

ESG Supply Chain Due Diligence Policy

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Mandatory Policy (ESG)

Purpose of the Policy

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

The Policy

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

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

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

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

Supplier selection and monitoring

All new and renewing Smiths suppliers must be evaluated for ESG compliance prior to their engagement by Smiths. For the purpose of adhering to this Policy, Smiths will engage with an independent, third-party assessor (currently EcoVadis) to provide an objective evaluation of certain suppliers within its supplier network.

Supplier relationship managers in our businesses' procurement management teams are responsible for evaluating suppliers as follows:

- An ESG risk assessment must be conducted as part of the Request for Proposal (RFP) process for all new and renewing suppliers who do not already have a valid EcoVadis score card. This initial ESG risk assessment shall be conducted using an independent, external evaluation tool EcoVadis IQ.

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- If a supplier cannot be found using the EcoVadis platform, Smiths will conduct an initial risk assessment using its internal risk assessment tool.
- Divisional or Group Procurement Head approval is required to proceed with any supplier (a 'nominated supplier') identified as High risk or Very High risk on the Ecovadis IQ platform or in Smiths internal risk assessment tool.
- All nominated suppliers will be submitted for further evaluation through the EcoVadis assessment platform and, once submitted, shall be subject to annual review, with the following exceptions:
 - **Low spend suppliers** (below £250k annually): Smiths will follow the existing Smiths Human Rights Supply Chain Due Diligence Policy (policy 2.6) onboarding processes.
 - **One-time Purchase Order (PO) suppliers**: Smiths will follow the existing Smiths Human Rights Supply Chain Due Diligence Policy (policy 2.6) onboarding process.
- A supplier may be submitted to EcoVadis' assessment rating after nomination. Nevertheless, all suppliers nominated (excluding exceptions above) should commit to go through the Ecovadis assessment within one year, following notification that they are the selected supplier. Expectations should be communicated to the supplier by the relevant member of the procurement team.
- All suppliers submitted to the EcoVadis assessment platform are expected to achieve an annual overall score target of at least 45/100, with a target of 50/100 in the themes of "Labour and Human rights" and "Ethics", respectively, which indicates that they have been assessed as having:
 - A structured and proactive sustainability approach;
 - Policies and tangible actions on major ESG topics; and
 - Basic reporting on actions or key performance indicators.
- Once a supplier is rated on the EcoVadis assessment platform, Smiths will communicate the targets described above to them. Where a supplier has not achieved the target scores identified above, Smiths will engage with the Supplier to develop a Corrective Action Plan (CAP). Divisional or Group Procurement Heads may grant exceptions to the CAP for small supplier companies (less than 100 employees globally), on a case-by-case basis.
- Suppliers who are unable to attain this score will be evaluated to determine the nature and criticality of their gaps in scoring. Where possible, a Corrective Action Plan (CAP) will be put in place to help the supplier improve their score within a reasonable time period, as determined by Smiths and based on the nature of the gap, to reach/cross the targets by focusing first on high priority actions included in the CAP.
- If the supplier is unable or unwilling to meet the requirements of the Corrective Action Plan, Smiths will consider removing that supplier from its supply network, if a suitable alternative is available, otherwise obtain Divisional or Group Procurement Heads' approval to continue business with the supplier. Any approval must take account of the risk that the supplier presents. If the Divisional or Group Procurement Heads considers that the supplier present a High risk they should not give their approval.

ESG expectations for suppliers

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

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

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

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

Smiths Group's procurement and supply chain teams shall take reasonable steps to ensure that selected suppliers are adhering to these principles using EcoVadis, binding contractual terms, and ongoing compliance monitoring.

Oversight and continuous improvement

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

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

Definitions

For the purposes of this Policy:

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

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

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

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

- ESRS 2 – General Disclosures
- ESRS 2 – Minimum Disclosure Requirements (MDR)
- ESRS E1 – Climate Change
- ESRS E2 – Pollution
- ESRS E3 – Water and Marine Resources

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- ESRs E4 – Biodiversity and Ecosystems
- ESRs E5 – Resource Use and Circular Economy
- ESRs S1 – Own Workforce
- ESRs S2 – Workers in the Value Chain
- ESRs S3 – Affected Communities
- ESRs S4 – Consumers and End-users
- ESRs G1 – Business Conduct

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

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

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

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

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

For further guidance

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

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

Relevant Policies and Statements

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

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

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