

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 ¹	5% increase to 66%	70%
Normalised non-recyclable waste ²	5% reduction	(20.2)%
Normalised water use in stressed areas (11 locations) ²	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 ¹	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 efficiency¹	3% improvement in efficiency	10%	7.9% improvement in efficiency
Long-Term Incentive Plan (LTIP)	3 years	Scope 1 & 2 GHG emissions reduction²	15-20% reduction in emissions	15%	N/A

A further decision was made in FY2023 for FY2024 remuneration.

Plan	Performance period	Measure	Target	Weighting
AIP	1 year	Energy efficiency¹	4.5% improvement in efficiency	10%
LTIP	3 years	Scope 1 & 2 GHG emissions reduction²	15-20% reduction in emissions	15%

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 ¹
Global energy use – absolute values Δ	MWh	218,094	223,709
UK energy use – absolute values	MWh	11,394	10,446
Global emissions – absolute values			
Scope 1 (direct emissions) Δ	tCO ₂ e	19,694	19,591
Scope 2 (market-based emissions) Δ	tCO ₂ e	25,955	32,193
Scope 3 (value chain emissions) Δ	tCO ₂ e	1,380,000	1,450,000
Total Scope 1 & 2 emissions	tCO ₂ e	45,649	51,784
UK Scope 1 & 2 emissions	tCO ₂ e	1,779	1,755
Global emissions – normalised values			
Scope 1 (direct emissions)	tCO ₂ e/£m revenue	6.48	7.63
Scope 2 (indirect emissions)	tCO ₂ e/£m revenue	8.55	12.55
Scope 3 (value chain emissions)	tCO ₂ e/£m revenue	454.40	565.08
Total Scope 1 & 2 emissions	tCO ₂ e/£m revenue	15.03	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. 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	FY2023	0.14
FY2022	0.56 ¹	FY2022	0.25 ¹
FY2021	0.47	FY2021	0.20
FY2020	0.35	FY2020	0.17
FY2019	0.50	FY2019	0.24

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
FY2023	73
FY2022	72
FY2021	71
FY2020	73
FY2019	72

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

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 positions¹ 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 ¹	493	75%	163	25%
Total colleagues ²	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 ¹	Percentage of Executive Management ¹
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 ¹	Percentage of Executive Management ¹
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*
FY2023	299	67%	23%
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	93%	95%
It's safe to speak out at Smiths	90%	91%
Smiths leadership lives the Code of Business Ethics	95%	93%
I understand how the Code of Business Ethics applies to me	97%	96%
I know where to find the Code of Business ethics	92%	94%
I would report unethical business conduct if I saw it	96%	95%
Smiths leadership clearly communicates the expectation that all Smiths business will be conducted ethically	95%	93%

MANAGING RISK AND MAINTAINING STRONG AND EFFECTIVE CONTROLS

Product quality

Cost of Poor Quality (COPQ)

FY2023	1.37%
FY2022	0.90%