

smiths

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT 2021

Smiths Group plc



AT SMITHS, WE CONSIDER MODERN SLAVERY AND HUMAN TRAFFICKING TO BE APPALLING CRIMES. WE ARE COMMITTED TO CONDUCTING BUSINESS IN AN ETHICAL MANNER EVERYWHERE WE OPERATE.

This statement has been published pursuant to section 54 of the UK Modern Slavery Act 2015. It sets out the steps taken by Smiths Group plc and its subsidiaries* (which make up its five divisions: John Crane, Smiths Medical, Smiths Interconnect, Smiths Detection, and Flex Tek) during the financial year ended 31 July 2021 to address modern slavery and human trafficking in its business and supply chains. References to “Smiths” are to Smiths Group as described in this paragraph.



200 COUNTRIES & TERRITORIES THAT OUR SOLUTIONS REACH

23,000 EMPLOYEES WORLDWIDE

INTRODUCTION

Smiths is committed to doing business responsibly and sustainably. This includes responsibly managing actual and potential human rights impacts in our business and supply chains. **Integrity and Respect** are two of our Core Values (the others being Ownership, Customer Focus, and Passion), and we are committed to conducting business ethically everywhere we operate. Our employees and business partners are expected to report concerns

using the appropriate reporting channels (described below), and management is expected to act promptly to address them.

OUR BUSINESS

Smiths is a leading industrial technology Public Limited Company (plc), based in the UK, with the goal of making a safer, more efficient, and better-connected world. We are listed on the London Stock Exchange. Our solutions enable industry, improve healthcare, enhance security, advance

connectivity, and support new homes. Today, we serve five main global markets: medical technology, security and defence, general industrial, energy, and space and aerospace, and our solutions reach around **200 countries**. We currently employ around **23,000 people** in more than **55 countries** through our five divisions. We have announced a proposed sale of Smiths Medical, which we expect to complete by the end of 2021. Following the sale, Smiths will employ around **15,000 people** in more than **50 countries**.

*This includes Smiths Group plc and subsidiary companies worldwide, including all relevant Smiths companies according to the requirements of the UK Modern Slavery Act (John Crane UK Limited, Smiths Business Information Services Limited, Smiths Detection United Kingdom Limited, Smiths Detection – Watford Limited and Smiths Medical International Limited).

OUR SUPPLY CHAINS

In total, we source components and materials from around **8,000 suppliers worldwide.**

Each of our operating divisions is responsible for selecting and managing its own supply base. Our divisions are supported by a global Group Operations team. The central team identifies opportunities for driving best practice and consistency in manufacturing, operations,

procurement, and supply chain management across the divisions, using our Smiths Excellence System approach that incorporates Lean methodology and continuous improvement principles. Our supply chain networks are mainly local and regional rather than global. Smiths continues to reduce its total number of suppliers as we look to deepen our relationship with fewer suppliers.

Our manufacturing processes vary by Division. They include the assembly of components sourced from third parties, the machining and forming of metallic products, additive manufacturing, and extrusion of speciality materials. For higher value/more complex products it is not unusual for us to engage with our suppliers in R&D and new product introductions. Our manufacturing operations are in the following countries.

• OUR MANUFACTURING OPERATIONS ARE IN THE FOLLOWING COUNTRIES.

Europe

- United Kingdom
- France
- Germany
- Italy
- The Netherlands
- Czech Republic
- Ireland
- Finland

Americas

- United States
- Canada
- Mexico
- Costa Rica

Asia

- India
- China
- Malaysia
- Japan
- Singapore

Middle East/Africa

- Tunisia



• WE PURCHASE OVER 95% (BY SPEND) OF OUR DIRECT MATERIALS USED TO MANUFACTURE OUR PRODUCTS FROM THE FOLLOWING COUNTRIES:

- United States
- Germany
- China
- United Kingdom
- France
- Italy

- Japan
- Czech Republic
- Malaysia
- Taiwan, *Province of China*
- Switzerland

- Canada
- The Netherlands
- Republic of Korea
- Finland
- Mexico
- Russian Federation

- Singapore
- Hungary
- Brazil

• OUR LARGEST CATEGORIES OF DIRECT MATERIAL PURCHASES INCLUDE:

- Housings, cabinets and casings
- Machine made parts
- Moldings
- Stampings and sheet components
- Imaging equipment

- Printed circuits, integrated circuits, and micro assemblies
- Material handling machinery and equipment
- Electrical equipment

- components and supplies
- Industrial process, machinery equipment and supplies
- Metal cutting machinery and accessories

- Electrical wire cable and harnesses
- Computer equipment and accessories
- Laboratory and scientific equipment

OUR POLICIES AND PROGRAMME OVERSIGHT

We have several internal policies covering human rights and international labour standards, including the following which are applicable across Smiths Group and published in English and other languages relevant to the countries in which we operate.



Our Code of Business Ethics (“Ethics Code”) sets our expectations regarding ethics and compliance in interactions with colleagues, external stakeholders, and the communities in which we work.



Our Supplier Code of Conduct (“Supplier Code”) addresses our commitment to supplier ethics and compliance, including with respect to applicable laws related to anti-slavery and human trafficking, and our requirements and expectations vis-à-vis our suppliers.



Our Human Rights Policy is applicable across Smiths Group and to all persons working for Smiths, or on Smiths’ behalf, including employees, agency workers, seconded workers, volunteers, interns, contractors, and third party-representatives. Our Human Rights Policy addresses Smiths’ commitment to ensuring the protection of human rights in our operations, specifically: the elimination of forced/involuntary labour, the elimination of child labour, humane treatment in the workplace, workplace equality/the elimination of bias, the right to a living wage, the right to reasonable working hours and vacation, freedom of association, the right to a safe and healthy workplace, and the right to safe and healthy accommodation (if provided).



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 Smiths’ sourcing of 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, Smiths is guided by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affect and High-Risk Areas.



Together these policies help our employees and business partners understand what we mean by human rights, modern slavery, and labour standards assurance. They outline our approach to managing associated risks and encourage our employees and business partners to look for and raise “red flags”. Our Human Rights Policy and Supplier Code specifically make clear that no Smiths worker or supplier shall be subject to any form of forced or compulsory labour,

and shall not be forced to work in excess of the number of hours permitted by the relevant national law.

These policies are maintained by the Smiths Ethics & Compliance Office and are reviewed by the Human Resources and Procurement leadership teams, Smiths’ Human Rights Working Group, and Smiths’ Business Ethics Council (made up of senior leaders from across divisions and functions at

Smiths). The Smiths Ethics & Compliance programme is overseen by Smiths’ Audit and Risk Committee on behalf of Smiths’ Board of Directors.

Our Ethics Code, Supplier Code, Human Rights Policy, and Core Values make it clear that Smiths will not tolerate or condone abuses of human rights within any part of our business or our supply chains, and we take seriously any allegations that human rights are not properly respected.

Smiths Speak Out hotline

SPEAKOUT@SMITHS.COM

REPORTING MECHANISMS

Our employees and business partners are expected to report any activity – whether in our business or those of our business partners’ – that they consider may be in breach of our Ethics Code, Supplier Code, or Human Rights Policy.

Smiths Speak Out hotline (speakout@smiths.com) is Smiths’ global reporting hotline that is available to internal and external stakeholders, as well as the general public, and is managed by Smiths Ethics & Compliance team. It is operated **24 hours a day and 7 days a week** and enables anyone to make a report by telephone, email, or online from anywhere in the world and comprises several different channels (including call centres operated by an independent third party across the Group’s global operations).

All reports come to Smiths’ Ethics & Compliance team and are handled confidentially. Reports may be made anonymously. Our Speak Out hotline is used to ask questions or to raise ethics concerns, including the risk of harm to Smiths’ people, customers, the public, or the environment. Smiths’ Ethics & Compliance team is responsible for ensuring that reports are promptly and thoroughly investigated. Instructions on how to access and use the Speak Out hotline are included in Code of Business Ethics, in our Speak Out policy, and are the subject of a short online training to all employees on the Smiths network, which will be rolled out before the end of this calendar year. Smiths Ethics & Compliance team use an online anonymous employee survey to monitor employee understanding of how to Speak Out, whether

they feel safe to Speak Out, and to gauge whether they would Speak Out if they saw anything that violates our Code of Business Ethics. Over 6000 members of staff completed surveys in the financial year ending 31 July 2021. Survey responses included: ‘I know how to access the Speak Out line’ (83% agreed); ‘It is safe to Speak Out’ (89% agreed); and ‘I would report unethical business conduct if I saw it’ (96% agreed).



ASSESSMENT OF MODERN SLAVERY RISK

Our approach to assessing the risk of modern slavery and human trafficking currently focuses on three areas:

- 1. Direct material and component suppliers, with a particular focus on dormitories and housing (if provided to their employees);**
- 2. Recruitment agencies used to find and supply Smiths with labour; and**
- 3. Our own operations, to ensure our sites are safe and meet applicable labour standards.**

We consider that our biggest potential modern slavery risk continues to be our supplier base. We purchase materials, components, and some finished goods from over 8000 suppliers across the world, including countries where modern slavery presents a higher risk. We categorise

suppliers by risk profile with reference to spend and location, and address modern slavery risk in our supply chain through specific policies and due diligence, as described further below.

We address the policies and practices that we apply to recruitment agencies below.

The location of Smiths manufacturing operations is set out above. We monitor carefully practices at all of our operations to ensure they follow our Code of Business Ethics and Human Rights Policy. This is overseen by the local HR teams, and by our global Smiths Group People Operations team. The Ethics & Compliance team conduct site visits and liaise with the HR teams to check compliance with aspects of the policies.



WE MONITOR CAREFULLY PRACTICES AT ALL OF OUR OPERATIONS TO ENSURE THEY FOLLOW OUR **CODE OF BUSINESS ETHICS AND HUMAN RIGHTS POLICY**

DUE DILIGENCE PROCESSES

New suppliers are subject to due diligence checks in the form of an ethics and compliance questionnaire. Responses to the questionnaires are reviewed by Divisional procurement teams. Through this questionnaire, we seek information about employees' work and (if relevant) housing conditions, employment terms, and labour practices

(including the presence of forced labour, migrant labour, and child labour). Where accommodation is provided, we seek to ensure that it is clean and safe, not provided on exploitative terms, and that employees' movements are not restricted. If migrant workers are contracted, we ask about their employment terms, any restrictions placed on their movement, financial arrangements, and arrangements for their return home when their contracts end.



If local procurement teams identify any issues during the due diligence process, they will be factored into the appointment decision. Our standard 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 required to notify Smiths if they become aware of any breach.

For the suppliers we categorise as “**high risk**”, we conduct ongoing monitoring through a due diligence service provided by Exiger, desktop reviews, and onsite visits (although these have not taken place in FY21 because of COVID-19). Where issues are identified, we work with suppliers to correct them. In FY21, we have not identified any serious human rights issues in our operations or in those of our suppliers. However, we

recognise that because we have been unable to conduct site visits, issues may exist but may not be visible to us. With that in mind, we have continued to communicate to middle and senior management the importance of being vigilant. We will resume site visits as soon as it becomes feasible to do so.



RECRUITMENT PRACTICES

We use numerous recruitment agents around the world. We seek to ensure that we only partner with agencies who share our commitment to source and supply labour **lawfully and in accordance with our Human Rights Policy**.

We conduct due diligence on all potential new recruitment agencies. This vetting of new agencies and the regular updating of that review is conducted by local HR in partnership with the global Smiths Group People Operations team. As part of the selection process, recruitment agencies are required to complete an ethics and compliance questionnaire. Responses are reviewed by the local HR team, who seek

support from the Ethics & Compliance team if required. The People Operations team conduct database searches through a third-party provider to identify any historical issues. Answers that recruitment agencies provide to the questionnaire, coupled with the results from the database searches, inform the People Operation’s team’s appointment decisions.

In addition, we require recruitment agents to sign declarations confirming that they do and will continue to comply with all applicable laws. We maintain a register of approved recruitment agents to help ensure that only approved agents are used, and that due diligence and declarations for these agents are up to date.



MODERN SLAVERY TRAINING AND AWARENESS

In addition to training on our Code of Business Ethics, we require all staff on Smiths network (approximately 13,000 employees) to take an on-line awareness training every two years titled 'Introduction to Eliminating

Forced Labour, Slavery and Human Rights Trafficking from the Global Supply Chain'. 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 anyone sees 'red flags'. Modern Slavery is also a module in our classroom-based training conducted by local HR for

those staff who do not have access to the Smiths network, typically at our manufacturing operations. The Ethics & Compliance team include it as a topic in their workshops for middle and senior Divisional managers. In FY21, these workshops were conducted virtually with management in India, China, Australia, and New Zealand.



PROGRESS AND YEAR AHEAD

In FY21, we continued to raise awareness across Smiths Group about modern slavery and labour standards assurance through communication and training, and to evolve our diligence processes. Although the pandemic interrupted our on-site audit visits for high-risk suppliers, we were able to conduct several desktop reviews (including interviews with suppliers). A number of observations were identified and communicated to the suppliers for remediation; however, we did not identify any serious issues associated with suppliers.

As a result of media coverage about companies in certain countries not paying more

vulnerable staff on time (or at all) because of financial pressures brought on by the pandemic, in FY21 we wrote to selected suppliers to remind them of our expectations that all staff be paid promptly. All such suppliers formally acknowledged our request in writing.

As part of our ongoing monitoring, we have reviewed our own overtime practices to ensure that we remain compliant with local laws, or where they do not exist, reasonable international standards. Our supplier desktop reviews seek to give us a better understanding of overtime practices of certain of our higher risk suppliers.



Programme for FY22.

We recognise that human rights, including modern slavery and human trafficking risks, are not static. In FY22, we plan to refresh our human rights risk assessment processes to better understand the potential negative human rights impacts that Smiths and its business partners could create, cause, or be linked to. We will then assess the adequacy of our current controls. Furthermore, we

plan to review and update our Supplier Code and Human Rights Policy to make sure they reflect current practices and stakeholder expectations with regard to human rights and fair labour standards, and adequately reflect and address negative impacts that Smiths business could create, cause, or be linked to. Changes will be communicated to our employees, suppliers and other business partners.



WE RECOGNISE THAT HUMAN RIGHTS,
INCLUDING MODERN SLAVERY AND HUMAN
TRAFFICKING RISKS, **ARE NOT STATIC**

Approvals

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our Smiths Group's modern slavery and human trafficking statement for the financial year ending

31 July 2021. It has been approved by the Board of Directors of Smiths Group plc with respect to the financial year ending on 31 July 2021 and is signed on behalf of the Board by its Chief Executive Officer

A handwritten signature in black ink that reads "Paul .".

Paul Keel
Chief Executive Officer
Smiths Group plc