing the number of recycled and refurbished parts and units in its ecosystem</li> </ul>			
<b>13 – CLIMATE ACTION</b>	<b>13.2</b> Integrate climate change measures into national policies, strategies and planning	<ul style="list-style-type: none"> <li>- We have signed up to the 1.5°C Business Ambition under the UN Race to Zero, covering Scope 1, 2 and 3 GHG emissions for our operations and value chain</li> <li>- We have published our Net Zero/climate transition plan and submitted our trajectory and targets to the SBTi</li> <li>- We have undertaken climate scenario analysis work and make climate-related disclosures consistent with all of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in our Annual Report</li> <li>- Products across our portfolio support decarbonisation and green re-industrialisation in response to climate change</li> </ul>			GOVERNANCE SOCIAL

# A MESSAGE FROM OUR CHIEF SUSTAINABILITY OFFICER

## HIGHLIGHTS



### **GHG REDUCTION**

(11.8)% reduction in Scope 1 & 2 emissions.

→ PG 30

### **IMPROVED ENERGY EFFICIENCY**

Improved energy efficiency by 7.9%.

→ PG 30

### **INCREASED RENEWABLE ELECTRICITY**

Renewable electricity up to 70%.

→ PG 30

### **STRONG SAFETY PERFORMANCE**

RIR down [26], LTIR down [44].

→ PG 44

### **ESG PRIORITIES**

Excellent progress against our ESG priorities.

→ PG 18



I'm proud to share our FY2023 results in this second annual Sustainability at Smiths report.

Strong performance across the global organisation is a rightful source of pride and confidence for our path ahead. Our strategy is sound, and our priorities are clear. Our teams are aligned and executing well to deliver results that realise our potential and purpose.

Most of our stakeholders will remember FY2023 as a year of record growth in revenue. These exceptional results are cause for congratulations and clearly demonstrate the power and health of our Value Engine. We also recognise that they describe only a portion of the value we delivered in FY2023 to our customers, our colleagues and our communities.

This Sustainability at Smiths report helps fill out the view of our performance. Last year, we launched our Sustainability at Smiths framework to complement our financial reporting and help structure and share our performance across a range of non-financial ESG metrics of interest to many of our stakeholders. This year, we build on that foundation and are happy to share highlights, including progress supporting each of our Value Engine priorities.

In addition, we validated our framework through completion of our first-ever ESG double materiality assessment in accordance with applicable guidance under the Corporate Sustainability Reporting Directive (CSRD).

On a personal note, in FY2023 I was fortunate to visit Smiths sites in Europe, the US, China and India and meet with hundreds of our colleagues. I am humbled and inspired by the passion, focus and drive Smiths people share to deliver results that improve the world in tangible ways.

Once again, congratulations and thank you to all Smiths colleagues for delivering this impressive year of results. We've set clear objectives and your work throughout the year to deliver gives me hope and confidence for our future. We are committed to deliver Net Zero and we see with increasing clarity across the business how the practical work we are doing is driving demand for our products and engineering talents. Your work blazes our trail forward and makes me proud to be a part of the Smiths team.

### **JOHN OSTERGREN**

Chief Sustainability Officer

## EXTERNAL RECOGNITION

Our progress continues to be recognised by external ratings agencies.

RATING AGENCY	PROGRESS
<b>FTSE4GOOD JULY 2023</b>	We continue to be a constituent member of the FTSE4Good index
<b>CDP 2022 SCORE FOR FY2021 DATA</b>	Climate change: B Water security: B
<b>MSCI OCTOBER 2022</b>	AA Leader in the sector
<b>SUSTAINALYTICS ESG JANUARY 2023</b>	ESG Industry top rated
<b>ISS ESG SEPTEMBER 2023</b>	Rating: C, Decile rank: 5, Governance: 2, Environment: 3, Social: 3

## OUR ESG PRIORITIES

Our ESG priorities are aligned with our Smiths Value Engine priorities.

<h3>GROWTH</h3> 	<h4>GROWTH</h4> <p>Commercialising high-value green technology</p> 	<h4>ACHIEVEMENTS FY2023</h4> <ul style="list-style-type: none"> <li>– John Crane wet-to-dry seal upgrades over the past ten years are estimated to be reducing up to 278,000 tonnes of CO<sub>2</sub> equivalent per year</li> <li>– John Crane sealing solutions awarded contract for flagship hydrogen project in Canada and CCS project in Malaysia</li> <li>– John Crane was awarded UK Government funding for development of new supercritical CO<sub>2</sub> sealing technology in partnership with Cranfield University and the University of Edinburgh</li> <li>– H2 GreenSteel selection of Midrex and Flex-Tek SureHeat as technology partners for its green steel production facility in Sweden</li> <li>– Smiths Interconnect platform development of a high-power connector solution with targeted markets including solar, wind, battery storage and electric vehicle charging</li> </ul>
<h3>EXECUTION</h3> 	<h4>EXECUTION</h4> <p>Delivering Net Zero GHG emissions and our natural resource targets</p>  	<h4>ACHIEVEMENTS FY2023</h4> <ul style="list-style-type: none"> <li>– (11.8)% reduction in absolute Scope 1 &amp; 2 GHG emissions</li> <li>– Increased renewable electricity to 70%</li> <li>– Smiths Detection Malaysia onsite solar delivered over 1,000 MWh in first 12 months</li> <li>– Completed Scope 3 inventory as reported on page 30</li> <li>– Prepared climate/Net Zero transition plans to 2040 (Scope 1 &amp; 2) and 2050 (Scope 3) and submitted to the SBTi</li> </ul>
<h3>PEOPLE</h3> 	<h4>PEOPLE</h4> <p>Empowering our people and delivering for them on safety, career development, diversity and inclusion</p>    	<h4>ACHIEVEMENTS FY2023</h4> <ul style="list-style-type: none"> <li>– Improvement in our overall employee engagement score, with high scores for commitment to safety and the environment</li> <li>– Lost-time incident rate of 0.14 and a (26)% reduction in our RIR year-on-year, which translates to 23 fewer injuries suffered by our people</li> <li>– Over 13,000 safety leadership tours and safety observations, reinforcing and growing our safety culture</li> <li>– Rolled out our Accelerate leadership training programme to 300 Smiths leaders</li> <li>– Comprehensive activity to support a sustainable increase in the number of females in senior leadership roles</li> <li>– Launch of the Smiths Group Foundation</li> </ul>



### SEALING TECHNOLOGY FOR HYDROGEN AND CARBON CAPTURE

Read about how John Crane technology is being used for hydrogen and carbon capture.

[→ PG 28](#)

### TURN IT OFF CAMPAIGN

Read about how we are driving energy efficiency.

[→ PG 35](#)

### SMITHS GROUP FOUNDATION

Read more about the launch of the Smiths Group Foundation

[→ PG 54](#)

# VALIDATING OUR SUSTAINABILITY AT SMITHS FRAMEWORK AND APPROACH

In FY2023 we completed an ESG double materiality assessment (DMA) which validated our existing prioritisation of ESG-related topics. It also provided a robust analysis of critical enablers and emerging matters of interest and importance to our multiple stakeholders and emerging regulatory requirements.

We conducted the DMA over five months with support from a specialist team from PwC. The findings and proposed next steps were discussed by the Smiths Executive Committee and presented to the SSE Committee of the Board in July 2023. We agreed next steps and these are being integrated into short- and

medium-term strategic planning and resourcing decisions. They are also being integrated into our ESG reporting and internal communication and education on ESG matters to increase impact and realise more value from our performance.

## DMA APPROACH

### 1. DEFINE LIST OF TOPICS

- Selection of 23 ESG topics based on:
- Smiths existing ESG framework elements
- Latest market practices/peer benchmarking
- Existing and future regulatory standards and frameworks

### 2. ASSESS TOPIC MATERIALITY ON TWO DIMENSIONS (DOUBLE MATERIALITY)

Impact materiality  
Financial materiality

### 3. SYNTHESISE RESULTS

Customers, investors and Smiths internal views were prioritised through weighting to synthesise results.

Stakeholder	IMPACT MATERIALITY	WEIGHTING	FINANCIAL MATERIALITY	WEIGHTING
INTERNAL	Workshops	30	30	
	Employee survey	20	20	
EXTERNAL	Customers	25	20	
	Investors	5	20	
Regulators	10	-	-	
Peers	5	5	5	
Suppliers	5	5	5	

Group materiality picture  
→ PG 21

### 4. INTEGRATE OUTCOMES AND COMMUNICATE RESULTS

- Presentation/discussion with Executive Committee
- Presentation/discussion with SSE Committee
- Presentation/discussion with functional and divisional leadership teams
- Integration into FY2023 reporting
- Integration into strategic planning FY2024 and beyond
- Preparation for future reporting requirements

Next steps  
→ PG 23

## ASSESSMENT

We chose 23 ESG topics for assessment based on the diamonds of Smiths existing ESG framework, latest market practices as taken from a peer benchmarking exercise, and an analysis of existing and future regulatory standards and frameworks.

We assessed each topic on two dimensions:

- Impact materiality – an ESG topic is material when it pertains to Smiths material (actual or potential, positive or negative) impacts on people or the environment over the short, medium, or long term
- Financial materiality – an ESG topic is material if it triggers, or may trigger, material financial effects on Smiths by generating risks or opportunities that have or are likely to have a material influence on cash-flows, development, performance, position, cost of capital or access to finance in the short, medium, or long term

## GROUP MATERIALITY PICTURE

The Group ESG double materiality picture is shown on page 21. It distributes the 23 topics into three distinct categories:

**Highest-impact issues:** Five key strategic and disclosure focus ESG topics where Smiths must place the most focus (four of which formed part of our existing ESG framework)

**Critical enablers and foundational elements:** Eight topics which we characterise as the key success factors for enabling progress on our ESG priorities

**Base expectations and emerging issues:** ESG topics to maintain and monitor performance

As expected, we observed some differences in the divisional materiality pictures driven by market sector, nature of operations, customers, geographies and regulatory environments. For example, the John Crane and Flex-Tek value propositions are highly aligned with the commercialising high-value green technology topic; Smiths Detection is further on its path to delivering Net Zero, and managing risk and maintaining strong and effective controls is an important focus due to operating in highly regulated markets; Smiths Interconnect is positioned in markets such as medical technology and space exploration so products can be ascribed a social value; and the evolving Government policy agenda in China makes reinforcing data privacy and cyber security an important topic for Smiths China.

Our stakeholders also place different emphasis on topics:

**Customers:** many share our Net Zero goals and we can meet their needs both with our technologies and by decarbonising our operations (their Scope 3 emissions)

**Investors:** are attracted to high-value green technologies that deliver long-term growth. Investors also have high expectations of Net Zero delivery

**Regulators:** new regulations are coming down the track across the spectrum of ESG topics

**Peers:** like Smiths, peers are moving ahead with SBTi-aligned Net Zero goals and green product offerings

**Suppliers:** maintain their traditional focus on compliance and controls; now expanding to Net Zero GHG (our Scope 3 emissions)

## VALIDATION

The DMA confirmed that all topics within the Sustainability at Smiths framework are important to our performance and valued by our stakeholders. Of the 23 assessed topics, 21 mapped to the diamonds in the framework.



## LOOK OUT FOR THIS

Highest-impact topics are marked in this report with an



## GROUP MATERIALITY PICTURE



## HIGHEST-IMPACT TOPICS



## IMPROVING SAFETY, HEALTH AND WELL-BEING

The most material ESG topic, aligned with the findings of our My Say survey.

[→ PG 44](#)

## COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGY

Material opportunity as viewed by external stakeholders.

[→ PG 26](#)

## DELIVERING NET ZERO GHG

Highly material to most stakeholders, including customers who have set similar objectives, and to our colleagues.

[→ PG 30](#)

**TOPIC MAPPING**

Of the 23 assessed topics, 21 mapped to topics in our Sustainability at Smiths framework.

ENVIRONMENTAL	SOCIAL	GOVERNANCE & ECONOMIC
<b>DELIVERING NET ZERO GHG</b> – Delivering Net Zero GHG – Climate change adaptation and resilience	<b>IMPROVING SAFETY, HEALTH AND WELL-BEING</b> – Improving safety, health and well-being	<b>BEHAVING ETHICALLY AND LEGALLY</b> – Behaving ethically and legally – Protection of human rights and affected communities
<b>COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES</b> – Commercialising high-value green technologies	<b>PROMOTING DIVERSITY, EQUITY AND INCLUSION</b> – Promoting diversity, equity and inclusion	<b>MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS</b> – Managing risk and maintaining strong and effective controls – Product safety and quality assurance – Management of chemicals and hazardous substances – Reinforcing data privacy and cyber security
<b>RESPECTING NATURAL RESOURCES</b> – Respecting natural resources – Preventing pollution – Waste management – Water conservation and stewardship – Sustainable product design and lifecycle management	<b>CONTRIBUTING TO OUR COMMUNITIES</b> – Contributing to our communities – Delivering social value through our products	<b>EFFECTIVE LONG-TERM DECISION MAKING AND TRANSPARENCY</b> – Effective long-term decision making and transparency
<b>TOPICS NOT INCLUDED IN EXISTING FRAMEWORK</b> – Biodiversity and ecological restoration	<b>TOPICS NOT INCLUDED IN EXISTING FRAMEWORK</b> – N/A	<b>TOPICS NOT INCLUDED IN EXISTING FRAMEWORK</b> – Supply chain management and responsible procurement

**HIGHEST-IMPACT TOPICS CONTINUED****SUPPLY CHAIN MANAGEMENT AND RESPONSIBLE PROCUREMENT**

Customers and regulators particularly expect visibility across the supply chain which will be essential to deliver our Net Zero Scope 3 and human rights commitments, and new reporting requirements e.g., CBAM.

→ PG 39

**BEHAVING ETHICALLY AND LEGALLY**

Consistently high priority across all stakeholder groups – vital for employee engagement and managing reputational risk.

→ PG 57

## NEXT STEPS



READ MORE

FINDING	ACTION	
<b>Safety, health and well-being assessed as the most material issue</b>	<ul style="list-style-type: none"> <li>Continue absolute focus on keeping our people safe and healthy with an increasing emphasis on health and well-being matters alongside physical safety</li> </ul>	<a href="#">→ PG 44</a>
<b>Commercialising high-value green technology assessed in highest-impact group and as a material opportunity</b>	<ul style="list-style-type: none"> <li>Continue focus on bringing to market green technology solutions that address customer and global goals on decarbonisation and green re-industrialisation</li> <li>Deploy division-appropriate green product accounting to enable detailed reporting in future years</li> </ul>	<a href="#">→ PG 26</a>
<b>Delivering Net Zero GHG highly material to most stakeholders</b>	<ul style="list-style-type: none"> <li>Continue prioritising delivery of Net Zero using SBTs/transition plan</li> <li>Continue FY2023 practice of aligning FY2024 remuneration [AIP<sup>1</sup> and LTIP<sup>2</sup>] to reward progress in line with SBTs/transition plan</li> </ul>	<a href="#">→ PG 30</a> 1 Annual Incentive Plan (affects the remuneration of approximately 6,000 colleagues) 2 Long-Term Incentive Plan (senior leadership – performance over a three-year period)
<b>Supply chain management and responsible procurement assessed as high-impact issue rising quickly in perceived risk by internal and external stakeholders</b>	<ul style="list-style-type: none"> <li>Recognise supply chain management and responsible procurement as a cross-cutting priority ESG topic for additional focus in FY2024 as an important underpinning factor for achievement of targets and future reporting needs (Scope 3 emissions, human rights and modern slavery, biodiversity impacts)</li> <li>Add supply chain to Sustainability at Smiths framework</li> <li>Accelerate project to implement Group-wide supplier management platform to significantly increase transparency, efficiency and accuracy of data and processes</li> </ul>	<a href="#">→ PG 39</a>
<b>Behaving ethically and legally assessed in highest-impact group</b>	<ul style="list-style-type: none"> <li>Maintain maturity and proactivity of governance environment and robust approach to standards and diligence processes</li> <li>Continue internal focus on Group Values, Smiths Leadership Behaviours and embed updated Smiths Code of Business Ethics</li> <li>Utilise supplier management platform to support alignment of our supply chain with our purpose and culture</li> </ul>	
<b>Critical enablers and foundational elements topics</b>	<ul style="list-style-type: none"> <li>Continued recognition of role as critical foundations to success and therefore priority areas for investment in Group/divisional model</li> <li>Confirmation that these topics are sufficiently mapped to our Sustainability at Smiths framework.</li> <li>Talent development and attraction merged to one topic and updated in Sustainability at Smiths framework as Developing and attracting talent, as determined by our focus on internal talent mobility</li> </ul>	
<b>Base expectations and emerging elements topics</b>	<ul style="list-style-type: none"> <li>Monitor and maintain</li> </ul>	

# SUSTAINABILITY AT SMITHS FRAMEWORK

## COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES

- High impact topic
- Executive Committee and Board approved strategic focus on decarbonisation and green re-industrialisation
- Green product data to be published in FY2024

[→ PG 26](#)

## DELIVERING NET ZERO GHG

- High impact topic
- Climate/Net Zero transition plan completed
- Targets submitted to SBTi
- Scope 1 & 2 emissions down (11.8)% in year
- Renewable electricity 70% of total use
- Linked to remuneration

[→ PG 30](#)

## DEVELOPING AND ATTRACTING TALENT

- 300 leaders participated in the Accelerate leadership development programme
- 70% of open grade 11 and above roles were filled by internal candidates

[→ PG 48](#)

## CONTRIBUTING TO OUR COMMUNITIES

- Smiths Foundation and global volunteering policy launched
- £2.8bn direct economic contribution

[→ PG 54](#)

## BEHAVING ETHICALLY AND LEGALLY

- High impact topic
- Incorporates human rights ESG topic
- Launched new Code of Business Ethics
- 299 Speak Out reports

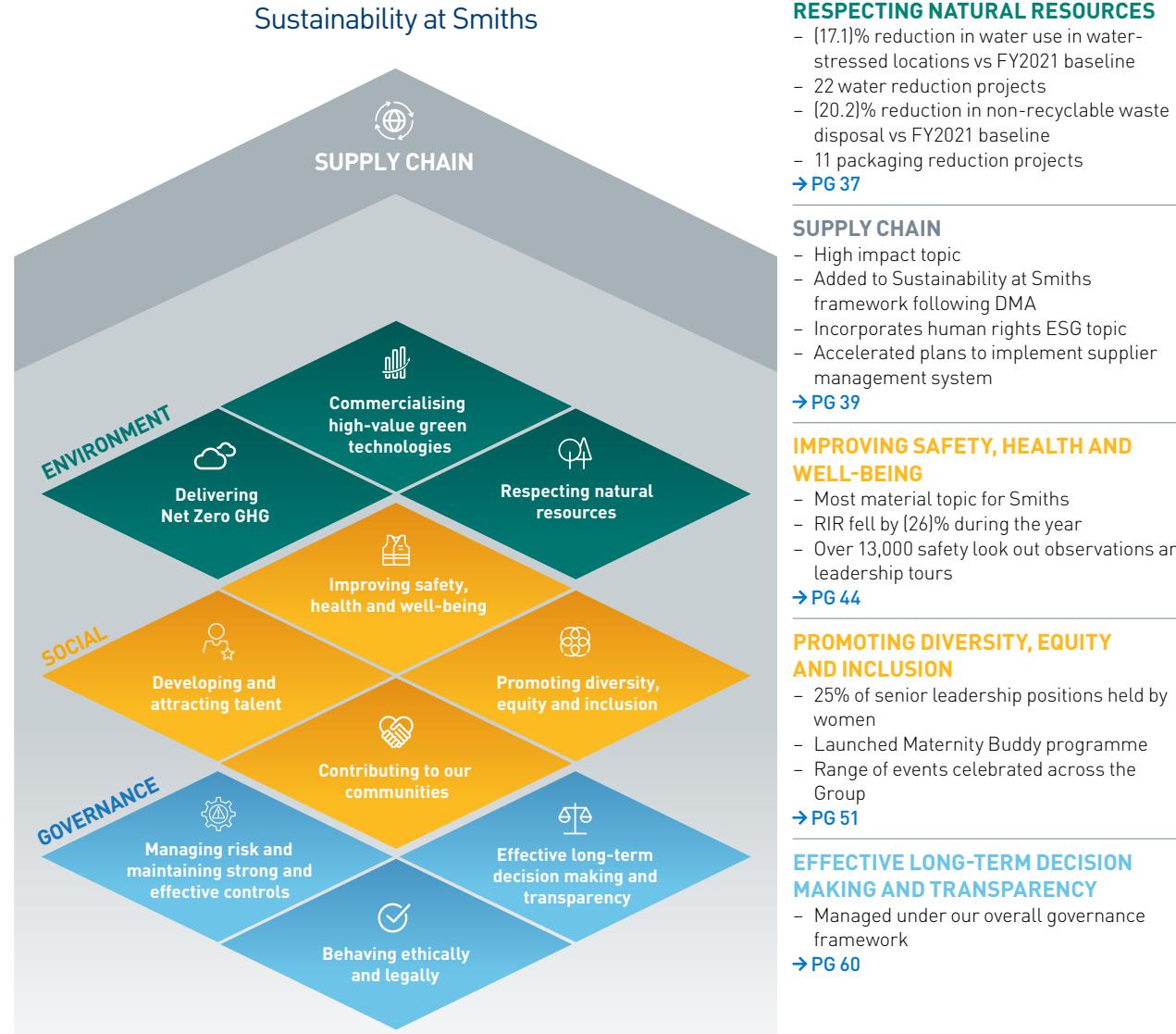
[→ PG 57](#)

## MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

- Incorporates product safety, product design and data privacy topics assessed in the DMA

[→ PG 61](#)

Our Sustainability at Smiths ESG framework articulates the structure through which we manage ESG topics. Defining these topics clearly tightens the connection with operational execution and assists us to report in a transparent way to our stakeholders. We made minor changes to the framework to reflect the outcome of the FY2023 DMA.



## RESPECTING NATURAL RESOURCES

- (17.1)% reduction in water use in water-stressed locations vs FY2021 baseline
- 22 water reduction projects
- (20.2)% reduction in non-recyclable waste disposal vs FY2021 baseline
- 11 packaging reduction projects

[→ PG 37](#)

## SUPPLY CHAIN

- High impact topic
- Added to Sustainability at Smiths framework following DMA
- Incorporates human rights ESG topic
- Accelerated plans to implement supplier management system

[→ PG 39](#)

## IMPROVING SAFETY, HEALTH AND WELL-BEING

- Most material topic for Smiths
- RIR fell by (26)% during the year
- Over 13,000 safety look out observations and leadership tours

[→ PG 44](#)

## PROMOTING DIVERSITY, EQUITY AND INCLUSION

- 25% of senior leadership positions held by women
- Launched Maternity Buddy programme
- Range of events celebrated across the Group

[→ PG 51](#)

## EFFECTIVE LONG-TERM DECISION MAKING AND TRANSPARENCY

- Managed under our overall governance framework

[→ PG 60](#)

# ENVIRONMENT

## SUSTAINABILITY AT SMITHS FRAMEWORK



## COMMENTS FROM SMITHS COLLEAGUES IN OUR MY SAY SURVEY

"We are proud that John Crane's products are protecting the environment."

"Our environmental strategic vision is there and I feel that the plan is both ambitious and achievable."

"Our corporate commitment is clearly defined and the message is broadcast in different ways to ensure we all understand that we are actively part of the solution."

"Adding ESG objectives to AIP and to the list of mandatory deliverables is a good thing and signals the importance to the organisation."



## COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES

→ PG 26



## DELIVERING NET ZERO GHG

→ PG 30



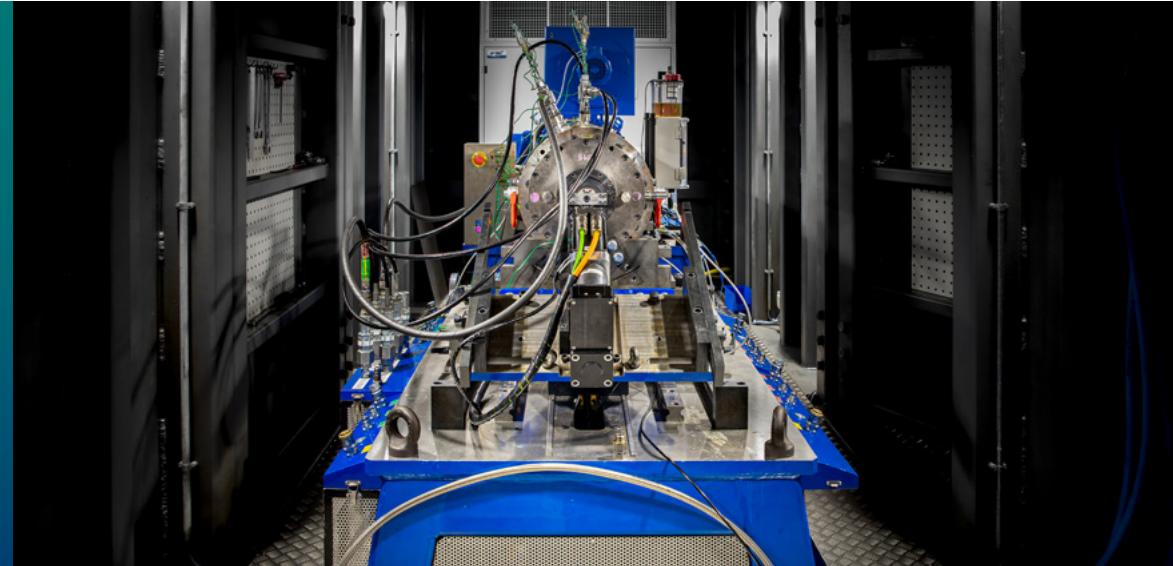
## RESPECTING NATURAL RESOURCES

→ PG 37

# COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES



Our unique engineering capabilities and pioneering spirit position Smiths strongly to support customers on their journeys to decarbonise and deliver next-generation efficient and sustainable infrastructure and processes. Commercialising differentiated products and services with sustainability impact has and will continue to enable Smiths to make a significant and positive contribution to global environmental goals.



Ambitious global commitments to Net Zero and other environmental matters are driving profound transitions and demand for high-value innovative solutions across the markets we serve. Investment to deliver the Paris climate commitment is projected to exceed USD\$100 trillion by 2050, three to four times the rate of historical investment on an annual basis. For Smiths, this translates to real and immediate growth opportunities – for our existing products and the technologies behind them, and through applying our capabilities to develop practical, commercial solutions that solve customer needs today and shape the future.

Our portfolio of green products is strong and growing and we are prioritising investment in new and high-value green technologies to capture the commercial growth opportunities we see now and to establish ourselves in the growth markets we see ahead of us.

Each of our divisions has active new product development (NPD) projects that address customer needs for sustainability performance. Top programmes are identified as part of our strategic planning processes and accelerated for development and launch, with execution supported by the Smiths Excellence System. Commercialisation of these programmes is overseen by the Executive Committee and the SSE Committee of the Board which holds regular innovation deep-dives with our divisional teams.

Smiths spends approximately 4% of annual revenue on R&D and our Gross Vitality metric measures the revenue contribution of products launched in the last five years. We are preparing for reporting under CSRD and will publish further green technology data in FY2024.



## MARKETS AND SUSTAINABILITY MEGATRENDS

Read more on our markets and sustainability megatrends

[→ PG 3](#)



## 3.7%

R&D as a % of sales.



## 31%

Gross Vitality: 31% of revenue from products launched in the last five years.



Highest-impact topic

## DISTRIBUTION OF SMITHS GREEN TECHNOLOGY

### EFFICIENCY AND CIRCULAR ECONOMY SOLUTIONS

**Solutions that help our customers to use less, waste less and reduce emissions**

- Efficient, reliable and lower emission oil and gas value streams
- Resource efficiency in industrial processes
- Water reduction for process industries and energy transition minerals
- Effective and lower energy safety and security infrastructure
- Detection solutions for resource mining and recycling
- Building efficiency – residential and commercial
- Smaller, lighter and more efficient connectivity components

**John Crane**

**Smiths Detection**

**Flex-Tek**

**Smiths Interconnect**

### WIDESPREAD GREEN ELECTRIFICATION

**Solutions that help our customers move from carbon-intense fuels to green electricity**

- Electrical heating for:
  - Building heating, ventilation and air-conditioning (HVAC)
  - Industrial processes
- High-power electrical connectors to enable efficient and reliable transmission of electricity

**Flex-Tek**

**Smiths Interconnect**

### LOW-/NO-CARBON FUELS IN HARD-TO-ELECTRIFY SECTORS

**Solutions that help our customers to make, store, move and use new fuels**

- Efficient compression, transportation and storage of hydrogen
- Reliable pumping and compression of biofuels and synthetic fuels
- Filtration of hydrogen and low-carbon marine fuels

**John Crane**

**Flex-Tek**

### CARBON CAPTURE

**Solutions that help our customers efficiently capture, transport, sequester and/or use carbon**

- Proven and reliable CO<sub>2</sub> capture technologies
- Efficient and reliable transportation, storage and injection of CO<sub>2</sub>

**John Crane**

## How we deliver



### DECARBONISING OIL & GAS PRODUCTION

Decades of use of high-performance mechanical sealing technology developed by John Crane has prevented the release of millions of tonnes of greenhouse gases (GHG), such as methane, into the atmosphere during the transportation and refining of fossil fuels. John Crane products and technologies are available now that, if applied universally, could transform the energy sector and transition infrastructure to near-zero emissions in a cost-effective way.

Delivering Net Zero through an orderly transition from today's global fossil fuel-based energy economy to tomorrow's decarbonised energy infrastructure depends critically on sealing solutions such as those developed by John Crane. The same fundamental sealing technology and engineering expertise in oil & gas infrastructure are also essential to enable new energy solutions, including the use of hydrogen and carbon capture.

→ Continued overleaf

## How we deliver continued

Emissions reduction and compression solutions lie at the heart of energy infrastructure, making today's energy production safer, more efficient, reliable and greener. The urgency of the climate crisis and Net Zero commitments will drive incremental efficiency and faster 'greening' of existing carbon-heavy systems, as well as the switch to renewable energy sources as demand for energy continues to grow.

John Crane's Type 38 seal for low-emission hydrocarbon sealing had to demonstrate its ability to cut fluid hydrocarbon leakage (and thus emissions) to a maximum of 1,000 parts per million, a c.90% reduction vs historic seal performance, to comply with meticulous and exacting testing procedures set out by the American Petroleum Institute (API) following the US Clean Air Act in 1994.

Dry gas seals, launched by John Crane in the mid-1980s do not require energy-consuming support systems. When used in combination with seal gas recovery systems launched by John Crane in 2022, systems could achieve an up to 98% reduction in carbon emissions vs traditional shaft sealing.

Retrofitting these solutions to global oil & gas infrastructure will dramatically reduce carbon footprint as next-generation low- and no-carbon energy infrastructure develops.

### SEALING TECHNOLOGY FOR HYDROGEN AND CARBON CAPTURE

John Crane is a market leader in hydrogen and CO<sub>2</sub> compression sealing, with over 4,000 dry gas seals shipped into hydrogen production and carbon capture applications. Since we installed our first hydrogen dry gas seal in the 1980s and the first dry gas seal for a carbon capture facility in 1996, John Crane has continued improving our technology to achieve the higher performance requirements necessary for the ever-more demanding specifications for hydrogen and super-critical CO<sub>2</sub> compression.

Carbon capture is an essential part of the production process for blue hydrogen (produced from natural gas). The process of carbon capture and safe and efficient transport and storage infrastructure for CO<sub>2</sub> is also relevant for any other carbon-emitting industry that needs to decarbonise, either on a large scale or via one of the modular solutions currently being developed.

In FY2023, John Crane was chosen to provide the critical seals and couplings for both the hydrogen and CO<sub>2</sub> compressors, gas and oil filters, and pump seals and systems to Canada's flagship hydrogen project, the Alberta Net-Zero Hydrogen Energy Complex. This is the largest current blue hydrogen investment in Canada where hydrogen will be produced using autothermal reformer (ATR) technology integrated with carbon capture systems. The facility will also export green electricity to Alberta's grid. The project will capture more than 95% of carbon from the ATR process.



John Crane, in partnership with Cranfield University and the University of Edinburgh, was also awarded grant funding in FY2023 from the UK's Department for Energy Security and Net Zero for the development of an innovative, high-temperature sealing solution for the supercritical CO<sub>2</sub> power cycle. Supercritical CO<sub>2</sub> power cycles are a novel process currently under consideration across the energy sector, utilising CO<sub>2</sub> from carbon capture as a working fluid.

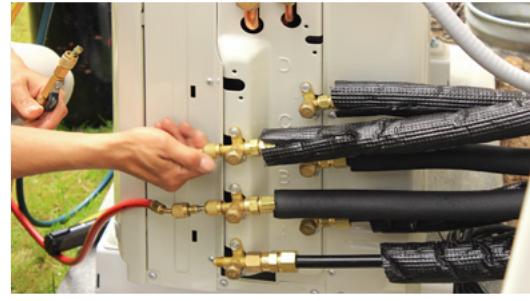
## How we deliver continued

### ELECTRICAL HEATING SOLUTIONS

Widespread green electrification creates significant growth opportunities for the heat solutions group at Flex-Tek. Our electrical heating elements and control systems have broad application across a wide range of consumer and industrial markets to replace gas and other carbon-intense energy sources. Expansion in these markets is driven by close collaboration with customers and supported by Flex-Tek's integrated design and manufacturing model which makes the business highly agile and responsive to market demand.

#### INDUSTRIAL ELECTRIC HEATING

Flex-Tek technology enables the heating of industrial gases for applications that need high pressure (110 bar) or high temperatures (up to 1,000°C) or both. We are one of the very few companies in the world to deliver electrical heat in these operating ranges, opening the door to exciting new opportunities to decarbonise large-scale industrial processes, including hard-to-abate sectors. Our heating elements provide several advantages including: very efficient heat transfer at high watt densities; inbuilt insulation; fast and accurate controls; and patented over-temperature protection to prevent element failure. Elements are also highly scalable from one element to many hundreds operating in one heater.



In FY2022, Flex-Tek entered a strategic partnership with Midrex Technologies, Inc (Midrex) to deliver a heating solution for production-scale decarbonisation of Midrex's Direct Reduction of Iron (DRI) process to produce green steel. Midrex is an industry leader in DRI whose traditional design utilises natural gas to 'reduce' iron oxide ore to metallic iron. Working with Midrex, we have applied our industry-leading open coil electrical heating expertise to replace natural gas with super-heated hydrogen for the world's first commercial-scale H2-DRI plant. In FY2023, H2 GreenSteel selected Midrex and Flex-Tek as the H2-DRI technology partner for its green steel production facility, which broke ground this year in Sweden and plans to ramp up production during 2026. The process will reduce CO<sub>2</sub> emissions by up to 95% compared to traditional steelmaking and create a path to carbon footprint reduction in this critical industrial process.

In addition to offering high-pressure, high-temperature applications, Flex-Tek heating technology is also used in several low- to medium-temperature (up to 700C), high-flow (up to 57 M<sup>3</sup>/min) and low-pressure (8.27 bar) applications in emerging markets such as dehumidification, pollution control and energy storage. Our Farnam facility offers a variety of elements that are highly customisable to customer needs ranging in wattages from 10W up to 100kW.

Open coil heaters for dehumidification room control are on the rise as lithium ion battery production increases. Our heaters also play a critical role in raising temperatures of the soil to remove contamination at landfills across the country. Open coil technology also plays a vital role with thermal energy storage as applications gain traction across the globe.

#### HEAT PUMP COMPONENTS

Flex-Tek is the largest supplier of back-up electrical heating elements for the North American heat pump market. In FY2023 we launched Python refrigerant line sets for heat pumps to further expand participation in this fast-growing market.

# DELIVERING NET ZERO GHG



In FY2022 Smiths committed to ambitious Net Zero targets that align us with the UN's critical global climate objectives and the ambition to limit global warming to 1.5°C.

With the support of the Smiths Board and Executive Committee, we are planning for success with a Net Zero/climate transition plan which describes how, through consistent and prioritised focus across all aspects of our business over the next 25 years, we will deliver Net Zero emissions from our operations (Scope 1 &2) by 2040 and our value chain (Scope 3) by 2050.

To underline these commitments and the importance we place on them, Smiths signed on to the 1.5°C Business Ambition under the UN Race to Zero, covering Scope 1, 2 and 3 GHG emissions and, in May FY2023, we submitted our Net Zero trajectory and interim targets to the Science-Based Targets initiative (SBTi).

We have not delayed putting the delivery plan into action and have already taken significant steps on the journey. For Scope 1 & 2 our critical path is based on energy efficiency, green electricity and alternative fuels. For Scope 3 our critical path is based on supplier engagement and reporting, supplier science-based targets and external transition including grid decarbonisation. It is fully accepted that the route of our journey may alter as we progress and that we will need to maintain flexibility and course-correct if required.

## FY2023 DELIVERED PROJECTS

**John Crane** Lutin worked with its energy provider to procure Guarantee of Origin certificates under the European Energy Certificate System to certify its electricity use as renewable. This has reduced GHG emissions by approximately 700 tonnes in FY2023.

**Smiths Detection's** Johor Malaysia solar installation was completed in October 2022 with 1,856 panels producing over 1,000 MWh in the first 12 months of operation. The installation reduced the amount of renewable energy required from external sources by the site by approximately 20%.

**Flex-Tek's** Flexible Technologies site in Abbeville, South Carolina completed an LED lighting installation which delivered a 40% lighting energy reduction from 1,374MWh to 816 MWh.

**Smiths Interconnect's** LED lighting project at Genoa brought the site up to 69% LED covering office and production areas. This has reduced GHG emissions by at least 196 tonnes per year. The site will be close to 100% LED by the end of FY2024.

## FY2022 TO FY2024 GHG TARGETS

Our three-year GHG-related targets set in FY2022 have been passed. They have also been superseded by significantly higher targets on energy efficiency and absolute GHG reductions linked to remuneration.

	TARGET	STATUS
<b>RENEWABLE ELECTRICITY</b>	5% increase to 66%	70%
<b>SCOPE 1 &amp; 2 GHG EMISSIONS</b>	5% reduction normalised to revenue	(30.8)%

→ [Read more about remuneration on page 12.](#)

## ENERGY USE AND GHG EMISSIONS REPORTING

Our Streamlined Energy and Carbon Reporting (SECR) disclosure is provided on page 67. Details of our GHG Inventory Management Plan and GHG data assurance process are provided on pages 67 and 70.



**(11.8)%**

Absolute Scope 1&2 GHG reduction vs FY2022.



**(25.5)%**

Normalised Scope 1&2 GHG reduction vs FY2022.



**(4.8)%**

Scope 3 GHG reduction vs FY2022.



**70%**

Renewable electricity.



## SECR DISCLOSURE

→ [PG 67](#)



Highest-impact topic

## NET ZERO/CLIMATE TRANSITION PLAN

Work on the Smiths Net Zero/climate transition plan was completed in FY2023. Our Net Zero trajectory was submitted to the SBTi in May.

<b>TRANSITION PLAN OBJECTIVE</b>	<p>Establish a robust and credible, bottom-up, decarbonisation pathway and delivery plan, incorporating interim emission reduction targets, to meet our long-term Net Zero commitments:</p> <ul style="list-style-type: none"> <li>- Net Zero Scope 1 &amp; 2 emissions by 2040</li> <li>- Net Zero Scope 3 emissions by 2050</li> </ul> <p>Medium term: FY2032</p> <p>Long term: FY2040 and FY2050</p>
<b>PRIORITIES</b>	<p>Update and enhance bespoke emission reduction plans for every division working within agreed Group principles</p> <p>Surface and action material decarbonisation opportunities to frontload trajectory</p> <p>Embed plans into business planning and budget cycles</p> <p>Understand risks/challenges to maintain flexibility</p>
<b>KEY PHASES OF WORK</b> <i>continued overleaf</i>	<p>Set emissions baseline (FY2021) for each Scope</p> <p>Deeper dive to analyse base year Scope 3 emissions categories by division</p> <p>Establish hierarchy of preference for Scope 1 &amp; 2 delivery mechanisms to enable consistent and efficient decisions across the Group</p> <p>Determine parameters/assumptions for external developments e.g., decarbonisation of electricity grids, electrification and decarbonisation of transportation and distribution, progress of green heating options, and other industry/governmental commitments</p> <p>Maintain and monitor divisional Scope 1 &amp; 2 operational transition plans to 2032 to enable approximately 50% reduction vs baseline by 2032 grouped by:</p> <ul style="list-style-type: none"> <li>- Emissions increases associated with strategic plan growth</li> <li>- Energy efficiency measures</li> <li>- Onsite renewables</li> <li>- Purchase of renewable electricity</li> <li>- Electrification of vehicle fleets</li> <li>- Green heating</li> </ul>



### COMMERCIALISING HIGH-VALUE GREEN TECHNOLOGIES

Read more about how we are addressing customer and societal Net Zero/climate transition needs through our products and services.

[→ PG 26](#)

**KEY PHASES OF WORK**  
 continued

Divisional analysis of supply chain and supplier progress towards SBTs  
 For Smiths Detection an additional analysis of the decarbonisation trajectory for products in use (Smiths Detection being the only division with a significant emissions inventory identified in this category)  
 Creation of five-year divisional roadmaps of projects by Scope to embed into business planning and budget cycles  
 Group planning for supplier prioritisation, engagement and implementation of Group-wide supplier management platform in FY2024  
 Creation of overall Scope 3 roadmap to 2028 and 2032 and strategy beyond 2032  
 Analysis of risks/challenges  
 Review and sign off by Executive Committee (owned by Divisional Presidents and Chief Sustainability Officer)  
 Review and sign off by SSE Committee of the Board

**ELECTRICITY PREFERENCE HIERARCHY**

We require electricity to run our business and, as part of the transition planning work, determined an electricity preference hierarchy to ensure we are making appropriate and consistent decisions across the Group as we move to 100% renewable electricity. This hierarchy has informed preparation of our divisional Scope 1 & 2 transition plans.

**PREFERENCE HIERARCHY:**

1. Energy efficiency measures
2. Renewable electricity self-supply for high-demand sites with adequate space, access to renewable resources, cost-effective delivery, and where regulation allows
3. Power Purchase Agreements [PPAs] – contracts to buy electricity for a set period of time from a specific energy system installed, owned and operated by a third party
4. Green electricity tariffs offered by local utilities sourcing/generating renewable electricity
5. Energy Attribution Certificates [EACs] – unbundled renewable certificates purchased separately from electricity. Reserved as a solution for challenging situations where no other option is available or viable

## SCOPE 1 & 2 OPERATIONAL TRANSITION TO NET ZERO BY 2040



### KEY ASSUMPTIONS IN MODEL:

- Delivery of our commitments in accordance with those submitted to the SBTi with a c.50% reduction by 2032
- Carbon intensity of revenue growth will decrease over time
- Energy efficiency benefit is approximately 1% per year after business growth
- Onsite renewable options/technology/incentives improve so that they become increasingly cost-effective over time
- Renewable electricity and EACs will be available in necessary quantities
- Electric vehicles and associated infrastructure suiting our fleet needs will be available
- Zero-carbon fuels will be available to power the remaining portion of our operations not amenable to electrification
- Carbon removal solutions will be available to eliminate remaining emissions, if any

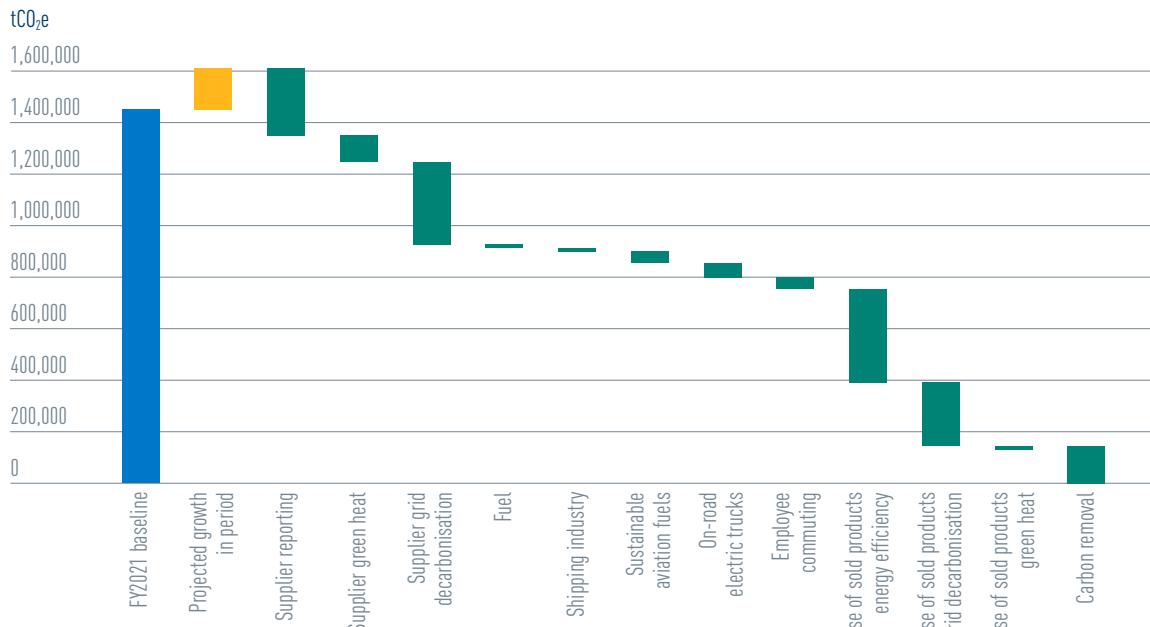
Read more about our Turn it Off campaign.

→ PG 35

### EXAMPLE DELIVERY PROJECTS IN FIVE-YEAR ROADMAPS:

<b>CROSS-DIVISION/ GROUP</b>	<ul style="list-style-type: none"> <li>- Energy efficiency (Turn it Off) campaign (FY2023)</li> <li>- Site energy assessments using third-party partner</li> </ul>	<b>FLEX-TEK</b>	<ul style="list-style-type: none"> <li>- Solar evaluation (FY2024)</li> <li>- Green heat evaluation Springfield, Tutco, Scotia</li> <li>- New ovens and oven insulation</li> <li>- LED and motion sensors installation and air compressor upgrades</li> <li>- Renewable energy Amnitech</li> </ul>
<b>JOHN CRANE</b>	<ul style="list-style-type: none"> <li>- Slough heating (FY2023)</li> <li>- Lutin renewable electricity contract (FY2023)</li> <li>- Site solar reviews</li> <li>- Fleet electrification</li> <li>- Hnevotin renewable electricity contract</li> </ul>	<b>SMITHS INTERCONNECT</b>	<ul style="list-style-type: none"> <li>- Solar review for Costa Rica, Tampa and Mexico</li> <li>- Tunisia solar implementation</li> <li>- Fleet electrification</li> <li>- Review green heat Dundee and St Aubin</li> <li>- LED projects and HVAC and air compressor replacements</li> <li>- Irving renewable electricity</li> </ul>
<b>SMITHS DETECTION</b>	<ul style="list-style-type: none"> <li>- Solar Hemel and Vitry</li> <li>- Solar and heat pump installation Wiesbaden</li> <li>- Heat pump installation Hemel, Vitry, Edgewood</li> <li>- Fleet electrification</li> <li>- Renewable electricity Newark and Singapore</li> </ul>		

## SCOPE 3 VALUE CHAIN TRANSITION TO NET ZERO BY 2050



### KEY ASSUMPTIONS IN MODEL:

- Emissions growth tracks as expected to business growth plans
- Scope 3 plan focused on purchased goods and services, capital goods, fuel- and energy-related activities, and Smiths Detection energy consumption of products in use, is delivered with c.50% reduction by 2032
- External factors progress as expected:
  - Supplier action on emissions and emissions reporting
  - Energy efficiency across all sectors
  - Decarbonisation of electricity grids
  - Electrification and decarbonisation of transportation and distribution
  - Adoption of low-carbon heating options
  - Continued governmental commitments and actions to support cost-effective energy transition
- Successful introduction of supplier management platform and implementation of supplier engagement campaigns
- Continued supply chain engagement and diligence post-2032
- Carbon removal solutions will be available to eliminate remaining emissions, if any

### EXAMPLE DELIVERY PROJECTS IN FIVE-YEAR ROADMAPS:

- Near-term cross-Group supplier engagement and diligence implementation
  - Supplier platform and standardised procurement, diligence and reporting processes
  - 50% of suppliers by spend to have targets aligned with the SBTi by FY2028
- Medium- and long-term cross-Group supplier engagement and diligence implementation beyond top 50% to disclose emissions and set SBTs
- Smiths Detection customer engagement programme on efficient use of products
- Smiths Detection circular economy expansion

## How we deliver



### TURN IT OFF

#### TURN IT OFF CAMPAIGN – TURN IT OFF TODAY FOR A BRIGHTER TOMORROW

Energy efficiency is the foundation of our Net Zero transition plan to 2040. Changes we make at our sites and offices today will deliver benefits in every year of the plan – to our emissions and to our operating margin.

In FY2023, we incorporated energy efficiency within our AIP remuneration targets and our ESG and Health, Safety & Environment (HSE) leaders quickly organised efforts across all divisions through our Energy Governance Committee to launch what became our Turn it Off campaign and toolkit. This call to action was led by our John Crane and Smiths Detection teams who created Smiths-tailored resources to support all our sites to systematically identify and action energy saving opportunities and engage Smiths colleagues to routinely practice energy saving behaviour at work and at home.

Turn it Off resources deployed during the year included:

- 1. Energy-savings playbooks:** We created tailored playbooks of hundreds of energy-saving best practices for both production sites and offices. The tools range from simple direct action, such as adjusting facility temperatures, to more complex potential projects, such as replacing high-energy consuming devices (e.g., gas boilers) with higher-efficiency alternatives (e.g., heat pumps)
- 2. Energy project tracking:** During FY2023, we made great strides in establishing and using a centralised tracking system for environmental improvement projects including energy efficiency and emission reduction opportunities. The Turn it Off campaign helped launch this tool and our teams are utilising the project tracker to identify and assess high-impact projects and tie-out to track and plan for benefits towards delivering Net Zero and supporting Group-wide prioritisation of major projects and investments
- 3. Energy toolbox talks:** We developed standard format briefings for operations teams to tailor to their own operations. Deployed through site-specific lean tier-board processes and other onsite communications methods, these talks reached a large number of Smiths leaders. By getting practical tips and resources into the hands of our maintenance teams and operators, we invited and encouraged ideas for process improvements from our people who know things best
- 4. Energy expert assessments:** Many sites benefited from walk-throughs with ESG and HSE leaders, sharing experiences, insights and best practices

During the year John Crane piloted the use of an external consultancy to review and cost larger energy saving projects at high energy-consuming sites. We intend to roll these formal energy efficiency investment assessments out to other large Group sites in FY2024.

#### GREENER IT

Our Business Information Services team are working on multiple initiatives to green IT at Smiths. This includes tracking power consumption and emissions on IT equipment and replacing the most inefficient kit, embedding a reuse and recycling initiative for all equipment, and reducing the amount we print.

Across the Smiths estate we have c.19,000 monitors in use globally and we track them using a dashboard. Older monitors not only consume more power, they also typically have poor back lighting which can cause eye strain. Replacing older monitors is a priority. We are replacing them with curved monitors, giving an average CO<sub>2</sub> reduction of 40% over the lifetime of the equipment. We have also implemented hibernation mode on all monitors attached to a Smiths computer.

Working with our print vendor we have been monitoring printing at our sites. Our secure printing process stops immediate printing (the user has to tap their pass on the printer before it will print) and this has saved around a million pages (c.8% of total) from being printed every year. We are now beginning to focus on sites with high printing volumes using targeted local campaigns to remind people to think twice before printing.

## How we deliver continued



### SUSTAINABLE OFFICE LOCATIONS

In late 2023 Smiths will move its London Group HQ to a bespoke new office space in the Bankside Yard Estate. The new site was chosen for its ease of access for the Smiths team and for the development's unrivalled sustainability and well-being credentials.

- The UK's first fossil fuel-free mixed-use estate
- Net Zero carbon in operation. Buildings are 100% electric using air source heat pumps
- 30% reduction in energy consumption compared to standard buildings and 100% renewable electricity
- 45% less CO<sub>2</sub> per annum
- Maximised natural light and low iron glass to reduce solar heat gain
- Diverse planting across public realm and biodiverse roofs
- Highest possible rating for public transport accessibility
- Secure cycle parking, lockers and showers. EV charging for bikes and scooters

We have also moved to a more sustainable office location in Pune, India. The Pune site is a business services hub for the Group and some divisions and a new office was sought post-COVID to accommodate a growing workforce who wanted to spend more time in person with colleagues. Sustainable features include EV charging, LED lighting, window film to reduce heat gain and recycling facilities.

#### 1

The Values wall at our office in Pune, India.

# RESPECTING NATURAL RESOURCES



Natural resources are finite, and we believe that all businesses have a responsibility to use them respectfully and safely – responsibly sourcing, minimising consumption and preventing pollution. Our longstanding commitment to both non-GHG resource targets and product efficiency and stewardship are valued by our employees as the right thing to do, and by our customers as they seek to manage their own environmental footprints.

## WATER, WASTE AND PACKAGING

Our FY2022 to FY2024 targets reflect our specific commitments to reducing waste from our operations, reducing water use in water-stressed areas, and cutting unnecessary packaging. Each of these commitments is broken down by division to ensure that sufficient projects are identified to meet or exceed the required improvements. Our site HSE teams are responsible for monitoring and facilitating progress and we make use of Smiths Excellence System tools as required. Group data and progress against targets are reported to the Board. In FY2023 we implemented an environmental project reporting dashboard which will enable us to track all projects in the business.

### FY2022 TO FY2024 TARGETS

TARGET	
<b>WATER</b>	5% reduction in water use in water-stressed areas (11 locations) normalised to revenue 30 projects
<b>WASTE</b>	5% reduction in total non-recycled waste disposal normalised to revenue
<b>PACKAGING</b>	24 projects

## DESIGN FOR SUSTAINABILITY

Sustainability criteria are integrated into our new product development (NPD) processes, NPD projects, and Smiths Excellence System projects to improve existing products, and our manufacturing processes incorporate sustainable design principles and metrics to drive improved product stewardship across the product lifecycle including energy use, raw material sourcing, waste, manufacturing efficiency, transportation, service and disposal.

## ENVIRONMENTAL MANAGEMENT

Our comprehensive portfolio of environmental and safety standards ensures that we manage our sites responsibly and mitigate environmental pollution risks arising from our activities. Performance is overseen by our internal audit process and we maintain an external environmental compliance audit programme of approximately 15 sites every year.

All Smiths operational sites with over 50 colleagues are required under Group policy to be certified under ISO environmental and safety standards (45001 and 14001) – approximately 60 sites. We had no spills or environmental compliance penalties or fines in FY2023.

→ [Read more about responsible sourcing of minerals on page 63.](#)

→ [Read more about restricted substances on page 63.](#)



### WATER

# (17.1)%

normalised water reduction in water stressed locations vs FY2021 baseline.

# 22

water saving projects to date.



### WASTE

# (20.2)%

normalised waste reduction vs FY2021 baseline.



### PACKAGING

# 11

reduction projects to date.

## How we deliver



### RECYCLING AND REFURBISHING PARTS AND EQUIPMENT

Recycled and refurbished components and equipment are a growing part of Smiths Detection's product ecosystem and offer to customers.

We design our equipment for long life and our service teams at John Crane and Smiths Detection deliver great value to customers by maintaining critical equipment in operation to maximise uptime and extend the life of equipment where possible.

In FY2023, our Smiths Detection team placed a sharp focus on the efficient reuse and refurbishment of critical components. These circular economy efforts deliver a triple benefit of natural resource efficiency, supply chain security and often cost savings.

Smiths Detection has appointed a leader to co-ordinate global strategy and growth opportunities across three circular economy streams.

**1. Component repair and reuse** Where practical, reusable components are returned from the field by engineers and repaired, refurbished, and verified for reuse. Standard future service contracts will move to explicitly include the use of refurbished parts unless requested otherwise. In FY2023 alone, over 7,000 reworked parts were consumed in service.

**2. Unit refurbishment** When Smiths Detection receives entire units back from the customer, the team refurbishes the units and resells or rents them to new customers. A recent example of this is a fleet of 147 units of screening equipment coming back to Smiths Detection from a US customer, being refurbished and then repurposed for use at the 2022 Commonwealth Games. The use of refurbished machines saved 181 tonnes of CO<sub>2</sub>e compared to new equipment.

**3. Harvesting and recycling** Where practical, when a unit reaches the end of its life and is decommissioned, Smiths Detection seeks to reclaim the unit to extract components that can be refurbished and reused, and responsibly recycles or disposes of the remaining components. In FY2023, Smiths Detection decommissioned and disposed of nearly 400 pieces of equipment, averaging more than one per day.

### REDUCTION IN HAZARDOUS WASTE, SUZHOU

A cross-functional team from Smiths Interconnect, Suzhou, China has implemented a waste coolant filtration process that has reduced hazardous waste by around 16 tons per year as well as cutting water use, disposal costs and safety risk.

36 computer numerical control (CNC) machines at the site require liquid coolant (water plus chemical coolant) to operate. The coolant liquid is changed twice a year and, prior to the team's project, generated up to 20 tons of hazardous liquid waste annually that needed to be stored onsite in barrels before specialist disposal.

The SES project was set up to find a way to reduce the amount of waste.

Using SES tools, the project identified an evaporation filtration system to separate the chemical waste from the water and recycle the water back into new liquid coolant. The process has significantly reduced the quantity of coolant waste and reduced the risk from storing the waste onsite. The project has been so successful that the team has shared the concept with neighbouring businesses.

- Disposal of hazardous coolant waste down c.80%
- Related disposal costs down c.80%
- Barrel storage and storage area reduced
- Safety risk down
- c.16 tons of separated water recycled back into new coolant

# SUPPLY CHAIN



A deeper understanding and ability to effect change in our multiple supply chains is becoming increasingly critical as we seek to manage risk and make progress on all aspects of ESG.

We are confident that we have addressed these issues adequately/successfully to date, but it is recognised that we now need to understand our supply chain in greater depth than ever before, and that doing this requires significantly more transparency, efficiency and accuracy of data and processes. We fundamentally see this as an opportunity for Smiths as well as an effective way to manage risk as we meet customer and other stakeholder needs and align our supply chain more closely with our culture.

As described on page 19, our FY2023 ESG double materiality assessment identified supply chain as a material issue for Smiths, leading to us adding it to our Sustainability at Smiths framework. Supply chain crosses every ESG element: more than 50% of our Scope 3 emissions come from purchased goods and services; our commitment to behaving ethically, legally and positively in society requires a similar commitment from our suppliers; regulations are increasingly mandating supplier diligence and increased reporting on topics such as biodiversity impacts; and information requests from our customers relating to our supply chain are becoming progressively greater. We plan to report additional information on our supply chain from FY2024.

## RESPONSIBLE PROCUREMENT

Responsible procurement is an important part of our ethical framework. We want to work with suppliers and other partners that are aligned with our Values and that are able to, and interested in, supporting our ESG efforts across all areas. We purchase materials, components and some finished goods from many suppliers across the world. By collecting appropriate information and data and using it to effect change, we can maximise our positive impact.

Our Supplier Code of Conduct (the Code) makes our expectations of suppliers and sub-suppliers clear when it comes to ethical behaviour and compliance with the law, treatment of personnel, and materials from socially and environmentally responsible sources. Suppliers are required to adhere to the Code and have access to our Speak Out system should it be needed. The Code was refreshed in FY2022 to strengthen alignment with our ESG framework, including supplier environmental policies and performance.

In FY2023 we focused on ensuring that our supplier Code was communicated to our higher-risk suppliers numbering over 1,000. New suppliers are subject to due diligence checks in the form of an ethics and compliance questionnaire, with responses reviewed by our divisional procurement teams. We have a supplier onboarding process to assess risk and ensure that suppliers can meet our standards and we undertake risk reviews and regular audits of these suppliers.

## HUMAN RIGHTS

We expect those with whom we have a business relationship – suppliers, contractors, subcontractors, and anyone else in our supply chains, including any recruitment agents or other providers of labour (temporary or otherwise) – to share our commitment to human rights and to be free from practices associated with human rights violations, including forced/involuntary labour or modern slavery. We take very seriously any allegations that human rights are not properly respected.

In FY2023 supplier audits were conducted of labour suppliers and recruitment agents in the Middle East and Thailand to ensure that they were following appropriate practices to recognise modern slavery and human rights risks.

## TACKLING MODERN SLAVERY

The Smiths Modern Slavery and Human Trafficking Statement can be found on the Smiths website [www.smiths.com](http://www.smiths.com).

We recognise that human rights, including modern slavery and human trafficking risks, are not static and that, with a large and global operations and supplier base, we need to be constantly vigilant.

Our expectations for the management of modern slavery and broader human rights risks are set out in our Supplier Code of Conduct. Our standard supplier contract templates oblige our suppliers to make various commitments on human rights and fair labour standards in relation to their own workforces, and to seek the same commitment from their suppliers. They are also asked to notify us if they become aware of any breach. The supplier onboarding process seeks information about employees' work and (if relevant) housing conditions, employment terms and labour practices. If migrant workers are contracted, we ask about their employment terms and any restrictions placed on their movement and financial arrangements.

We use numerous recruitment agents around the world. We conduct due diligence on new agency appointments to ensure that we understand the processes they have in place to manage modern slavery risks, and to ensure they sign up to our commitments as set out in our Supplier Code and Human Rights Policy.

We require all colleagues on the Smiths IT network to take a modern slavery awareness training module every two years. It describes what modern slavery is, how and where it arises (hot spot regions and industries), what to watch out for, and what to do if red flags are spotted. Modern slavery is also a module in our classroom-based training for manufacturing colleagues and is covered in our ethics and compliance workshops with middle and senior management.

## SCOPE 3 INVENTORY

As is typical and expected for diversified industrial businesses, Scope 3 emissions associated with our supply chain (Category 1 Purchased Goods and Services) and Products in use (Category 11) account for the majority of our Scope 3 emissions. Engaging with our supply chain to secure data has therefore been critical in setting the baseline from which we will progress to Net Zero.

Our Net Zero/climate transition plan for all Scopes is described on page 30 and we submitted associated targets for validation to the SBTi in May 2023. A critical foundation of our Scope 3 transition plan is deeper engagement with our top 150 suppliers to measure and disclose emissions and a target to have 50% of suppliers by spend with targets aligned with the SBTi by FY2028.

## SUPPLIER MANAGEMENT SYSTEM

In FY2023 we began work to source and deliver an integrated supplier management platform that will support our data needs and enable standardised and holistic procurement decision making, diligence and reporting processes across Smiths.

Having a fit-for-purpose system is essential to the delivery of our Scope 3 Net Zero target and we are mindful of the expanding focus on all aspects of supply chain management and reporting. The system will practically address all ESG dimensions of supplier management as well as supporting broader efficiencies in supplier due diligence work and other aspects of supplier management that will benefit from a consolidated and standardised system.

We expect to implement the chosen platform in FY2024, enabling us to:

- Onboard suppliers and conduct due diligence using a standard framework
- Map our complex supply chains
- Collect, analyse and report supplier data across multiple metrics including ESG and emissions metrics
- Validate data and monitor compliance actions

# SOCIAL

## SUSTAINABILITY AT SMITHS FRAMEWORK



### COMMENTS FROM SMITHS COLLEAGUES IN OUR MY SAY SURVEY

"Safety is actively looking to improve the safety of every task we conduct. I always feel safe doing my job."

"I love to solve problems and the people I work with are the biggest reason I feel like I am making a difference and belong here."

"I am being challenged and, with this, I am improving every day which is important for my growth."

"My department is diverse and everyone is given an equal opportunity to succeed."



### IMPROVING SAFETY, HEALTH AND WELL-BEING

[→ PG 44](#)



### DEVELOPING AND ATTRACTING TALENT

[→ PG 48](#)



### PROMOTING DIVERSITY, EQUITY AND INCLUSION

[→ PG 51](#)



### CONTRIBUTING TO OUR COMMUNITIES

[→ PG 54](#)

# Q&A WITH CHIEF PEOPLE OFFICER, VERA KIRIKOVA

## HIGHLIGHTS

### EMBEDDING THE SMITHS LEADERSHIP BEHAVIOURS

Read about our activity programme.

→ PG 43

### ACCELERATE

Read about how we develop excellent leaders.

→ PG 49

### GENDER DIVERSITY

Read about how we are focusing on gender diversity.

→ PG 51



### Q HOW DO YOU DEVELOP AND DELIVER EFFECTIVE PEOPLE PLANS AT SMITHS?

**A** Our people plan is about connecting the dots between what our people want to see and what the business needs to achieve. So, we start with a lot of listening across the organisation, listening to our leaders and reviewing the needs of the business strategy against our capabilities; and the strategic people plan grows from there. The people plan has three pillars: building brilliant basics; developing our capabilities; and evolving our culture. These are supported by a delivery plan under each pillar, with metrics and targets on our performance dashboard, that we are progressing every year. And in a large company like Smiths, we regularly test ideas and innovative practices then build them out across the Group. For example, our Maternity Buddy scheme started in Smiths Detection and is now Company-wide. Or the Accelerate leadership development programme, which we first ran to road test some courses, and then took the opportunity to expedite delivery after excellent feedback.

### Q HOW ARE YOU BUILDING THE SKILLS NEEDED FOR THE FUTURE?

**A** We have great people at Smiths – an incredible richness of capability – and we want an environment where that richness can flourish; for us as a business and for our colleagues themselves. That's the origin of our 'internal first' mindset. We have the talent needed for the future and, through our various development programmes, SES, and more purposeful planning of career development and talent pipelines, we are bringing people through the organisation, boosting knowledge and skills as we go. That's not to say that we do not look outside of Smiths when we need something very specific. For example, when we built our new digital lab in Bangalore, we deliberately recruited experienced people from outside because we did not have those skills in our India organisation. Now we do.

### Q WHAT WERE YOU MOST PLEASED ABOUT IN THE RESULTS FROM THE MY SAY SURVEY?

**A** I believe in slow but sustainable improvement. Big jumps are great, but they can prove unsustainable. The overall e-Sat engagement score has been around the same level for the last five years, just beneath the benchmark we use, and we have moved up in the last year. We aligned the question categories significantly more closely with our focus areas and asked about things like our Smiths Leadership Behaviours, leadership, career opportunities and inclusivity, and it will be really helpful to see the progression in next year's data. We are also able to use the data to truly look under the surface and understand differences between groups of people, for example male views vs female views; engagement of those in leadership vs those in other roles; and differences between our divisions and functions. This helps us to shape our priorities and where we invest our efforts. I was particularly happy

to note this year that engagement of colleagues in production roles at Smiths scored above the benchmark. Production colleagues are the engine of Smiths so this is significant. In many parts of the organisation, scores at the leadership level have improved as well, including the scores of female leaders.

### Q WHY IS GENDER DIVERSITY SO IMPORTANT TO SMITHS?

**A** All types of diversity are important to Smiths – it's good for business and it's the right thing to do. We have decided as an Executive team to focus on gender diversity first because women make up 50% of the population and they are under-represented in our organisation and in engineering generally. We also believe that if the organisation is more welcoming to women, then it will be better and more welcoming all round. This is a long-term thing for us and speaks to both sustainable actions and our internal first mindset. We've undertaken a whole programme of work on this in FY2023.

### Q WHAT IS YOUR PRIORITY FOR FY2024?

**A** Fully embedding the behaviours described in the Smiths Leadership Behaviours. We've spent FY2023 doing extensive and careful change management and communication on the seven Behaviours. Now is the time to fully connect the dots between them and business performance and that will be through integrating the Behaviours into our SES processes and into our fundamental people processes. If every one of our 15,000 colleagues lifted just a little bit on each of the seven behaviour dimensions, we'd have an incredibly powerful organisation. Like our Values, we want the Leadership Behaviours to be part of the everyday culture at Smiths. Just the way we do things, everyone, everywhere. It's an exciting prospect.

# EMBEDDING THE SMITHS LEADERSHIP BEHAVIOURS

We launched the Smiths Leadership Behaviours in FY2022 and have undertaken a broad programme of activity to embed them with colleagues in FY2023. Our approach has been to ensure that colleagues are clear on what the Behaviours are, why they are needed and expected, and that they understand their practical application and their role in bringing them to life. We are currently in the process of integrating them into our core people processes.

<p><b>1. LAUNCH</b></p> <p><b>2. ENGAGE</b></p> <p><b>3. DEEPEN</b></p> <p><b>4. REINFORCE</b></p> <p><b>5. APPLY</b></p>					<p><b>OUR PEOPLE AND CULTURE</b></p> <p>→ PG 8</p>	<p><b>MY SAY EMPLOYEE SURVEY</b></p> <p>→ PG 13</p>
<p>Leadership Behaviours launched and workshopped at Leadership Summit</p> <p>The diagram is a circular model titled "SMITHS LEADERSHIP BEHAVIOURS". It features a central circle labeled "Smiths Value Engine" with three segments: "GROWTH" (top), "EXECUTION" (middle), and "PEOPLE" (bottom). Surrounding this central circle are six segments representing leadership behaviours, each associated with a Smiths value:</p> <ul style="list-style-type: none"> <li>Innovates for Impact (Growth)</li> <li>Takes accountability &amp; ownership (Execution)</li> <li>Delivers results at pace (People)</li> <li>Leads inclusively &amp; empowers (People)</li> <li>Develops self &amp; others (Growth)</li> <li>Lives Smiths Values (Execution)</li> <li>Sets vision to inspire (Growth)</li> </ul>	<p>Smiths-wide engagement with the Leadership Behaviours through initiatives including teaser campaigns, video animations and a dedicated website</p>	<p>Monthly spotlight communications on each of the behaviours from Group and divisions</p>	<p>Bespoke global workshop and training campaign to tie the Leadership Behaviours to practical day-to-day skills and scenarios including:</p> <ul style="list-style-type: none"> <li>- Appointment of Leadership Behaviour Ambassadors</li> <li>- Leadership and senior management skill-build workshops</li> <li>- Meeting in a box workshops for line managers</li> <li>- Online learning modules</li> <li>- Inclusion in Accelerate people leadership materials</li> <li>- Feedback loop to inform future activities</li> </ul> <p>94 workshops; 1,600 attendees in FY2023</p> <p>My Say awareness score: 74 (colleagues); 89 (senior leaders)</p>	<p>Integrate into people processes:</p> <ul style="list-style-type: none"> <li>- talent assessment</li> <li>- talent development</li> <li>- talent recruitment</li> </ul>		

# IMPROVING SAFETY, HEALTH AND WELL-BEING



Our commitment to our people starts with keeping us all safe and healthy. Looking after our people in the workplace is an essential foundation and our number one focus.

Driving to zero injuries and improved health is a shared commitment to one another, and it requires sharp focus and practical action. We strive to continuously improve by reducing risk across Smiths operations. This means systematic analysis of data, proactively designing and investing for safety, and strengthening our global and local safety cultures to deliver in our varied operating environments.

Strong safety culture is fundamentally about keeping safety personal and must reflect, and respect, our diverse organisation while adhering to global principles. Supporting colleague well-being and mental and physical health also helps to keep us performing at our best. Our sites lead on health and well-being support to ensure it is relevant to local needs.

## MANAGING SAFETY

We have an extensive set of health and safety standards that all Smiths operations are required to follow. Safety and compliance with our standards are managed locally by our divisional HSE specialists, with responsibility for safety culture and performance held by our site and divisional leaders. Performance against standards is overseen by our audit processes. Safety strategy is owned by the Chief Sustainability Officer and the Group Head of Safety and Health, the latter working in collaboration with the HSE Technical Committee (now known as the HSE Operations Committee) made up of representatives from across Smiths.

All colleagues have a responsibility to behave safely and look out for others. Individual engagement with safety matters and an understanding of its priority in the organisation is critical if we are to maintain a workplace that is safe for all. We provide safety materials and task- or site-appropriate training to ensure that our colleagues have the knowledge and skills to work safely, and we seek to continuously design out risk from our operational activities and processes.

Our safety cardinal behaviours are a simple guide to daily safety are embedded at every site.

- Stay fit and focused at work
- Identify and manage safety hazards
- Always use machinery safely
- Stop work if it isn't safe
- Take care when using electrical equipment
- Follow safety protocol in vehicles
- Take care when working at heights
- Always use protective gear
- Report all safety incidents and near misses

Operational safety is an important part of business planning. Whenever someone gets hurt, we look closely to identify root causes and prevent recurrence, but we know that the most valuable work is investing in sustainable preventative action to eliminate or reduce risk before someone gets hurt. Our divisions develop injury prevention plans appropriate to their operations and our local HSE teams work regularly with HR colleagues to support health and well-being initiatives, which also contribute to a safer work environment. Our divisions are also required to set completion targets for proactive and preventative safety measures. These Safety Leading Indicators (SLIs) include activities such as safety inspections, leadership tours, and our look out peer-to-peer observation programme. When properly executed, the SLIs build strong habits of personal engagement on safety across levels and functions that both strengthen our safety cultures and identify concrete opportunities to improve.

During FY2023 we held an executive safety summit and a global HSE conference which was attended by the CEO and members of the Smiths Board.



## RECORDABLE INCIDENT RATE (RIR)

Per 100 colleagues

	FY2023	0.41
	FY2022	0.56

 **(26)%**

## LOST TIME INCIDENT RATE (LTIR)

Per 100 colleagues

	FY2023	0.14
	FY2022	0.25

 **(44)%**



Highest-impact topic

## SAFETY MEASUREMENT AND PERFORMANCE

We had 64 recordable injuries in FY2023 vs 87 in FY2022, bringing our Group RIR down (26)% year-on-year, with improvement at every division. We continue to track below the industry average and in the top quartile of industry performance.

We recorded zero work-related colleague or contractor fatalities in FY2023 and received no significant safety fines or penalties. We had zero contractor recordable incidents reported.

The SLIs that are common to all of our divisions – safety observations and safety leadership tours – are tracked and reported monthly. Our divisions set an annual target for these SLIs and are expected to make a minimum of 95% of the target. From FY2024 we will launch an additional safety observation quality objective to drive engagement. This will require all operational managers and supervisors to conduct leadership tours and look out observations.

## COVID-19

We continue to practice COVID-safe measures at our sites and comply with all local requirements.

## HEALTH AND WELL-BEING

All Smiths colleagues have access to an Employee Assistance Programme (EAP) which offers practical support on health, well-being and financial matters. The EAP is available via email or phone 24 hours a day, 365 days a year and provides colleagues and their immediate family a free and confidential advice service through which they can access professional counselling and support for a wide range of topics including relationship issues, financial well-being and family challenges.

Our THRIVE programme aims to create an environment where people feel confident talking about matters such as mental health and wellness, recognising it in others, and reaching out for support if needed. THRIVE resources take the form of content on our Smiths Now app and interactive activities such as webinars.

## TRAVEL SAFETY

With locations all over the world, and colleagues regularly travelling and/or working remotely, the on-the-road safety of our teams is a critical consideration. We closely monitor colleague trips to high and extreme risk locations, with all such travel pre-approved per divisional policy. We also work with external partners who enable us to provide comprehensive advisory and emergency (including medical and physical) support to Smiths colleagues at home and in the field, and to our site teams if they are in need of it.

## SITE SECURITY

The nature and location of our sites requires us to have robust security procedures in place to protect both the physical safety of our teams and assets as well as our data and intellectual property. We have physical security plans in place at all locations and risk assessments are undertaken regularly, as are reviews of our business continuity and crisis management plans. Designated site security officers ensure that security measures are implemented and are trained to lead in an emergency. We also have Security Leading Indicators that formalise good practice and are recorded.

No serious security incidents were recorded in FY2023.

During FY2023 over

**13,000**

safety look out observations and leadership tours were performed.

## How we deliver



### TRANSFORMING SAFETY AT ROYAL METAL

Royal Metal Products designs and manufactures complex sheet metal products for the heating, ventilation and air-conditioning (HVAC) industry. The company was acquired by Smiths in February 2021 to broaden the HVAC and building product portfolio at Flex-Tek.

The nature of the manufacturing process at Royal Metal – manual working with sheet metal, and metal riveting and clinching machinery – requires very close attention to colleague safety. At the point of acquisition, the company's RIR was significantly above the Smiths average, with hand and finger injuries and cuts especially prevalent. Fundamental changes were needed to transform safety practices and performance without impacting employee productivity or customer service.

Royal Metal colleagues were involved at every stage of the safety transformation, sharing their knowledge to find solutions to reduce risk, adopting new ways of working, and taking responsibility for their own safety and that of colleagues. Whilst safety is a continuing journey for the business, recordable injuries have fallen consistently, to eight in FY2023, a fall of 33% vs FY2022.

#### 1. DESIGNED-IN SAFETY

Fundamental changes have been made to manufacturing processes at Royal Metal to design out risk. Two key changes were identified by working groups tasked with reviewing machining techniques and researching new equipment:

**Clinching machines:** existing machines were difficult to guard because of the geometry and size of the metal shapes to be clinched. Royal Metal chose to entirely replace these appliances and invest in six new OSHA-approved machines. New machines are pneumatically driven and include a safety switch that stops the machine going to high pressure if the area is not safe.

**Riveting machines:** these machines were also difficult to guard because of the large space required to insert the shape to be riveted. A solution was found in a collaboration between machine operators and mechanics who found that adding an air cylinder, a safety block and a sensor created a safety switch. All 50 machines have been retrofitted with the switch.

#### 2. NEW PROCESSES TO MANAGE RISK

When demand is high, and everyone is busy, it is important to have systems in place that ensure safety functions are working correctly. Royal Metal implemented a simple requirement for riveting machinists to cycle their machine to check the safety system before beginning work. Any mechanic working on the machine must do the same.

#### 3. MAKING IT EASIER TO BE SAFE

Physical changes to the working environment and a blanket requirement for PPE make it easier for colleagues to be safe. Colleagues are obliged to wear cut-resistant gloves and sleeves while working and back braces for strenuous lifting activity. A yellow line has been drawn onto the shop floor to delineate the

work area; colleagues must be in full PPE when they cross the line. Cubbyhole spaces have been created for every colleague to store their PPE so that they can put it straight on when entering their department and stow it easily when they leave.

#### 4. LEVERAGING TECHNOLOGY

An additional safety technology platform has been introduced to facilitate immediate and easy reporting of hazards and safety issues. All colleagues are empowered to use the tool which provides real-time information to leadership and enables a quick response.

The Royal Metal engineering team has also been working on solutions to eliminate and reduce risk through new equipment and automation. Two laser machines were purchased to support saw activity. This department creates the patterns that shape the many types of products manufactured. The laser machine eliminates the need for an employee to operate the vertical band saw, one of the higher risk activities at the site.

#### 5. LEADERSHIP AND CULTURE CHANGE

The Royal Metal leadership team led the change, making it clear that safety was their priority and helping all colleagues to understand the benefits of the new ways of working. Underpinning everything has been culture change and a continuing conversation about safety involving everyone at Royal Metal. The team characterise this as a move from individualism to teamwork and an empowered culture where everyone recognises risk and takes responsibility.



**This has been a true collaboration between everyone at our company. I am so proud of what we have achieved and thank the whole team for their ideas, their understanding, and their support. We can all see the difference and every one of us benefits from working in a safer environment with colleagues that care."**

#### GAVASKA CHANNER

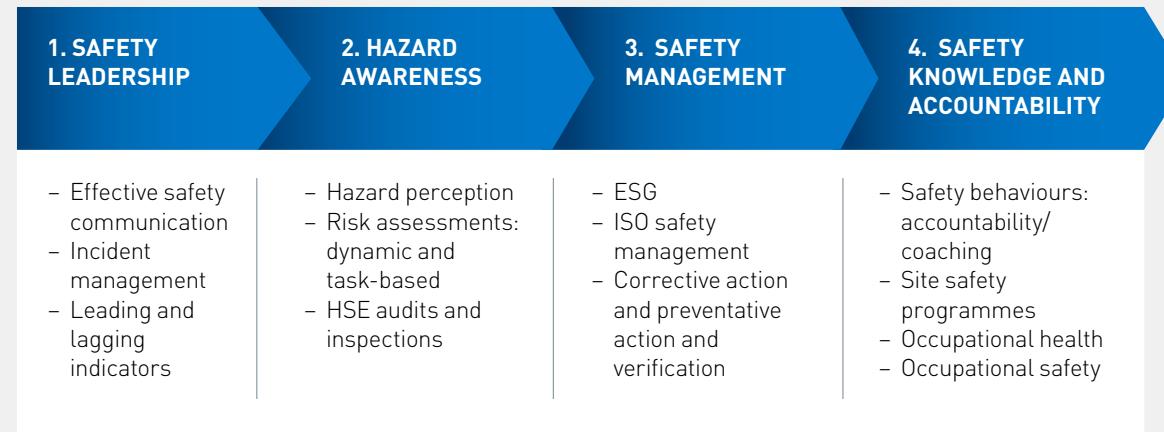
Plant Manager, Royal Metal

## How we deliver continued

### EFFECTIVE TRAINING AT JOHN CRANE

After concerns were raised about several safety incidents, John Crane initiated a deep-dive into the contributing factors at the sites where they occurred. The incident investigations and further work identified that supervisors at the sites lacked knowledge on safety generally and specific safety procedures. To correct this the John Crane global HSE team developed a new in-depth safety training programme specifically aimed at supervisors, incorporating feedback from supervisors on the subject matter that would be most useful for their roles.

The facilitated programme is taken over the course of a year at a site, with a segment run every three months. Each segment is a combination of in-person classroom training and practical work on-the-floor. Supervisors are enrolled on the programme by site leaders, and it is also offered as a development opportunity to those with potential to move up to supervisory roles. John Crane HSE leaders monitor detailed site performance data while the programme is taking place, enabling adjustments to be built into later segment resources if required. The programme will have been completed at all John Crane sites by the end of FY2025 and will be a rolling activity for new supervisors thereafter.



While John Crane has further to go on safety culture, the programme is credited with improving overall safety performance at John Crane and the concept has been shared with safety leaders at other Smiths divisions.



### JOHN CRANE RIR

FY2023	0.25
FY2022	0.37
FY2021	0.44

# DEVELOPING AND ATTRACTING TALENT



Our colleagues can do remarkable things. Their passion and expertise have driven our business forward for more than 170 years. It is critical that we have the talent we need to meet the demands of the future.

Our organisational commitment is to ensure that all our colleagues have opportunities to develop their knowledge and skills, reach their full potential, and build a career at Smiths. Creating an environment and infrastructure that achieves this is also the key to attracting the right talent to Smiths, whether young people at the beginning of their working lives, or experienced specialists should there be a gap to fill.

## INTERNAL FIRST

With more than 15,000 colleagues working in more than 50 countries, we have a broad and diverse pool of talent to choose from. Our emphasis is on internal first and internal talent mobility; purposefully hiring for potential and bringing talent through the organisation to create a sustainable, skilled workforce with the capabilities we need to achieve our ambitions and, at the same time, meeting the career aspirations of our colleagues.

Across the Group we have a shared, structured approach to talent assessment and succession planning which enables us to identify and develop a pipeline of high-potential individuals with specialised skill sets and experience from across the organisation, with a particular focus on increasing gender diversity. Assessment of performance against the Smiths Leadership Behaviours is being built into talent assessment. We have also developed a mentoring and coaching ecosystem which connects our Executive Committee, through our senior leadership group, to those in our extended leadership team. A similar coaching approach has been developed within SES, with our Master Black Belts mentoring our Black and Green Belts through SES continuous improvement projects. In FY2024 we intend to launch a mentoring app that will match potential mentors and mentees to grow the ecosystem further.

Opportunities and appointments to our most senior roles are discussed at a monthly Talent Development Committee comprising all members of the Executive Committee. Going forward, the Executive Committee will hold two people days every year where talent and talent pipelines are discussed.

We will continue to invest in internal talent mobility as a significant source of value for Smiths.

Our talent progression metric measures the percentage of grade 11 and above roles filled by internal candidates and helps drive our commitment to growing our own. In FY2023 70% of open roles in these grades were taken by internal candidates.

## BUILDING KNOWLEDGE AND SKILLS

We have a specific Smiths Leadership Behaviour dedicated to developing self and others and it is a principle applied at the organisational and individual level.

All Smiths colleagues have access to training and resources that enable them to undertake their roles safely, effectively, and in line with our policies. Colleagues can also connect with a range of personal and skills growth resources as they progress in their careers, including specialist technical, functional and externally accredited courses. Over and above, we focus on identifying the core skills required to achieve our growth strategy and creating training programmes around them, for example equipping our leaders to inspire, engage and successfully manage change.

Our SES programme and SES Academy develop transferable Lean Six Sigma skills through the execution of practical Black and Green Belt projects that benefit the organisation, and it provides advanced training on subjects including project management, design thinking and artificial intelligence. We intend to have 3% of the Smiths workforce trained as Black or Green Belts in the near future.

## ENHANCING TECHNICAL CAREERS

While our divisions serve different markets, there is much common ground in the qualities and skill sets required in our technical teams to deliver efficiently and innovate powerfully for the future. Our group structure enables colleagues to build quality and long-term technical careers at Smiths. We are purposefully creating building blocks to provide more career visibility



As described on page 19, our FY2023 ESG double materiality assessment identified both developing talent and talent attraction as critical enablers for Smiths. This prompted us to adjust our ESG framework to accommodate and focus on both.



**SES**  
Read more about SES.

→ PG 9



**70%**  
of open grade 11 and above roles filled by internal candidates.

including a common technical career ladder, and more opportunities for networking, collaborating and sharing technical knowledge through formal technical communities to enhance delivery of Group goals.

### DEVELOPING EXCELLENT LEADERS

As well as technical skills, we require great leaders at Smiths. Accelerate Fundamentals is a new, bespoke training programme for all frontline leaders that enables them to step away from their day jobs, meet with other leaders in person, and be immersed for three days in the knowledge and skills that will equip them to effectively support and build high-performing and impactful teams. Close to 300 leaders were trained in FY2023 and approximately 1,200 leaders will have attended the course by the end of FY2025. An Accelerate Advanced programme for our more senior leaders, designed around the Smiths Value Engine pillars of Growth, Execution and People, was also piloted in three regions in FY2023 and will continue with 18 cohorts planned for FY2024.

### TALENT ACQUISITION AND EARLY CAREERS

We are working on building out our internal talent acquisition team in cooperation with our existing third-party recruitment partner. Our intention is to build global infrastructure that will integrate recruitment with our other people planning activities and support our people goals, including increasing gender diversity across the organisation. Attracting people with potential at the beginning of their careers is a priority across Smiths and we do this via graduate, internship and apprentice programmes in both our divisions and our functions. We currently have around 280 individuals (2% of our total colleagues) enrolled on such programmes, and our aim is to increase this to 5% over time, with greater alignment and opportunities to move cross-Group during the training period.

In FY2023 more than 160 colleagues joined Smiths in graduate, apprentice, trainee or intern roles. Of those joining in the graduate category, 50% were female.

### REWARD AND RECOGNITION

Recognising and rewarding colleagues in a fair, open and meaningful way is an important underpin to developing and attracting talent. We are committed to fair pay practices, ensuring colleagues are rewarded fairly and equally for the work they do, and that they have opportunities to participate in our success.

We have been an accredited Living Wage employer in the UK since 2018. In the UK, we operate an all-colleague Sharesave Scheme, which enables colleagues to buy Smiths shares at a discounted rate. In FY2023 we have continued with our process to align colleague benefits across markets, so they are the same for colleagues in any of our four divisions or Group. We completed this work in China, India and Mexico during the year.

### How we deliver



### DISCOVER GRADUATE ENGINEERS PROGRAMME

John Crane's DISCOVER Programme gives graduate engineers a unique opportunity to launch their career at Smiths.

Graduates follow a comprehensive 24- to 30-month schedule that includes three development phases, each of which includes technical and soft skills training coupled with hands-on field engineering. This combination of technical training and field experience helps participants to develop the knowledge and skills needed to solve a variety of complex engineering challenges, gain expertise in John Crane's key technology, and confidence to move forward in the business. This year's DISCOVER cohort of nine graduates includes four females.

DISCOVER benefits:

- International assignments
- Exposure to engineering, manufacturing and R&D
- Hands-on field reliability engineering experience
- Technical, soft-skills and Lean training
- Opportunities to engage with senior leaders at John Crane

Our current cohort presented their year one capstone project to the John Crane Management Board in May 2023. Their task was to create a prototype machining tool to create parts in-house.

## How we deliver continued



### BUILDING A GREAT CAREER

#### Allyssa Skidmore, Senior Engineering Manager, Smiths Interconnect

Allyssa graduated from Worcester Polytechnic Institute (WPI) in the US with a project-based degree in mechanical engineering with a focus on manufacturing. She spent the early years of her career with a power products company, initially as a manufacturing engineer, which grounded her knowledge of practical product design.

Allyssa joined Smiths Interconnect in January 2010, taking a position as a medical design engineer at Hypertronics, a former Smiths Interconnect technology brand. To build her capabilities in medical applications she immediately enrolled in a two-year graduate programme for medical plastics funded by the company. This enabled her to quickly apply her knowledge to customer projects including developing contacts for a surgical drill and other applications.

After 18 months in the role, she applied for the position of senior medical design engineer and was successful, taking on new responsibilities including cross-functional design reviews, recruitment and mentoring.

Having considered taking a further step up in engineering roles, Allyssa decided that she would benefit from broadening her experience and knowledge of the organisation and different functions. Supported by Interconnect, she chose to move into project management, which enabled her to work alongside and facilitate all roles feeding into a project to influence a successful outcome including design, production, commercial, procurement and sales. Allyssa sees project management as a similar activity to engineering – they are both about getting the right pieces (or people) to come together to achieve the objective.

After working in medical project management for a period Allyssa was ready for the next challenge. That took the form of a recommendation from her manager during a career development conversation to try something completely new in order to continue her growth journey. This resulted in her switching to lead project management for a team largely based in Asia, in semiconductor testing, an unfamiliar product and market area. Following that Allyssa led a working group tasked with standardising all of Interconnect's global product development processes alongside leading some of the company's highest-value, highest-complexity projects.

Since then, Allyssa has returned to the engineering side of the business where she has held senior engineering leadership positions for the last five years. As before, she is always looking to challenge herself and encourage members of her team to do the same.



I have definitely had an interesting and exciting career so far at Smiths. Being here is a great combination of what I am looking for – challenge, diversity and growth.

I am part of a large, multinational corporation with all of the opportunities that brings, including access to a variety of engineering capabilities and product types, different geographies, a range of development programmes, and people from all walks of life to meet and exchange ideas with. At the same time, Smiths Interconnect has a smaller community feel where we have ownership for and a real connection to cutting-edge technology being used in critical applications that are changing the world. It's a perfect balance.

Throughout my time at Smiths, I have also been encouraged and supported by fantastic managers and mentors to stretch myself and take on new opportunities to develop my knowledge and skills. That is something I am highly focused on with my own team members and it is very rewarding."

# PROMOTING DIVERSITY, EQUITY AND INCLUSION



Our team of colleagues represents dozens of nations, speaking a multiplicity of languages, and embodying many different perspectives. We embrace these differences and promote actions and behaviours that will deliver an inclusive and supportive work environment where every member of the Smiths team feels that they belong and can be the best version of themselves. We know that when colleagues feel included, valued and encouraged to make a meaningful contribution, Smiths will thrive as we continue to attract and retain the diverse talent that we need.

We are specifically focused on increasing gender diversity at all levels of the organisation and in all types of role and ensuring that we both understand and fix the factors that may be impeding the progression of women at Smiths.

## EQUAL OPPORTUNITIES

We provide equal employment opportunities. We recruit, support and promote our people based on their qualifications, skills, aptitude and attitude. In employment-related decisions, we comply with all applicable anti-discrimination requirements in the relevant jurisdictions. We have zero tolerance for discrimination, harassment or retaliation.

People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion based on their aptitude and ability. We endeavour to find roles for those who are unable to continue in their existing job because of disability. We recruit using balanced slates and interview panels where possible and have gender-neutral job descriptions. Our procedures and training activities advocate and enforce fair treatment for all.

## INCLUSION

Inclusion at Smiths is about making sure that we have an overall culture that welcomes all persons and that each of our site cultures works for everyone at that site. One size does not fit all, but both our Values and the Smiths Leadership Behaviours enshrine how we expect colleagues to behave and lead others with respect and understanding. Open and transparent communication and modelling the right behaviour is a fundamental tenet of this approach.

To highlight Smiths support for communities and matters that are important to our colleagues, we held global events for International Women's Day, International Women in Engineering Day, Black History Month and Pride Month during FY2023. We also have colleague resource and affinity groups across Smiths,

which collectively support and raise awareness on inclusion and diversity matters. Our local site teams determine the events and campaigns that they wish to promote to ensure we remain culturally sensitive and have the most impact. Colleagues are able to use the Social Wall on our Smiths Now app to share their participation with everyone at Smiths.

Inclusion and diversity matters are woven into a range of our programmes including the Accelerate leadership programme which includes content on emotional and cultural intelligence, conscious inclusion, and the role of leaders in creating and leading diverse teams. We also share best practice activities across Smiths – for example the Maternity Buddy programme initiated by Smiths Detection and a flexible/part-time working policy currently being piloted at John Crane.

We do not currently track colleague nationality and ethnicity data at Smiths. Capturing this information for new joiners is under consideration.

## GENDER DIVERSITY

We are focused on proactively increasing the number of women in all roles at Smiths. This requires fundamentally understanding all of the reasons why women might not join Smiths or pursue careers in engineering more generally; the challenges and barriers that may be impeding them from fulfilling their potential and progressing at Smiths; and the reasons that cause them to leave Smiths. Building this knowledge is enabling us to create a long-term and sustainable pipeline of female talent to advance through the organisation. Metrics and targets are also important and our headline target of percentage of senior leadership roles held by women is supported by a cascade of grassroots targets to drive change and build up to the whole.



**25%**

of senior leadership positions held by women.

Our short-term target is to reach 30% of senior leadership positions held by women by the end of FY2024.

FY2023 activities supporting our gender diversity goals include:

- Metrics and targets for: female senior leaders; female hires; female promotions; female attrition
- Greater percentage representation of females in key training programmes including Accelerate and Black Belt cohorts
- Greater percentage representation of females in early careers recruitment
- Listening round tables conducted with senior women and with women in engineering roles across the organisation
- Equal pay analysis
- Greater visibility in communications of female members of the Executive Committee and the Smiths Board as role models promoting diversity
- Analysis of female representation in pipeline for senior leadership roles
- Gender-neutral job descriptions and balanced recruitment slates where possible
- Review of reasons for leaving noted in exit interviews
- Women's networks at our divisions and in our regions
- Global roll out of Maternity Buddy scheme
- Internal promotion of global and local events for International Women's Day and International Women in Engineering Day
- Pilot of #IAmRemarkable to provide an additional support network for female colleagues in pipeline roles for senior roles
- External memberships, including membership and active participation in the UK 25x25 initiative to improve gender balance in executive roles

- Partnerships with WES (Women in Engineering Society) and SWE (Society of Women Engineers), significantly expanding engineering networks for women in the field. We proudly sponsored a WES flagship event, during which we had the opportunity to showcase cutting-edge products from John Crane and Smiths Detection

As required by the UK Government, we report every year on our UK gender pay gap. Our most recent report is on the Smiths website.

The Smiths Board is highly diverse, reflecting the organisation's attitude to diversity. The Board meets all of the targets described in our Board Diversity Policy.



## BOARD DIVERSITY

Read more about Board diversity.

[→ PG 68](#)



## How we deliver

### MATERNITY BUDDY PROGRAMME

Our new Maternity Buddy programme offers peer-to-peer support for Smiths women navigating pregnancy at work and preparing for, or returning from, maternity or adoption leave. It builds on our global Parental Leave Policy launched last year, giving colleagues who are primary caregivers a minimum of 22 weeks of paid leave when a child is born or adopted. Women often report unease navigating pregnancy at work, and that the transition back to work after maternity or adoption leave can feel difficult. Many feel anxious and disconnected upon their return, and some will decide to leave the full-time workforce, or leave work all together. Our informal Maternity Buddy scheme is designed to help women in this key transition period and help us retain female talent. The idea began at Smiths Detection and was launched across the Group in FY2023. Women going or coming back from leave are paired with a buddy who has first-hand experience of becoming a mother or stepmother and the challenges associated with the dual role of parent and employee. They are there for support and advice at a time when it is needed most.

### #IAMREMARKABLE

#IAmRemarkable is a movement created by Google to empower people – especially under-represented groups who may need additional support – to celebrate their achievements in the workplace, while challenging social perceptions of self-promotion. We introduced #IAmRemarkable workshops in FY2023, initially to support our female talent pipeline for senior leadership roles. We held three regional workshops in June. These covered the importance of self-promotion in personal and professional lives and provided tools to help participants to develop these skills as well as develop their network. We plan to introduce regular events in FY2024.

### MOVING THE DIAL ON INCLUSIVITY

Our Smiths Detection teams have been pioneering progress on diversity and inclusion action through their Inclusion, Diversity & Belonging Hub and employee resource groups.

The Hub was launched in FY2022 to create a home for inclusion and diversity resources, educate, and develop a connected community reflective of Smiths Detection colleagues' diverse backgrounds, interests and needs. It has become a meeting place for ideas, content and campaigns, including a Think Twice campaign which challenges staff to think twice about how their thoughts, words and behaviours may impact others.

Smiths Detection also has a range of organically founded employee resource groups. These are communities of passionate colleagues that have come together to turn ideas into action by supporting each other, raising awareness and driving positive change in their areas of experience.

**women@work** is the primary forum for women in Smiths Detection to expand their internal networks, share perspectives and support women's causes. The group puts on monthly networking events, created the Maternity Buddy programme described left, and has raised awareness and started collecting items to be donated to local women's shelters to alleviate period poverty.

The **Black Employee Network** creates a safe space for Black employees and their allies to move the dial on Black issues, including advancing Black employees at all levels of the business.

The **Pride Coalition** was launched at Smiths Detection's Vitry, France location and is now a global group open to everyone at Smiths. The coalition is a safe space for colleagues who identify as part of the LGBTQ+ community and their allies to share their experience and discuss how all colleagues can be their true selves at work.

The **Veterans Employee Resource Group** welcomes colleagues who are veterans or family members of veterans to network; participate in community engagement activities, such as Veterans Day and Remembrance Day; and facilitate the recruitment and onboarding of veterans into the Smiths Detection business.

# CONTRIBUTING TO OUR COMMUNITIES



We aim to improve our world by contributing 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. We also engage directly through fundraising, charitable giving and education initiatives. Healthy and prosperous communities and supportive relationships with them inspire and promote a sense of pride and ownership in our people.

Our day-to-day community engagement activities are managed locally, with each site focusing on communities and work that are important to them. Activities encompass promoting science, technology, engineering and maths (STEM) education and careers, and volunteering and fundraising for local causes. We celebrate the best of our community work through the Smiths Excellence Awards, communicate inspiring stories in our Smiths Signal newsletter, and encourage colleagues to share their activities on the Smiths Now app.

In June 2023 we announced three significant initiatives to harness the passion of our colleagues and strengthen the scale and impact of our global community efforts from FY2024. The initiatives grew from internal feedback indicating that colleagues wanted Smiths to give more impactfully and we believe that a more structured approach to giving will enable us to measure and report impact more accurately.

## THE SMITHS GROUP FOUNDATION

The Foundation has a committed initial fund from Smiths of £10m. It is managed by a committee of Smiths colleagues in partnership with the Charities Aid Foundation (CAF), a renowned and highly respected organisation working with donors and charities across the world to accelerate progress in society towards a fair and sustainable future for all. The fund will be made available as grants to charitable organisations that align with our purpose, with a primary focus on expanding access to STEM skills.

Grants will be both global and local, enabling the Foundation to support causes that are close to our locations and communities in a structured and impactful way. It is a clear, long-term commitment for Smiths to extend our longstanding investment in our communities around the world.

The Foundation will focus on making substantial, high-quality grants that can be measured for impact. Applications must be for a minimum grant of £10,000 and a maximum grant of £200,000. Recipient organisations must be registered charities, reputationally clean and not engaged in political activities. Grant outcomes should focus on:

- Improving access to quality STEM education and skills for under-represented groups
- Improving safety and connectedness within communities
- Improving the environmental sustainability of those communities

Each grant recipient will be supported by CAF to report on the outcomes and impacts actually achieved with its grant.

The Foundation is co-sponsored by our Chief Sustainability Officer and Chief People Officer.

## GLOBAL COLLEAGUE VOLUNTEERING PRINCIPLES

After a successful UK pilot scheme in FY2023, our new, global colleague volunteering principles will enable every Smiths colleague to take one day of paid volunteering leave each year from FY2024. This will amplify our already strong grassroots volunteering efforts and make it easier for colleagues to give time to the organisations they care about personally. To support the launch, we created a Community Engagement Portal designed to help colleagues connect with others, and search and record volunteering activities.



Total annual grants made by the Foundation will be reported from FY2024.



## FORMAL BUDGETING OPPORTUNITIES FOR CHARITABLE GIVING

From FY2024 we will introduce formal budgeting opportunities for charitable giving in our divisions, China and Group of at least £250,000 per year in aggregate to enable continued support for local organisations that fall outside of the scope of the Foundation. We know how important it is for our local Smiths teams to have autonomy and flexibility to support the causes that are most meaningful to them and this, together with the volunteering principles, will allow those efforts to continue and grow.

## SMITHS DAY 2023

Our annual Smiths Day global celebration of Smiths culture took place in June 2023. Smiths Day is an important date in our annual calendar when we step away from our daily routines to celebrate our purpose, our Values and the rich connections and relationships we have as colleagues. This year's theme 'contributing to our communities' encouraged every Smiths site to look outwards into their community and find opportunities to give back. The day was an incredible success with many activities shared on the Smiths Social Wall and entered into our Smiths Day video competition.

## TAX STRATEGY

We pay and collect significant amounts of tax as a result of our business activities. Our Global Tax Strategy describes our approach to the responsible management of our tax affairs to enhance long-term shareholder value while contributing to public expenditure and the overall welfare of our communities.

National tax policies are one of governments' key tools to accelerate decarbonisation. We appreciate the opportunity to align with governments on Net Zero ambitions and see tax incentives for green investment as an important and appropriate way to achieve this.

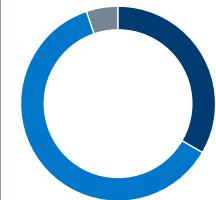
Our Global Tax Strategy can be found on the Smiths corporate website [www.smiths.com](http://www.smiths.com).

- 1** Colleagues from John Crane Indonesia planted mangroves on Smiths Day.

- 2** Colleagues from Smiths Interconnect Suzhou participated in a tree planting and gardening day in their local park as part of Interconnect's Beyond Boundaries programme.

- +** Our direct economic contribution to our communities in FY2023 was

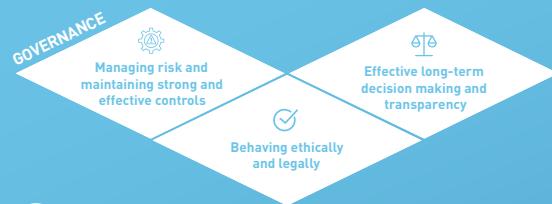
**£2.8bn**



- Employee costs £939m
- Supplier costs £1,732m
- Tax paid £146m

# GOVERNANCE

## SUSTAINABILITY AT SMITHS FRAMEWORK



## COMMENTS FROM SMITHS COLLEAGUES IN OUR MY SAY SURVEY

"I always work to the Smiths Values – this is the only way to behave responsibly and ethically."

"People have the desire to do the right thing by the company and the customer."



### BEHAVING ETHICALLY AND LEGALLY

→ PG 57



### EFFECTIVE LONG-TERM DECISION MAKING AND TRANSPARENCY

→ PG 60



### MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

→ PG 61

# BEHAVING ETHICALLY AND LEGALLY



Behaving ethically and with integrity is a fundamental part of our culture. We also operate in some highly regulated markets and sectors which require strict adherence to local and international industry regulations.

We have expert teams in place to manage these matters and we use data and other intelligence objectively to identify relative performance gaps and emerging risk, and continually target improvements in our procedures.

## GOVERNANCE AND IMPLEMENTATION

The Smiths Code of Business Ethics (the Code) is the foundational document that outlines the standards of behaviour to which we all commit at Smiths. It is a practical guide to what 'doing the right thing' looks like when conducting business and relationships legally, ethically and with integrity. The Code is supplemented by a suite of policies, procedures and training relating to specific ethics, compliance and people matters. In FY2023 we revised the Code to align it fully with our ESG framework, and to our Leadership Behaviours, and to make it easier for colleagues to access and navigate.

 [Code of Business Ethics](#)  
[CLICK HERE](#)

## How we deliver

### SPEAKING OUT

Engaging and communicating on ethical matters is vitally important, as is colleague trust in our procedures. Colleagues and business partners are expected to be vigilant and report any activity or behaviour – whether in our business or those of our partners – that they consider may be in breach of our ethics Code and policies or inconsistent with our Values. This can be done through their line manager, HR representative or the Legal team, or by using our confidential Speak Out reporting hotline, which is accessible 24 hours a day, seven days a week to colleagues and third parties. Reports to the hotline can be made anonymously.

When and how to speak out is communicated regularly to ensure that awareness remains high and that colleagues understand that it is safe to do so. We were pleased to see that speaking out was one of the strong categories in the FY2023 My Say survey and we will continue to focus on building trust in the system and making it as easy and efficient as possible for colleagues to use.

**Legal and compliance is considered a principal risk for Smiths.**

 [Read more in the Risk management section of our FY2023 Annual Report](#)  
[CLICK HERE](#)



We have a mature and proactive governance environment at Smiths. 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 our company. The ESG double materiality assessment undertaken in the year underlined the criticality of governance topics and validated the focus we place on them. As described on page 39 one of our key actions in FY2024 will be to further standardise our approach to supply chain diligence and values alignment through the introduction of a global supplier management system."



**JAMES DOWN**  
General Counsel



Highest-impact topic

Our central Ethics and Compliance function oversees our ethics and compliance programmes and ensures that efforts are focused on higher risk and critical areas. Day-to-day responsibility for ethics and compliance is held by our divisional teams, and the Smiths Audit & Risk Committee and Executive Committee are engaged through regular reporting and our risk management process. We use an ethics dashboard to view key information and track progress and we analyse our data by division, country, nature of report and risk profile so we can take more proactive action on potential issues.

Our Business Ethics Council (BEC), comprised of senior, cross-functional leaders from across Smiths, acts as an advisory panel for new policies and implementation, and we operate regional ethics councils in China and India that focus on regional matters and provide intelligence to the centre.

We also use colleague feedback to build understanding of how we are doing on ethical matters, and to target our activities effectively. Our grassroots Ethics Ambassador network reviews plans and helps us to bring ethics to life, and to the widest possible audience, and our global Ethics Pulse survey delivers rich data on colleague perceptions across Smiths. This data is reported to the Audit & Risk Committee along with Speak Out data.

### ETHICS PULSE SURVEY

AVERAGE SCORE

<b>SMITHS LEADERSHIP LIVES THE CODE OF BUSINESS ETHICS</b>	95%
<b>I UNDERSTAND HOW THE CODE OF BUSINESS ETHICS APPLIES TO ME</b>	97%
<b>I WOULD REPORT UNETHICAL BUSINESS CONDUCT IF I SAW IT</b>	96%
<b>SMITHS LEADERSHIP CLEARLY COMMUNICATES THE EXPECTATION THAT ALL SMITHS BUSINESS WILL BE CONDUCTED ETHICALLY</b>	95%

SPEAK OUT FY2023

**299**

Speak Out reports worldwide.

**67%**

anonymous.

**23%**

of ethics and compliance reports substantiated (excludes HR matters).

We saw a significant jump in anonymous reporting this year which is partly related to an elevated level of anonymous reporting at a small number of Smiths sites. We see an increase in Speak Out reports as a positive indicator of the confidence of colleagues to raise concerns and the success of our awareness campaign.

### MONITORING AND MANAGEMENT FRAMEWORK



## HUMAN RIGHTS

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our Values and policies and is not tolerated. We recognise the important responsibility we have, and we support the vision of a world where everyone can access decent work and enjoy their universal human rights. We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2023.

Our Human Rights Policy is guided by the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We adhere to national laws and regulations in each market in which we operate and, should we encounter conflict between internationally recognised human rights and national laws, we will seek ways to honour the principles of international human rights. All persons working for, or on behalf of, Smiths are required to adhere to our Policy and approach.

Our Human Rights Policy covers the following areas:

- Elimination of forced/involuntary labour
- Elimination of child labour
- Humane treatment in the workplace
- Workplace equality/elimination of bias
- Right to a living wage
- Right to reasonable working hours and vacation
- Freedom of association
- Safe and healthy workplace
- Safe and healthy accommodation if accommodation is provided for employees

We have a central human rights and modern slavery working group, and a modern slavery working group comprising procurement leaders to continue to enhance awareness and drive positive, preventative actions in our supply chain. All staff across Smiths are trained on modern slavery risks.

In November 2022 the Ethics & Compliance team conducted a workshop in Malaysia with Smiths HR colleagues from Southeast Asia to discuss local human rights risks and the adequacy of controls in place to manage those risks.

Targeted risk assessments were conducted at a number of our sites (in Indonesia, Saudi Arabia, Thailand, Tunisia and UAE) during FY2023 to ensure that our Human Rights Policy was being followed. This included, but was not limited to, checking processes to ensure that: no one was employed who was under the age of 16, and that anyone employed between the ages of 16 and 18 were in roles appropriate for their age; any recruitment agents used to source workers were properly vetted; and no workers (including migrant workers) were being taken advantage of or otherwise mistreated in respect to such matters as their employment terms and conditions, wages, or, if applicable, provided accommodation.

## TRAINING

Our ethics training operates in two tiers – online modules delivered in all our core languages, and group training activities covering specific subjects.

Additionally, we run regional ethics workshops for middle and senior leaders from across Smiths to embed a deeper understanding of our ethics and compliance critical drivers and to discuss challenges specific to their markets and geographies and how to navigate them. Intelligence is also gathered from these workshops to inform future activities. During FY2023 we conducted workshops for our teams in Southeast Asia, Malaysia, Middle East, Germany and the Czech Republic. Training is also delivered to agents and distributors operating in higher-risk regions.



[Human Rights Policy](#)  
[CLICK HERE](#)

# EFFECTIVE LONG-TERM DECISION MAKING AND TRANSPARENCY



Good quality, ethical and effective decision making builds sustainable businesses and enables them to create long-term value for all stakeholders.

Our overall governance framework provides the structures and systems through which our strategies and objectives are set and achieved, how risk is monitored and managed via controls, and how our performance is managed and optimised with appropriate oversight from the Board. The framework ensures that we make effective long-term decisions where the interests of all our stakeholders (shareholders, colleagues, customers, suppliers and our communities) are appropriately balanced.

The Board as a whole has responsibility for the culture of the Group, approves the people strategy, and reviews safety performance.

## 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 implementation of 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 and talent development.

### SCIENCE, SUSTAINABILITY & EXCELLENCE COMMITTEE

Oversees the Group's culture and approach to science, sustainability and excellence (SSE). This includes overseeing: the Company's strategy (as it relates to science and technology); the Group's sustainability strategy; the Smiths Excellence System; and reviewing and determining SSE targets, metrics and key performance indicators relating to remuneration.

### FINANCE COMMITTEE

Oversees and provides agility to the Group's approach to capital management including sources and uses of cash, portfolio activity, changes to capital structure and budgetary planning.

## 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, Values and Leadership Behaviours.

### 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.

## BOARD ESG DISCUSSIONS AND DECISIONS IN FY2023

During the year the Board/Board Committees covered the following ESG-related topics:

- Strategic opportunities arising from the energy transition/decarbonisation
- Division new product development (NPD) including green products
- Net Zero/climate transition plan and Science-Based Targets
- Environmental performance
- People strategy
- Safety performance
- Talent processes
- Launch of the Smiths Group Foundation
- Alignment of remuneration with environment targets
- Speak Out reports
- ESG double materiality assessment
- Limited assurance of energy and emissions data



Read more in the Governance section of our FY2023 Annual Report  
[CLICK HERE](#)

# MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS



Continual assessment and management of risks, and assurance through internal controls, is an integral part of day-to-day operations at Smiths.

Our Enterprise Risk Management (ERM) process supports open communication on risk between the Board and Audit & Risk Committee, the Executive Committee, our divisions, functions and sites. It enables us to manage and monitor the risks which could threaten successful execution of our strategy and ensures our strategic, financial, compliance and operational risks are appropriately considered by the Executive Committee and by the Board.

Our divisional and functional teams are responsible for the day-to-day management and reporting of risks. They identify new and emerging risks, escalate where appropriate, and take action to ensure risks are managed as required. Our divisions also conduct annual assessments of the risks they face.

ESG matters are fully integrated into the ERM process and are identified and managed in the same way as other Group risks.

We have identified the below principal risks in ESG areas.

- Climate change
- People
- Product quality
- Cyber security
- Legal and compliance

These are being addressed and mitigated through execution of our sustainability strategy and the activities in our foundational ESG areas described in this report.

## PRODUCT SAFETY, QUALITY AND COMPLIANCE

Product quality and safety are vital requirements for our customers and underpin our reputation. In the markets we serve, the potential consequences of an unsafe or defective product could be extremely serious. It is therefore critical that we have the appropriate controls in place.

We use robust quality assurance processes to minimise product safety and quality issues and we proactively monitor quality performance. Our divisions use quality risk assessments that address product failures, product performance, product safety, product compliance, regulatory compliance and market authorisation. Quality assurance processes are embedded into our manufacturing locations for

critical equipment, supporting compliance with customer requirements and industry regulations. Quality development and quality integration are built into our NPD processes, and risk analysis and mitigation processes relating to cyber resilience are embedded in our product lifecycle process with proactive monitoring of product cyber-related risk. In FY2023 we rolled out a bespoke online training module focused on the importance of colleague responsibility for the integrity of our internal quality and testing processes and associated data.

Product quality is considered a principal risk for Smiths. For more information see the risk management section of the Smiths FY2023 Annual Report.



Read more in the risk management section of our FY2023 Annual Report  
[CLICK HERE](#)



## COST OF POOR QUALITY (COPQ)

FY2023	1.37%
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FY2022	0.90%
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## MANAGING RESTRICTED SUBSTANCES

Read more

[→ PG 63](#)

## ENTERPRISE AND PRODUCT CYBER SECURITY

The Group requires a resilient IT environment that is secure and appropriately protected from attacks that may compromise the confidentiality, integrity and availability of our IT systems and data held on them.

Smiths Business Information Services (BIS) is the Group-wide IT function delivering enterprise and business IT and digital transformation and IT services in partnership with our functions and divisions, driving innovation and efficiency and leveraging scale. Smiths has a resilient IT environment with advanced internal capabilities leveraging core external partners to deliver services, systems and applications that support business requirements and enhance productivity.

BIS enables Smiths to manage the delivery of significant programmes in-house, establishing differentiating competencies such as enhanced data and analytics capabilities that are being successfully utilised by the divisions to drive business insight and, in turn, help identify efficiency and growth opportunities.

During FY2023, BIS has enabled key capability projects across the divisions and functions, including completion of a Transition Services Agreement (TSA) for the Smiths Medical separation; new data and analytics capabilities within John Crane, Smiths Detection, Smiths Interconnect and Group; enhanced cyber security capabilities across the Group; and a new consolidated data centre in Europe.

Cyber security remains a core focus area for Smiths. It is managed as a critical capability from a regulatory, compliance and business continuity perspective to maintain the confidentiality, integrity and availability of our IT systems and the data held on them.

We proactively deploy a globally unified approach to the security of our IT environment, managed by BIS, overseen by the Executive Committee and Board, and supported by global partnerships with external providers such as AT&T and Microsoft. Through a Group-wide governance model, we ensure oversight

and process alignment on cyber security across our divisions and Group, covering both enterprise and product security.

Enterprise cyber security efforts during FY2023 focused on continuous improvement across all aspects of delivered capabilities, improved processes and controls, and improvements to systems used for incident detection and protection. The continued evolution of compliance and regulatory requirements remains a focus across Smiths with preparation for the US Cyber security Maturity Model Certification (CMMC), European Union Security of Network and Information Systems (NIS2) directive and expected future AI regulation. During FY2023 we gained or renewed ISO/IEC 27001 information security management and Cyber Essentials certification for select operations.

Smiths products are used in many mission-critical applications in highly regulated industries, thus requiring continued focus on ensuring that our products meet the highest standards of cyber security. Meeting product cyber security regulations is the responsibility of our divisions with input from BIS and alignment to enterprise security standards, policies and controls. Governance and risk management resides with the Smiths central team, as described above.

Cyber security is considered a principal risk for Smiths. For more information see the risk management section of the Smiths FY2023 Annual Report.

## PRIVACY AND DATA PROTECTION

Smiths does not collect consumer information or market to consumers, which reduces these risks; however, we do process data relating to our 15,000+ colleagues.

We have established a common set of clear principles, policies and processes to ensure that our teams are aware of their responsibilities relating to personal data, with data privacy matters overseen by the Ethics and Compliance team.

We have a network of Privacy Champions across the corporate centre and our divisions who meet regularly to discuss emerging issues, approaches and evolving privacy and data protection regulation. Along with the Ethics and Compliance team, the Privacy Champions are responsible for ensuring compliance with regulations in the jurisdictions in which we operate and raising awareness of the processes that need to be followed. Internal Audit also conducts assessments of our data privacy controls.

## ESG-RELATED POLICIES AND INTERNAL CONTROLS

Our internal controls environment is designed to ensure that we have the appropriate procedures and protections in place and that they are followed. The Board, through the Audit & Risk Committee, has ultimate responsibility for internal controls and they are managed day-to-day by our divisions and Group functions.

The Smiths Internal Audit function is independent from the business and, as such, has no responsibility for operational business management. An Internal Audit Plan is agreed annually and includes ESG matters as appropriate. Internal Audit then works with the relevant teams to verify that procedures and responsibilities are understood and functioning correctly.

Our policies and internal controls are dynamic, evolving continually to respond to and accommodate changes in the external environment, our business priorities and strategy, and the intelligence and data we gather. All our policies are reviewed and updated periodically, and more frequently in the case of areas which we perceive generate greater legal or ethical risk.

## ENVIRONMENT POLICIES AND CONTROLS

<b>RESTRICTED SUBSTANCES</b>	All divisions participate in a regular forum to share best practices and ensure compliance with global restricted substance regulations including WEEE, RoHS, Prop65, REACH, TSCA and Responsible Minerals. We operate a Restricted Substance Steering Committee to ensure that we are adequately resourced in this area.
<b>MINERALS</b>	Our Responsible Minerals Sourcing Policy addresses our commitment to the sourcing of minerals in an ethical and sustainable manner that safeguards human rights and aims to ensure that tin, tungsten, tantalum, gold and cobalt are sourced with due respect for human rights and in a manner that does not finance armed groups. To achieve this objective, we take guidance from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
<b>POLICIES</b>	<ul style="list-style-type: none"> <li>- Environmental Sustainability Policy</li> <li>- HSE Policy</li> <li>- External environmental compliance audit programme</li> <li>- ISO environmental and safety standards</li> <li>- ISO HSE management systems</li> </ul>

## SOCIAL POLICIES AND CONTROLS

<b>POLICIES</b>	<ul style="list-style-type: none"> <li>- HSE Policy</li> <li>- Fair Employment Policy</li> <li>- Recruitment Policy</li> <li>- Global Tax Strategy</li> <li>- Group Policy on Charitable Donations</li> </ul>
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## GOVERNANCE POLICIES AND CONTROLS

<b>CODE OF BUSINESS ETHICS</b>	See page 57.
<b>SUPPLIER CODE OF CONDUCT</b>	See page 39.
<b>HUMAN RIGHTS POLICY</b>	See page 59. We also have a Human Rights Supply Chain Due Diligence Policy.
<b>ANTI-BRIBERY AND ANTI-CORRUPTION</b>	Bribery and corruption matters are covered by our Code of Business Ethics. We also have specific policies and procedures relating to activities that create bribery and corruption risks, and an umbrella Anti-bribery and Anti-corruption Policy that provides a single view of our approach. These policies cover a broad range of matters including the giving and receiving of gifts, meals and hospitality; invitations to government officials; our approach to facilitation payments; and controls around the appointment of distributors and agents, customs brokers and freight forwarders. Our ethics dashboard enables us to interrogate our register of gifts, meals and entertainment in an effective and useful way. We also have a specific China Anti-bribery and Corruption Policy.
<b>ANTI-TRUST</b>	To support our commitment to competing fairly in the markets in which we operate, we have an Anti-trust Policy and specific training modules for colleagues whose roles may expose them to competition law risk. Our divisions use our Trade and Industry Event Register to ensure that colleagues attending events with competitors are made fully aware of what they may and may not discuss.
<b>TRADE COMPLIANCE</b>	<p>We operate a global Trade Compliance Policy that covers export controls, import law, financial and trade sanctions, and anti-boycott law compliance, which is overseen by a central International Trade Compliance (ITC) team. The Policy sets out a specific prior-review process for authorised transactions that involve certain sanctioned countries, which provides corporate oversight of such transactions.</p> <p>The central ITC team supports a network of trade compliance officers (TCOs) across Smiths. Together they oversee and ensure the compliance of Smiths activities with applicable trade regulations, laws and Smiths policy. The central ITC team and the TCOs also monitor upcoming changes in regulation. Regular training is provided on trade compliance matters, and the leader of the central ITC team chairs a TCO working group to discuss emerging issues and best practice. We also regularly assess trade activities at site level to identify risks and review controls.</p>
<b>PRODUCT CERTIFICATION AND ONGOING REGULATORY COMPLIANCE</b>	Many of our products require certification and/or approval prior to launch and ongoing monitoring to ensure continued compliance with regulations. Certifications are handled by our divisional teams who have direct relationships with the relevant regulatory bodies and, together with our legal teams, track new legislation and standards to ensure that we continue to comply.
<b>POLICIES</b>	<ul style="list-style-type: none"> <li>- Speak Out Policy</li> <li>- Agents and Distributors Policy</li> <li>- Gifts, Meals and Hospitality Policy</li> <li>- Political Activities Policy</li> <li>- Data Protection and Privacy Statement</li> <li>- Data Protection Code of Conduct</li> </ul>

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## SUMMARY DISCLOSURE AGAINST THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) RECOMMENDATIONS

We outline our alignment with the TCFD recommendations in the TCFD section of our Annual Report. A summary of our alignment against each of the recommendations is provided below.

TCFD PILLAR	TCFD RECOMMENDATION	SUMMARY	SUMMARY OF COMPLIANCE RESPONSE AND NEXT STEPS	DISCLOSURES IN ANNUAL REPORT
GOVERNANCE	a) Board oversight	The Board is accountable for our approach to climate change including setting strategy to pursue opportunities related to the world's transition to a low-carbon economy. The Board also considers climate-related issues in operational strategic planning such as approval of GHG emission targets and reduction plans aligned to the SBTi. The management of climate-related risks is delegated to the Audit & Risk Committee. The SSE Committee oversees the delivery of climate-related commitments and opportunities, such as the commercialisation of green products, mitigating the impacts of climate change, and setting and reviewing progress against relevant climate-related targets.	Consistent with TCFD recommendation	<a href="#">→ PG 47 Annual Report</a>
	b) Management's role	The Executive Committee is responsible for our approach to sustainability, including climate change. The Chief Executive Officer reports to the Board on such matters on a regular basis.	Consistent with TCFD recommendation	<a href="#">→ PG 48 Annual Report</a>
STRATEGY	a) Climate-related risks and opportunities	Key identified climate-related risks and opportunities are outlined in our Annual Report on pages 52 to 55.	Consistent with TCFD recommendation	<a href="#">→ PG 50 Annual Report</a>
	b) Impact on the Company's business, strategy and financial planning	Impacts of climate risks and opportunities are assessed in line with the wider risk management framework and through scenario analysis. Impact assessment helps inform strategic decisions such as commercialisation of green technology in response to the global megatrends of decarbonisation and green re-industrialisation.	Consistent with TCFD recommendation.  Smiths will further investigate quantitative financial effects of selected material climate risks and opportunities	<a href="#">→ PG 50 Annual Report</a>
	c) Resilience of the Company's strategy	Our business continues to be resilient to climate risks in the short term, however we recognise and mitigate the impacts of our medium- and longer-term risks as well as working to realise a range of climate-related opportunities.	Consistent with TCFD recommendation	<a href="#">→ PG 51 Annual Report</a>

TCFD PILLAR	TCFD RECOMMENDATION	SUMMARY	SUMMARY OF COMPLIANCE RESPONSE AND NEXT STEPS	DISCLOSURES IN ANNUAL REPORT	KEY: Black text in table = Current activity Green text = Future activity
RISK MANAGEMENT	a) Risk identification and assessment process	Identification of climate risks is integrated into our overall risk management processes. Climate change is considered a principal risk and is therefore managed in line with key operational risks at Group level.	Consistent with TCFD recommendation	<a href="#">→ PG 55 Annual Report</a>	
	b) Risk management process	Climate risk management is carried out in line with wider risk management processes. Examples of specific mitigation strategies are outlined in our Annual Report on page 55.	Consistent with TCFD recommendation	<a href="#">→ PG 55 Annual Report</a>	
	c) Integration into overall risk management	Climate governance is integrated into wider Group governance, including risk management processes. Climate risks form part of divisional risk registers, with risks identified and managed in the same way as other operational risks.	Consistent with TCFD recommendation  We plan to further integrate climate risk management into Group-wide processes via aligning scoring criteria	<a href="#">→ PG 55 Annual Report</a>	
METRICS AND TARGETS	a) Climate-related metrics to assess climate risks and opportunities	We disclose a number of metrics related to identified climate risks and opportunities. These are outlined in our Annual Report on page 57.	Consistent with TCFD recommendation.  Smiths will continue to develop and align metrics related to climate risks and opportunities	<a href="#">→ PG 56 Annual Report</a>	
	b) Scope 1, Scope 2, and, if appropriate, Scope 3 GHG metrics and the related risks	GHG emissions for FY2023 were 45,649 tCO <sub>2</sub> e (Scope 1 & 2) and 1,380,000 tCO <sub>2</sub> e (Scope 3). We have set a target to be Net Zero across our operations by 2040 and across our full value chain (Scope 3) by 2050.	Consistent with TCFD recommendation	<a href="#">→ PG 57 Annual Report</a>	
	c) Climate-related targets and performance against targets	We disclose a number of targets related to identified climate risks and opportunities. These are outlined in our Annual Report on page 57.	Consistent with TCFD recommendation  Smiths will continue to develop and align targets related to climate risks and opportunities	<a href="#">→ PG 57 Annual Report</a>	

# ESG DATA – METRICS, TARGETS AND DISCLOSURES

ESG data in this report is for the global operations of Smiths Group. All measures exclude Smiths Medical, which was disposed of in January 2022.

## ENVIRONMENT

### NEW PRODUCT COMMERCIALISATION/GREEN TECHNOLOGIES

We report R&D spend as a percentage of sales and Gross Vitality which measures the revenue contribution of products launched in the last five years.

#### Medium-term target:

	Target	FY2023	FY2022
Gross Vitality	30%+	31%	31%

R&D as a percentage of sales was 3.7% in FY2023 (FY2022: 4.2%).

We are preparing for reporting under CSRD and will publish a green technology metric in FY2024.

## ENERGY, RENEWABLE ELECTRICITY, WATER AND WASTE

#### Medium-term targets:

	FY2022–2024 target	Status
Use of renewable electricity <sup>1</sup>	5% increase to 66%	70%
Normalised non-recyclable waste <sup>2</sup>	5% reduction	[20.2]%
Normalised water use in stressed areas (11 locations) <sup>2</sup>	5% reduction	[17.1]%
Water reduction projects	30	22
Packaging reduction projects	24	11

1 Non-GHG producing electric sources including hydroelectric and nuclear.

2 Normalised to revenue.

## ENERGY EFFICIENCY AND GHG EMISSIONS

#### Long-term targets:

- Net Zero emissions from our operations (Scope 1 & 2) by 2040
- Net Zero emissions from our supply chain and products in use (Scope 3) by 2050

#### Medium-term targets:

	FY2022–2024 target	Status
Normalised greenhouse gas emissions <sup>1</sup>	5% reduction	(30.8)%

1 Normalised to revenue.

In FY2022, to align decision making and ownership of our Net Zero targets and accelerate progress, new energy efficiency and emissions targets were added to Smiths annual and long-term incentive plans for FY2023.

Plan	Performance period	Measure	Target	Weighting	Performance
Annual Incentive Plan (AIP) – approximately 6,000 colleagues	1 year	Energy efficiency <sup>1</sup>	3% improvement in efficiency	10%	7.9% improvement in efficiency
		Scope 1 & 2 GHG emissions reduction <sup>2</sup>	15-20% reduction in emissions		
Long-Term Incentive Plan (LTIP)	3 years	Energy efficiency <sup>1</sup>	4.5% improvement in efficiency	15%	N/A
		Scope 1 & 2 GHG emissions reduction <sup>2</sup>	15-20% reduction in emissions		

A further decision was made in FY2023 for FY2024 remuneration.

Plan	Performance period	Measure	Target	Weighting
AIP	1 year	Energy efficiency <sup>1</sup>	4.5% improvement in efficiency	10%
		Scope 1 & 2 GHG emissions reduction <sup>2</sup>	15-20% reduction in emissions	
LTIP	3 years	Energy efficiency <sup>1</sup>	4.5% improvement in efficiency	15%
		Scope 1 & 2 GHG emissions reduction <sup>2</sup>	15-20% reduction in emissions	

1 The energy efficiency ratio is expressed as the MWh energy consumed (excluding renewable electricity produced and consumed onsite), divided by the local-currency revenue at budget rates (excluding price growth within the measurement year).

2 Scope 1 & 2 GHG emissions reduction (absolute): calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol. Reductions must be achieved with a balanced portfolio of actions that prioritise energy savings, onsite renewable electricity generation and purchase of renewable electricity.

**SECR global energy use and emissions disclosure**

		FY2023	FY2022 <sup>1</sup>
<b>Global energy use – absolute values Δ</b>	MWh	<b>218,094</b>	223,709
UK energy use – absolute values	MWh	<b>11,394</b>	10,446
<b>Global emissions – absolute values</b>			
Scope 1 (direct emissions) Δ	tCO <sub>2</sub> e	<b>19,694</b>	19,591
Scope 2 (market-based emissions) Δ	tCO <sub>2</sub> e	<b>25,955</b>	32,193
Scope 3 (value chain emissions) Δ	tCO <sub>2</sub> e	<b>1,380,000</b>	1,450,000
<b>Total Scope 1 &amp; 2 emissions</b>	tCO <sub>2</sub> e	<b>45,649</b>	51,784
UK Scope 1 & 2 emissions	tCO <sub>2</sub> e	<b>1,779</b>	1,755
<b>Global emissions – normalised values</b>			
Scope 1 (direct emissions)	tCO <sub>2</sub> e/£m revenue	<b>6.48</b>	7.63
Scope 2 (indirect emissions)	tCO <sub>2</sub> e/£m revenue	<b>8.55</b>	12.55
Scope 3 (value chain emissions)	tCO <sub>2</sub> e/£m revenue	<b>454.40</b>	565.08
<b>Total Scope 1 &amp; 2 emissions</b>	tCO <sub>2</sub> e/£m revenue	<b>15.03</b>	20.18

1 Previously published data has been restated following the FY2022 review and limited assurance process conducted by KPMG.

**Limited Assurance**

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected FY2022 and FY2023 information marked with Δ. For the full assurance opinions for FY2022 and FY2023 please see our corporate website [www.smiths.com](http://www.smiths.com). This information was prepared in line with our reporting criteria which can also be found on our website.

**Sustainability Accounting Standards Board (SASB)**

In FY2022 we completed an assessment of our operations using the SASB framework and have made further progress in FY2023.

SASB Standards were developed to guide the disclosure of sustainability information by companies and can be used by companies for internal decision making. SASB was determined by Smiths to be relevant because its standards are industry-specific, developed based on a robust process, focused on financially materiality, and can be used along with other frameworks utilised by Smiths.

Recently, the International Sustainability Standards Board (ISSB) issued its inaugural global Standards for disclosure of sustainability-related financial information [S1] and climate-related disclosures [S2], both of which build on and consolidate pre-existing initiatives and frameworks, such as SASB, TCFD, Climate Disclosure Standards Board (CDSB) and Integrated Reporting.

The following SASB sectors and sub-sectors were determined to most closely align with Smiths business units:

SASB sector	SASB sub-sectors
Resource Transformation	Electrical & Electronic Equipment
Resource Transformation	Aerospace & Defence
Resource Transformation	Industrial Machinery & Goods
Technology & Communication	Electronic Manufacturing & Original Design Manufacturing

Smiths has initiated the collection of data related to activity and performance metrics included in the SASB Standards for the relevant sub sectors (Electronic & Electronic Equipment, Aerospace & Defence, Industrial Machinery & Defence, Electronic Manufacturing & Original Design Manufacturing) and will disclose that data, with a consideration of the ISSB Standards, in our FY2024 Sustainability at Smiths report.

**SOCIAL****SAFETY**

**Medium-term target:** Continuous improvement towards a zero-harm workplace. 64 recordable injuries in FY2023 (FY2022: 87).

Recordable Incident Rate Per 100 employees	Lost-Time Incident Rate Per 100 employees
FY2023	0.41
FY2022	0.56 <sup>1</sup>
FY2021	0.47
FY2020	0.35
FY2019	0.50

1 FY2022 data restated due to reclassification of incidents.

Zero work-related colleague or contractor fatalities in FY2023. Zero contractor recordable incidents in FY2023.

Over 13,000 safety look out observations and leadership tours in FY2023.

**EMPLOYEE ENGAGEMENT**

Employee engagement is measured in our annual My Say survey.

**Medium-term target:** E-sat: Upper quartile score.

E-sat score
73
72
71
73
72

The survey response rate was 84% in FY2023 (FY2022: 82%). 12,158 comments were submitted in FY2023.

**GHG INVENTORY MANAGEMENT PLAN SUMMARY**

[Read more](#)

→ [PG 70](#)

## DEVELOPING TALENT

An internal talent mobility metric, as measured by the percentage of available roles filled by internal candidates, is monitored by management and will be published from FY2024. In FY2023 70% of open grade 11 and above roles were filled by internal candidates.

## GENDER DIVERSITY

### Medium-term target:

30% of senior leadership positions<sup>1</sup> held by women by end of FY2024.

FY2023	25%
FY2022	24%
FY2021	23%

### Other gender disclosures

	Male	%	Female	%
Board of Directors	6	60%	4	40%
Executive Committee	9	75%	3	25%
Senior Leadership Team <sup>1</sup>	493	75%	163	25%
Total colleagues <sup>2</sup>	10,796	71%	4,360	29%

1 Senior Leadership Team is the KPI used to track gender diversity at Smiths. It is defined as all colleagues that are Grade 14 or above. These colleagues are able to influence and drive business results.

2 Employees on permanent and fixed term contracts.

Data for senior managers (Executive Committee plus Directors of subsidiary undertakings) as defined by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is Female: 34 (17%) and Male: 164 (83%).

Data for the senior management (Executive Committee, including the Company Secretary, and their direct Reports) as defined by the UK Corporate Governance Code 2018 is Female: 47 (36%) and Male: 82 (64%).

Data for the Women in Leadership (Executive Committee and their direct reports) as defined by the FTSE Women Leaders definition is Female: 46 (36%) and Male: 81 (64%).

## BOARD DIVERSITY

### Medium-term targets (Board Diversity Policy):

Our Board Diversity Policy describes the Board's commitment and route to achieving the following:

- At least 50% of Board members have a birthplace or background outside the UK
- At least 40% of Board members to be comprised of female Directors
- At least one Director to be from an historically under-represented ethnic group; and
- At least one of the Chair, Senior Independent Director, Chief Executive or Chief Financial Officer positions to be held by a female by 2025

## Sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management <sup>1</sup>	Percentage of Executive Management <sup>1</sup>
Men	6	60%	3	10	77%
Women	4	40%	1	3	23%
Not specified/prefer not to say	0	0%	0	0	0%

1 Defined as the Executive Committee and the Company Secretary in accordance with Listing Rule 9.8.6R(10).

## Ethnicity representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management <sup>1</sup>	Percentage of Executive Management <sup>1</sup>
White British or other White (including minority-white groups)	8	80%	4	12	92%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	2	20%	0	1	8%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

## COMMUNITIES

We report externally our direct contribution to communities and society using a composite number of employee costs + supplier costs + tax paid.

From FY2024 we will report the total value of annual grants made by the Smiths Foundation.

	FY2023 £m	FY2022 £m	FY2021 £m
Employee costs	939	823	751
Supplier costs	1,732	1,364	1,063
Tax paid	146	140	133
Total	£2.82bn	£2.33bn	£1.95bn

## GOVERNANCE

### BEHAVING ETHICALLY AND LEGALLY

We use Ethics Pulse scores and the number of Speak Out reports to measure engagement with and understanding of ethical matters in the business and the importance of speaking out on issues of concern.

#### Speak Out reports

	Number of reports	% anonymous	Ethics and compliance reports substantiated*
<b>FY2023</b>	<b>299</b>	<b>67%</b>	<b>23%</b>
FY2022	179	51%	23%

\* Excludes HR matters.

The significant jump in anonymous reporting this year is partly related to an elevated level of anonymous reporting at a small number of Smiths sites. We see an increase in Speak Out reports as a positive indicator of the confidence of colleagues to raise concerns and the success of our awareness campaign.

#### Results from our Ethics Pulse survey

	Average score FY2023	Average score FY2022
I know how to access the Speak Out line	<b>93%</b>	95%
It's safe to speak out at Smiths	<b>90%</b>	91%
Smiths leadership lives the Code of Business Ethics	<b>95%</b>	93%
I understand how the Code of Business Ethics applies to me	<b>97%</b>	96%
I know where to find the Code of Business ethics	<b>92%</b>	94%
I would report unethical business conduct if I saw it	<b>96%</b>	95%
Smiths leadership clearly communicates the expectation that all Smiths business will be conducted ethically	<b>95%</b>	93%

## MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

### Product quality

#### Cost of Poor Quality (COPQ)

<b>FY2023</b>	<b>1.37%</b>
FY2022	0.90%

# ESG DATA – BASIS OF PREPARATION AND METHODOLOGIES

## ENVIRONMENT

### ENERGY, RENEWABLE ELECTRICITY, WATER AND WASTE

Energy, renewable electricity, water and waste data is reported for sites that record utility data in our global environment, health and safety (EHS) data system as required by our HSE Reporting Policy (sites with 20 or more employees).

Packaging and water projects are tracked using our new environmental project tracking tool which has been developed to give immediate visibility on projects right across Smiths.

### GHG INVENTORY

Smiths assesses the GHG emissions associated with all its global operations for all four of its operational divisions and all sites. We have developed a GHG Inventory Management Plan (IMP) that outlines our methodology to provide systematic and appropriate GHG inventory data collection, manipulation and management, to produce a relevant, credible and transparent GHG inventory that will provide visibility into our near- and long-term goals. The IMP includes methods to estimate direct emissions from Smiths operations (Scope 1), indirect emissions from purchased energy (Scope 2), and value chain emissions (Scope 3).

The methods prescribed in the IMP conform to the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol and the United States Environmental Protection Agency (USEPA) Center for Corporate Climate Leadership Greenhouse Gas Inventory Guidance.

### GHG BOUNDARIES

Per the GHG Protocol, we have selected the operational control approach to set the organisational boundary for

our GHG inventory, meaning 100% of GHG emissions from assets which the Company manages and over which it has authority to implement operational policies will be included. In selecting these organisational boundaries, Smiths evaluated equity share, financial control and operational control approaches and primarily considered the comprehensiveness of assets that would be included in the inventory under each of the three approaches, as well as which boundary would best reflect Smiths level of influence over emissions. This includes 98 locations globally, 32 of which are in the United States.

As for our operational boundary, which determines the direct (Scope 1) and indirect (Scope 2 and 3) emissions associated with operations within Smiths organisational boundary, we defined this as operations where we have the full authority to introduce and implement operating policies. Operations or activities that are outside of Smiths operational control, and therefore excluded from our Scope 1 and Scope 2 inventories may become relevant when accounting for Scope 3 emissions.

GHG emissions are reported in metric tons of CO<sub>2</sub> equivalents (MT CO<sub>2</sub>e). Because individual GHGs have different impacts on climate change, or global warming potentials (GWPs), CO<sub>2</sub>e is used to express the impact of emissions from each GHG on a common scale. Smiths uses the IPCC Fifth Assessment Report (AR5) GWPs.

### SCOPE 1 & 2 EMISSIONS

Smiths uses an internal EHS data management system, PRISM, to track Scope 1 & 2 emissions. Smiths uses primary data to calculate Scope 1 & 2 emissions where possible and proxy data to estimate the remainder. Emissions factors are updated in PRISM. A list of Smiths Scope 1 & 2 emissions is provided below. Reported Scope 2 emissions include those that are market-based.

Scope 1 emissions (direct emissions) from Smiths owned and/or controlled sources:

- Stationary combustion – stationary heating
- Mobile combustion – leased fleet, owned fleet

Scope 2 emissions (indirect emissions) from purchased energy for Smiths owned and/or controlled sites

- Purchased electricity
- Purchased heating in leased sales offices where Smiths does not control the thermostat or the combustion equipment

### ENERGY EFFICIENCY

Smiths also reports on energy efficiency which is the total energy used divided by revenue. Energy usage is all energy consumed at reporting sites, less any onsite solar electricity consumed and electricity used on electric vehicle charging stations onsite.

### FUGITIVE EMISSIONS

The Kyoto Protocol establishes seven key GHGs: carbon dioxide (CO<sub>2</sub>); methane (CH<sub>4</sub>); nitrous oxide (N<sub>2</sub>O); hydrofluorocarbons (HFCs); sulfur hexafluoride (SF<sub>6</sub>); perfluorocarbons (PFCs); and nitrogen trifluoride (NF<sub>3</sub>). The GHG Protocol requires that companies include the seven Kyoto gases in their assessment (WRI & WBCSD [a], 2015), however fugitive emissions from HFCs used in heating, ventilation and air-conditioning (HVAC) are immaterial compared to Smiths total Scope 1 & 2 GHG emissions (less than 5%). Smiths is currently estimating these fugitive emissions conservatively by using a square footage model for predictive losses from onsite air conditioning systems. In the coming years, Smiths plans to transition to a different estimating methodology that should provide greater accuracy for these fugitive emissions.

Smiths also does not emit SF6, PFCs, or NF3 from its operations, so only three of the seven Kyoto gases are relevant to our operations and therefore included in our Scope 1 inventory. HFCs emissions will be re-evaluated in future years as Smiths operations change.

### **SCOPE 3**

Smiths works closely with all identified data owners to calculate Scope 3 emissions where possible and uses proxy data to estimate the remainder.

For all Scope 3 emission sources, Smiths considers:

- Relevant activity
- GHG Protocol requirements
- Methodology
- Relevant assumptions
- Activity data source

A list of Smiths Scope 3 emissions is provided below.

#### **Scope 3 emissions (value chain emissions) from upstream and downstream sources:**

- Category 1: Purchased Goods & Services
- Category 2: Capital Goods
- Category 3: Fuel- and Energy-Related Activities (not included in Scope 1 or 2)
- Category 4: Upstream Transportation & Distribution
- Category 5: Waste Generated in Operations
- Category 6: Business Travel
- Category 7: Employee Commuting
- Category 9: Downstream Transportation & Distribution
- Category 11: Use of Sold Products
- Category 12: End of Life Treatment of Sold Products
- Category 15: Investments

#### **The following Scope 3 categories have not been included in our Scope 3 inventory due to immateriality with respect to Smiths operations:**

- Category 8: Upstream Leased Assets – Not relevant; Smiths leased sites are included in the Scope 2 inventory
- Category 10: Processing of Sold Products – Not relevant; assembly is the only downstream processing relevant to Smiths products as some products are integrated into other end use products. The emissions from assembly have been estimated to be less than 1% of Smiths Scope 3 inventory based on a screening-level calculation completed using a lifecycle emission factor for an electronic assembly process available through ecoinvent and are therefore negligible compared to Smiths other Scope 3 emissions
- Category 13: Downstream Leased Assets – Not relevant; Smiths does not act as a lessor
- Category 14: Franchises – Not relevant. Smiths does not have any franchises

#### **GHG INVENTORY UPDATES**

The GHG Protocol (WRI & WBCSD [a], 2015) and ISO 14064-1 (ISO, 2018) standards recommend setting a base year to support a meaningful and consistent comparison of emissions over time. Smiths will use FY2021 as the base year against which to compare its emissions changes over time. Smiths will adjust the base year emissions inventory for significant structural changes or methodology changes as defined below.

Structural changes are acquisitions, divestures or mergers of facilities that existed during the base year. Where the addition or removal of such facilities would reflect a change greater than the significance threshold in the base year inventory, Smiths will endeavour to add or delete as appropriate the emissions associated with that facility from the base year. Insourced or outsourced operations will be treated similarly.

Methodology changes may include updated emission factors, improved data access, updated calculation methods or protocols, or error correction. Where such methodology changes would reflect a change greater than the significance threshold in the base year inventory, Smiths will implement the change at a minimum in the base year inventory and the current year inventory. Smiths may optionally implement the change in all interim year inventories.

The GHG Protocol does not make a recommendation regarding a significance threshold level. Future changes could have a material impact on the base year definition. For Scope 1 & 2 emissions, Smiths will institute a base year change (recalculation) if the change in GHG emissions exceeds a significance threshold of 5% of the base year's combined Scope 1 & 2 emissions. For Scope 3 emissions, Smiths will institute a base year change (recalculation) if the change in GHG emissions exceeds a significance threshold of 5% of the base year's Scope 3 emissions. Smiths will review this significance threshold on an annual basis.

#### **MONITORING AND ASSURANCE**

Smiths is committed to a complete, accurate and transparent inventory process and results. Smiths corrects identified data gaps and errors in a timely manner and makes required procedural changes as necessary to avoid repetition of errors. To this end, Smiths will annually monitor whether updates to the referenced sources of emission factors have been issued and utilise any updated emission factors in all relevant inventory calculations going forward. Updated emission factors may trigger a base year adjustment. The IMP will be reviewed and updated annually during and after completion of the yearly emissions inventory to reflect any structural or methodological changes.

In addition, Smiths divisions and Group review monthly reporting from Smiths sites looking for anomalies and errors.

We retain a third party to assure our Scope 1, 2, and 3 emissions inventory and energy efficiency data. In FY2023, we expanded the scope of the limited assurance work to follow the more rigorous ISAE3000/3410 standard for FY2022 and FY2023 data. We retained KPMG to complete these services. For more information, refer to KPMG's limited assurance opinion provided on our corporate website [www.smiths.com](http://www.smiths.com).

In FY2021 and prior years, Smiths retained Ramboll to assure (under ISO14064-3:2019) the Scope 1, 2, and 3 emissions inventory as well as waste and water inventories.

#### FY2022 DATA

KPMG's review and assurance process identified minor changes to previously published FY2022 Scope 1 & 2 data (approximately 1% change) arising from actual vs estimated utility bills and recalculation of emissions from the delivery truck fleet operated by our Flex-Tek Royal Metals business. These changes are reflected in the data published in this report.

## SOCIAL

### SAFETY

We report all injuries globally in our EHS data system in accordance with US OSHA guidance. Our key safety metrics are Recordable Incident Rate (RIR) – where incidents require medical attention beyond first aid – and Lost-Time Incident Rate (LTIR) – where a colleague is unable to work following an incident – per 100 colleagues, per year across Smiths. These metrics align with those widely used in our global industries.

The Safety Leading Indicators that are common to all of our divisions – safety look out observations and safety leadership tours – are also tracked and reported monthly.

### PEOPLE

People data is tracked using our global HR information system and results from our third party-managed My Say survey.

## GOVERNANCE

Our Ethics Pulse survey is conducted internally and our Speak Out reporting data is taken from our Speak Out reporting system which is on a platform provided by a third party.

### PRODUCT QUALITY

Cost-of-poor-quality (COPQ) is tracked and reviewed monthly on our performance dashboard.