



smiths

bringing technology to life

MODERN SLAVERY AND HUMAN
TRAFFICKING STATEMENT FY2017

Smiths Group plc

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT FY2017 SMITHS GROUP PLC

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 subsidiaries during the year ended 31 July 2017 to prevent modern slavery and human trafficking in its business and supply chains.



competitiveness, underpinned by our strong financial framework.

We are focusing the business on the most attractive markets globally, where we can sustainably hold a scalable top three leadership position. Today, we serve seven main markets: medical technology, security and defence, energy, space and commercial aerospace, transportation, construction and general industrial. Around half our revenue comes from North America, with 23% Europe, 15% from Asia, and 9% from the rest of the world. Our solutions reach around 200 countries and territories, and we are listed on the London Stock Exchange.

We employ around 22,000 people in more than 50 countries through our five divisions: John Crane, Smiths Medical, Smiths Detection, Smiths Interconnect and Flex-Tek. We have manufacturing, assembly, service and repair, and warehousing operations in 40 countries, with 57% of our assets in North America, 34% in Europe, 6% in APAC and 3% in the rest of the world.

INTRODUCTION

We consider modern slavery and human trafficking to be appalling crimes. Integrity is one of our core values 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 are expected to report concerns using the appropriate reporting channels, and management are expected to act promptly on 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. Our objective is to sustain above-market growth in our chosen markets, by repositioning the portfolio around the most attractive markets and driving world-class



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.



Our people

We employ around 22,000 people globally and are building a learning organisation that enables them to be the best that they can be.

Our values

We are united by our shared values, which guide our actions and behaviour every day, no matter our role.

INTEGRITY
OWNERSHIP
RESPECT
CUSTOMER FOCUS
PASSION



12,000

SUPPLIERS WE SOURCE
COMPONENTS AND
MATERIALS FROM

POLICIES

We have several internal policies in place covering different aspects of international labour standards, including our Code of Business Ethics and our Supplier Code of Business Ethics. This year we introduced our [Anti-Modern Slavery Policy](#) to help our employees and business partners understand what we mean by modern slavery, and our approach to managing associated risks. It encourages employees and business partners to look for and raise 'red flags'. The process to develop the new policy was driven by the Smiths Ethics and Compliance Office, in consultation with the HR and supply chain leadership teams, and the Smiths Business Ethics Council. The Council is made up of senior leaders from across divisions and functions at Smiths and is responsible for ethics and compliance on behalf of our Executive Committee.

Our Anti-Modern Slavery Policy makes 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 encouraged to report any activity - whether in our business or our partners' - that they consider may breach the Policy. All reports are fully investigated and, if there is any evidence to support the concern, appropriate remedial actions are taken.

ASSESSMENT OF MODERN SLAVERY RISK

In the past year we have taken steps to better understand where modern slavery risks exist in our operations so that we can prioritise our use of resources to reduce them. This included conducting a preliminary modern slavery risk assessment and forming a Modern Slavery and Labour Standards Assurance Working Group to oversee the design of appropriate controls and their implementation.

The risk assessment identified three areas for particular focus:

1. Our supply chain
2. Our use of agencies to source or recruit employees for certain roles
3. The use of dormitories to house employees who work at our facilities

The output from the risk assessment was turned into action plans for each of these areas. To further improve our assessment and to evolve and direct our audit programme, surveys have been sent to all our sites with questions related to modern slavery and labour standards. As at the 1 September 2017, 70% of the surveys have been returned.

We are also looking to expand the risk assessment to focus on country-specific risks, both as an employer and as a purchaser of goods and services.

DUE DILIGENCE AND SUPPLIER AND SUPPLY CHAIN AUDITS

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 we substantially revised in FY2017 to increase focus on modern slavery. If issues are identified during the due diligence process, appropriate investigative and remedial actions are taken.

In the coming year, we plan to conduct an assessment of existing higher risk suppliers, defined by a variety of factors including those who operate in countries that rank highly on the Global Slavery Index. 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. This includes obligations to conduct due diligence and to monitor suppliers on an ongoing basis.

Our largest operating division, Smiths Medical, this year reviewed its supply chain as part of its compliance programme for the Labour Standards Assurance System (LSAS) implemented by the UK National Health Service (NHS). Smiths Medical conducted a supply chain mapping and risk assessment process for certain products that it sells to the NHS. The Medical team successfully completed a Level 1 LSAS audit in May 2017 and a Level 2 LSAS audit in September 2017.

RECRUITMENT AGENTS AND LABOUR SUPPLIERS

With 22,000 employees in over 50 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.

This year we developed and are rolling out pre-appointment due diligence processes to ensure we do not partner with any recruitment agents or suppliers of labour who do not meet our ethical standards or commit to honoring our Anti-Modern Slavery Policy. We require 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. This exercise is ongoing, and to date 40% of agents have completed the diligence questionnaires. Those who have not completed are being chased, and we are following up on the outstanding questionnaires, with a view to completing it by the end of October 2017.

We have also worked closely with our largest recruitment agency partner to ensure it implements a substantially similar policy and procedures to manage and reduce modern slavery risks with its partner agencies around the world.

DORMITORIES

In FY2017 we reviewed and updated standards for dormitories operated by or on behalf of Smiths to house employees working at some of our facilities. We operated one dormitory in China through a Smiths Interconnect business that was sold during



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COUNTRIES WE HAVE DIRECT OPERATIONS IN

the year. Production employees working at our Flexible Ducting facility in Malaysia are currently housed in two dormitories, both operated by third parties. We conducted audits of these three dormitories against revised standards, leading to a number of improvements.

Posters have been put up in the dormitories informing staff of our ethics Alertline and encouraging them to raise any concerns (anonymously should they prefer) about their treatment or dormitory standards. The Alertline is monitored by Smiths Ethics and Compliance Office. To date the office has not received any specific dormitory or labour standards-related complaints. Audits will continue at regular intervals to ensure the dormitories meet our standards.

MODERN SLAVERY TRAINING

In addition to training on the Code of Business Ethics, we conducted awareness training on modern slavery and human trafficking for our sourcing, supply chain and HR teams. Approximately 400 employees were trained globally. This training covers our expectations and helps staff identify red flags. In the year ahead, training will become part of our new employee orientation process and will be repeated every two years.

YEAR AHEAD

We understand that modern slavery risks are not static, and in the year ahead we will continue to monitor and improve our Anti-Modern Slavery programme. We will continue to develop a more detailed understanding of country-specific risks to better inform our training and due diligence efforts.

In the 2017 financial year, a great deal of effort was spent raising awareness about modern slavery, and implementing and testing our controls. 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 FY2018 are:

- Revise our Code of Business Ethics and Supplier Code of Business Ethics to include a more specific reference to modern slavery
- complete the due diligence and certification process for existing recruitment agents
- collect all outstanding surveys from sites, analyse the data, and adjust our modern slavery programme as necessary
- extend the list of the list of suppliers on whom we conduct diligence based on risk
- roll out training to all new employees
- continue to improve our training programme by making it more targeted and risk-based
- develop metrics to measure our performance against our Anti-Modern Slavery Policy
- send suppliers a refreshed version of our supplier guidance around modern slavery, which highlights our expectations and requirements

This statement was approved by the Board of Smiths Group plc.

ANDY REYNOLDS SMITH
CHIEF EXECUTIVE
SMITHS GROUP PLC
OCTOBER 2017