

The background of the document is a photograph of a person wearing a white work glove, working on a metal component. The person is wearing a blue shirt. The scene is dimly lit, with a strong blue color cast. The person's hands are in the foreground, and the metal part they are working on is in the lower right. The overall tone is serious and industrial.

smiths

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT FY2019

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 in accordance with the UK Modern Slavery Act 2015. It sets out the steps taken by Smiths Group plc and its subsidiaries¹ during the year ended 31 July 2019 to address modern slavery and human trafficking in its business and supply chains.

INTRODUCTION

We consider modern slavery and human trafficking to be appalling crimes. **Integrity** and **Respect** are two of our core values (Integrity, Respect, Ownership, Customer Focus and Passion) and we are committed to conducting business in an ethical manner everywhere we operate. This includes understanding the modern slavery risks that face us and addressing them in our business and supply chains. Smiths employees and business partners are expected to report concerns using the appropriate reporting channels, and management are expected to act promptly to address them.

OUR BUSINESS

We apply leading-edge technology to design, manufacture and deliver market leading innovative solutions that meet our customers' evolving needs. Our solutions make a real impact on the world – from enabling industry, improving healthcare and enhancing security, to advancing connectivity and supporting new homes. We are working to establish Smiths as one of the world's leading technologies companies.

Today, we serve five main global markets: medical technology, security and defence, general industrial, oil and gas, and space and aerospace. Our solutions reach around 200 countries and territories, and we are listed on the London Stock Exchange.

We employ around 23,000 people in more than 55 countries through our five divisions: **John Crane, Smiths Medical, Smiths Detection, Smiths Interconnect and Flex-Tek.**



OUR SUPPLY CHAINS

In total, we source components and materials from approximately 12,000 suppliers around the world. Each of our five operating divisions is responsible for selecting and managing its own supply base. Our divisions are supported by a central Group Operations team based at our London head office. The central team identifies opportunities for driving best practice and consistency in manufacturing, operations, procurement, and supply chain management across the divisions.

200 COUNTRIES & TERRITORIES OUR SOLUTIONS REACH

23,000 EMPLOYEES WORLDWIDE

⁽¹⁾ This includes Smiths Group plc and subsidiary companies worldwide, including John Crane Inc., Smiths Medical Inc., Smiths Interconnect Inc., Smiths Detection and Flex Tek Group.

OUR POLICIES AND PROGRAMME OVERSIGHT

We have several internal policies covering different aspects of international labour standards, including our **Code of Business Ethics** (the Code), **Supplier Code of Conduct** (the Supplier Code) and our **Human Rights Policy**. Together these documents help our employees and business partners understand what we mean by modern slavery and labour standards assurance, and outline our approach to managing associated risks. They encourage employees and business partners to look for and raise 'red flags'. These policies are maintained by the Smiths Ethics and Compliance Office, and reviewed by the human resources and supply chain leadership teams, Smiths Human Rights Working Group and Smiths Business Ethics Council. The Council is made up of senior leaders from across divisions and functions at Smiths. The Smiths Ethics & Compliance programme, including the human rights element of the programme, is overseen by the Audit Committee on behalf of Smiths Group Board of Directors.



Our Code, the Supplier Code, Human Rights Policy and Smiths Values make it clear that **Smiths will not tolerate or condone abuses of human rights within any part of our business or supply chains**, and we take seriously any allegations that human rights are not properly respected. In addition, our employees and business partners are expected to report any activity - whether in our business or our suppliers, joint ventures partners or other partners' business - that they consider may breach the Code, Supplier Code or Human Rights Policy. All reports are fully investigated and, if there is any evidence to support the concern, appropriate remedial actions are taken.

Speak Out is Smiths Group's global helpline. It is a confidential channel available across a range of platforms through which employees can ask questions and raise concerns about ethics, compliance or Smiths Group's Code of Business Ethics including the risk of harm to Smiths people, customers, the public or the environment.



ASSESSMENT OF MODERN SLAVERY RISK

In the past year we have continued to take steps to better understand where modern slavery risks may exist in our operations. We have continued to develop our due diligence processes and focus on training and awareness, both for our human resource personnel and our procurement teams, so they know what red flags to look for when they are looking to hire labour and/or suppliers.

In addition, our Human Rights Working Group continues to meet monthly to monitor and oversee the design of appropriate controls and their implementation related to the core risk areas we have identified, namely (i) supply chain; (ii) use of agencies to source or recruit employees or contract labour for certain roles; and (iii) use of dormitories operated by third parties to house employees or contract labourers who work at our facilities.

SUPPLY CHAIN

Our biggest potential exposure to modern slavery risk is in our supply chains. New suppliers are subject to due diligence checks in the form of ethics and compliance questionnaires, which include questions on modern slavery. If issues are identified during the due diligence process, appropriate investigative and remedial actions are taken.

In FY2018, we conducted a review of existing suppliers which we extended in FY2019. We prioritised suppliers based on risk using a variety of risk factors, including the Global Slavery Index ranking for the countries of operation. Suppliers identified by that exercise as high risk were asked to complete a due diligence questionnaire

followed by another more in-depth questionnaire through the Supplier Ethical Data Exchange (SEDEX) platform when red flags were identified in the responses to the initial questionnaire.



FY2019 included local supplier visits when auditing our higher risk sites. The focus of these visits is to validate compliance with our Supplier Code as well as the labour environment in which their employees operate and live (in case of dormitories).

While we are still primarily focused on first tier suppliers, we are working to incorporate language into our standard supply contracts that requires our suppliers to bind their suppliers to the same anti-modern slavery commitments.

RECRUITMENT AGENTS AND LABOUR SUPPLIERS

With around 23,000 employees in over 55 countries, we use a significant number of recruitment agents around the world. A central focus of our anti-modern slavery compliance programme is to ensure that all the agencies we use to recruit or source labour understand our expectations and honour our commitment to address modern slavery risks. Our risk

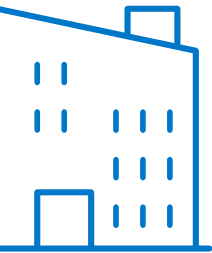
assessment identified three types of labour as the most likely to be exposed to modern slavery risks: production, warehousing, and cleaning and maintenance staff – particularly those who are temporary staff or contractors. As such, our programme is currently focused on agents who recruit these types of employees or supply them on a contracted basis.

Last year we developed and rolled out a pre-appointment due diligence process to ensure we do not partner with any recruitment agents or suppliers of labour who do not meet our ethical standards or commit to honouring our Human Rights Policy. In addition, we require recruitment agents to sign declarations confirming they meet our standards. We have set up a register of approved recruitment agents and labour suppliers to ensure only approved agents are used, and that due diligence and declarations for these agents are up-to-date and refreshed regularly.



DORMITORIES

In FY2019, we continued to monitor and audit dormitories operated by third parties to house our employees or contracted labourers working at some of our facilities as well as staff at our local suppliers. After rectifying living



conditions in dormitories for our own employees in Malaysia and the Middle East last year, this year we agreed remediation actions with one of our employee

shuttle service providers in Mexico and one provider of PCBA boards in China to improve their dormitories living conditions.

Posters in local languages have been put up in our manufacturing locations encouraging our employees to raise any concerns (anonymously should they prefer) about their treatment or dormitory standards. The Speak Out Line is monitored by Smiths Ethics and Compliance Office and run for us by an independent external partner. Audits will continue at regular intervals to ensure the dormitories meet our standards.



MODERN SLAVERY TRAINING AND AWARENESS

In addition to training on the Code of Business Ethics, we continued to conduct awareness training on modern slavery and labour standards assurance for our operations, sourcing, supply chain and human resources teams across the globe. We also provide training for new employees as part of their orientation process. The current set of training covers our behavioural expectations and helps staff identify red flags. In FY2019, we rolled out a new training module ("Introduction to Eliminating Forced Labour, Slavery, and Human Trafficking from the Global Supply Chain"), which is dedicated to modern slavery and replaces our FY2018 training materials.

OUR VALUES

WE ARE UNITED BY OUR SHARED VALUES, WHICH GUIDE OUR ACTIONS AND BEHAVIOUR EVERY DAY, NO MATTER WHAT OUR ROLE IS.



- INTEGRITY
- RESPECT
- OWNERSHIP
- CUSTOMER FOCUS
- PASSION

PROGRESS AND YEAR AHEAD

We understand that modern slavery risks are not static, and in the year ahead we will continue to monitor and improve our human rights programme. We will continue to develop a more detailed understanding of country

specific risks to better form our training and assurance efforts, including due diligence.

In FY2019, a great deal of effort was spent continuing to raise awareness about modern slavery and labour standards assurance, and implementing and testing our controls.

See the table below outlining accomplishments for FY2019 focus areas.

In the coming year we will continue communication and awareness campaigns, and ensure that processes are fit for purpose and adequately embedded.

OUR KEY AREAS OF FOCUS FOR FY2019 WERE:

Further extend the list of existing suppliers with whom we conduct diligence based on risk	completed
Roll out new online training (“Introduction to Eliminating Forced Labour, Slavery, and Human Trafficking from the Global Supply Chain”) to all employees	completed
Develop training programme for higher risk roles (e.g. manufacturing and warehouse management teams and staff, and supplier audit teams)	completed
Enhance our supply chain monitoring capabilities through a third party screening tool (SEDEX)	completed
Continue to conduct site audits and dormitory visits	completed

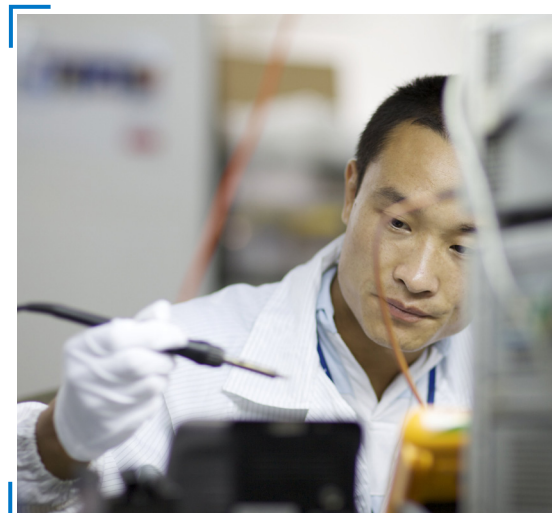
THE YEAR AHEAD

In FY2020 we will continue expanding and refining our modern slavery programme by focusing on the following areas:

- Extend the list of existing suppliers with whom we conduct due diligence
- Continue to conduct on-site social audits and dormitory

visits, including both our own sites and supplier sites

- Implement an automated third party supplier screening tool to be used for due diligence work and ongoing monitoring
- Refresh our modern slavery intranet site
- Refresh our human rights policy, supplier questionnaire and recruiter questionnaire



This statement was approved by the Board of Smiths Group plc.
 ANDY REYNOLDS SMITH
 CHIEF EXECUTIVE SMITHS GROUP PLC
 OCTOBER 2019