

A woman with short brown hair, wearing safety glasses and a blue sweater over a white collared shirt, is working in a factory. She is holding a small metal part and looking towards the camera with a slight smile. The background shows industrial machinery and a large metal wheel hanging from the ceiling.

smiths

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# Engineering a better future

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Annual Report & Accounts  
FY2024

# Welcome

## Our purpose





We are focused on solving the toughest problems for our customers, helping address critical global needs such as safety and security, decarbonisation and the ever-increasing demand for data connectivity. At the same time, we are building the long-term resilience of Smiths Group and our global operations.

We are pioneers of progress – engineering a better future.



We are united by our purpose. It is what we do, how we think, and how we will continue to use our passion for innovative technology and engineering.

## How to navigate this report

Throughout this report you will find extra information, performance data and pointers to additional data in the right-hand column.

-  Supporting data, statistics or insights
-  Pointers to additional content within the report
-  Pointers to additional external content
-  Quotes from our team and highlights

## Access more information

-  Read more about sustainability in our Sustainability at Smiths report on [www.smiths.com](http://www.smiths.com)
-  Read more about the Group on our website [www.smiths.com](http://www.smiths.com)



Scan to read our Sustainability at Smiths report



Scan to read more about the Group

## Overview

Our purpose  
FY2024 highlights **IFC 1**

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## About this report

This is the Smiths Group plc Annual Report & Accounts FY2024.

Data presented in this report is for the 12 months to 31 July 2024 unless otherwise stated.

# FY2024 highlights



## Roland Carter

Chief Executive Officer



I am pleased to report strong organic revenue growth against a record comparator, continued headline operating profit margin expansion and two new acquisitions. I am also pleased to guide to further growth and margin expansion in FY2025 and reaffirm our medium-term financial targets. We are making good strategic, operational and financial progress, and all our businesses are well positioned for compelling value creation.

We have high-quality teams, an incredible breadth of engineering excellence, and a relentless focus on our customers. Effective strategy execution is enhancing our performance – and we will build on, and out from, this solid foundation, enabling us to grow more profitably to make Smiths even better. This will be delivered through improved prioritisation of investment in R&D and innovation to power organic growth; the Group-wide Acceleration Plan, which is designed to drive productivity and profitability – bringing delivery of our medium-term margin target closer; and disciplined M&A, all of which offer the opportunity to augment overall performance.

As a team, we focus on solving our customers' toughest problems and are united by our purpose of engineering a better future. Thank you to all my colleagues for a great year. I look forward to achieving even more together, as we continue to accelerate value creation for all our stakeholders."

## Continued good delivery against our strategy; well positioned for ongoing value creation

- Good financial results for the year: +5.4% organic<sup>1</sup> revenue growth, 16.8% headline<sup>2</sup> operating profit margin and +8.3% headline<sup>2</sup> EPS growth
- Headline<sup>2</sup> operating cash conversion of 97%; strong balance sheet 0.3x net debt/EBITDA; proposed final dividend of 30.2p, up +5.2%
- Announcing today two strategic and disciplined acquisitions for up to £110m, enhancing Flex-Tek's HVAC<sup>3</sup> and industrial heating businesses
- Continued focus on high-performance, purpose-based culture and ESG initiatives
- Launching a Group-wide Acceleration Plan to enhance profitability and productivity, for one-off costs totalling £60-65m in the period FY2025-FY2026; £30-35m of annualised benefits in FY2027
- Expect FY2025 organic revenue growth of 4-6%, with continued margin expansion
- Reaffirming medium-term financial targets and strategic focus on growth, people and execution

Headline <sup>2</sup>	FY2024	FY2023	Reported	Organic <sup>1</sup>
Revenue	<b>£3,132m</b>	£3,037m	+3.1%	<b>+5.4%</b>
Operating profit	<b>£526m</b>	£501m	+5.0%	<b>+7.1%</b>
Operating profit margin <sup>4</sup>	<b>16.8%</b>	16.5%	+30bps	<b>+34bps</b>
Basic EPS	<b>105.5p</b>	97.5p	+8.3%	
ROCE <sup>4</sup>	<b>16.4%</b>	15.7%	+70bps	
Operating cash conversion <sup>4</sup>	<b>97%</b>	86%	+11pps	

Statutory	FY2024	FY2023	Reported
Revenue	<b>£3,132m</b>	£3,037m	+3.1%
Operating profit	<b>£415m</b>	£403m	+3.0%
Profit for the year (after tax)	<b>£251m</b>	£232m	+8.2%
Basic EPS	<b>72.3p</b>	65.5p	+10.4%
Dividend per share	<b>43.75p</b>	41.6p	+5.2%

## Statutory reporting and definitions

Statutory reporting takes account of all items excluded from headline performance. See accounting policies for an explanation of the presentation of results and note 3 to the financial statements for an analysis of non-headline items. The following definitions are applied throughout the financial report:

- 1 Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions.
- 2 Headline: In addition to statutory reporting, the Group reports on a headline basis. Definitions of headline metrics, and information about the adjustments to statutory measures, are provided in note 3 to the financial statements
- 3 Heating, ventilation and air conditioning.
- 4 Alternative Performance Measures (APMs) and Key Performance Indicators (KPIs) are defined in note 29 to the financial statements.

# Chairman's statement



**Steve Williams**  
Chairman

Dear shareholders,

A warm welcome to our Annual Report FY2024.

It has been a busy period and I am delighted to report that my initial expectations have been exceeded. This company has a remarkable history and a very bright future.

The broader business environment has been challenging. Geopolitical tension, wars and inflationary pressures have been joined by political uncertainty, as elections around the world play out. And we continue to see the ripples of transformatory change expand – from digitisation and AI; the accelerating response to climate change; and demographic shifts in all our markets. With that said, the Group's ability to deliver strong revenue growth and continued margin expansion is testament to the fundamental resilience and underlying strengths of the Smiths business model.

This Annual Report and its companion Sustainability at Smiths report describe in detail our approach and achievements for all stakeholders. Highlights include the investment we are making to better understand our supply chains, so that we only choose suppliers who are explicitly committed to our Values and goals, and the first round of charitable grants made by the Smiths Group Foundation to organisations nominated by our people.

We were very pleased to appoint Roland Carter as CEO in March. Our ability to respond quickly to Paul Keel's decision to leave Smiths, was a result of ongoing robust succession planning work which has strengthened the entirety of the senior leadership group. This enabled us to undertake a rigorous process, ensuring a smooth transition with minimal disruption to the business. Roland is a highly regarded leader with a deep knowledge of our markets and businesses. The bench strength of our senior leadership team was further underlined by new internal appointments to the Executive Committee arising from the change in CEO.

Paul Keel left with our thanks and good wishes for his new role in the US.

There were also some changes to Non-executive Board responsibilities during the year. Richard Howes became Chair of the Audit & Risk Committee in November. Bill Seeger retired from the Board in May and his responsibility as Chair of the Remuneration & People Committee has transitioned to Karin Hoeing. I thank Bill for his service to Smiths over many years. Mark Seligman is now the designated Senior Independent Director. We also welcomed Alister Cowan to the Board at the beginning of July – his extensive experience in senior financial roles will be extremely valuable. Finally, on behalf of the Board and the whole Group, I pay tribute to Sir George Buckley who retired as Chairman in November.

We have now recorded a third year of organic revenue growth and are sustaining progress against all our medium-term financial targets, with growth in all key metrics in FY2024. Strong growth continued for our two largest businesses, John Crane and Smiths Detection and both Flex-Tek and Smiths Interconnect returned to growth in the second half of the year.

The health of the business enabled the Board to approve an additional share buyback programme during the year and an increase to both the FY2024 interim and final dividends, whilst also supporting our acquisition objectives.

Importantly, we are successfully investing in and delivering, significant opportunities to deploy Smiths technology and capabilities in new markets and end use applications. John Crane has had great success and notable contract wins in both the hydrogen and carbon

capture markets, as well as continuing to support efficiency and emission reductions in more traditional industrial and energy segments. Flex-Tek is pioneering the use of electrical heating elements in emerging industries like green steel, and Smiths Detection is working on projects which harness the potential of screening technology combined with AI for use in secondary mining and recycling processes. The Innovation, Sustainability & Excellence Committee has an exhilarating front row seat as these projects take shape.

One area where Smiths has always been innovative is in the aftermarket. Approximately 51% of Smiths revenue derives from aftermarket support of our products in the field. Keeping critical process infrastructure healthy and in service for longer is both a compelling and integral part of our customer offer and increasingly relevant, as customers focus on the sustainability of their operations.

The sustainability of Smiths operations is also high on the Board's agenda. Planning for Net Zero emissions has accelerated significantly in the last 24 months in every part of Smiths, and we have delivered another year of robust reductions in GHG emissions from operations. These are based on fundamental changes to the way we do things – from energy efficiency projects to transitioning our vehicle fleet to electric vehicles. Our pathway was validated by the Science-Based Targets initiative in December 2023 and the Board is pleased to once again align a portion of both Executive and management remuneration to achieving our targeted GHG reduction trajectory in the coming years.

Our Directors' Remuneration Policy was reviewed in the year and the updated Policy will be put to shareholders at the November AGM. We believe that the Policy serves all our stakeholders well in attracting, retaining and incentivising our most senior leaders to deliver the Group's strategic objectives.

I will close with a particular thanks to Smiths employees. People make an organisation, and it is positively true at Smiths. It has been an enormous pleasure to get to know the Smiths team and absorb the culture. I know that my fellow Board members feel the same. We have diverse and immense talent in the company. It is our most precious resource and something we commit to nurturing and supporting as our people build rewarding careers.

I thank every member of the Smiths team for their contribution during the year and members of the Smiths Board for their wise counsel and ongoing support.

Sincerely,

**Steve Williams**  
Chairman

# Markets and megatrends

We track the evolution of key secular themes and trends and their impact on our markets and our business.

## Our markets

We operate in four key global markets that are large, attractive and growing.

### General Industrial

Customers put their trust in our products and services to support a wide range of general industrial applications in sectors including petrochemicals, mining, pulp & paper, water treatment, semiconductor testing, building, heating elements, automotive and rail transportation.

### Safety & Security

Our threat detection equipment helps keep people and assets safe. Persistent and evolving threats are driving security needs in a range of sectors including aviation, ports & borders, and urban settings.

### Energy

John Crane's high-performance mechanical seals and systems support energy operations worldwide including oil & gas and low-/no-carbon energy solutions. The need to mitigate climate change and deliver secure and affordable power is driving a fundamental revolution in global energy use, energy sources and energy delivery.

### Aerospace & Defence

Satellite launches and emerging activities like deep space exploration are driving demand for high-reliability solutions in the space market. Passenger and freight air traffic is growing, and new fuel-efficient aircraft are being developed. Defence spending continues to grow in response to ongoing geopolitical uncertainty.

## Megatrends

Our purpose and portfolio are aligned with powerful megatrends and our innovation is focused on these as well as attractive adjacencies.



### Energy efficiency and diversification

The need to cut global emissions is driving greater energy efficiency in all sectors as well as accelerating the adoption of electricity and alternative/low-carbon fuels.

- Total energy demand is forecast to grow by 31% between 2025 and 2050
- Traditional (i.e. non-renewable) sources will still account for ~73% of supply by 2030
- Investment to deliver the Paris commitment on global warming is projected to exceed US\$100 trillion by 2050; 3-4 times the rate of annual historical investment



### Productivity and sustainability

Eliminating waste, improving sustainability and ensuring natural resources and environments are used and inhabited sensitively is a growing requirement. The circular economy and service solutions are gaining traction as a way to reduce environmental footprint, waste and cost.

- The EU's recycling rate is c.44% and circularity rate is 11.5%
- The EU's 2020 Circular Economy Action Plan aims to reduce waste, create value and preserve the environment.



### Insatiable data demand

Demand for data is continuously increasing as the world becomes more connected and computing power expands. More rapid data transmission, greater bandwidth and faster processing power are required across many sectors.

- Data creation and consumption almost tripled between 2019 and 2024 (to almost 125 zettabytes)
- The number of transistors in an integrated circuit doubles roughly every two years
- In 2024 there were 8.9 billion mobile phone subscriptions – or 109 per 100 population



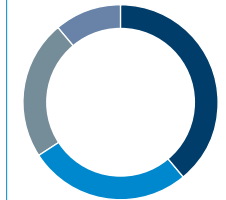
### Increased travel and ever-rising security needs

Passenger air travel and air freight continue to grow as well as the volume of goods transported by land and sea, and the public, governments and businesses demand safe environments. Regulatory requirements amplify demand.

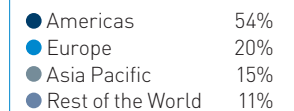
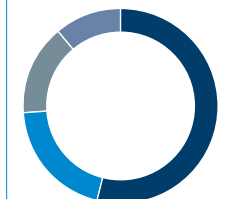
- World air passenger numbers are expected to grow by 3.8% CAGR (compound annual growth rate) 2023 to 2043, representing 4 billion additional journeys by 2043
- The urban population is set to double, with 7 out of 10 people living in cities by 2050



## Revenue by global market



## Revenue by destination



# Our strategic framework

Deliver profitable growth from secularly attractive end markets

Invest in technology and engineering for competitive differentiation

Implement mission-critical solutions within long-term customer partnerships

Priority	Element	Description	KPIs/targets
<b>Growth</b> 	Secularly attractive end markets	Markets aligned with important megatrends Structural growth characteristics Entry hurdles based on technology and/or customer relationships	Organic revenue growth <b>Target 4-6%</b> EPS growth <b>Target 7-10%</b>
	Leading businesses	Industry-leading technology and engineering expertise for competitive advantage and strong market segment share	Operating profit margin <b>Target 18-20%</b>
	Customer relationships	Mission-critical solutions for tough customer problems – making the world safer, more efficient and productive, and better connected	Organic revenue growth EPS growth Operating profit margin
<b>People</b> 	Purpose and Values	Shape and guide who we are, what we do and how we do it	Employee engagement <b>Target upper quartile score (75+)</b>
	High-performance culture	Relentless focus on safety Invest in our people – leadership, culture, diversity, equity and inclusion High colleague engagement Community involvement	Recordable incident rate <b>Target &lt;0.4</b> Employee engagement
<b>Execution</b> 	Invest behind growth	Resource allocation to R&D Capital expenditure and M&A for profitable growth and to access attractive markets, customers and geographies	Organic revenue growth EPS growth Gross vitality <b>Target 30%</b> ROCE <b>Target 15-17%</b>
	Operational excellence	Scaled Smiths Excellence System to drive: <ul style="list-style-type: none"> <li>– Agility</li> <li>– Margin improvement</li> <li>– Cost and working capital management</li> <li>– Efficiency</li> <li>– Sustainability</li> </ul>	ROCE Operating profit margin Operating cash conversion <b>Target ~100%</b> Net Zero <b>Target Scope 1 &amp; 2 by 2040</b> <b>Target Scope 3 by 2050</b>

# Our business model

Our business model leverages our strengths to deliver our potential and create value for all stakeholders.

## Our strengths

### World-class engineering

- Track record of innovation
- R&D investment ahead of competitors
- Strong pipeline of new products

### Leading positions in critical markets

- Secularly attractive, growing markets
- Leading positions based on technology and/or customer relationships

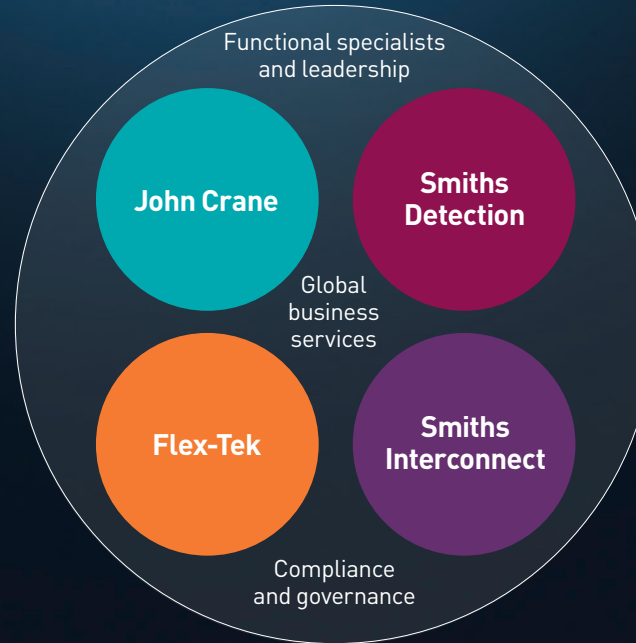
### Global capabilities

- Present in more than 50 countries
- Geographic spread and end market diversification provides stability and growth

### Robust financial framework

- Accelerating revenue growth
- Recurring aftermarket revenues
- Good margins and returns on capital
- Low asset intensity
- Strong cash generation

## Empowered businesses supported by an efficient Group centre



## Driven by our strategic priorities



## Underpinned by our culture

## Creating value for our stakeholders

Read more about our stakeholders on page 78

### Customers

- Solutions that help customers achieve their goals
- Excellent customer service

### Communities

- Advancing sustainability
- Investing where we work
- Leading through ethical governance

### Suppliers

- Partnerships to deliver for our customers
- Shared commitment to sustainability and doing business the right way

### Shareholders

- Performance matching our potential
- Returning surplus capital

### People

- Empower and inspire
- Inclusive and engaged culture
- Learning environment
- Progressive rewards

### Regulators and governments

- Build relationships that demonstrate openness, transparency and support for policy



# Our businesses

## John Crane

Mission-critical flow control solutions for energy and process industries that enable efficient and sustainable operations.

## Smiths Detection

Detection and screening technologies for safety, security, and freedom of movement.

## Flex-Tek

Fluid movement and temperature management.

→ See next page

## Smiths Interconnect

Advanced connectivity solutions.

→ See next page



John Crane is a global leader in the design, manufacture, installation and support of mission-critical technologies and services that drive efficiency, safety, and environmental sustainability in large-scale industrial processes.

### Competitive strengths

- Strong and differentiated proprietary technologies and expertise across industries
- Largest installed base in the energy and industrials markets
- Innovation focused, growing service capabilities through digitisation and field engineering
- Customer intimacy and strategic alignment with end users through a global network of service and support centres with unique field service capabilities

### Growth drivers

- Global demand for stable, secure and affordable energy supply
- Secular growth in energy and primary resource demand, especially in emerging markets
- Increasing demand for enhanced efficiency
- Energy transition – environmental safeguarding and cleaner processes. Requirement to reduce emissions, with particular emphasis on methane. Growth of a more diversified and cleaner low-carbon energy ecosystem, including hydrogen and carbon capture, which drive more demanding needs in compression, pumping and filtration
- Long-term customer partnerships and outsourcing



Smiths Detection is a global leader in the design, manufacture, installation and support of threat detection and screening technologies that protect people and assets.

### Competitive strengths

- Global reach and market-leading brand
- Differentiated proprietary technologies leveraged across a broad range of markets
- Significant research and development and digital capabilities
- Operating in regulated market segments that require product certification
- Increasing product sustainability – energy efficiency, supply chain and refurbishment
- Customer intimacy and loyalty through equipment cycle and aftermarket offer

### Growth drivers

- Persistent and evolving threats to national security, public safety and critical infrastructure
- Changing aviation security regulations and customer requirements across our industries
- Growing populations and urbanisation
- Growth of global transportation infrastructure
- Global growth of international trade and e-commerce
- Need for integrated digital solutions and cyber security
- Increasing interest in solutions that enable the circular economy
- Staffing constraints are driving demand for digital image analysis software such as automated threat recognition
- Equipment replacement cycle, typically -ten years



Flex-Tek is a global provider of high-performance engineered solutions for the safe and efficient movement and temperature management of liquids and gases in a broad range of industry sectors.

#### Competitive strengths

- Leading capability in design, manufacture and cost engineering
- High-performance, differentiated products
- Innovation focused
- Strong customer relationships and brand reputation

#### Growth drivers

- Through-cycle growth of the US housing construction market
- Expanding international market for construction products
- The electrification of everything, leading to broad adoption of electrical heating solutions across industrial and domestic settings
- Long-term increase in commercial and military aircraft production
- Customer focus on efficient performance and environmental safeguarding
- Growth in use of medical devices



Smiths Interconnect is a preferred supplier of advanced electronic components, sub-systems, optical and radio frequency products for reliable, high-speed and secure data transfer.

#### Competitive strengths

- Broad portfolio of cutting-edge technologies and products
- Strong research and engineering capabilities
- Customer intimacy and product customisation
- Global reach and support

#### Growth drivers

- Increased demand for faster data transmission, greater bandwidth and faster processing power in aerospace, defence and communications
- Growth of connectivity, as the world becomes more connected, driven by trends including the Internet of Things, Big Data, Internet of Space, and Industry 4.0
- Development of healthcare technology
- Growth in defence electronics



#### % of FY2024 revenue



John Crane	36%
Smiths Detection	28%
Flex-Tek	25%
Smiths Interconnect	11%



#### % Employees



John Crane	41%
Smiths Detection	22%
Flex-Tek	24%
Smiths Interconnect	13%



We are united by our purpose. It is what we do, how we think, and how we will continue to use our passion for innovative technology and engineering.



**Board oversight**

Read more about Board oversight of our culture.

→ Page 77



**Our Values**

**Integrity**

We do the right thing

**Respect**

We respect each other

**Ownership**

We take responsibility

**Customer focus**

We earn our customers' trust

**Passion**

We are united in purpose

# Our people and culture

Our culture inspires and empowers our c.15,750 Smiths colleagues to live our purpose and to seek new ideas and execute them with passion and commitment to deliver our strategic goals. Our culture has four key elements which support the Smiths business model and drive positive outcomes for all our stakeholders. The strength of our culture is underpinned by governance processes set and monitored by the Smiths Board. The Board has ultimate responsibility for ensuring that our culture is healthy and drives the long-term success of the Group.

## 1. Our Values

Our Values are the things that are important to us as an organisation. They make us reliable, trustworthy and valued partners, and they make Smiths a place where we are happy and proud to work. We live them every day, in each action and decision that we take.

## 2. Continuous improvement

We have a common approach to continuous improvement, operational excellence and efficiency – the Smiths Excellence System. It is deployed throughout the Group to determine, accelerate and deliver critical operational and functional projects that make us faster to market, more innovative and responsive to customer needs, and eliminate waste.

## 3. Smiths Code of Business Ethics

The Smiths Code of Business Ethics outlines the standards of behaviour to which we all commit at Smiths. It is a practical guide to what 'doing the right thing' looks like when conducting business and relationships legally, ethically and with integrity. See our Code on [www.smiths.com](http://www.smiths.com)

## 4. Smiths Leadership Behaviours

The Smiths Leadership Behaviours take our Values to the next level. They describe the behaviours needed for the Group to be dynamic, inclusive and focused on delivering results. Everyone is encouraged to be a leader at Smiths.

**Sets vision to inspire**  
Collaborates to uncover future growth opportunities for Smiths. Shares this in a way that inspires and energises colleagues to take action.

**Innovates for impact**  
Committed to continuous improvement, takes opportunities to the market that differentiate Smiths and deliver sustainable value for all stakeholders.

**Takes accountability & ownership**  
Actively takes accountability, follows through on commitments and empowers others to own their outcomes.

**Delivers results at pace**  
Takes an agile, focused and resilient approach that delivers excellent outcomes to meet customer and stakeholder expectations.

**Leads inclusively & empowers**

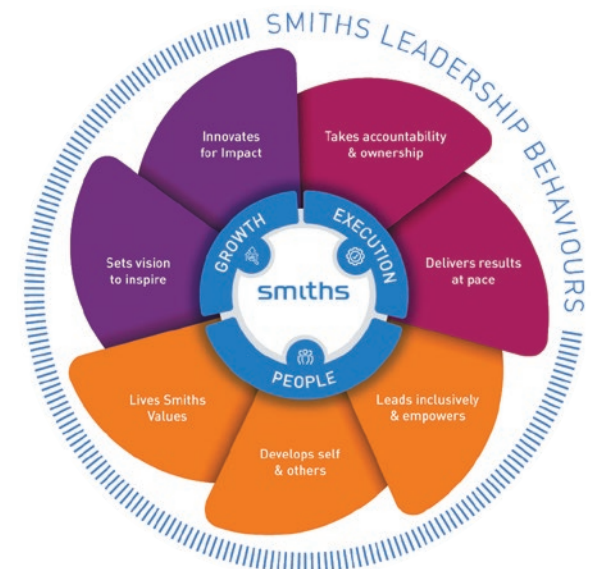
Champions inclusion at every opportunity. Creates the environment where others can contribute and thrive, building trust and nurturing empowerment.

**Develops self & others**

Visibly commits to their personal development and encourages the development of others to reach their full potential.

**Lives Smiths Values**

Embodies and promotes Smiths Values: integrity, respect, ownership, customer focus and passion, using these to guide all actions.



# Q&A with our CEO



**Roland Carter**  
Chief Executive Officer

We are driven by fundamental customer needs and our customers' goals are the same as our own: building resilient businesses and creating value from what we do.

The road ahead is exciting. We will continue to build on, and out from, solid foundations, which is what we have always done at Smiths.

## Q

### How would you describe Smiths culture?

Culture is embedded in our people – the greatest asset any organisation can utilise. Having worked in the company for 35 years, I know that we have great people who are proud to be part of Smiths; and we are proud to have them. It is our job as an executive team to invest in them, to develop talent individually and collectively – and to nurture those things, like culture, engagement and inclusion, that make our company both special and successful.

But culture is not something that can be imposed. It lives in the grassroots of a company, in Smiths that means in our businesses where our company Values shape how we think and what we do every day. There is a natural relationship between our four businesses – we are experienced engineers; we are focused on high-reliability, high-integrity solutions; and we are customer led. Our Values – integrity, respect, ownership, customer focus and passion – have emerged from this organically and can be traced back through our 170 years in business.

Continuous improvement is also instinctive for engineering and manufacturing businesses like ours; we apply this thinking beyond manufacturing and throughout Smiths to create value in all activities, supported by the Smiths Excellence System (SES). Our Code of Business Ethics is a natural extension of our Values. It is a practical reference point for everyone on how to behave when conducting business to ensure that we always act appropriately and within the law in every place we operate and speak out when we see something not in line with our Values.

The final important aspect of our culture is leadership and ownership – our businesses will be the most successful when everyone in the company feels empowered to lead. That means giving people the right support, the right tools, and the right environments to be creative, to be courageous, and to make good decisions.

## Q

### How does Smiths purpose align with customer needs?

Everyone in the organisation understands that there is only one reason that Smiths exists and that is because we have customers to serve. And our customers' goals are the same as our own: building resilient businesses and creating value from what we do.

Smiths has been – and always will be – shaped by our focus on growth markets and aligning ourselves with the trends in those markets to which we can meaningfully respond with our technology and engineering capabilities, like electrification or data connectivity. In addition, we are driven by fundamental customer needs – for better performance, for innovation, for keeping critical infrastructure in service, for products that are designed for excellence and sustainability.

To be really good at what we do means that we need to make commercial decisions as close to the customer as possible. This agility satisfies them and reduces complexity for us given the high level of customisation in our final products. It's why we are in 50 countries and operate with local supply chains where we can, which also reduces risk. Being set up in this way enables us to maximise value across the entirety of our value chains, which benefits us, our customers, our suppliers, and our shareholders alike.

## Q

### What are Smiths growth priorities and what most excites you about the road ahead?

The first principle for growth is to meet existing and emerging customer demand for our products whilst ensuring that we can do this as efficiently and profitably as possible. So, each business has targets which seek to maximise opportunities in their current market segments and to grow share organically. It should come as no surprise, therefore, that innovation and commercialisation of new products and ideas has always been one of our key strengths – applying our



# 3.5%

R&D spend as % of sales.



**Innovation must have a goal and be driven by an identified need in a customer, in a market, or in our own business. It's then important to create the right environment and culture for curiosity and ideas to flourish, to be heard, developed and implemented."**

capabilities and domain expertise appropriately whether it's technology, materials science or field service models. Smiths is an IP-rich company and is expert in its practical deployment to create profitable revenue streams, for example as John Crane has done with the dry gas seal and Smiths Detection in the field of aviation security screening over many years.

We also continue to explore opportunities in areas closely adjacent to where we are currently active, or where we have technology or expertise that can be repurposed or extended. John Crane's expansion into the hydrogen and carbon capture, utilisation and storage (CCUS) market segments are good examples of this focused approach. Finally, we will look to acquire businesses in areas that fit Smiths, but where we do not currently have the DNA, and which will augment growth and improve margins. And that's DNA in the broadest sense – technology capability, customer relationships and/or geographical positions. This was most recently demonstrated with the announcement of two strategic and disciplined acquisitions, Modular Metal and Wattco, in September 2024, which enhance Flex-Tek's HVAC and industrial heating businesses.

The road ahead is exciting. We will continue to build on, and out from, solid foundations, which is what we have always done at Smiths.

## Q

**As an engineer, what's your view on innovation and how does Smiths perform on this front?**

We've had some significant successes in recent years – for example Flex-Tek's electrical heating elements to support the manufacture of 'green' steel. But innovation for innovation's sake is worth nothing. Innovation must have a goal and be driven by an identified need in a customer, in a market, or in our own business. It's then important to create the right environment and culture for curiosity and ideas to flourish, to be heard, developed and implemented. This is true for every kind of idea that contributes to our objectives – from an energy efficiency project to a new connector used in space. It's one of the key reasons for

our focus on diversity and inclusion. Bringing diverse views into the company and giving all our people the confidence to speak and know that they will be heard is powerful. It really is a team effort.

While our businesses operate independently, we also see opportunities to collaborate more in areas where specialisms align and there is common interest. We've done this previously on digital and, from an operational perspective, we collaborate very successfully in areas such as safety and sustainability – and of course SES is an excellent example of Group-wide collaboration. We are working to replicate this elsewhere – for example in technical collaboration and creativity – without being too prescriptive about what that means. In its purest sense we want to empower our people to seek out and partner with peers from inside and outside Smiths, for example with academia, to develop our core capabilities and, potentially, new and interesting products and services that will sustain our future growth.

## Q

**How will you allocate capital to achieve Smiths goals?**

Our capital allocation policy is unchanged. Our overriding objective is to maintain a strong and flexible balance sheet to support investment in our most profitable growth opportunities.

We prioritise organic growth and, accordingly, we continue to invest in ourselves – so funds for R&D and capex. In a business like ours, the strongest risk-adjusted return will usually come from organic growth. Nonetheless, we typically generate more cash than we can deploy internally, which makes acquisitions an attractive option for amplifying organic strategies. We maintain a disciplined approach to acquisitions as we build our pipeline and actively look for further additions to complement our portfolio.

Finally, direct returns to shareholders. We maintain a progressive dividend and we will continue to return capital to shareholders in an appropriate way if not used for growth.

## Q

**Why is SES important to the business?**

SES is our common, practical approach to delivering continuous improvement in our operations and processes. It has been developed over a number of years as a bespoke set of tools based on Lean and Six Sigma principles that have been adopted across the company as a formal framework to accelerate operational performance.





While embedded most strongly in the more traditional environments of manufacturing, supply chain and customer service, SES tools are available and used by many other parts of the organisation, including for accelerating the delivery of our environmental targets. SES is also great for talent development. We have an expanding network of Green and Black Belt trained colleagues, giving our people additional routes to grow and build careers within Smiths. It is very much a ground up focus these days as it has matured.

## Q

**How is Smiths progressing on the journey to Net Zero?**

While we have very visible commitments on emissions and a framework designed to deliver them, we have a much broader approach to ESG matters. Put very simply, this is to minimise our net impact – that means delivering on our targets, and then seeking other ways to create positive outcomes where we can, whether that's through our energy transition solutions, product design, transparency in our supply chain, or refurbished parts. We know the right answers and, like the good engineers that we are, we are taking sensible and practical steps towards delivering them, which also make business sense. Ultimately this is what our customers are asking for, as well as being important to our people.

# Progress against our strategy

Element	FY2024 progress	Outcome	Target achieved	
<b>Growth</b> 	<b>Secularly attractive end markets</b> <ul style="list-style-type: none"> <li>– End markets aligned with important megatrends</li> <li>– Through cycle demand growth of 4-5% underpins medium-term organic revenue growth target</li> </ul>	Organic revenue growth 5.4% EPS growth 8.3%	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	 See our key performance indicators <a href="#">→ Page 14</a>
	<b>Leading businesses</b> <ul style="list-style-type: none"> <li>– Industry-leading technology and engineering expertise creates competitive advantage and underpins strong – and in many cases leading – market segment shares</li> </ul>	Organic revenue growth 5.4% Headline operating profit margin 16.8%	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
	<b>Customer relationships</b> <ul style="list-style-type: none"> <li>– R&amp;D to create differentiated solutions with customer co-funded/directed investment. £109m R&amp;D spend.</li> <li>– John Crane aftermarket &gt;70% revenue</li> <li>– Smiths Detection aftermarket &gt;50% revenue</li> </ul>	Organic revenue growth 5.4% Headline operating profit margin 16.8%	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
<b>People</b> 	<b>Purpose and Values</b> <ul style="list-style-type: none"> <li>– Smiths Code of Business Ethics reinforced internally and across the supply chain</li> <li>– Smiths Leadership Behaviours rolled out globally</li> <li>– EcoVadis implemented to support delivery of SBTi pathway and more transparent supply chain</li> </ul>	Ethics pulse survey 96% positive response to 'I understand how the Code of Business Ethics applies to me'	N/A	
	<b>High-performance culture</b> <ul style="list-style-type: none"> <li>– My Say survey participation 85%</li> <li>– Active and growing network of employee resource groups</li> <li>– Smiths Group Foundation first awards</li> <li>– Total safety incidents down 15%</li> </ul>	Employee engagement 75 RIR 0.44	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
<b>Execution</b> 	<b>Invest behind growth</b> <ul style="list-style-type: none"> <li>– Focused resource allocation to R&amp;D, capital expenditure and M&amp;A to deliver profitable growth and access higher-growth markets with pace</li> </ul>	ROCE 16.4% R&D % sales 3.5% Two acquisitions completed	<input checked="" type="checkbox"/> N/A N/A	
	<b>Operational excellence</b> <ul style="list-style-type: none"> <li>– Deliver operational leverage</li> <li>– SES driving margin improvement, cost and working capital management and process efficiency</li> </ul>	Organic operating profit growth/ organic revenue growth 1.3x Headline operating cash conversion 97% Net Zero Scope 1 & 2 GHG reduction (10.7)%	N/A <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	

# Building our culture

## Engaging with our people

Our global communications activities are designed to engage colleagues around the world with our purpose and strategy and so reinforce our culture. Key communications materials are translated into our ten core languages. We run a global social and news platform, a fortnightly e-newsletter, hold regular virtual Town Halls and our intranet web portal acts as an online hub for key information, materials and resources.

We undertook a wide range of engagement activities in FY2024 including:

- My Say engagement survey
- Site visits by members of the Executive Committee and Smiths Board
- Global Town Halls in September and March
- Global leadership summits for our extended and senior leadership teams in November, February and June
- Launch of new www.smiths.com website
- One-to-one meetings between Board members and senior leaders
- Live broadcasts and communications around our results announcements and our John Crane investor deep-dive in November 2023

## My Say engagement survey

We have been tracking colleague engagement on cultural measures since 2017. Our annual My Say survey is used to surface issues and more precisely understand what we are doing well and where we need to do better, both at a high level and at grassroots level in individual teams.

In FY2024, 85% of colleagues completed the survey and our overall engagement score of 75 was up two points on the prior year. Key strengths were identified as safety; being treated with respect; commitment to the environment; and empowerment. Key opportunities for improvement were identified as offering equal opportunities to succeed; recognition; and career opportunities. Results from the survey and recommendations are reported to, and discussed by, the Executive Committee and the Smiths Board before being incorporated into strategic planning to prioritise action in lower scoring categories. Each business and function have also identified improvement opportunities to work on in the coming year.

## Speaking out

Engaging on ethical matters is vitally important, as is colleague trust in our procedures. Our colleagues and business partners are expected to be vigilant and report any activity or behaviour – whether in our business or those of our partners – that they consider may be in breach of our Code of Business Ethics, Policies or inconsistent with our Values. This can be done via internal channels or by using our confidential Speak Out reporting hotline, which is accessible to colleagues and third parties 24 hours a day, seven days a week. Reports to the hotline can be made anonymously. How, when and why to Speak Out is communicated regularly to ensure that awareness remains high.

Our global Ethics Pulse survey delivers rich data on colleague perceptions across Smiths. This data is reported to the Audit & Risk Committee, along with Speak Out data.

## Building Smiths culture in FY2024

A healthy culture requires continuous care and attention. Here are some of the ways we built our culture in FY2024:

- Our annual Smiths Day global celebration of Smiths culture took place in June 2024. On the day our teams celebrated our culture and our communities, undertaking many local community projects including tree planting in Pune, India; cleaning the beach in Bontang, Indonesia; and building beds for underprivileged children in Cookville, USA
- We continued our ‘internal first’ approach to people development and talent progression, with 75% of senior individual contributor roles taken by internal candidates
- Our #WeareSmiths week initiative was delivered at eight target sites featuring engagement, learning, development and support activities
- 555 colleagues participated in our Accelerate leadership development programme, equipping them to build high-performing and impactful teams
- We completed 12 cross-business Lean Management System workshops to embed Lean and build localised SES practice communities
- We held a global Health & Safety conference and launched a new suite of safety Policies
- Our annual Smiths Excellence Awards recognise achievement across a range of disciplines and are enthusiastically supported by Smiths colleagues. This year we had more than 450 submissions to the Awards
- The Smiths Group Foundation made its first grants, worth c.£1m, to 10+ non-profit organisations aligned to our purpose. These were chosen from 94 nominations made by Smiths colleagues. We also launched global volunteering principles which enable every colleague to take one day of paid volunteering leave every year
- Events and communications around the world recognised and celebrated: World Day for Health and Safety at Work; Earth Day; International Women in Engineering Day; International Women’s Day; Black History Month; Veterans’ Day; and PRIDE



# 75

Score in My Say engagement survey

▲73 in FY2023

# 85%

Response rate to survey

▲84% in FY2023

# 19

Survey scores increased and 0 scores decreased



Read more about the Smiths Group Foundation in our Sustainability at Smiths report

# Key performance indicators

**Our KPIs include both financial and non-financial metrics.**

Alternative Performance Measures (APMs) and KPIs are defined in note 29 of the financial statements.

All measures exclude Smiths Medical, which was sold in January 2022.

### Link to strategy

Growth

People

Execution

→ See Our strategic framework page 5

## Financial KPIs

### Organic revenue growth

Growing faster is the primary driver of unlocking value creation for the Group.

#### FY2024 progress

We delivered strong organic revenue against a record prior year driven by our two largest divisions, John Crane and Smiths Detection.

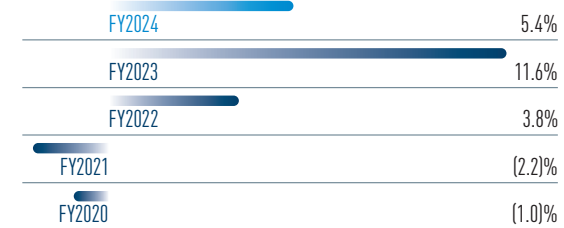
#### Medium-term target

**+4-6%**

#### Strategy



#### Performance



#### Linked to remuneration

Read more in CEO review of the year.

→ Page 17

### Headline operating profit margin<sup>1</sup>

Stronger execution will drive higher margins.

#### FY2024 progress

We delivered +30bps expansion in headline operating profit margin to 16.8%, while continuing to invest in growth.

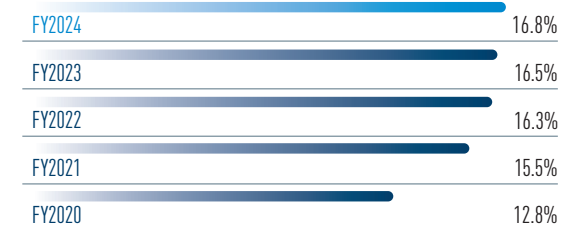
#### Medium-term target

**18-20%**

#### Strategy



#### Performance



#### Linked to remuneration

Read more in CEO review of the year.

→ Page 17

### Earnings per share growth

Strong margins will convert revenue growth into earnings growth.

#### FY2024 progress

We delivered strong EPS growth of +8.3%, driven by operating profit growth and share buybacks; growth was +12.9% when excluding the effects of foreign exchange.

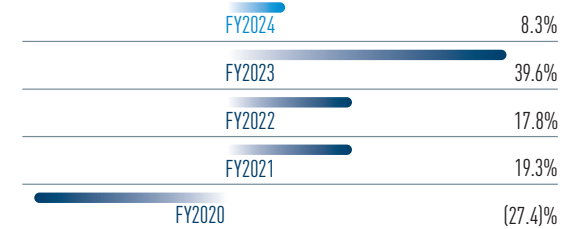
#### Medium-term target

**+7-10%**

#### Strategy



#### Performance



#### Linked to remuneration

Read more in CEO review of the year.

→ Page 17

<sup>1</sup> Excludes restructuring costs.



### Return on capital employed (ROCE)<sup>1</sup>

Monitoring our return on capital acts as a discipline on both organic and inorganic investment to drive maximum value from our growth.

#### FY2024 progress

ROCE increased +70bps within our target range, driven by operating profit performance.

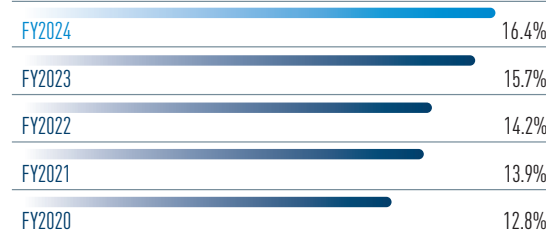
#### Medium-term target

15-17%

#### Strategy



#### Performance



**Linked to remuneration**  
Read more in CEO review of the year.

→ Page 17

### Headline operating cash conversion<sup>1</sup>

Maintaining our strong track record of cash conversion is a key component of our robust financial framework.

#### FY2024 progress

Headline operating cash conversion increased +11pps to 97%, reflecting a marked improvement in working capital.

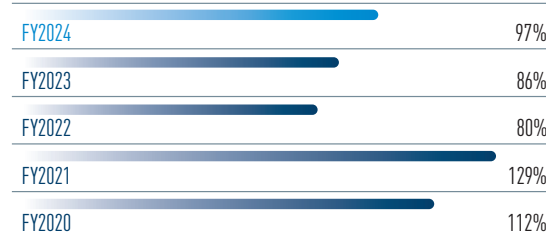
#### Medium-term target

~100%

#### Strategy



#### Performance



**Linked to remuneration**  
Read more in CEO review of the year.

→ Page 17

### Operational and non-financial KPIs

#### Gross vitality

Measures the revenue contribution of products launched in the last five years. Improved new product development and commercialisation is a key component of our growth strategy.

#### FY2024 progress

Gross vitality was 28.5%, reflecting continued investment in R&D and new product development.

#### Medium-term target

30%

#### Strategy



#### Performance



### Greenhouse Gas (GHG) reduction

Meeting our SBTi commitment to deliver Net Zero Scope 1 & 2 GHG emissions by 2040 is a fundamental part of our sustainability strategy.

#### FY2024 progress

Scope 1 & 2 emissions were down (10.7)% ((14.3)% excluding Heating and Cooling Products (HCP acquisition) reflecting targeted action during the year.

#### Target

Net Zero Scope 1 & 2 emissions by 2040

#### Strategy



#### Performance



See page 62 for our statement on limited assurance.

**Linked to remuneration**  
Read more in Sustainability at Smiths.

→ Page 32

<sup>1</sup> Excludes restructuring costs.

**Recordable incident rate (RIR)**

Looking after our colleagues in the workplace and keeping them safe and healthy is an essential pillar and our number one focus.

**FY2024 progress**

RIR increased by 7%, due to the inclusion of Flex-Tek's Heating & Cooling Products business (acquired in August 2023) and an increase in incidents at Smiths Detection's US service operations. Despite this increase, we continue to track below the industry average and in the top quartile of industry performance.

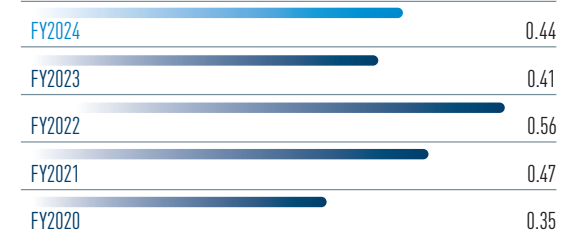
**Medium-term target**

Zero harm organisation  
RIR <0.4

**Strategy**



**Performance**



**Read more**  
Read more in Sustainability at Smiths.  
[→ Page 32](#)

**My Say survey engagement score**

Engaging our people is key to the success of our strategy. We have been tracking employee engagement on a range of important cultural measures since 2017.

**FY2024 progress**

85% of employees completed the FY2024 survey and our overall engagement score was up two points. Key strengths were safety; being treated with respect; commitment to the environment; and empowerment.

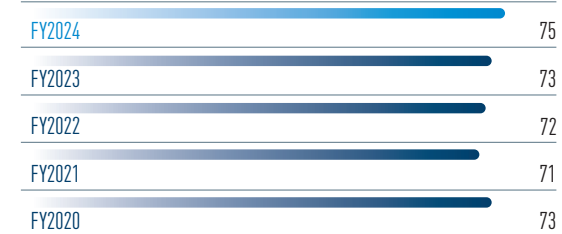
**Medium-term target**

Upper quartile (75+)

**Strategy**



**Performance**



**Read more**  
Read more in Building our culture.  
[→ Page 13](#)

**Diversity**

We are focused on proactively increasing the number of women in leadership roles at Smiths, with our measure being percentage of senior leadership positions held by women.

**FY2024 progress**

We are making good progress towards our short-term target and have seen both internal progression and attrition rates for our senior women improve.

**Medium-term target**

30%

**Strategy**



**Performance**



**Read more**  
Read more in ESG metrics, targets and performance  
[→ Page 62](#)

# CEO review of the year



**Roland Carter**  
Chief Executive Officer

I am pleased to report a good performance at my first set of results as CEO. We delivered further progress, with organic revenue growth of +5.4% and a +30bps increase in headline operating profit margin to 16.8%, both in line with guidance, and headline earnings per share growth of 8.3%. We improved headline operating cash conversion to 97% through a focus on working capital. In September 2024 we announced two highly attractive acquisitions for up to £110m, deploying capital in a disciplined way whilst maintaining our strong balance sheet. We are well set for continued delivery in FY2025, and beyond.

During the last six months, we have been reviewing the Group's current strategy to define our future direction. From my 35-year career at Smiths, I have a deep appreciation of the Group's compelling attributes. Smiths has many strengths, and our businesses are well positioned for the future – leading positions in attractive markets, world-class engineering expertise, differentiated proprietary technology, strong brands and talented people united by a purpose-led, innovative and continuous improvement culture.

Effective execution of our strategy has enhanced our performance, but there is more we can do – and we will build on, and out from, this solid foundation. Our strategic priorities around growth, people and execution will remain, although there are a number of important changes:

- We remain resolutely focused on delivering continued profitable organic growth, but we will work harder to focus our innovation and the commercialisation of our new products. In addition, we will increase the importance of moving into new, higher-growth adjacencies with targeted allocation of our R&D resources. Highly disciplined M&A offers additional opportunities. This is demonstrated by the acquisitions announced for Flex-Tek, and we now have a more active acquisition pipeline to accelerate the pace of strategy execution;
- Our talented people and our purpose-led culture serve us well in delivering value for our customers, but the recent foundational work in values, leadership behaviours and culture must make a real long-term difference to how we operate. We will ensure that talent attraction and leadership development initiatives permeate through the Group, benefiting all. We are also taking a more end-to-end approach to improve business-level processes by implementing a global shared business services model which will provide improved cost-effective support; and

- The Smiths Excellence System (SES) is our way of working, and Lean and continuous improvement activities will be driven at the grass roots level, rather than led 'top-down' from Group. In addition, to deliver our operating margin target faster, we are launching a Group-wide Acceleration Plan which identifies a set of business-led transformational initiatives to enhance margin, improve productivity and build capabilities.

We see significant opportunities within all our businesses to deliver substantial additional value creation from this approach.

## Strategy update

### Compelling portfolio of leading businesses

Our portfolio position is compelling – with resilient and competitively advantaged businesses. Our businesses have independent products, customers and go-to-market models. Even so, they share similar customer-facing capabilities and common characteristics, an opportunity we can, and will, take better advantage of. For example, deep-seated manufacturing and process knowledge, aftermarket service, digital, automation and material technologies are all mutual characteristics we can better leverage to enhance how we support our customers, how we perform, and to create and sustain Group-wide competitive advantage.

Group functions will continue to provide strong, effective oversight and governance. We will improve these by developing and expanding the remit of our global shared business services – to cover all businesses and key support functions in addition to IT, which it already manages in a cost-effective way. We will continue to deploy SES, an important element of which is Lean – reducing waste and improving efficiency to enhance our operations - with Lean leaders at our major sites, maintaining the pace of continuous improvement. This common Group approach takes operational excellence to another level of maturity, alongside talent development and capital allocation, and will ensure consistent strategy execution, optimal capital allocation and cost-effective portfolio management.

### Positioned in secularly attractive markets

We are positioned in attractive markets that we believe offer significant opportunities for profitable growth – energy, safety and security, aerospace and defence, general industrial – where we are helping our customers to make the world safer, more energy efficient and productive, as well as better connected. These markets are exposed to positive megatrends:

- Safety and security – in the context of an increasing prevalence of travel and cross-border trade, alongside increasing threats and greater geopolitical instability;
- Energy efficiency – the requirement for energy diversification as well as reductions in emissions, coupled with the rise in infrastructure development;
- Productivity – within the industrial world, the need to manage the use of resources and raw materials efficiently is critical, and will support the development of the circular economy; and
- Better connectivity – the demand for data is continually increasing as the world becomes more connected and computing power expands, requiring new technologies across many sectors.

We will continue to focus on accessing the growth that these markets offer, with a clear view to capturing market share and expanding our addressable markets.

### Participation in attractive new market adjacencies to accelerate growth

As well as driving growth in our existing markets, we will look to build out priority adjacencies to accelerate our growth, for example into new sealing solutions and services at John Crane; next generation threat detection at Smiths Detection; electrical industrial process heat at Flex-Tek; and high-speed satellite communications at Smiths Interconnect. Accessing these adjacent opportunities will be done both organically through dedicated R&D spend, and through disciplined M&A, to augment our organic growth focus.

We have a strong balance sheet and the flexibility to support a range of growth opportunities and will continue to allocate capital in a disciplined way for value creation. The priorities here are unchanged – organic

investment (R&D and capex) will remain our primary focus, followed by strategic and disciplined M&A, and then returning excess capital to shareholders through our progressive dividend and, when compelling, share buybacks.

As evidenced by the new acquisitions for Flex-Tek, we have a more active acquisition pipeline than historically, providing us with a greater set of opportunities through which we can grow our businesses, but will maintain our strict value creation discipline.

### Investing in proprietary technology, differentiated products and service capability

Innovation takes place on many levels within Smiths: new products and services, new ways of manufacturing and new ways of exploiting technology. Our innovation capability and ongoing investment in developing differentiated, proprietary technologies and solutions ensures that we maintain a robust, value-oriented approach to commercialising new products. Our new product pipeline is focused on responding to emerging customers' needs and bringing next-generation technology to market.

We have a high proportion of recurring revenue through our aftermarket and services in John Crane and Smiths Detection, and we are looking at additional ways to improve customer intimacy and capture greater value here; for example through expanded services, as well as digital and software applications. We will also partner with customers to develop solutions to demanding specifications, again leveraging Group-wide skills and experience to better commercialise these types of growth opportunities.

### Launching Acceleration Plan to drive Group-wide productivity and capability enhancements

We continue to drive productivity and process improvements and further embed deployment of SES which has delivered tangible benefits and contributed to recent margin expansion. However, we now need to capture the next level of improvements to accelerate the realisation of our medium-term margin target and deliver process improvements for resilience and scalability over the longer term.

To achieve this, and in addition to our planned SES activity, we are now launching a Group-wide Acceleration Plan. This comprises a number of discrete initiatives focused on delivering the next wave of productivity and capability enhancements across all our businesses.

This proposed programme has identified £30-35m of potential annualised benefits, of which around a quarter are planned to be realised during FY2026, with the full benefit in FY2027. Delivering these ongoing savings will result in one-off costs totalling approximately £60-65m, of which approximately £30-35m will be spent in FY2025 and £30m in FY2026, plus an additional £10m of capex in FY2025. Benefits and savings areas are focused on: process, improving organisational effectiveness through simplifying interaction and processes for our customers and our colleagues, and property, through a footprint optimisation review. Where required, we will consult appropriately with colleagues around the planned changes. It is now the right time to invest in these ambitions, to drive operating margin expansion and competitiveness more rapidly as we continue to grow.

### Purpose-based and high-performing culture

Delivering on our growth and execution priorities requires the dedication and commitment of all our colleagues; and we are committed to doing more to inspire and empower them. Safety will continue to be our highest priority and we remain committed to maintaining our top quartile performance by elevating the focus on this around the Group even further. Our purpose-based culture is strong, and we continue to evolve our approach where talent development, engagement and inclusion and sustainability all define how we operate. I have worked with, supported and been supported by many colleagues over the years, and I am excited about what the future holds and what we can deliver together.

### Reaffirming medium-term targets, underpinned by our performance framework

This focused strategic and operational plan is the means through which we will realise the medium-term financial targets that we previously set. We have again

made solid progress against these targets in FY2024 and continue to believe these are the right metrics and set the right ambition.

We are reaffirming these financial targets. In FY2024, we are already within the target range for three of these metrics and are clear on the key actions needed to achieve them for operating profit margin. Each of our businesses has a clear roadmap to improve profitability. Given our investment in growth, we now believe a cash conversion of around 100% through the cycle is more appropriate than 100%+.

Targets	Medium-term target	FY2024
Organic Revenue Growth	4-6% (+ M&A)	<b>+5.4%</b>
Headline EPS Growth	7-10% (+ M&A)	<b>+8.3%</b>
ROCE	15-17%	<b>16.4%</b>
Headline Operating Profit Margin	18-20%	<b>16.8%</b>
Headline Operating Cash Conversion	~100%	<b>97%</b>

### FY2025 outlook

For FY2025, we expect organic revenue growth to be within our medium-term target range of 4-6%. A strong demand backdrop and good order book visibility underpin our positive view for John Crane and Smiths Detection, although growth is expected to moderate from the strong performance seen in FY2024. Good demand in aerospace, alongside the pace of market recovery in US construction, will determine the pace of growth in Flex-Tek, and recovery in semiconductor test alongside growth in aerospace and defence-related programmes underpins our expectation for an improving performance in Smiths Interconnect.

We also expect continued margin expansion in FY2025, reflecting operational leverage, continued deployment of SES and Lean initiatives, and our reinvestment to support future sustainable growth. Headline operating cash conversion is expected to be in the low nineties percent given an increase in capex to around £110m. This will be weighted towards the second half of the year, reflecting timing of machining capacity and automation investments, mainly in John Crane.

### FY2024 business performance

Smiths delivered organic revenue growth of +5.4% in FY2024. We generated £526m of headline operating profit, up +7.1% on an organic basis year-on-year and a +30bps margin improvement as we continue to drive growth, improve execution, and invest in our people.

Revenue grew +3.1% on a reported basis to £3,132m (FY2023: £3,037m). This included a (£119m) negative foreign exchange translation impact and +£57m from the acquisitions of Heating and Cooling Products (HCP) and Plastronics.

### Growth

Accelerating growth is key to value creation for the Group. We have now delivered three years of organic revenue growth, with momentum improving through FY2024. Organic revenue growth of 3.9% in the first half was followed by 6.8% in the second half.

Strong growth continued for our two larger businesses, with more challenging end market dynamics in our other two businesses, although both returned to growth in the second half:

- John Crane’s growth was led by energy, especially in aftermarket, as it executed on its strong order book;
- Smiths Detection’s growth reflected strength in aviation, particularly for computed tomography for airport checkpoints;
- Flex-Tek’s performance reflected ongoing US construction market headwinds, which more than offset strength in aerospace; and
- Smiths Interconnect’s performance reflected weakness in connectors and the semiconductor test end market.

£m	FY2023	Foreign exchange	Acquisitions	Organic movement	FY2024
Revenue	3,037	(119)	57	<b>157</b>	<b>3,132</b>
Headline operating profit	501	(21)	12	<b>34</b>	<b>526</b>
Headline operating profit margin	16.5%				<b>16.8%</b>

Organic revenue growth (by business)	H1 2024	H2 2024	FY2024
John Crane	+12.7%	+7.1%	<b>+9.8%</b>
Smiths Detection	+8.9%	+13.2%	<b>+11.1%</b>
Flex-Tek	(4.1)%	+2.6%	<b>(0.8)%</b>
Smiths Interconnect	(13.7)%	+0.4%	<b>(6.5)%</b>
<b>Smiths Group</b>	<b>+3.9%</b>	<b>+6.8%</b>	<b>+5.4%</b>

Organic revenue growth (by end market) <sup>1</sup>	% of Smiths revenue	H1 2024	H2 2024	FY2024
General Industrial	39%	(5.5)%	(1.5)%	<b>(3.5)%</b>
Safety & Security	27%	+8.9%	+13.2%	<b>+11.1%</b>
Energy	23%	+16.6%	+15.3%	<b>+15.9%</b>
Aerospace & Defence	11%	+2.9%	+4.8%	<b>+3.9%</b>
<b>Smiths Group</b>	<b>100%</b>	<b>+3.9%</b>	<b>+6.8%</b>	<b>+5.4%</b>



### Footnotes

1 Our end market allocations have been revised such that Smiths Interconnect’s revenue related to aerospace and defence has been moved from Safety & Security into Aerospace & Defence. FY2023 has been restated on this new basis. See note 1 to the financial statements for further information.

Our business operates across four major global end markets: General Industrial, Safety & Security, Energy, and Aerospace & Defence.

- In General Industrial, the decline reflected weaker demand in construction for Flex-Tek's heating, ventilation and air conditioning (HVAC) products and Smiths Interconnect semiconductor test and connectors products, with John Crane's industrial performance flat year-on-year;
- Safety & Security growth reflected Smiths Detection's continued strong delivery against its order book;
- Energy growth reflected robust demand at John Crane and execution against its strong order book; and
- In Aerospace & Defence, new aircraft build programmes drove demand at Flex-Tek which was partly offset by phasing in some aerospace and defence-related programmes in Smiths Interconnect.

Organic growth is supported by new product development and commercialisation. In FY2024, 200bps of growth was delivered from high impact new products including John Crane's next-generation diamond coating product, Smiths Detection's iCMORE and the latest generation of high-speed semiconductor test sockets [DaVinci 112] from Smiths Interconnect. Gross vitality, which measures the proportion of revenues coming from products launched in the last five years, was 28.5% (FY2023: 31%), supported by our successful new product commercialisation.

We also augment our organic growth with disciplined M&A and in September 2024 we announced two acquisitions with a combined value of €95m at an EBITDA multiple of c.8x, enabling expansion in Flex-Tek's HVAC and electrical heating solutions platforms. An additional amount of up to £15m is payable subject to the performance of one of the acquisitions over a three-year period.

- Modular Metal Fabricators, Inc. (Modular Metal) is a US-based metal and flexible ducting manufacturer which expands Flex-Tek's geographical presence in the western US and broadens its product range to

- include Modular Metal's sealed flexible duct solution. This acquisition builds on our August 2023 acquisition of HCP, which expanded our geographical coverage in North America and added HCP's patented axial and radial seal duct products.
- Through the acquisition of Wattco, Inc. (Wattco), Flex-Tek expands into medium temperature immersion and circulation heating – an attractive market adjacency and highly complementary to our existing open coil electrical heating businesses. This acquisition follows our successful acquisition of SureHeat in 2017. Wattco also brings additional capability in terms of supplying vertically integrated heating solutions and will be integrated into the Flex-Tek heat solutions business.
- The acquisition of Wattco has already completed, while Modular Metal is expected to complete in Q1 FY2025.

### Execution

Stronger execution remains a key priority, with an improving financial performance again in FY2024. Headline operating profit rose +7.1% (+£34m) on an organic basis, and +5.0% (+£25m) on a reported basis, to £526m (FY2023: £501m).

Headline operating profit margin was 16.8%, up +34bps on an organic and +30bps on a reported basis, and in line with guidance of continued margin expansion, reflecting operational leverage and efficiency improvements, alongside reinvestment to support future growth.

Headline operating profit margin (by business)	FY2023	FY2024
John Crane	22.6%	<b>23.2%</b>
Smiths Detection	11.2%	<b>11.9%</b>
Flex-Tek	19.4%	<b>20.5%</b>
Smiths Interconnect	16.0%	<b>13.9%</b>
Smiths Group	<b>16.5%</b>	<b>16.8%</b>

£m	FY2023	Foreign exchange	Acquisitions	Organic movement	FY2024
Headline operating profit	501	(21)	12	<b>34</b>	<b>526</b>
Headline operating profit margin	16.5%	(10)bps	10bps	<b>30bp</b>	<b>16.8%</b>

Three of our businesses delivered margin expansion:

- John Crane had good operating leverage on the higher sales volume, partially offset by mix impacts from higher systems sales and while continuing to reinvest in capacity expansion, sales and service to support current and future growth;
- Smith's Detection delivered a 70bps increase in margin, reflecting higher volumes and improving operational efficiency in the second half;
- Flex-Tek delivered a higher margin, despite the lower organic revenue, reflecting a positive mix impact and good cost control; and
- Smiths Interconnect posted a margin decline reflecting the lower year-on-year volumes, despite cost control initiatives.

And at a Group level, we invested in several growth initiatives which were funded by the benefits from the Smiths Excellence System and other savings projects, and which offset each other.

ROCE increased +70bps to 16.4% (FY2023: 15.7%) reflecting the higher profitability of the Group, which also translated to growth in headline EPS of +8.3% to 105.5p. This reflected a headline tax charge of £122m (FY2023: £121m) which represents an effective rate of 25.0% (FY2023: 26.0%) and also benefited from the share buyback programme, partially offset by foreign exchange impacts.

The focus on execution also enhanced headline operating cash conversion, which improved to 97% (FY2023: 86%), supported by a year-on-year improvement in working capital. Headline operating cashflow was £509m (FY2023: £433m) and free cashflow generation increased +67% to £298m (FY2023: £178m) or 57% of headline operating profit (FY2023: 35%).

SES is one of our key initiatives to enhance execution and support the delivery of our medium-term financial targets. SES projects delivered a £23m benefit to headline operating profit in FY2024 (FY2023: £14m), in line with expectations. SES is the way we work at Smiths and is supported by our cohort of Black Belts (BBs) and Master Black Belts (MBBs). As our first cohort return to leadership roles across the Group, SES learnings are better embedded within the businesses, and to continue this process, new MBBs and BBs have been appointed. In addition, our major sites have Lean leaders in place to continually assess processes and ingrain Lean practices at the local level.

We are also executing well against our ESG framework, with progress against our sustainability metrics, which are now fully incorporated into both our annual and long-term incentives. We continue proactively to manage reductions in the environmental impact of our operations and manufacturing processes.

We have been tracking our environmental performance since 2007 and set new three-year targets in FY2022. Over the three-year period FY2022-FY2024, our Scope 1 and 2 emissions have reduced by 42% – in line with our net zero Greenhouse Gas (GHG) emission targets

which were validated by the Science Based Targets initiative during the year. Also over this period, we improved energy efficiency, around 73% of our electricity now comes from renewable sources and we continue to target additional locations for onsite renewable energy installation.

We have set out new targets for FY2025-FY2027. These include new metrics on supplier engagement in support of our ESG commitments and reporting. In FY2024, we engaged a new third-party supplier management platform – EcoVadis – and launched a supply chain due diligence policy which, together, will help us manage supplier relationships to explicitly support our ESG commitments and reporting.

**People**

Safety, alongside health and well-being, is an essential foundation of our success. Our FY2024 recordable incident rate was 0.44 (FY2023: 0.41), with the increase primarily reflecting the acquisition of HCP, where its safety culture is being aligned with that of Smiths following its integration. Our key focus is on sustainable preventative action including active promotion of a safety culture and engagement, safety leadership, skills and designing out risk and this is reinforced on a

daily basis through safety leading indicator activities, comprising peer-to-peer observations and leadership tours. A key event in the year was our three-day global Health, Safety & Environment (HSE) conference which covered topics including safety culture, the connection between SES and HSE, and hazard perception and risk assessment. To supplement the focus on our physical security, we are developing a mental health and well-being strategy which will be deployed in FY2025.

To support talent development, the rollout of Accelerate, our bespoke training programme for senior leaders continued. It is now present in 15 countries, with 555 participants in FY2024; 50% of our leaders have now been trained under the programme. Our commitment to fostering diversity, equity and inclusion with our initiatives on this are further bolstered by active employee resource groups (ERGs) such as the Black Employee Network, Veterans Network, Pride Coalition, Women@Work and Neurodiversity ERGs.

Our people are enthused about engaging with and caring for our communities and in June this year, our annual Smiths Day celebrated our culture and our communities, with many employees volunteering their support for local causes. At the Group level, The Smiths Group Foundation has now made its first grants, totalling c.£1m, to more than 10 charities around the world supporting STEM, safety and connectedness and environmental sustainability.

In combination, these initiatives help to underpin an engaged workforce and a healthy culture which we track and measure through the annual My Say survey. This survey is used to surface issues and more precisely understand what we are doing well and where we need to do better, both at a high level and at the grass roots in individual teams. In FY2024, 85% of employees completed the survey and it was pleasing to see our overall engagement score of 75 was up two points on the prior year.



**Footnotes**

- 1 The energy efficiency ratio is expressed as the MWh energy consumed (excluding renewable electricity produced and consumed onsite), divided by revenue (excluding price growth within the measurement year), and excludes HCP.
- 2 Scope 1, 2 and 3 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol.
- 3 Normalised for revenue excluding price increases and excluding HCP acquisition.
- 4 Normalised to reported revenue
- 5 Across 10 identified water stressed areas.
- 6 Year-on-year reduction in absolute MWh consumed (target depending on revenue).

Environmental metrics	FY2023	FY2024	FY2022-2024	Target FY2022-2024
Energy efficiency <sup>1</sup>	7.9% improvement	<b>5.9% improvement</b>	n/a	n/a
Normalised Scope 1 & 2 GHG <sup>2</sup> emissions reductions <sup>3</sup>	21% reduction	<b>20% reduction</b>	<b>42% reduction</b> <b>16.4% CAGR</b>	<b>5% CAGR</b>
Absolute Scope 1 & 2 GHG <sup>2</sup> emissions reductions	11.8% reduction	<b>10.7% reduction</b>	<b>22% reduction</b>	n/a
Proportion of electricity from renewable sources	70%	<b>73%</b>	<b>12% increase</b>	<b>5% increase 3Y</b>
Normalised non-recyclable waste <sup>4</sup>	9.8% reduction	<b>0.1% increase</b>	<b>19% reduction</b>	<b>5% reduction 3Y</b>
Normalised water use in stressed areas <sup>4,5</sup>	13.3% reduction	<b>0.6% increase</b>	<b>17% reduction</b>	<b>5% reduction 3Y</b>

Environmental metrics	Target FY2025-2027
Energy reduction <sup>6</sup>	2% in FY2025
Renewable energy	80% by FY2027
Absolute Scope 1 & 2 GHG <sup>2</sup>	17.5% reduction by FY2027
Supplier engagement	40% of supplier spend evaluated on EcoVadis by FY2027
Supplier engagement Scope 3 <sup>2</sup>	25% of supplier spend committed to SBTi targets by FY2027

# CFO review



**Clare Scherrer**  
Chief Financial Officer



**£109m**  
Invested in R&D



**43.75p**  
Total dividend



We delivered a good set of financial results in line with our guidance. Organic revenue growth of +5.4% extends our track record and headline operating profit margin increased +30bps to 16.8%. Our headline cash conversion improved to 97%, supported by an improvement in working capital.

Our capital allocation priorities remain unchanged. In FY2024 we increased investment in R&D and capex and acquired HCP in Flex-Tek. Following the period end, we announced two additional acquisitions in Flex-Tek. Lastly, we returned £70m in share buybacks and are recommending a 5.2% dividend increase. Our balance sheet remains strong, providing ample flexibility to support our continued growth strategy.

For FY2025, we are expecting organic growth within our medium-term target range of 4–6% and continued margin expansion.”

## Capital allocation

Our highest capital priority continues to be organic growth, followed by strategic and disciplined M&A, and we have a strong track record of returning capital to shareholders, via dividends and share buybacks. In FY2024, we invested £109m in R&D (FY2023: £113m), of which £73m (FY2023: £73m) was an income statement charge, £14m was capitalised (FY2023: £21m) (primarily next-generation hold and cabin baggage screening and further advancements in our defence portfolio) and £22m (FY2023: £19m) was funded by customers. Partly accounting for the marginal year-on-year decline was the relocation of certain R&D projects to lower-cost jurisdictions, resulting in more efficient R&D spend. In addition, there was a further £41m spend on customer-specific engineering-related projects taking the total spend for FY2024 from 3.5% to 4.8% of sales.

To support new product launches and the strong demand for our existing solutions, we increased capex +6% to £86m (FY2023: £81m). This equates to 1.7x depreciation and amortisation (FY2023: 1.6x). A key project was investment in machining capacity and automation at John Crane, which will continue into FY2025 resulting in Group capex of around £110m for the year.

We spent £64m on the acquisition of HCP in August 2023, a US-based manufacturer of HVAC solutions and post the FY2024 year-end, in September 2024, we announced the acquisitions of Modular Metal and Wattco for £95 million, with up to an additional £15m subject to the performance of one of the acquisitions over a three-year period.

We completed the final £29m of the Group's £742m share buyback programme in the first quarter. In addition, in March, we announced a new share buyback programme of £100m and initiated buying under the first £50m tranche. As guided, we completed the first £50m during September 2024, including £41m during the fiscal year, and £9m during August and September. We have not yet initiated the second tranche.

In line with our progressive dividend policy, the Board is recommending a final dividend of 30.2p, a year-on-year increase of +5.2%, bringing the total dividend for the

year to 43.75p (FY2023: 41.6p). The final dividend will be paid on 22 November 2024 to shareholders on the register at close of business on 18 October 2024. Our dividend policy aims to increase dividends in line with growth in earnings and cashflow, with the objective of maintaining minimum dividend cover of around two times.

The Company offers a Dividend Reinvestment Plan (DRIP) enabling shareholders to use their cash dividend to buy further shares in the Company – see website for details. To participate in the DRIP, shareholders must submit their election notice to be received by 1 November 2024. Elections received after the Election Date will apply to dividends paid after 22 November 2024. Purchases under the DRIP are made on, or as soon as practicable after, the dividend payment date and at prevailing market prices.

### Driving value through effective capital allocation

#### Our priorities

#### FY2024

- Organic investment** Capex £72m  
R&D £109m
- Acquisitions** Acquisitions spend £65m  
(Additional £95m in Sep 2024<sup>1</sup>, with earnout of up to £15m over 3 years)
- Shareholder returns** DPS +5.2% / Buyback<sup>2</sup> £70m  
(Additional £9m in Aug-Sep 2024)

**FY2024 leverage of 0.3x**

Footnotes see page 23

### Net debt

Net debt at 31 July 2024 was £213m (FY2023: £387m) with a net debt to headline EBITDA ratio of 0.3x (FY2023: 0.7x). Net headline finance costs for the year increased by £3m to £38m (FY2023: £35m) principally due to a reduced level of cash balances over the year generating lower interest income.

As at 31 July 2024, borrowings were £659m (FY2023: £654m) comprising a €650m bond which matures in



February 2027 and £123m of lease liabilities. There are no financial covenants associated with these borrowings. Cash and cash equivalents as at 31 July 2024 were £459m (FY2023: £285m). Together with our \$800m (£623m at the year-end exchange rate) revolving credit facility, which matures in May 2029, total liquidity was £1.1bn at the end of the period.

Since the sale of Smiths Medical in January 2022, the Group has held a financial asset reflecting our equity ownership in ICU Medical, Inc (ICU). During FY2024, we sold 2,030,000 ICU shares (8.34% of ICU's issued share capital), with net proceeds of \$240m (£187m). After the year end, we sold a further 415,771 shares (1.70% of ICU's issued share capital) with net proceeds of \$59.8m (£46.2m). We continue to own less than 1% of ICU and will exit over time.

## Statutory results

### Income statement and cashflow

The £111m difference (FY2023: £98m) between headline operating profit of £526m and statutory operating profit of £415m reflects non-headline items. The largest of these relate to the amortisation of acquired intangible assets of £49m, a £26m net charge for asbestos litigation in John Crane Inc and £13m of fair-value loss on the ICU contingent consideration. The statutory operating profit of £415m was £12m higher than last year (FY2023: £403m), reflecting the higher headline operating profit. Statutory finance costs were £43m, flat year-on-year (FY2023: £43m).

The statutory effective tax rate was 32.5% (FY2023 37%) and includes a non-headline tax credit of £1m (FY2023 £13m expense). Statutory profit after tax for the Group was £251m (FY2023: £232m) and statutory basic EPS was 72.3p (FY2023: 65.5p).

Statutory net cash inflow from operating activities for the total Group was £418m (FY2023: £293m).

### Pensions

During the year, £16m of pension contributions (FY2023: £5m) were made, which relate to funded, unfunded and overseas schemes and healthcare arrangements. Of this, £10m related to the US defined benefit pension plan.

As previously announced, no contributions were made in FY2024 and it is not anticipated that any further contributions will be made to the TI Group Pension Scheme (TIGPS), as the liabilities have now been insured via a series of buy-in annuities. The Group and the TIGPS Trustee are working toward final buy-out of the scheme. The Smiths Industries Pension Scheme (SIPS) is in surplus on the Technical Provisions funding basis, and no cash contributions have been made in the year nor are scheduled to be made. The Group and the SIPS Trustee continue to work together to progress towards the long-term funding target of full buy-out funding.

These two UK schemes and the US pension plan are well hedged against changes in interest and inflation rates. Their assets are invested in third-party annuities, government bonds, investment grade credit or cash, with no remaining equity investments. As at 31 July 2024, 60% of the UK liabilities had been de-risked through the purchase of annuities from third party insurers.

### Litigation

Smiths Group faces different types of litigation in different jurisdictions. Please see below an update on the two significant litigation provisions. For more information, refer to note 23 of the Financial Statements.

#### John Crane, Inc. litigation

John Crane, Inc. (JCI) a subsidiary of the Group, continues to actively monitor the conduct and effect of its current and expected asbestos litigation, including the effective presentation of its 'safe product' defence, and intends to resist asbestos cases based on this defence. Approximately 312,000 claims against JCI have been dismissed before trial over the last 40 years. JCI is currently a defendant in cases involving approximately 20,000 claims. Despite these large numbers of claims, since the inception of asbestos litigation against JCI it has had 156 cases and has had to pay awards amounting to approximately \$191m. At 31 July 2024, the aggregate provision for JCI asbestos litigation, including for adverse judgements and defence costs, amounted to £220m (FY2023: £204m) expressed at the then current exchange rate. In deciding upon the amount of the provision, JCI has relied on independent expert advice.

### Titeflex Corporation litigation

Titeflex Corporation, a subsidiary of the Group in the Flex-Tek business, has received a number of claims in recent years from insurance companies seeking recompense on a subrogated basis for the effects of damages allegedly caused by its flexible gas piping products being energised by lightning strikes. It has also received a number of product liability claims relating to this product, some in the form of purported class actions. Titeflex Corporation believes that its products are a safe and effective means of delivering gas when installed in accordance with the manufacturer's instructions and local and national codes. However, some claims have been settled on an individual basis without admission of liability. The continuing progress of claims and the pattern of settlement, together with recent market-place activity, provide sufficient evidence to recognise a liability in the accounts. At 31 July 2024, a provision of £36m (FY2023: £41m) has been made for the costs which the Group expects to incur in respect of these claims. For the Group's litigation provisions, because of the significant uncertainty associated with the future level of claims and of the costs arising out of the related litigation, there is no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred.

### Foreign exchange

The results of overseas operations are translated into sterling at average exchange rates. Net assets are translated at period-end rates. The Group is exposed to foreign exchange movements, mainly US Dollar and Euro. The principal exchange rates, expressed in terms of the value of Sterling, are as follows:

	Average rates		Period-end rates	
	31 Jul 2024 (12 months)	31 Jul 2023 (12 months)	31 Jul 2024	31 Jul 2023
USD	1.26	1.21	1.28	1.29
EUR	1.17	1.15	1.19	1.17



### Footnotes

- Value of acquisitions announced in September 2024 with up to £15m earn out over three years.
- Final £29m from £742m buyback completed in Q1 FY2024, £41m from the first £50m tranche of the £100m buyback announced on 26 March 2024 and completed by 31 July 2024 and further £9m completed in August and September 2024.

## Business review

John Crane

### Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth		
				H1	H2	FY
<b>Revenue</b>	<b>1,133</b>	<b>1,079</b>	<b>+5.0%</b>	<b>+12.7%</b>	<b>+7.1%</b>	<b>+9.8%</b>
Original Equipment (OE)	176	169	+4.8%	+0.3%	+17.5%	<b>+9.0%</b>
Aftermarket	550	487	+12.8%	+22.5%	+14.5%	<b>+18.3%</b>
<b>Energy</b>	<b>726</b>	<b>656</b>	<b>+10.7%</b>	<b>+16.6%</b>	<b>+15.3%</b>	<b>+15.9%</b>
Original Equipment	145	145	(0.4)%	+5.0%	+2.7%	<b>+3.8%</b>
Aftermarket	262	278	(5.8)%	+7.4%	(9.2)%	<b>(1.6)%</b>
<b>General Industrial</b>	<b>407</b>	<b>423</b>	<b>(3.9)%</b>	<b>+6.5%</b>	<b>(5.3)%</b>	<b>+0.3%</b>
<b>Headline operating profit</b>	<b>263</b>	<b>244</b>	<b>+7.7%</b>	<b>+18.3%</b>	<b>+7.4%</b>	<b>+12.4%</b>
<b>Headline operating profit margin</b>	<b>23.2%</b>	<b>22.6%</b>	<b>+60bps</b>	<b>+110bps</b>	<b>+10bps</b>	<b>+60bps</b>
<b>Statutory operating profit</b>	229	217	+5.5%			
<b>Return on capital employed</b>	25.3%	23.8%	+150bps			
<b>R&amp;D cash costs as % of sales</b>	1.6%	1.7%	(10)bps			

### Revenue

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
<b>Revenue</b>	1,079	(47)	101	<b>1,133</b>

John Crane delivered organic revenue growth of +9.8% for the year, as it continued executing against a strong order book. Following double-digit organic revenue growth in the first half, growth moderated to +7.1% in the second half, still a healthy level compared to record-high growth in FY2023. Organic revenue growth was driven by a strong performance in Energy. Aftermarket organic revenue grew +11.1% to make up 72% of sales (FY2023: 71%), whilst OE grew +6.6%.

Reported revenue grew +5.0% to £1,133m, having crossed the £1bn mark in FY2023 for the first time, reflecting the organic growth, partially offset by a negative foreign exchange impact.

In Energy, organic revenue grew +15.9% benefiting from a continued focus on energy security and efficiency, as well as emissions reduction solutions. Regionally, there was a strong performance in the Middle East and Latin America for our advanced seals and gas compression products, as well as service contracts, with an +18.3% growth in aftermarket revenue. Notable contract wins in the year included one with Karachaganak Petroleum Operating B.V. for the provision, service and repair of dry gas seals featuring triple seal technology, and

another with a major global energy company in Alberta, Canada to provide industrial seal support services at North America's most efficient integrated hydrocarbon processing site.

John Crane also won several notable energy transition contracts – including one to supply dry gas seals for three supercritical CO<sub>2</sub> compressors of a large-scale blue hydrogen project in the USA, and a significant contract to supply wet seals for almost 100 pumps to a zero-emission electric vehicle battery manufacturing facility, also in the USA. The pipeline of opportunities John Crane is pursuing within energy transition in CCUS, hydrogen and biofuels continues to expand.

In the General Industrial segment, organic growth moderated to +0.3%, with a (5.3)% decline in the second half, following a strong FY2023. Growth in OE, largely driven by water treatment, marine and mining, was partly offset by a small decline in aftermarket sales.

Order intake growth in FY2024 supports our positive outlook in FY2025.

## Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
Headline operating profit	244	(11)	30	263
Headline operating profit margin	22.6%			23.2%

Headline operating profit of £263m grew +12.4% on an organic basis, resulting in +60bps of margin expansion to 23.2%. This was driven by the increased volumes and good operating leverage, pricing above inflation, and the benefits from SES, partly offset by a negative mix impact and higher investment in growth. This investment to increase capacity and efficiency, including marketing and commercial, are both key to service the strong current demand and propel future growth.

On a reported basis, headline operating profit was up +7.7%, including a negative foreign exchange impact. The difference between statutory and headline operating profit includes the net cost in relation to the provision for John Crane, Inc. asbestos litigation.

ROCE was 25.3%, up 150bps, reflecting the headline operating profit growth.

## R&D and new product development

Cash R&D expenditure was 1.6% of sales (FY2023: 1.7%), with the decline reflecting the relocation of certain R&D projects to lower cost jurisdictions, resulting in more efficient R&D spend. In addition, the business spent a further 3.6% of sales (FY2023: 3.4%) on customer-specific engineering-related projects for a total investment in new products of 5.2% of sales (FY2023: 5.2%). John Crane's continued investment in R&D is primarily focused on gas compression projects and enhancing the efficiency, performance and sustainability of heavy-duty seals and hydrogen compressors.

John Crane is well placed to support energy transition projects with its extreme temperatures and high-pressure sealing solutions and continues to work with universities and customers to develop and bring to market these innovative solutions.

## Customers

**Energy:** mechanical seals and seal support systems and couplings for down- and mid-stream activities (e.g., refineries and pipelines) of energy multinationals and for power generation, including hydrogen and carbon capture

**Industrials:** mechanical seals, seal support systems and filtration solutions for the chemical, life sciences, petrochemical, water, mining, and pulp & paper industries

**Aftermarket:** increasing demand for full lifecycle asset management

Ideally positioned to help customers meet their decarbonisation and energy transition objectives

## Competitors

Competitors include Flowserve, EagleBurgmann, AES, FSD, A.W. Chesterton, Pall and TM filters

## Smiths Detection

### Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth		
				H1	H2	FY
<b>Revenue</b>	<b>859</b>	<b>803</b>	<b>+7.0%</b>	<b>+8.9%</b>	<b>+13.2%</b>	<b>+11.1%</b>
Original Equipment	272	226	+20.3%	+5.7%	+42.9%	<b>+24.8%</b>
Aftermarket	323	309	+4.6%	+8.0%	+9.0%	<b>+8.5%</b>
<b>Aviation</b>	<b>595</b>	<b>535</b>	<b>+11.2%</b>	<b>+7.0%</b>	<b>+23.4%</b>	<b>+15.4%</b>
Original Equipment	144	164	(12.3)%	(0.1)%	(15.9)%	<b>(8.4)%</b>
Aftermarket	120	104	+15.8%	+34.1%	+8.2%	<b>+20.0%</b>
<b>Other Security Systems (OSS)</b>	<b>264</b>	<b>268</b>	<b>(1.4)%</b>	<b>+12.8%</b>	<b>(6.3%)</b>	<b>+2.6%</b>
<b>Headline operating profit</b>	<b>102</b>	<b>90</b>	<b>+14.1%</b>	<b>+10.3%</b>	<b>+24.3%</b>	<b>+18.0%</b>
<b>Headline operating profit margin</b>	<b>11.9%</b>	<b>11.2%</b>	<b>+70bps</b>	<b>+20bps</b>	<b>+120bps</b>	<b>+70bps</b>
<b>Statutory operating profit</b>	83	55	+50.9%			
<b>Return on capital employed</b>	9.1%	7.7%	+140bps			
<b>R&amp;D cash costs as % of sales</b>	7.8%	8.4%	(60)bps			

### Revenue

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
<b>Revenue</b>	803	(30)	<b>86</b>	<b>859</b>

Smiths Detection delivered +11.1% organic revenue growth, converting its strong order book to revenue, with growth across both market segments, and in both OE and aftermarket.

Order intake grew strongly during the year, reflecting the ongoing demand for airport scanner upgrades and the multi-year defence contracts awarded in OSS which will support revenue growth in FY2025 and beyond.

Reported revenue was up +7.0% reflecting the strong organic growth, partially offset by an unfavourable foreign exchange impact.

In Aviation, organic revenue grew +15.4%, with OE growth of 24.8%, reflecting the continued strong demand for Smiths Detection's latest range of 3D-image computed tomography (CT) machines for cabin baggage, CTiX. Smiths Detection continues to achieve a strong win rate globally in aviation, and to date, has now sold c.1,400 CTiX scanners. Notable wins

during the year included Australia, Czech Republic, France, Germany, Japan, Saudi Arabia, the UK and the USA. Contracts awarded to date support production through FY2025, and it is expected that airports' upgrade programme will continue for the next three years.

OSS sales grew +2.6% organically, with a decline in the second half after a robust first half, reflecting a strong performance in defence and urban security, partially offset by weaker ports and borders. Order intake in defence was particularly strong with two multi-year chemical detection contracts awarded, one from the UK Ministry of Defence (for an initial £88 million), and another from the US Department of Defense.

In urban security, Smiths Detection mobile solutions were deployed at a number of high-profile events including security screening at COP28, X-ray screening equipment at the NFL Super Bowl and more than 200 items of equipment at the UEFA Euro 2024 football tournament.

## Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
Headline operating profit	90	(3)	15	102
Headline operating profit margin	11.2%			11.9%

Headline operating profit increased +18.0% on an organic basis for the year, reflecting the strong organic revenue growth and favourable pricing, as well as the positive benefits of SES and cost actions. This was partly offset by the expansion in field service engineers to support the high installation activity and reflecting the complexity of the CTiX installations, although operational efficiency on this front improved through the second half. Headline operating profit margin of 11.9% was up 70bps on both an organic and reported basis.

Over the medium term, higher margin aftermarket revenue associated with the expanded installed base from new OE sales, continued SES initiatives and a positive mix impact from the new defence contracts are expected to support continued margin expansion.

On a reported basis, headline operating profit was up +14.1%, including a moderate negative foreign exchange translation, with the difference between statutory and headline operating profit reflecting amortisation of acquired intangibles.

ROCE increased by +140bps to 9.1%, driven by the headline operating profit growth.

## R&D and new product development

Cash R&D representing 7.8% of sales (FY2023: 8.4%) supports Smiths Detection investment in next-generation detection capabilities and included £20m in customer funded projects (FY2023: £18m).

A notable component of recent R&D spend has been on a pioneering X-ray scanner utilising diffraction technology, which was pre-launched in April. The SDX 10060 XDi inspection technology allows highly accurate material and substance identification based on an object's molecular structure. This scanner can integrate seamlessly with existing baggage handling systems to support airport customs agencies in screening for a range of contraband items, including explosives or narcotics, and can also be deployed in cargo environments. Commercial deployment within aviation requires regulatory certification, which is currently underway. Modest initial sales are first expected in FY2026, at the earliest.

Smiths Detection also benefits from external R&D funding, and during FY2024, was selected for EU funding as part of a consortium to develop new AI-based algorithms for automatic detection of narcotics in passenger baggage, and to develop a maritime customs border control screening system for portable screening technology for shipping containers. It also partnered with the University of Exeter to explore virtual and immersive technology for training people, to enhance its training for X-ray screener personnel, a crucial part of its customer offering.

## Customers

**Aviation:** cargo, baggage and checkpoint screening systems for airports and governments

**Ports & borders:** high-energy cargo inspection systems

**Urban security:** integrated screening systems for a broad range of urban situations including public transport, events and municipal settings

**Defence:** advanced chemicals and explosives detectors for governments with whom we have long-standing partnerships

## Competitors

Competitors include Rapiscan, Leidos, Nuctech, Flir, Analogic and Chemring

## Flex-Tek

## Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth		
				H1	H2	FY
<b>Revenue</b>	<b>786</b>	<b>768</b>	<b>+2.3%</b>	<b>(4.1)%</b>	<b>+2.6%</b>	<b>(0.8)%</b>
<b>General Industrial</b>	<b>632</b>	<b>624</b>	<b>+1.2%</b>	<b>(7.6)%</b>	<b>+0.8%</b>	<b>(3.5)%</b>
<b>Aerospace</b>	<b>154</b>	<b>144</b>	<b>+7.0%</b>	<b>+12.1%</b>	<b>+9.9%</b>	<b>+10.9%</b>
<b>Headline operating profit</b>	<b>161</b>	<b>149</b>	<b>+8.1%</b>	<b>+2.6%</b>	<b>+5.8%</b>	<b>+4.2%</b>
<b>Headline operating profit margin</b>	<b>20.5%</b>	<b>19.4%</b>	<b>+110bps</b>	<b>+140bps</b>	<b>+60bps</b>	<b>+100bps</b>
<b>Statutory operating profit</b>	135	131	+3.1%			
<b>Return on capital employed</b>	26.6%	26.1%	+50bps			
<b>R&amp;D cash costs as % of sales</b>	0.4%	0.4%	0bps			

## Revenue

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
<b>Revenue</b>	768	(28)	52	<b>(6)</b>	<b>786</b>

Organic revenue declined (0.8)% in the year, with growth in H2 of +2.6% showing some recovery following a decline of (4.1)% in H1. Revenue on a reported basis grew +2.3%, supported by +£52m from the acquisition of HCP, which was acquired in August 2023, and despite a negative foreign exchange translation.

In General Industrial, organic revenue was down (3.5)% as a result of a tough comparator last year and US construction market headwinds, which started in the second half of last year and continued through FY2024, impacting HVAC sales. The pace of HVAC revenue recovery in FY2025 will be determined by the pace of market recovery, as mortgage rates moderate and given the meaningful housing inventory deficit in the US.

Flex-Tek's energy efficient solutions for industrial applications expand to the partnership with Midrex to deliver heating solutions that enable the production of commercial green steel. The business has grown and is well placed for future energy-efficient industrial heating projects.

In Aerospace, organic revenue grew +10.9% in the year supported by a strong order book, with the slight moderation in growth in the second half reflecting a strong comparator last year. Demand was buoyant across the year and is set to continue into FY2025.

## Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
Headline operating profit	149	(6)	12	6	161
Headline operating profit margin	19.4%				20.5%

Headline operating profit grew +4.2% on an organic basis. The organic operating margin improved by +100bps to 20.5% despite the decline in revenue reflecting tight cost control, especially materials, in the light of the lower volume in General Industrial and a positive mix impact. On a reported basis, headline operating profit and margin increased +8.1% and +110bps, respectively.

The difference between statutory and headline operating profit reflects the amortisation of acquired intangible assets and the provision for Titeflex Corporation subrogation claims.

ROCE increased +50bps to 26.6%, reflecting the headline operating profit growth.

The integration of HCP is progressing ahead of plan, with increased revenue in the year against the challenging construction market background. The acquisition expanded Flex-Tek's presence in the North American HVAC market by extending its customer base, and broadened its product range, including HCP's patented axial and radial seal duct technology.

In September 2024, we announced two strategic and disciplined acquisitions for Flex-Tek.

Building on the HCP acquisition, Flex-Tek is acquiring Modular Metal, expanding its HVAC presence into the western US market and broadening its product offering to include Modular Metal's sealed flexible duct solution.

The transaction is expected to complete in October 2024.

Flex-Tek acquired Wattco, expanding our heating portfolio into a wider range of industrial electric heating products, including medium temperature immersion and circulation heating, which are highly complementary to our existing open coil electrical heating business.

### R&D and new product development

Cash R&D expenditure grew in line with sales, remaining at 0.4% of sales (FY2023: 0.4%). R&D is focused on developing new products for the construction and aerospace markets, and new electrification opportunities within industrial markets.

## Customers

### Heating, ventilation and air-conditioning (HVAC):

full range of heating elements, gas piping, flexible and metal ducting for HVAC systems

**Aerospace:** full range of rigid and flexible, high- and low-pressure tubing and ducting for fluid conveyance in aerospace applications

**Industrial:** specialist products including medical and industrial hoses and a broad range of heating elements for applications in industrial market segments

### Competitors

Competitors include Parker-Hannifin, Eaton, OmegaFlex, Warren, Watlow and Southwark Metal

## Smiths Interconnect

### Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth		FY
				H1	H2	
<b>Revenue</b>	<b>354</b>	<b>387</b>	<b>(8.4)%</b>	<b>(13.7)%</b>	<b>+0.4%</b>	<b>(6.5)%</b>
<b>Headline operating profit</b>	<b>49</b>	<b>62</b>	<b>(20.9)%</b>	<b>(33.3)%</b>	<b>(2.1)%</b>	<b>(17.8)%</b>
<b>Headline operating profit margin</b>	<b>13.9%</b>	<b>16.0%</b>	<b>(210)bps</b>	<b>(370)bps</b>	<b>(40)bps</b>	<b>(190)bps</b>
<b>Statutory operating profit</b>	46	50	(8.0)%			
<b>Return on capital employed</b>	10.4%	13.3%	(290)bps			
<b>R&amp;D cash costs as % of sales</b>	6.2%	6.3%	(10)bps			

### Revenue

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
<b>Revenue</b>	387	(14)	5	<b>(24)</b>	<b>354</b>

Smiths Interconnect's organic revenue declined (6.5)% in FY2024, reflecting weakness in the semiconductor market and a slower market in connectors, resulting in part from customer destocking. Performance improved incrementally through the year, with a (13.7)% organic decline overall in the first half, improving to marginal growth in the second half.

Reported revenue decreased (8.4)% reflecting a negative foreign exchange impact, partially offset by a £5m contribution from Plastronics which has broadened the semiconductor product portfolio and provided greater exposure to the US and wider industrial end markets.

The performance in connectors reflected a strong base comparator, customer destocking and some weakness with medical and industrial customers. In the semiconductor market, the longer than expected downturn is now reversing, with increased activity levels and growth in orders. This growth, together with good growth in aerospace and defence-related programmes and a robust pipeline of new product introductions underpins our expectation for an improving performance as we progress through FY2025.



## Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
Headline operating profit	62	(2)	(0)	(11)	49
Headline operating profit margin	16.0%				13.9%

Headline operating profit declined (17.8)% on an organic basis, resulting in a (190)bps reduction in headline operating profit margin to 13.9%. The decline was primarily driven by the lower volume alongside mix effects, with continued investment in R&D, which more than offset pricing, SES benefits and the impact of cost control initiatives. On a reported basis, headline operating profit declined (20.9)% and statutory operating profit declined (8.0)%.

The difference between statutory and headline operating profit reflects the amortisation of acquired intangibles and acquisition-related costs.

ROCE reduced (290)bps to 10.4%, driven by the lower operating profit.

### R&D and new product development

Cash R&D expenditure as a percentage of sales was 6.2% of sales (FY2023: 6.3%). R&D is focused on developing new products that improve connectivity and product integrity in demanding operating environments. A recent success has been the DaVinci 112, the next generation of its high-speed semiconductor test sockets. It is designed for testing some of the most complex functionality of integrated circuits at the highest speeds and is used by leading AI and GPU semiconductor manufacturers.

Product launches during the year included a high-density electrical connector for the medical market and a new series of fixed attenuators and Thermopad® products for use in space, defence and aerospace applications.

Smiths Interconnect also launched the Mini-Lock Connector, the next generation radio-frequency connector which delivers high-reliability performance in mission-critical sectors such as satellite, aerospace and defence.

To address the critical issue of power loss in electric battery systems and solutions, Smiths Interconnect launched its new Hypertac Green Connect™ technology which has improved contact points, creating a more efficient and higher-performing battery.

Space grade products are a key development focus particularly in radio frequency and optical products. During the year, Smiths Interconnect received funding of around £2m from the UK Space Agency to help enhance its Dundee-based Space Qualification Laboratory, which simulates the extreme conditions of space to assure the quality and durability of space components.

## Customers/business units

**Connectors:** high-reliability electrical interconnect solutions for specialised applications across a broad range of healthcare, industrial, transport, defence and aerospace customers

**Semiconductor test:** test socket and probe card solutions for a broad range of chip manufacturers who require higher-performing applications (graphics processing, artificial intelligence and data communication)

### Fibre-optics and radio frequency (RF)

**components:** broad range of devices, including transceivers for demanding high-reliability environments, especially with space and aerospace customers

**Electronic subsystems:** antenna systems and multi-function RF systems for aerospace and defence customers

## Competitors

Competitors include Amphenol, TE Connectivity, Molex, Samtec, Glenair, Anaren, Leeno and Winway

# Sustainability at Smiths

We organise our ESG commitments, objectives and reporting in our ESG framework. In FY2023 we undertook a double materiality assessment (DMA) to identify our most material ESG issues and test the framework. Read more about the DMA on [www.smiths.com](http://www.smiths.com)

## Our top five material ESG topics <sup>(M)</sup>

### Improving safety, health and well-being

- Most material topic for Smiths
- 15% reduction in total number of incidents
- 71 sites with ISO 45001 certification
- Over 17,000 safety look out observations and leadership tours
- Launched new Health, Safety and Well-being Policy

### Commercialising high-value green technologies

- Strong and growing portfolio of green technologies
- John Crane now present in approximately 70 energy transition-related hydrogen and CCUS projects

### Delivering Net Zero GHG

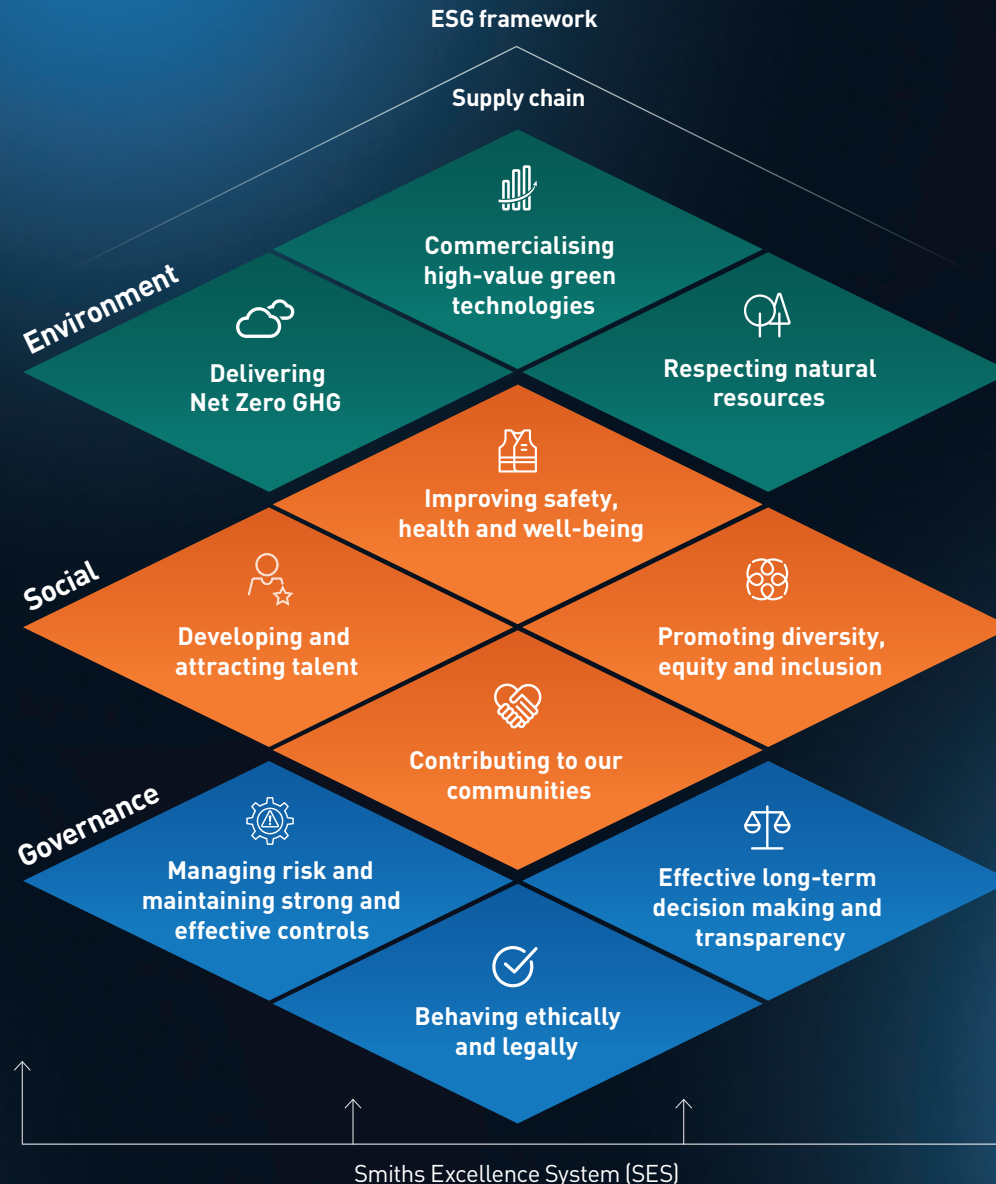
- Net Zero transition plan validated by the Science-Based Targets initiative (SBTi)
- Scope 1 & 2 emissions down (10.7)% in year
- Renewable electricity 73% of total use
- Accelerated roll out of electric vehicles
- Linked to remuneration

### Supply chain

- Moving to standardised and disciplined approach to supplier management across Smiths
- Invested in EcoVadis supplier management platform and launched ESG Supply Chain Due Diligence Policy
- Set targets for % of supplier spend evaluated by EcoVadis and % of suppliers with SBTs

### Behaving ethically and legally

- No human rights issues identified
- Ethics and compliance workshops held in India and Latin America
- 283 Speak Out reports



Read more about the Sustainability at Smiths framework in our FY2024 Sustainability at Smiths report

# Improving safety, health and well-being M



Looking after our colleagues in the workplace and keeping them safe and healthy is an essential pillar and our number one focus. It is our most material ESG topic. We target continuous improvement in our performance and a culture of care that emphasises health and well-being alongside physical safety. This means systematic analysis of data, proactively designing and investing for safety and health, and strengthening our global and local safety cultures.

## Managing safety

We have a common framework for health, safety and well-being management and evaluation across Smiths which enables us to evaluate objectively performance and management practices in our pursuit of zero-harm environments.

We have health and safety policies and standards that all Smiths operations are required to follow and each business sets annual safety goals and targets. We strive to be a zero harm organisation and set targets that progressively step us down to this, our current Group RIR target being <0.4. All operational sites with over 100 colleagues are required to be certified (or working towards certification) under ISO 45001 safety standards.

Safety starts with leadership. Each Business President has overall responsibility for safety and line leaders are accountable for the health, safety and well-being of the colleagues that they manage, with a duty to promote and enforce our policies and training. Smiths colleagues at all levels have a personal responsibility to take due care of themselves and their colleagues and to follow our rules and standards. The Board oversees safety matters and receives regular reports.

We provide robust safety materials and task- or site-appropriate personal protective equipment (PPE) and training to ensure that they have the skills and knowledge to fulfil their responsibilities. Safety and compliance with our standards are managed locally by our business Health, Safety & Environment (HSE) specialists, with responsibility for safety culture and performance held by our site and business leaders. Performance against standards is overseen by our audit processes. The VP Group HSE collaborates with the HSE Operations Committee (made up of representatives from across Smiths) to set our priorities and training and HSE communications.

When someone gets hurt, we look closely to identify root causes and prevent recurrence, but our primary focus is on sustainable preventative action including active promotion of a safety culture and engagement, safety leadership, skills and designing out risk.

## Safety measurement and performance

We had 71 recordable injuries in FY2024 vs 64 in FY2023 and our RIR increased by 7%. This increase was mainly due to the inclusion of Flex-Tek's HCP business (acquired in August 2023) in FY2024 data and an increase in incidents in Smiths Detection's US service operations. Despite this increase, our RIR continues to track below the industry average and in the top quartile of industry performance<sup>1</sup>. Our total number of incidents was down 15% and we recorded a 35% reduction in potentially serious near misses, showing the impact of

## Key actions/activities in FY2024

- Launched new Health, Safety and Well-being Policy and refreshed Health, Safety and Environmental Management Systems Policy and Health, Safety and Environmental Reporting Policy
- Continued focus on hand safety (cause of around one third of injuries) through promotion campaign, machine guarding and lockout, tagout (LOTO) programme resulting in a 32% reduction in hand and finger-related incidents vs FY2023
- Grew site leader participation in safety look out observations and tours
- HSE Conferences (global, business and China)
- Development of mental health and well-being strategy focusing on process improvements and a culture of care, to be completed in FY2025
- Integrated mental health and well-being resources into #WeAreSmiths development week content

our risk reduction activities. We recorded zero work-related colleague or contractor fatalities in FY2024 and 4 serious injuries. There were zero recordable incidents with our non-supervised contractors<sup>2</sup>. We received three fines of more than \$10k relating to two incidents at John Crane and Flex-Tek US sites.

We recognise that all incidents have a personal impact and all sites work hard to continuously improve performance. We expect an improved performance at HCP as Smiths safety culture and practices bed into the business. Smiths Detection has implemented a focused safety strategy with three pillars (accountability, competency and safety assurance) to address the specific challenges seen at customer sites.



## Recordable incident rate (RIR)

Per 100 colleagues



## Lost time incident rate (LTIR)

Per 100 colleagues



# 84

Highest favourable score for Smiths is committed to safety in My Say survey



Material ESG topic



## Footnotes

- 1 Based on US Bureau of Labor Statistics/US Department of Labor Statistics for total recordable incident cases.
- 2 Non-supervised contractors conduct non routine work at Smith sites and are not supervised in a day to day capacity by a Smiths employee.

## Commercialising high-value green technologies M



Our unique engineering capabilities and pioneering spirit position us strongly to support customers in multiple industry sectors as they seek to decarbonise and deliver next-generation efficient and sustainable infrastructure and processes. Applying our capabilities to innovate and develop practical, commercial solutions that solve customers' environmental needs is a key vector for growth.

### Sustainability solutions

Ambitious global commitments to Net Zero and other environmental matters are driving profound transitions and demand for innovative solutions across the markets we serve. The need to cut global emissions is driving greater energy efficiency in all sectors as well as accelerating the adoption of electrification and alternative/low-carbon fuels. Eliminating waste, improving sustainability and ensuring natural resources and environments are used and inhabited sensitively is a growing requirement. Circular economy and service solutions are gaining traction to reduce environmental footprint, waste and cost.

Our portfolio of green technologies is strong and growing and is enhanced by existing capability – such as John Crane seals – leveraged in new and adjacent market segments.

Each of our businesses has active development projects that address customer needs for sustainability performance. Top growth programmes are identified as part of our strategic planning processes and are accelerated for investment and launch.

Commercialisation of these programmes is overseen by the Executive Committee and the Innovation, Sustainability & Excellence (ISE) Committee of the Board, which holds regular innovation deep-dives with our business teams.

Read more about the distribution of Smiths green technology on page 52.

### Key actions/activities in FY2024

- John Crane now present in approximately 70 energy transition-related hydrogen and CCUS projects
- John Crane contract to supply dry gas seals for three supercritical compressors in a large-scale blue hydrogen plant in Texas, USA
- John Crane contract to supply wet seals for almost 100 pumps at an electric battery manufacturing facility in Tennessee, USA
- John Crane partnership to provide dry gas seals and filters for CO<sub>2</sub> compressors on the world's largest offshore CCUS facility, Malaysia
- Expansion of Smiths Detection CTiX scanner fleet which uses up to 20% less electricity than alternative systems
- Continued innovation in Flex-Tek's range of building efficiency products including refrigerant line sets and insulated ducts
- Launch of Smiths Interconnect Hypertac Green Connect™ technology to reduce power loss in industrial batteries



### Markets and sustainability megatrends

Read more on our markets and sustainability megatrends

[→ Page 4](#)



## 3.5%

R&D spend in FY2024



Material ESG topic

## Delivering Net Zero GHG



In FY2022 Smiths committed to ambitious Net Zero targets that align us with the UN's critical global climate objectives and the ambition to limit global warming to 1.5°C. We signed the 1.5°C Business Ambition under the UN Race to Zero, covering Scope 1, 2 and 3 GHG emissions in FY2023 and our Net Zero/climate transition plan was validated by the SBTi in FY2024.

Our transition plan describes how, through consistent focus and targets across all aspects of our business, we will deliver Net Zero emissions from our operations (Scope 1 & 2) by 2040 and our value chain (Scope 3) by 2050.

### Path to Net Zero

For Scope 1 & 2 our critical path is based on energy efficiency, green electricity and alternative fuels. For Scope 3 our critical path is based on supplier engagement and reporting, supplier science-based targets and external transition including grid decarbonisation.

The principles driving our paths are:

- Granular understanding of all contributing sources and focus on data quality and integrity
- Balanced portfolio of actions with energy saving activities as the foundation
- Bespoke emission reduction plans for each of our businesses working within agreed Group priorities and energy preference hierarchy
- Action material decarbonisation opportunities to frontload our trajectory
- Supplier engagement and due diligence implementation
- Focus on emissions from Smiths Detection products in use
- Use SES tools to expedite projects
- Embed decarbonisation plans into business planning and budget cycles
- Group action as appropriate, e.g. procurement activity; resource and IT investment
- Understand risks/challenges to maintain flexibility
- Share best practice
- Colleague engagement and culture change

Our Streamlined Energy and Carbon Reporting (SECR) disclosure is provided on page 63.

### Key actions/activities in FY2024

- Met annual energy efficiency and Scope 1 & 2 reduction targets
- Set new three-year Scope 1 & 2 reduction targets FY2025 to FY2027
- Net Zero targets validated by SBTi
- Expanded data disclosures significantly
- Developed site energy inventories to enable targeted action
- Central and in-depth understanding of renewable energy across the estate to enable decision-making
- Introduction of data dashboards
- Implemented EcoVadis supplier assessment and management system
- Accelerated roll out of electric vehicles from 17 to 112 (10% of fleet)
- Transition to global travel booking platform that supports emissions reporting and user ability to choose more environmentally friendly travel options

→ [Read our full Net Zero/climate transition plan on www.smiths.com](https://www.smiths.com)

→ [Read more about our performance and targets on page 62](#)



## ↓ (10.7)%

Absolute Scope 1 & 2 GHG reduction



## 73%

Renewable electricity



## 77

Favourable score for commitment to environment in My Say survey



Material ESG topic

## Supply chain



We purchase materials, components and some finished goods from many suppliers across the world. Our businesses, in turn, form part of the supply chains of our customers. Confidence, transparency and the ability to effect change in these networks is critical to manage risk and make progress on all aspects of ESG. We want and need to work with suppliers and other partners who are aligned with our Values and that share and can support our and our customers' ESG commitments.

### Responsible procurement

Our commitment to behaving ethically, legally and positively in society requires a similar commitment from our suppliers. Our Supplier Code of Conduct makes our expectations of suppliers and sub-suppliers clear when it comes to ethical behaviour and compliance with the law, treatment of personnel, and materials from socially and environmentally responsible sources. Suppliers are required to adhere to the Supplier Code and have access to our Speak Out system should it be needed. New suppliers are subject to due diligence checks in the form of an ethics and compliance questionnaire, with responses reviewed by our divisional procurement teams. We have a supplier onboarding process to assess risk and ensure that suppliers can meet our standards and we undertake risk reviews and regular audits of them.

In FY2024 we invested in a new third-party supplier management platform – EcoVadis – and launched an ESG Supply Chain Due Diligence Policy which together, will help us manage supplier relationships to explicitly support our ESG commitments and reporting. See page 62.

### Key actions/activities in FY2024

- Implemented EcoVadis supplier management platform and invited suppliers to participate
- Agreed FY2025 to FY2027 headline supply chain targets (% of suppliers by spend on EcoVadis and % of suppliers by spend committed to SBTi)
- Launched ESG Supply Chain Due Diligence Policy
- Updated Supplier Code of Conduct online training module, to include additional highlights for Smiths human rights and anti-modern slavery requirements
- Rolled out new online human rights training
- Engaged independent third-party auditor to conduct human rights assessments of top ten suppliers in India by spend
- Annual internal HR human rights risk assessment targeting our sites in Colombia, Puerto Rico and South Africa
- Conducted internal risk assessment for compliance with EU Deforestation regulations
- Conducted internal human rights risk assessment of HR practices and supply chains, for select LATAM countries



# 50%

Top 50% of suppliers by spend invited to EcoVadis platform



Material ESG topic

# Behaving ethically and legally M



Behaving ethically and with integrity is a fundamental part of our culture. We also operate in some highly regulated markets and sectors, which require strict adherence to local and international industry regulations. We have expert teams in place to manage these matters and we use data and other intelligence objectively to identify relative performance gaps and emerging risk, and continually target improvements in our procedures.

## Governance and implementation

The Smiths Code of Business Ethics (the Code) is the foundational document that outlines the standards of behaviour to which we all commit at Smiths. It is a practical guide to what 'doing the right thing' looks like when conducting business and relationships legally, ethically and with integrity. The Code is supplemented by a suite of policies, procedures and training relating to specific ethics, compliance and people matters.

## Speaking out

Engaging and communicating on ethical matters is vitally important, as is colleague trust in our procedures. Colleagues and business partners are expected to be vigilant and report any activity or behaviour – whether in our business or those of our partners – that they consider may be in breach of our Code and Policies or inconsistent with our Values.

This can be done through their line manager, HR representative or the Legal team, or by using our confidential Speak Out reporting hotline, which is accessible 24 hours a day, seven days a week to colleagues and third parties. Reports to the hotline can be made anonymously.

## Human rights

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our Values and policies and is not tolerated. We recognise the important responsibility we have, and we support the vision of a world where everyone can access decent work and enjoy their universal human rights. We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2024.

Our Human Rights Policy is guided by the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We adhere to national laws and regulations in our markets and, should we encounter conflict between internationally recognised human rights and national laws, we will seek ways to honour the principles of international human rights. All persons working for, or on behalf of, Smiths are required to adhere to our Policy and approach.

Our Human Rights Policy covers the following areas:

- Elimination of forced/involuntary labour
- Elimination of child labour
- Humane treatment in the workplace
- Workplace equality/elimination of bias
- Right to a living wage

- Right to reasonable working hours and vacation
- Freedom of association
- Safe and healthy workplace
- Safe and healthy accommodation if accommodation is provided for employees

We have a supply chain human rights and modern slavery working group, comprising procurement leaders to continue to enhance awareness and drive positive, preventative actions in our supply chain. All staff across Smiths are trained on modern slavery risks.

## Anti-bribery and anti-corruption

Bribery and corruption matters are covered by the Code of Business Ethics. We also have specific policies and procedures relating to activities that create bribery and corruption risks, and an umbrella Anti-corruption Policy that provides a single view of our approach. These policies cover a broad range of matters including the giving and receiving of gifts, meals and hospitality; invitations to government officials; our approach to facilitation payments; and controls around the appointment of distributors and agents, customs brokers and freight forwarders. Our ethics dashboard enables us to interrogate our register of gifts, meals and entertainment in an effective and useful way.

### Key actions/activities in FY2024

- Updated internal training modules for dawn raids, anti-bribery and anti-corruption, Code of Business Ethics, modern slavery, data protection and trade diversion risks within international trade compliance
- Held ethics and compliance workshops with colleagues in India and Latin America (nine countries)



[Read our Code of Business Ethics](#)



72

Favourable score for ethics (lives the company Values) in My Say survey



283

Number of Speak Out reports



Material ESG topic

## Other ESG topics

### Our approach

### Progress during FY2024

#### Respecting natural resources



Natural resources are finite. We believe that all businesses have a responsibility to use them respectfully and safely – this includes responsible sourcing and minimising consumption as well as preventing environmental pollution and biodiversity impact. Our longstanding commitment to non-GHG resource targets, environmental standards and stewardship are both the right thing to do and valued by our customers as they seek to manage their own environmental footprints.

- Met all FY2022 to FY2024 environmental targets
- Set new three-year targets FY2025 to FY2027 for water, waste, circularity and biodiversity
- Increased focus on data quality and integrity
- Expanded significantly data disclosures on water and waste
- Implemented EcoVadis supplier assessment and management system
- Conducted internal risk assessment for compliance with EU Deforestation regulations
- Undertook top-down biodiversity risk assessment
- Published Biodiversity statement
- Launched new Environmental Sustainability Policy
- Launched new Water and Waste Policies
- Launched new ESG Supply Chain Due Diligence Policy
- Refreshed Health, Safety and Environmental Management Systems Policy
- Refreshed Health, Safety and Environmental Reporting Policy

#### Developing and attracting talent



The passion and expertise of Smiths colleagues have driven our business forward for more than 170 years. Their talent and leadership are critical for our future. We have a broad and diverse pool of talent to choose from and our successful internal first approach means giving all colleagues opportunities to develop their knowledge and skills, reach their full potential, and build a career at Smiths. Creating an environment and infrastructure that achieves this is also the key to attracting the right people to Smiths, whether young people at the beginning of their working lives, or experienced specialists should there be a gap to fill.

- Launched bespoke 'Leading Successful Change' on-demand programme
- Introduced Part-Time Working Policy
- #WeAreSmiths learning and development weeks focused on culture and behaviours were held in 8 locations
- Joint John Crane and Smiths Detection learning and development week with over 40 hours of learning opportunities and 2,200 unique participants
- Grew Veterans network and signed UK Armed Forces Covenant
- Trained 25 Accelerate Fundamentals and 13 Accelerate Advanced cohorts – taking total number of frontline and senior leaders trained to 850 in the last three years
- Introduced leader-led learning workshops to share knowledge and build relationships within our extended leadership team
- Completed 12 cross-divisional Lean Management System workshops to embed Lean and build localised SES best practice communities
- Initiated 'mentoring circles' for talent pipeline




#### Promoting diversity, equity and inclusion



Smiths colleagues represent dozens of nations, speak a multiplicity of languages, and have many different perspectives. We embrace these differences and advocate actions and behaviours that promote inclusive and supportive work environments where all colleagues can be the best version of themselves. We value all aspects of diversity, and we know that when colleagues feel included and appreciated, Smiths will thrive, benefiting both our people and the company.

- Equity pay audit activity transitioned to business as usual
- Reviewed all job descriptions and job advertisements for inclusive language
- Held global, regional and university events to promote Smiths to diverse talent
- Conducted listening roundtables with senior women leaders and women engineers (75% of targeted cohort participated) to shape diversity initiatives
- Implemented #EmpowerYou workshops for senior engineering and early career female colleagues (372 participants in 19 countries)
- Restarted 'Restart@Smiths' programme for career returners in key countries
- Introduced Part-Time Working Policy



	Our approach	Progress during FY2024
<p><b>Contributing to our communities</b></p> 	<p>We aim to contribute positively to our communities and society in general. Smiths products and services support critical global industries where we are creating social and environmental value by making the world safer and improving sustainability performance. Our operations around the world play a beneficial role in local economies through job creation and skills development; procurement and generating tax revenues; and operating safely, environmentally responsibly and ethically. We also engage directly through fundraising, charitable giving and education initiatives. Healthy and prosperous communities and supportive relationships with them inspire and promote a sense of pride and ownership in our people.</p>	<ul style="list-style-type: none"> <li>– Formally launched the Smiths Group Foundation and made first round of grants to 10+ organisations</li> <li>– Introduced global colleague volunteering principles which enable every colleague to take one day of paid volunteering leave a year</li> <li>– Smiths Day focused on celebrating our culture and communities</li> <li>– Introduced formal budgeting opportunities for charitable giving in our divisions, China and Group to enable continued support for local organisations that fall outside of the scope of the Smiths Group Foundation</li> </ul>
<p><b>Effective long-term decision making and transparency</b></p> 	<p>Good quality, ethical and effective decision-making builds sustainable businesses and enables them to create long-term value for all stakeholders. Our overall governance framework provides the structures and systems through which our strategies and objectives are set and achieved, how risk is monitored and managed via controls, and how our performance is managed and optimised with appropriate oversight from the Board. The framework ensures that we make effective long-term decisions where the interests of all stakeholders are appropriately balanced.</p>	<p>During the year the Board or Board Committees covered the following ESG-related topics:</p> <ul style="list-style-type: none"> <li>– Strategic opportunities arising from the energy transition/decarbonisation</li> <li>– New product development (NPD) including green products</li> <li>– Net Zero/climate transition plan and Science-Based Targets</li> <li>– Environmental performance and targets</li> <li>– Upcoming regulatory frameworks including CSRD, EU Taxonomy and TNFD</li> <li>– People strategy</li> <li>– Safety performance</li> <li>– Talent processes</li> <li>– Alignment of remuneration with environment targets</li> <li>– Speak Out reports</li> </ul>
<p><b>Managing risk and maintaining strong and effective controls</b></p> 	<p>Continual assessment and management of risks, and assurance through internal controls, is an integral part of day-to-day operations at Smiths.</p>	<ul style="list-style-type: none"> <li>– Refreshed Group Policies as appropriate including anti-trust, facilitation payments, charitable donations, political activities, gifts, meals and hospitality between co-workers, anti-corruption and Speak Out</li> <li>– Conducted an internal assessment of anti-trade diversion controls within international trade compliance, with a focus on Russia diversion risks</li> </ul>

# Risk management

We operate across a number of markets and geographies, which expose us to risks and uncertainties that may be specific to our operations, or beyond our control.

We understand the risks we face and take a proactive approach to risk management which maximises opportunities, drives better commercial decision-making, and protects our people and our businesses.

## Risk governance

Effective risk governance is essential to the achievement of our strategic objectives, and the Board has established the level of risk we are willing to accept in pursuit of these ambitions. The Board also ensures appropriate oversight and monitoring through a number of mechanisms, including strategy reviews, Committee meetings, management reports and focused reviews of selected risk areas. This top-down approach helps to define the Group's culture and attitude towards risk at all levels of the business.

## Enterprise risk management (ERM) roles and responsibilities

### 3rd

#### Line of defence

##### Board

- Approves the strategy and sets the culture and risk appetite of the Group
- Monitors through Board processes and good governance

##### Audit & Risk Committee

- Reviews and assesses the effectiveness of the Group's ERM framework and financial and non-financial internal control systems

##### Internal audit

- Provides independent and objective assurance on internal controls, programmes, systems and risk management processes
- Facilitates the ERM process and provides site-based controls and assurance reviews of key programmes, processes and systems

### 2nd

#### Line of defence

##### Executive Committee and senior management

- Design and establish risk management and internal control systems
- Ensure that the risk appetite of the Board is understood by risk owners and decision makers
- Ensure risks are adequately managed
- Conduct an annual assessment of strategic risk

##### Risk and compliance functions

#### Monitoring and compliance

- Develop and manage the ERM process
- Monitor risks and controls
- Develop and manage policies and control frameworks
- Ensure financial, legal and ethical compliance
- Ensure security, quality, and health and safety

### 1st

#### Line of defence

##### Business management

#### Risk ownership and mitigation

- Identify, manage and escalate risks
- Set business strategic objectives
- Establish and apply internal control systems
- Escalate issues to the Executive Committee as required

##### Operational teams

#### Conducting business activities in accordance with Group policies and standards

- Understand roles and responsibilities
- Comply with policies
- Follow risk management processes

The Group's ERM framework is the responsibility of the Executive Committee who ensure that it is effectively deployed throughout the Group. Our ERM process supports open communication on risk between the Board, the Audit & Risk and Executive Committees, our businesses, functions and sites. It enables us to manage and monitor the risks which could threaten the successful execution of our strategy and ensures our strategic, financial, compliance and operational risks are appropriately considered by the Executive Committee and by the Board.

Running a business involves the continual assessment and management of risks – it is an integral part of day-to-day operations within our business and functional teams who both manage and report on risks. They identify new and emerging risks, escalate where appropriate, and take action to ensure risks are managed as required. Our businesses also conduct annual assessments of the risks they face. In FY2024 these were updated to ensure that the latest views were presented and considered.

During FY2024 the Executive Committee agreed the ERM timetable, and the risks selected for deep-dive discussions at Executive, Audit & Risk Committee and Board meetings. These were: major programme execution; inventory; supply chain; cyber; and legal and compliance. The Group's list of principal risks was also discussed and recalibrated by the Executive Committee with Organic Growth being removed as a principal risk as it is now embedded within our commercial and technology risks.

The following items relating to our principal risks were also discussed at Board, Nomination & Governance, Remuneration & People and Innovation, Sustainability & Excellence Committee meetings during FY2024: organic growth and financial performance; tax, treasury, liquidity, pensions and insurance; geopolitics; cyber security, artificial intelligence and technology; health and safety; acquisitions; litigation; our people strategy; and ESG matters.

In addition, a further 16 risk workshops were facilitated at operational sites during the year to support the bottom-up view of risk that has fed into divisional and functional risk assessments.

In line with requirements for risk owners to demonstrate how they provide assurance that controls are working effectively, examples have been provided as part of our principal risk descriptions starting on page 42. In response to recent amendments to the UK Corporate Governance Code, we have initiated a comprehensive review and assessment of all material controls that mitigate our principal risks. This initiative encompasses an evaluation of the levels of assurance provided by our various lines of defence. As part of this process, climate change risk was chosen as a pilot, and the findings were presented to the Audit & Risk Committee. We will extend this review process throughout FY2025.

### Emerging risks

Emerging risks and horizon scanning are integrated into our ERM process with activities taking place across our businesses and sites to identify risks specific to their business lines. Functions in the business often take the lead in identifying and promoting risk awareness and mitigation activities, whilst raising those of a material nature to the attention of the Audit & Risk Committee.

At present, we are monitoring the regulatory landscape for changes that could limit the use of certain restricted substances, and the risks and opportunities associated with the adoption of artificial intelligence.

The Directors consider the risk management process to be effective.

# Principal risks and uncertainties

We maintain a register of principal risks and uncertainties faced by the Group which could materially impact our financials, operations and achievement of our strategic ambitions.

## Risk process

On an annual basis we review each risk and rate a number of factors: gross impact, applying the hypothetical assumption there are no mitigating controls in place; residual impact and likelihood, taking into account existing mitigating controls; the reputational impact of a risk; and velocity, which reflects the expected time we would have to react should a risk materialise. These, in turn, drive mitigation priorities. A trend metric shows the net position of the risk year-on-year. We report on the connectivity between risks to help understand the potential for one risk to have an impact on another. This is presented against each risk in the form of a 'risk relationship' chart indicating the linkage between each principal risk and others on the list. This has been used as an input to the Viability Statement assessment and for risk scenario planning and mitigation work.

## Changes to principal risks

Our principal risks continue to evolve in response to our changing risk environment. This year, based on our monitoring of emerging risks, none have been deemed material enough to be promoted to being principal risks and therefore no risks were promoted to principal risks during FY2024. However, organic growth was removed as a principal risk as it is now embedded within our commercial and technology risks.

While we continue to monitor and manage a wide range of risks, the tables that follow summarise those risks considered to have the greatest potential impact if they were to materialise.

## Principal risks and uncertainties

Principal risk	Link to strategy	Gross risk	Residual risk	Likelihood	Velocity	Trend
<b>1. Economy and geopolitics</b> Economy and geopolitical environment		High	Moderate	Likely	Days	↗
<b>2. Cyber security</b> Enterprise or product cyber event		High	Moderate	Likely	Days	—
<b>3. Business continuity</b> Business disruption to supply chain or operations		High	Moderate	Probable	Weeks	—
<b>4. Technology</b> Disruption by existing or future competitors		Very High	Moderate	Probable	Years	—
<b>5. Product quality</b> Failure of product causes serious harm to people/property		Moderate	Low	Probable	Weeks	—
<b>6. Commercial</b> Loss of focus on customers, not competing in the right markets		High	Low	Possible	Years	—
<b>7. People</b> Ability to attract and retain people		Moderate	Low	Possible	Months	—
<b>8. Legal and compliance</b> Significant ethical breach or failing to meet contractual obligations		High	Low	Possible	Days	—
<b>9. Climate change</b> Missed opportunities in energy transition and change in climate conditions causing business disruption and economic loss for the Group		High	Low	Possible	Years	—



### Key

#### Link to strategy



Growth



People



Execution

### Likelihood

Almost certain

>80%

Likely

>60%

Probable

>40%

Possible

>20%

Unlikely

<20%

### Trend year over year

New

Stable

Up

### Connectivity between principal risks

Principal risk	Economy and geopolitics	Cyber security	Business continuity	Technology	Product quality	Commercial	People	Legal and compliance	Climate change
<b>Economy and geopolitics</b>		✓	✓			✓	✓		
<b>Cyber security</b>	✓		✓	✓					
<b>Business continuity</b>	✓	✓					✓		✓
<b>Technology</b>		✓				✓	✓		✓
<b>Product quality</b>						✓		✓	
<b>Commercial</b>	✓			✓	✓				✓
<b>People</b>	✓		✓	✓				✓	✓
<b>Legal and compliance</b>					✓		✓		✓
<b>Climate change</b>			✓	✓		✓	✓	✓	

## 1. Economy and geopolitics – Impact of economic and geopolitical environment

The challenging economic and geopolitical environment in which we operate may have an adverse effect on demand for our products, our cost structure, pricing strategies, profitability and market share. External adverse events could cause an unanticipated and sudden disruption to our business.

### How this could impact our strategy or business model

- Geopolitical tensions relating to Russia, China, India and the Middle East could adversely impact our operations
- The introduction of new tariffs and/or taxes could adversely impact our financial performance
- A regional or global recession could reduce demand for our products
- If we are unable to pass additional inflation on through pricing, our financial performance may suffer

### Examples of how we manage this risk

- Our geographic footprint and diversified portfolio of businesses mitigate the exposure we have to any one country or sector
- Our businesses monitor order flows and other leading indicators to enable a quick response to deteriorating market conditions and tariffs/trade barriers
- Our government relations team actively monitors relevant developments and represents our interests
- Our network of trade compliance officers across the Group monitors current and future changes in regulation and oversees import and export activities
- The Board receives ad hoc updates from external speakers on geopolitical events

### Examples of how we know the controls are working effectively

- Business reporting on order trends at monthly operating reviews
- Active tracking of inflation and pricing at monthly operating reviews

### Developments in FY2024

- We have continued to monitor increasing international tensions and the rise of nationalism and populism; ongoing wars and conflicts in the Ukraine and Israel-Gaza; and other political developments including the US presidential election campaigns



**Risk owner**  
Chief Financial Officer & General Counsel

**Trend**  
↗ Up

## 2. Cyber security – Impact of enterprise or product cyber event



Cyber attacks attempting to compromise the confidentiality, integrity and availability of IT systems and the data held on them are a continuing risk. We operate in markets and product areas which are known to be of interest to cyber criminals. Digitalisation and increased interconnectivity of our products intensifies the risk.

### How this could impact our strategy or business model

- If a cyber attack compromised confidentiality, integrity or availability of our assets, it could adversely affect our ability to deliver to customers and, ultimately, our financial performance and reputation
- If we had a cyber security breach, we could be exposed to significant losses, particularly concerning our security products. These could include not only customer losses but also those of a potentially large class of third parties

### Examples of how we manage this risk

- Board oversight of the ‘defence in depth’ approach to mitigating cyber risk
- Proactive focus on information and cyber security risks supported by a robust governance framework
- Group-wide assessment of critical information assets and protection to enhance security
- Information Security Awareness programme
- Security monitoring to provide early detection of hostile activity on Smiths networks and an incident management process
- Partnership and monitoring arrangements in place with critical third parties, including communication service providers
- Cyber risk analysis and mitigations embedded in the product lifecycle process to increase resilience

### Examples of how we know the controls are working effectively

- Formal reviews with the Executive Committee and the Board
- Vulnerability scanning/event reporting
- External reviews of threats, processes, controls and capabilities
- Mandatory staff training
- Compliance with recognised standards

### Developments in FY2024

- In the light of the constantly changing cyber threats and publicised cyber attacks that have taken place throughout the year, our Business Information Services function has continued to improve our preventative and remediation controls and has provided updates to the Audit & Risk Committee on our cyber risks and mitigating actions

**Risk owner**  
Chief Financial Officer

**Trend**  
— Stable

## 3. Business continuity – Business disruption to supply chain or operations



Disruption to our supply chain, manufacturing or service operations, or customers’ operations could impact our financial performance.

### How this could impact our strategy or business model

- If we are unable to deliver products and services to our customers, it will adversely affect our financial performance and reputation
- Cost pressure and volatility in commodities, goods and labour may affect our ability to serve customers and erode our competitive advantage

### Examples of how we manage this risk

- SES has increased our focus on resilient and cost-effective supply
- We have business continuity and disaster recovery plans in place for critical locations
- We regularly evaluate key sites against a range of risk factors using external benchmarks
- Mitigation plans are in place for sole source suppliers, sub-contractors and service providers, including qualifying alternative sources of supply where appropriate
- Property damage and business interruption insurance

### Examples of how we know the controls are working effectively

- We test business continuity plans annually
- Divisional risk mitigation plans reviewed by the Audit & Risk Committee
- Business interruption risk surveys which are completed annually with an external provider at key operational sites
- Insurance is reviewed at least annually by the Audit & Risk Committee

**Risk owner**  
Business Presidents

**Trend**  
— Stable

#### 4. Technology – Technology disruption by existing or future competitors

If we fail to maintain our technological differentiation and our innovation pipeline does not meet customers' evolving requirements, we may lose market share to a new or existing competitor. This could impact our financial performance and our ability to attract and retain talent.

##### How this could impact our strategy or business model

- If our technological differentiation were to erode, it could have an adverse effect on our financial performance and our ability to attract and retain talent
- We may fail to deliver anticipated organic growth, which may lead to missing strategic growth targets and shareholder value erosion

##### Examples of how we manage this risk

- We proactively position our portfolio around the most attractive markets where we can sustainably hold a leadership position based on technology differentiation
- We diversify our portfolio to serve a range of sectors and geographies, and mitigate exposure to any one sector or area
- Continued investment in R&D (FY2024: 3.5% of Group revenue, FY2023: 3.7%) with an increasing focus on shared digital development
- We focus on nurturing a culture of innovation
- We focus on processes that support new product development and commercialisation
- We track Gross vitality as a KPI
- We maintain robust intellectual property (IP) protection via patents and other protections, and pursue litigation to protect our differentiation, where appropriate

##### Examples of how we know the controls are working effectively

- Product commercialisation progress is assessed as part of the monthly operating reviews
- The consideration of technology priorities as part of our long-term strategic planning
- Regular reviews by the ISE Committee of both new product development and commercialisation



##### Risk owner

Business Presidents

##### Trend

— Stable

#### 5. Product quality – Failure of product causes serious harm to people/property

Failure of one of our products, including failure due to non-compliance with product regulation, may result in financial loss and reputational damage. In the ordinary course of business, we could be subject to material product liability claims and lawsuits, including potential class actions from customers or third parties.

##### How this could impact our strategy or business model

- If we were to suffer reputational damage, it could lead to a loss of customers/future business
- If our products were to cause material harm to people or property and/or business interruption for customers due to quality issues, design defects, manufacturing failures or component failures, we could suffer reputational damage, loss of business and higher costs beyond anticipated warranty claims. These may include contractual claims for penalties, indemnities and damages, and also product liability claims arising from end-users

and other affected third parties (potentially large classes)

##### Examples of how we manage this risk

- Business quality risk assessments that address product failures, product performance, product safety, product compliance, regulatory compliance, and market authorisation
- Quality assurance processes embedded in manufacturing locations for critical equipment, supporting compliance with customer requirements and industry regulations
- Quality development and quality integration built into new product development processes
- Risk analysis and mitigation processes relating to product cyber resilience embedded in the product lifecycle process. Proactive steps taken to ensure product cyber-related risks are continually monitored and managed

- Insurance cover for product liability and other related risks such as aviation grounding. Insurance and legal teams collaborate to ensure that contracts (and supplier flow-downs) cover insurance issues, and that claims are notified
- Contracting and litigation managed under the oversight of the Group General Counsel with regular reporting to the Executive Committee and Board

##### Examples of how we know the controls are working effectively

- Regular quality reporting (e.g., cost of poor quality [COPQ]) and actions to drive improvement in key metrics
- Group and business governance frameworks (including Delegation of Authority) ensure a close working relationship between legal and commercial teams (including quality) to manage risks



##### Risk owner

Business Presidents

##### Trend

— Stable

## 6. Commercial – Loss of focus on customers and not competing in the right markets



Failure to act in a timely manner and adapt our market strategy in response to changes in the commercial environment in which we operate may result in an adverse effect on our financial performance and market share.

### How this could impact our strategy or business model

- If we fail to develop growth markets and geographies, it could affect our strategic progress and financial performance
- Significant disruption to government budgets could result in fewer contracts being awarded to Smiths, adversely affecting our financial performance
- If we do not innovate in line with our customers' needs, we may lose market share, and this could adversely impact our results
- Lack of growth and/or erosion of our market leadership positions could impact our ability to attract and retain talent

### Examples of how we manage this risk

- A clear Group strategy to achieve organic growth goals, underpinned by detailed business strategies
- Detailed reviews of existing and potential new markets to identify opportunities with significant growth potential
- An annual incentive programme to support profitable growth
- New product innovation feedback through market research and direct feedback from existing and potential customers
- Our diversified portfolio of businesses mitigates exposure to any one country, sector or customer
- Our growth strategy places emphasis on expanding operations in higher-growth customer markets as well as geographic regions which are currently underserved, including Asia
- Our regular strategy reviews evaluate adjacent market opportunities and the evolving competitive environment including reviewing new/potential market entrants

- Our Government Relations function collaborates with colleagues across the Group to advise on developments

### Examples of how we know the controls are working effectively

- Business monthly operating reviews
- Strategic reviews, including commercial excellence reviews, and business deep-dives, including detailed monitoring of pricing
- Customer input is gathered frequently to inform new product development, marketing segmentation/communication, and customer service improvement
- Strong and long-term customer relationships
- Managing Director councils in India and China provide cross-business alignment to support our growth strategy

**Risk owner**  
Business Presidents

**Trend**  
— Stable

## 7. People – Ability to attract and retain people



Failing to attract, develop and retain the right people with the right skills may affect our ability to achieve our commercial ambitions.

### How this could impact our strategy or business model

- If we do not attract and retain key talent, our business performance may suffer
- If we do not retain key management when we make acquisitions, we may not realise the value of those acquisitions

### Examples of how we manage this risk

- Fair and competitive pay practices
- Focus on people development and promotion from within
- Ongoing investment in leadership training
- Investment in early career programmes
- Diversity and inclusion initiatives
- Establishing the talent attraction organisation
- Increasing internal talent mobility

### Examples of how we know the controls are working effectively

- Formal and informal measures of culture, for example, our regular employee engagement surveys
- The Remuneration & People Committee's regular review of key people metrics

**Risk owner**  
Chief People Officer

**Trend**  
— Stable



## 8. Legal and compliance – Significant ethical breach or failing to meet contractual obligations



We have c.15,750 colleagues in more than 50 countries. Individuals may not all behave in accordance with the Group's Values and in accordance with ethical and legal requirements. We operate within increasingly complex legal regimes, often in highly regulated markets and with governments, customers and suppliers requiring strict adherence to laws. We may fail to deliver contracted products and services or fail in our contractual execution due to delays or breaches by our suppliers or other counterparties.

### How this could impact our strategy or business model

- An ethics or compliance breach could cause harm to our reputation, financial performance, customer relationships and our ability to attract and retain talent
- Failure to comply with trade compliance requirements (import and export) could lead to significant fines and/or delays to procurement or supplies
- Failure to meet strict conditions within government contracts, particularly in the US, could prevent us from bidding for contracts or have other serious financial and reputational consequences
- Breach of contract resulting in significant expenses due to disputes and claims, loss of customers, damage to our reputation with other customers/prospective customers, and loss of revenue and profit due to higher costs, liquidated damages or other penalties

- Contracts, particularly those with governments, may include terms that provide for unlimited liabilities, including for loss of profits, IP indemnities, perpetual warranties or allowing the counterparty to cancel, modify or terminate unilaterally and seek alternative sources of supply at our expense

### Examples of how we manage this risk

- Our ethics and compliance team run a proactive programmatic approach, areas of which are at different stages of maturity including:
  - Managing an independent Speak Out reporting line and investigations process with communications encouraging the reporting of ethics violations (includes ability to report anonymously and a non-retaliation policy)
  - Anti-bribery and anti-corruption training is mandated for all employees online; and in-person training with a process for monitoring and reporting compliance
  - Policies and processes to mitigate risks are in place, including agent and distributor-related risks through due diligence, contractual controls and internal approvals
  - Anti-trust training programmes
- Modern Slavery and Transparency Statement and procedures to reduce the risk within the Group and our supply chain

- Network of trade compliance officers across the Group who monitor current and future changes in regulation and oversee import and export activities
- Monitoring and acting on upcoming legislative changes
- Multi-functional programme for General Data Protection Regulation (GDPR) compliance

### Examples of how we know the controls are working effectively

- Multiple measures to assess culture including My Say results, Speak Out reports, Ethics Pulse surveys, internal audit findings, exit interviews and ethics questions in performance reviews
- Monitoring and reporting on compliance with ethics policies, training statistics, investigations and Ethics Pulse metrics (Executive Committee and Audit & Risk Committee oversight)
- Divisional legal teams embedded in the business and working cross-functionally throughout the contract lifecycle. Contract risk tool rolled out in three divisions and used to assess mitigation of risk through contract negotiations

### Developments in FY2024

- In response to changes made to Provision 29 of the UK Corporate Governance Code (applicable to periods beginning after 1 January 2026), exercises have begun across the Group to identify all material controls with a pilot of the process having been completed for the climate change principal risk in June 2024

**Risk owner**  
Group General Counsel

### Trend

— Stable

## 9. Climate change – Missed opportunities in energy transition and change in climate conditions causing business disruption and economic loss for the Group



Failure to identify and act on the significant opportunities arising from the world's transition to a low-carbon economy and/or failure to respond appropriately to climate change risks and regulation.

### How this could impact our strategy or business model

- If we do not position ourselves to serve our customers and growing markets in decarbonisation and green re-industrialisation, we will not reach our full commercial potential
- If we do not make progress towards and then achieve our own Net Zero commitments our company reputation and customer relationships may be damaged
- We may not be able to attract and retain key talent if we are not viewed as a socially responsible and sustainable organisation
- If we do not communicate sufficiently our approach to managing climate opportunities and risk, we may limit the number of interested debt and equity investors

- Extreme weather caused by climate change may have an impact on our markets and our operations if not identified and addressed

### Examples of how we manage this risk

- The Group has reviewed and is pursuing strategic market opportunities arising from the energy transition/decarbonisation
- Products with a sustainability impact have been prioritised for commercialisation in our new product pipelines
- We have in place a comprehensive Net Zero/climate transition plan for Scope 1, 2 and 3 GHG emissions validated by the Science-Based Targets initiative (SBTi)
- GHG reduction and energy efficiency targets are built into our performance scorecard and our annual and long-term incentive plans
- We have published our Sustainability at Smiths report and communicate regularly internally and externally on environmental matters

### Examples of how we know the controls are working effectively

- All businesses are engaged in new product development that contributes to sustainability
- Our FY2024 Scope 1 & 2 GHG reduction of (10.7)% is in line with the trajectory needed for our SBTs
- The ISE Committee meets four times a year to review sustainable products and progress on our sustainability goals
- We monitor and benchmark our ESG ratings published by Sustainalytics, ISS, CDP and MSCI
- The environmental commitment topic scored highly in our My Say employee survey

### Developments in FY2024

- In response to changes to regulation regarding climate change (including CSRD and IFRS Climate-related disclosures), a cross-functional working group has been set up to provide oversight and leadership in response to reporting requirements

**Risk owner**  
Head of Smiths Excellence & Sustainability

**Trend**  
— Stable

**See more**  
TCFD disclosure  
[→ Page 49](#)

# Task Force on Climate-related Financial Disclosures

## Compliance statement

### FCA Listing Rules

In this report, we set out our climate-related financial disclosures consistent with all of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures pursuant to Listing Rule 6.6.6(R)8(a)(b). This includes all four of the TCFD pillars and the 11 recommended disclosures set out in the report entitled 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021 by the TCFD. In completing this work, we made use of TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets and Transition Plans, and the TCFD Guidance for All Sectors. We are reporting against the TCFD framework in line with FCA Listing Rules.

The TCFD provides an internationally recognised framework to provide clear, comprehensive and high-quality information on the impacts of climate change. Over several years, we have progressed our alignment with the TCFD recommendations to embed the management of climate-related risks and opportunities into our processes, and to ensure that our business strategy is adapting to the effects of climate change.

This year we undertook an in-depth review of the findings of the climate scenario analysis work conducted in 2022 in a series of risk and opportunities workshops which included quantitative assessment. The outputs of these workshops are presented on pages 54 to 57. We have also introduced additional metrics and targets related to climate change. See page 57.

Our diverse range of products and geographical spread of assets allows the business to be resilient to climate risks, such as cost and availability of resources and weather impacts, in the short term. We are also well prepared for market opportunities presenting themselves as a result of climate change and the energy transition. However, we recognise the potential impacts of climate risks on our business in the long term and, as detailed on pages 54 to 57, have continued to implement mitigation strategies to ensure that we remain resilient.

In FY2025, as climate risk and opportunities assessment continues to be embedded into our ongoing business processes and planning, we intend to conduct new climate scenario work in line with latest developments and best practices using the most up to date and relevant climate scenarios.

## Governance

### Board

The Board has overall responsibility for our approach to sustainability matters, including climate change. Oversight of this is delegated to Board sub-Committees. Specifically, the Audit & Risk Committee oversees climate risk management while the Innovation, Sustainability & Excellence (ISE) Committee oversees delivery of our commitments in relation to climate change. The Board has oversight of our Group-level and business strategies, receiving performance updates from our four businesses twice a year. This includes an annual strategy presentation and operational updates. Our businesses report to the ISE Committee on a rolling annual basis. Read more about the work of the ISE Committee on page 94.

Our Board has a collective competency for sustainability matters, including climate change. Individual Directors have sustainability experience gained from current and previous positions held at other companies. When determining Board Committee composition, the relevant skills and experience of the individual Non-executive Directors are considered, to ensure each Committee has the required competencies. Further detail can be found in the Board biographies on pages 73 and 74 and the Board governance model is described on page 72.

### Strategic decisions relating to climate risks and opportunities

As the world transitions to a low-carbon economy, the Group has identified a number of climate-related opportunities relating to global investment in decarbonisation and green re-industrialisation. Commercialising these high-value green technologies is a strategic priority and is built into our businesses' strategic plans. The Board considers climate-related issues when reviewing strategy and performance

objectives. The ISE Committee reviews our net zero operational transition plans and regularly reviews climate metrics and targets such as energy efficiency, GHG, water and waste. These metrics are also discussed in management reviews.

Pages 87 to 93 and 94 to 95 detail the work of our Audit & Risk Committee and ISE Committee in relation to overseeing climate risks and the delivery of climate-related opportunities respectively.

### Executive Committee

Business Presidents form part of the Executive Committee and are responsible for our businesses' approach to sustainability, including climate change. The Executive Committee reports to the CEO, who reports directly to the Board six times a year. Discussions at the Executive Committee relate to commercial climate activities such as new product development and new market opportunities, and operational climate activity, such as energy and GHG reductions. The Head of Smiths Excellence & Sustainability and Group Head of Strategy and Communications oversee the Group's overall direction, targets and reporting on operational and commercial sustainability matters.

Climate-related risks are managed and reported in line with wider risk management processes, with the outcomes of business assessments integrated into executive-level strategic planning and priorities. Climate-related opportunities such as those relating to the decarbonisation and the energy transition agenda have been communicated to the Executive Committee and Board, culminating in a Group-wide strategic response for markets and opportunities.

A number of key climate-related issues were discussed by the Executive Committee and the Board in FY2024 including:

1. Progress against the Group's SBTs and transition planning for Net Zero Scope 1, 2 and 3 emissions
2. Strategic opportunities arising from the energy transition/decarbonisation
3. Alignment of remuneration with environmental targets

### Executive remuneration

Scope 1 & 2 reduction targets aligned to our SBTs continue to make up part of our incentive plans. From FY2023 onwards, we introduced climate-related metrics (energy efficiency) into our Annual Incentive Plan (AIP) and (absolute GHG reduction) into our Long-Term Incentive Plan (LTIP) to more closely align decision-making and ownership of climate goals. Details can be found in the Remuneration & People Committee Report on pages 96 to 97. FY2025 remuneration continues to incorporate these climate-related metrics.

## Strategy

### Climate risks and opportunities

We have identified a range of physical and transition risks and opportunities that could impact our business.

Climate change gives rise to legal risks, such as stricter GHG emission regulations, as well as market risks such as from new and emerging competitors and changes in the industries we serve. Extreme weather events such as floods and extreme temperatures pose physical risks, including damage to assets, both owned by us and within our supply chain, as well as disruption to transportation routes and the safety of our people. More extreme temperatures may also lead to new market opportunities, such as remote sensing and cooling systems.

The time horizons considered for identified climate-related risks and opportunities are found in the table below. Our strategic planning horizon has three distinct time periods: short term (5 years), medium term (5-10 years), and long term (beyond 10 years). The level of uncertainty and number of unknown variables increases as the timeframe extends.

While we recognise that climate-related risks will occur over short-, medium- and long-term horizons, our assessment determines that climate-related risks and opportunities are likely to impact the business in the medium and long term only and we believe that we remain resilient to short-term climate risks with the adaptation and mitigation strategies currently in place. We have also determined that none of the climate risks identified represent a material financial risk to the business in the time periods considered, although identified as a Group principal risk in aggregation.

### Time horizons for materialisation: climate risks and opportunities

	Description
Short term	2024-2029
Medium term	2029-2033
Long term	2033 and beyond



### See more

Delivering Net Zero GHG

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The ISE Committee is responsible for overseeing the delivery of climate-related commitments and opportunities, such as the commercialisation of green products, mitigating the impacts of climate change, and setting and reviewing progress against relevant climate-related targets.



### See more

Audit & Risk Committee Report

→ Page 87



### See more

Innovation, Sustainability & Excellence Committee Report

→ Page 94



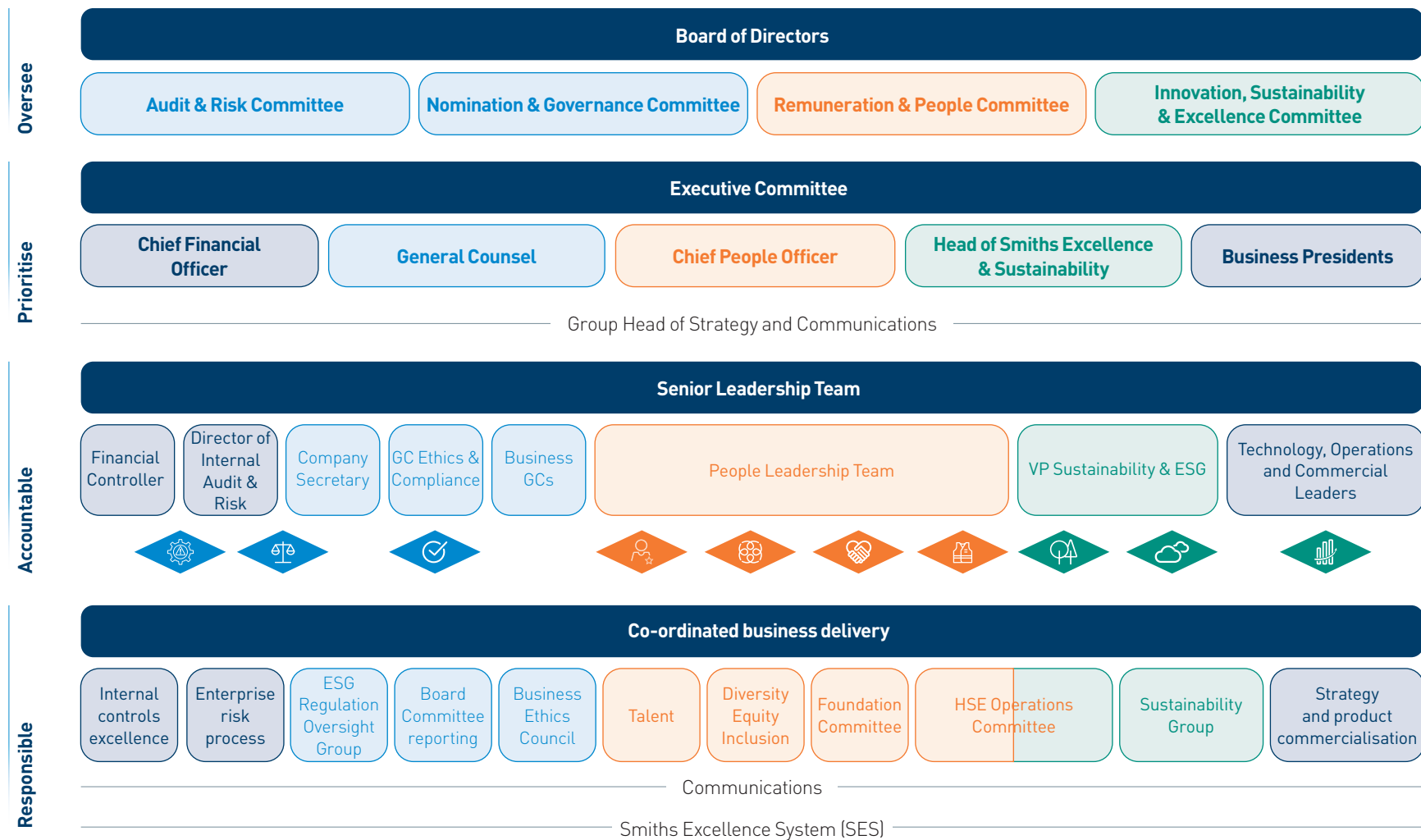
### See more

Remuneration & People Committee Report

→ Page 96

## ESG Governance and delivery

The diagram below shows how sustainability/ESG matters are managed at Smiths. As described on page 49, climate matters are integrated into this overall management framework.



## Distribution of Smiths green technology

The transition to a low-carbon world poses significant opportunities for Smiths as demand for green technology and energy efficient products increases.

### Efficiency and circular economy solutions

#### Solutions that help our customers to use less, waste less and reduce emissions

- Lower emission oil & gas value streams
- Resource efficiency in industrial processes
- Water reduction for process industries and energy transition minerals
- Effective and lower energy safety and security infrastructure
- Detection solutions for resource mining and recycling
- More efficient buildings
- Smaller, lighter and more efficient connectivity components

John Crane

Smiths Detection

Flex-Tek

Smiths Interconnect

### Green electrification

#### Solutions that help our customers move away from fossil fuels to green electricity

- Electrical heating for buildings and industrial processes
- High-power connectors for electricity transmission

Flex-Tek

Smiths Interconnect

### Low-/no-carbon fuels

#### Solutions that help our customers to produce, transport, store and use new fuels

- Compression, transportation and storage of hydrogen
- Pumping and filtration of biofuels, synthetic and other low-carbon fuels

John Crane

Flex-Tek

### Carbon capture

#### Solutions that help our customers capture, transport and sequester carbon

- Carbon capture technology
- Carbon transport and storage

John Crane

See our website [www.smiths.com](http://www.smiths.com) for more information on decarbonisation megatrends and how we are commercialising high-value green technologies.



#### See more

Commercialising high-value green technologies

→ Page 34

## Scenario analysis

We have carried out scenario analysis on our climate risks and opportunities for several years, collaborating with external consultants.

While scenario analysis is hypothetical and does not provide a certain forecast, it helps to identify how our most material climate-related risks and opportunities will likely impact us and our operations in the future. This subsequently informs our risk management strategies, as well as the metrics and targets we use to monitor such issues, enabling us to become more resilient to risks and seize opportunities in the medium to long term.

This year, we have reviewed the findings of the scenario analysis conducted in FY2022 through a series of risk and opportunities workshops and have assessed the financial impact of the risks and opportunities identified. We found no significant changes to the modelled impact of climate risks and opportunities vs our disclosure in FY2023, other than:

- Potential health and safety risks to our people (at our sites and in the field) from heatwaves and water supply issues
- R&D and capital costs for product design arising from changes in our markets
- Opportunities arising from the development of electric aircraft

The Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway RCP 4.5 and RCP 8.5 scenarios were used for the physical assessment. These scenarios highlighted a change in annual rainfall levels at our sites and seasonal differences in temperature as well as more frequent and severe extreme weather events such as flooding, wildfires and drought. See pages 54 to 57 for more information on how we are managing these impacts.

The International Energy Agency's (IEA) World Energy Outlook Sustainable Development Scenario (SDS) and Stated Policies Scenario (STEPS) were used for transition scenarios to assess the potential achievements of energy and climate policy and alignment with the Paris Agreement to hold the rise in global average temperature to well below 2°C.

## Impact on the business, strategy and financial planning

Our Net Zero transition plan and GHG emissions reduction targets for Scopes 1, 2 and 3 were approved by the Science-Based Target initiative (SBTi) in December 2023. These outline our operational Net Zero GHG trajectory to meet a 1.5°C scenario by achieving Net Zero Scope 1 & 2 emissions by 2040 and Net Zero Scope 3 emissions by 2050. This aligns with the Net Zero by 2050 targets set out by the UK and US governments (which are our largest areas of operation). Our transition plan was developed with consideration of the updated TCFD guidance and lays out our 2028, 2032 and long-term Net Zero milestones. See Delivering Net Zero GHG on page 35.

Business-level initiatives and actions to reduce Scope 1 & 2 emissions are based on energy efficiency, green electricity (including implementation of solar technologies and fleet electrification), and alternative fuels. The majority of our Scope 3 emissions will be addressed by in-country grid decarbonisation and via targeting significant suppliers with education and training to set and meet their own SBT targets.

The opportunities identified within the climate scenario analysis form part of our strategic priority to commercialise high-value green technologies to increase green product revenues.

## Risk management

We have a Group-wide approach to risk management which is discussed in detail on pages 40 and 41. Details of how we manage our Climate change risk can be found on page 48.

Our climate risk assessment work considers a wide range of risks relating to climate change identified with the support of external technical specialists and then evaluated through Group and business workshops. See climate risks and opportunities on pages 54 to 57. These include, for example, impacts relating to damage to assets from weather events, cost and availability of resources, regulation related to GHG emissions and increased demand for green technologies. The identification process includes assessment of the full value chain, such as impacts relating to key supply chain assets from extreme weather events.

In FY2025 we will supplement ongoing climate risk management activity with new climate scenario work in line with latest developments and best practices using the most up to date and relevant climate scenarios and will review climate metrics and targets accordingly.

A summary of our risk and opportunities assessment across each scenario can be found below.

Risk/opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario RCP8.5 scenario				Financial Impact
							2040 medium term	2080 long term	2040 medium term	2080 long term	
<b>Physical risks</b>											
<b>Damage to Group assets from extreme weather events</b>	Extreme weather events: hurricanes; tropical storms; flooding; wildfires; and sea-level rise.	Environment (acute physical)	Medium	All businesses	Increased costs and resulting revenue losses due to repair and increasing insurance costs.	All sites are required by policy to complete annual site-specific risk assessments through the divisional Business Continuity Plans review, which considers risks from a wide range of issues, including from severe weather.  A number of John Crane sites have been identified as vulnerable, so mitigation measures are being put in place such as: relocations; alert systems; guidance from insurance providers when sites come up for insurance policy renewal; and local, specific mitigation measures such as independent generators.	●	●	●	●	Between £25-50 million effect on revenue
<b>Damage to key supply chain assets from extreme weather events</b>			Medium	All businesses	Loss of revenue due to disruption/delay of manufacturing processes.	Development of a coordinated procurement process for consideration of physical risks in procuring new suppliers	●	●	●	●	Between £25-50 million effect on revenue
<b>Temperature regulation requirements during heatwaves and cold snaps</b>	Increasing average temperatures across all seasons, as well as more extreme heatwaves and cold snaps requiring the temperature in buildings to be regulated in order to minimise health and safety risks.	Environment (chronic physical)	Medium	All businesses	Health and safety risks from overheating or freezing mean there are higher operating costs from increased air conditioning and heating. Capital costs associated with retrofitting assets to provide sufficient temperature are also high.	Consideration of extreme weather risk when deciding where to expand existing operations and annual business continuity reviews across our sites.	●	●	●	●	Between £25-50 million effect on revenue
<b>Health and safety risks</b>	Health and safety risks due to overheating from heatwaves and water supply issues due to regional water scarcity.	Environment (acute physical)	Long or Medium	All businesses	Loss of revenue due to operations having to be temporarily shut. Increased costs from implementation of cooling systems.	A number of our facilities have been identified as vulnerable to the effects of climate change and extreme weather. There are health and safety risks associated with the increased frequency and severity of heatwaves, droughts and higher temperatures.	●	●	●	●	Between £25-50 million effect on revenue
<b>Disruption to transportation and distribution networks from extreme weather events</b>	Weather events directly impacting transportation networks.	Environment (acute physical)	Medium	All businesses	Loss of revenue due to delays in getting products to market, caused by supply chain disruption.	We are reviewing and investigating ways to minimise travel distances by ensuring products are produced as close to customers as possible.  We aim to avoid the use of single-source materials to increase resilience over regional disruption. This includes looking at reducing double handling of products by having suppliers send directly to customers.	●	●	●	●	Between £25-50 million effect on revenue



Key

Risk key	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25-50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50-100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100-250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.



Risk/ opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario RCP8.5 scenario				
							2040 medium term	2080 long term	2040 medium term	2080 long term	
<b>Physical opportunities</b>											
<b>Growth in remote sensing market</b>	Smiths Interconnect: Growth in satellite demand and requirements for climate change/ weather/environmental tracking and monitoring.	Environment (chronic physical)	Medium	Smiths Interconnect	Increased revenue from growth in demand for satellite technology for environmental monitoring and tracking.	Opportunities in remote sensing and cooling systems have been incorporated into business planning and other relevant sectors are also being monitored for changes in demand (e.g., communication systems).	●	●	●	●	
<b>Increased demand for cooling systems</b>	Ongoing extreme variation in global temperatures will increase demand for heating, ventilation and air conditioning (HVAC) systems from Flex-Tek globally.	Environment (chronic physical)	Medium	Flex-Tek and John Crane	Increased revenue from increased demand for residential and domestic cooling systems, driven by ongoing variation in global temperatures.		●	●	●	●	
	John Crane also has the opportunity to develop sealing and water filtration technology for transportation and cleaning of water in water-stressed locations.										



**Key**

Opportunity key	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25-50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50-100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100-250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.

Risk/opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario RCP8.5 scenario				Financial Impact
							2040 medium term	2080 long term	2040 medium term	2080 long term	
<b>Transition risks</b>											
<b>Increased regulations and pricing on GHG emissions</b>	Regulations relating to GHG emissions, including the cost of reporting and complying with regulations (e.g., carbon taxes, CBAM).	Political and legal risk	Medium	All businesses	Greater costs associated with emissions reduction, monitoring and reporting obligations. Risk of reduced access to investment opportunities from failure to meet these.	We have established the Sustainability Group and other cross-functional working groups to drive and track initiatives.					Between £50-100 million effect on revenue.
<b>Increased transportation costs</b>	Greater fuel costs related to freight and internal transportation.	Market risk	Medium	All businesses	Greater fuel costs due to increased pricing on GHG emissions.	Reduction in double handling of products, optimising space in freight through reusable and recyclable packaging solutions and exploring localised business models.					Between £50-100 million effect on revenue.
<b>Cost and availability of resources</b>	Increased price and reduced availability of critical raw materials. For Smiths Interconnect, there are concerns around lithium and beryllium and for Smiths Detection there is a risk of limited supply of key components.	Market risk	Medium	All businesses	Limited supply of materials and components could lead to price volatility and production constraints.	The procurement team for Smiths Interconnect tracks critical raw materials and reports monthly. Actions are taken based on trends such as pre-buys or vendor managed inventory. The business also periodically looks at alternative materials.  Smiths Detection continually monitors availability of critical materials and parts for its products.					Between £50-100 million effect on revenue.
<b>R&amp;D, repurposing product design and services</b>	R&D and capital costs required to adapt existing products and processes to address demand contraction risks and competition from new products. Risk of unsuccessful investment.	Market risk	Medium	Smiths Detection and Flex-Tek	Potential need to shift product offering to suit evolving needs from customers.	Smiths Detection has an investment programme in place to improve product performance in anticipation of client and policy demands. Flex-Tek continually changes and adapts products to meet market demand for sustainable products.					Between £50-100 million effect on revenue.
<b>New and emerging competitors</b>	Reduced accessible market due to increased competition in Net Zero/energy efficiency space such as methane leakage. For example, there is a risk of overcrowding in the methane leak detection and remediation market for John Crane in 2030.	Market risk	Medium	All businesses	Reduced revenue due to greater competition in product market.	John Crane has implemented procedures to track and respond to changes in demand from traditional oil & gas customers to additionally target its portfolio of products and services to target new customers and markets, e.g., hydrogen and carbon capture.  Smiths Detection monitors power consumption of its products relative to competitors and product durability and strives to be best in class to lower total cost of ownership.					Between £25-50 million effect on revenue

**+**

**Key**

Risk key	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25-50 million effect on revenue
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4. High	Significant impact on the Group Financial impact: £100-250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.

Risk/opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario RCP8.5 scenario			
							2040 medium term	2080 long term	2040 medium term	2080 long term
<b>Transition opportunities</b>										
<b>Aviation/energy efficiency requirements</b>	Demand for energy-efficient detection products.	Products and services	Medium	Smiths Detection	Revenue from development of more energy efficient safety and security infrastructure.	Smiths Detection monitors power consumption of its products relative to competitors and product durability and strives to be best in class to lower total cost of ownership.	●	●	●	●
<b>Growth in energy efficiency products market</b>	Increased demand for efficiency and emission reduction products.	Products and services	Medium	John Crane	Increased revenue from sealing solutions that reduce hydrocarbon leakage from oil & gas and other infrastructure.	Continuing development of next generation solutions for oil & gas and other industrial customers that align with their decarbonisation targets, such as via digitisation.	●	●	●	●
<b>Demand for new products and services in the aviation sector</b>	Future development of electric planes. This is relevant for Flex-Tek to invest in R&D to ensure technology evolves in response to consumer preference.	Products and services	Medium	Flex-Tek	Revenue from the development of products to support electric flight	Monitoring progress of electric aviation technology and testing. Developing relationships with existing and new market players.	●	●	●	●

### Metrics and targets

We have identified relevant metrics and targets to monitor progress in achieving our sustainability goals, as well as manage and mitigate identified climate-related risks and opportunities as detailed on pages 54 to 57. Metrics and targets are monitored by the ISE Committee and inform decision-making to execute our strategic priorities.

Sustainability metrics form part of the Smiths annual (AIP) and long-term incentive plans (LTIP). These include metrics on energy efficiency and GHG emissions reductions (Scope 1 & 2 emissions absolute reduction target) respectively.

In December 2023, Smiths Group achieved a significant milestone with the validation of our SBTi targets. More information can be found on page 35. We also implemented the EcoVadis supplier management platform.

Our Scope 1 & 2 emissions have continued to decrease, as we progress conversion of our energy mix to renewable electricity, including the execution of on-site solar projects. We are also undertaking transition initiatives such as fleet electrification and site energy audits. Our Scope 3 emissions have also decreased year-on-year. Further details of Scope 1, 2 and 3 emissions can be found on pages 62 to 64 including progress during FY2024. More detail, including our methodology for calculation of emissions in line with the GHG Protocol, can be found on our website [www.smiths.com](http://www.smiths.com)

In FY2024 we set new targets for energy efficiency, renewable electricity, water, waste and supplier SBTs.

Information on how metrics and targets are linked to our incentive arrangements can be found in the Remuneration & People Committee Report from pages 96 and 97. Progress towards achieving other sustainability targets is included in the Sustainability at Smiths section from page 32. Our Scope 1, 2 and 3 GHG emissions data for FY2022 onwards has undergone an external limited assurance process.



#### Key

Opportunity key	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25-50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50-100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100-250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.



#### See more

Delivering Net Zero GHG

[→ Page 35](#)



#### See more

Remuneration & People Committee Report

[→ Page 96](#)

### Monitoring metrics and targets

The table below outlines the key metrics and targets used to monitor climate risks and opportunities. Performance against the majority of these metrics is monitored by the ISE Committee. Further detail, including historical performance, can be found on pages 62 to 64. Our FY2024 Sustainability at Smiths report describes the basis of preparation of our metrics and targets and includes all of our environmental data.

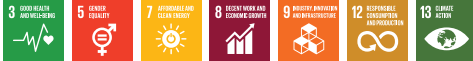
Topic	Metric	Unit of measurement	Targets and metrics reported externally	FY2024 performance	How is the metric used to monitor climate risks and opportunities?
<b>Energy efficiency/reduction</b>	Energy efficiency ratio	% change	4.5% improvement in FY2024	5.5% improvement vs FY2023 including HCP	Pricing on GHG emissions – tracking our GHG emissions helps us to remain aligned with upcoming regulations and is of value to our customers seeking to reduce emissions in their supply chains.
	Energy reduction	% change	2% reduction in FY2025		
<b>Renewable electricity</b>	Group percentage of electricity coming from renewable sources	%	66% by FY2024 80% by FY2027	73%	Pricing on GHG emissions
<b>GHG emissions</b>	Global Scope 1 GHG emissions Global Scope 2 GHG emissions market-based Combined Scope 1 & 2 emissions	tCO <sub>2</sub> e	Long-term target: net zero by 2040 17.5% reduction by FY2027	(10.7)% reduction vs FY2023	Pricing on GHG emissions
<b>GHG emissions</b>	Global Scope 3 GHG Emissions Category 1: Purchased Goods and Services Category 2: Capital Goods Category 3: Fuel- and energy-related activities not included in Scope 1 or Scope 2 Category 4: Upstream transportation and distribution Category 5: Waste generated in operations Category 6: Business Travel Category 7: Employee commuting Category 9: Downstream transportation and distribution Category 11: Use of sold products Category 12: End of life treatment of sold products Category 15: Investments	tCO <sub>2</sub> e	Long-term target: net zero by 2050 Interim target: 40% of suppliers by spend committed to SBTi targets by FY2027	(15)% reduction vs FY2023	Pricing on GHG emissions

Topic	Metric	Unit of measurement	Targets and metrics reported externally	FY2024 performance	How is the metric used to monitor climate risks and opportunities?
<b>Physical risks</b>	All site business continuity plans to be reviewed annually	%	Yes, not reported externally	N/A	All identified physical risks – reviewing our site business continuity plans enables us to plan and mitigate against potential physical risks from climate change.
<b>Transition risks</b>	Revenue from green technologies	%	No – data required under CSRD (EU taxonomy) currently being evaluated	N/A	Monitoring revenue from products with sustainability, including climate, benefits.
<b>Transition risks</b>	% reduction in normalised waste	%	5% reduction in normalised non-recycled waste FY2022 to FY2024	(19)% reduction in normalised waste vs FY2021	Cost and availability of resources – monitoring our reduction in waste and setting targets helps to reduce the resources used by our business.
	Total hazardous waste	tonnes	5% reduction FY2025 to FY2027	28 packaging reduction projects FY2022 to FY2024	
	Total non-hazardous waste				
	Total recycled waste				
	Total incinerated waste				
	Total waste				
	Non-hazardous waste recycled				
Non-hazardous waste incinerated					
	Total volatile organic compound (VOC) emissions	kg			
<b>Transition risks</b>	Water reduction projects	Number of projects	30 projects FY2022 to FY2024 30 projects FY2025 to FY2027	30 projects FY2022 to FY2024	Cost and availability of resources – supporting overall reduction in water use.
	% reduction in normalised water use in stressed areas	%	5% reduction in normalised water use in stressed areas FY2022 to FY2024	(17)% reduction vs FY2021	Cost and availability of resources – monitoring our water use and water intensity metrics to track use and set reduction targets to reduce the resources used by our business.
	Ground water used	m <sup>3</sup>	5% reduction in normalised water use in stressed areas FY2025 to FY2027		
	Public system water used				
	Reservoir water used				
	Water used – other supply				

# Non-financial and sustainability information Statement

The following table aligns to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information listed is included by cross-reference. Further non-financial information is available in our Sustainability at Smiths report and on our website.

Reporting requirement	Relevant policy or document	More information and related principal risk	
<b>Environmental matters</b>	<p><b>Environmental Sustainability Policy</b> – our commitment to minimising the environmental impact of our business activities, products and services worldwide</p> <p><b>Waste Policy</b> – the principles we have adopted to address our most significant waste impacts and issues</p> <p><b>Water Policy</b> – the principles we have adopted to address our most significant water impacts and issues</p>	<p>Key performance indicators</p> <p>Task Force on Climate-related Financial Disclosures</p> <p>Risk management and Principal risks and uncertainties</p> <p>Innovation, Sustainability &amp; Excellence Committee Report</p> <p>ESG metrics, targets and performance</p> <p>Principal risk: Climate change</p>	<p>Page 14 to 16</p> <p>Page 49 to 59</p> <p>Page 40 to 48</p> <p>Page 94 and 95</p> <p>Page 62 to 67</p> <p>Page 48</p>
<b>Climate-related financial disclosures</b>	<p><b>Environmental Sustainability Policy</b> – our commitment to minimising the environmental impact of our business activities, products and services worldwide</p> <p><b>Waste Policy</b> – the principles we have adopted to address our most significant waste impacts and issues</p> <p><b>Water Policy</b> – the principles we have adopted to address our most significant water impacts and issues</p>	<p>Task Force on Climate-related Financial Disclosures</p> <p>Principal risk: Climate change</p>	<p>Page 49 to 59</p> <p>Page 48</p>
<b>Employees</b>	<p><b>Code of Business Ethics</b> – outlines the ethical standards we all commit to</p> <p><b>Human Rights Policy</b> – recognises the important responsibility we have with respect to human rights</p> <p><b>Fair Employment Policy</b> – designed to make Smiths a fair, inclusive and respectful place to work</p> <p><b>Recruitment Policy</b> – designed to attract, engage, develop and retain talented people who share our values and sense of purpose</p> <p><b>Health, Safety and Well-being Policy</b> – describes our commitment to achieving excellence in the health, safety and well-being of colleagues</p>	<p>Our people and culture</p> <p>Key performance indicators</p> <p>Risk management and Principal risks and uncertainties</p> <p>Improving safety, health and well-being</p> <p>ESG metrics, targets and performance</p> <p>Stakeholder engagement and S172 Statement</p> <p>Remuneration &amp; People Committee Report</p> <p>Principal risk: People</p>	<p>Page 9</p> <p>Page 14 to 16</p> <p>Page 40 to 48</p> <p>Page 33</p> <p>Page 62 to 67</p> <p>Page 78 to 81</p> <p>Page 96 to 117</p> <p>Page 46</p>
<b>Social matters</b>	<p><b>Code of Business Ethics</b> – outlines the ethical standards we all commit to</p> <p><b>Data Protection Code of Conduct</b> – sets out the standard for collecting and handling personal data about individuals</p> <p><b>Supplier Code of Conduct</b> – our commitment to doing business safely, sustainably, lawfully and to the highest business and ethical standards</p> <p><b>Modern Slavery Statement</b> – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains</p>	<p>Our business model</p> <p>Our people and culture</p> <p>Key performance indicators</p> <p>Business review</p> <p>ESG metrics, targets and performance</p> <p>Stakeholder engagement and S172</p> <p>Principal risk: People</p>	<p>Page 6</p> <p>Page 9</p> <p>Page 14 to 16</p> <p>Page 24 to 31</p> <p>Page 62 to 67</p> <p>Page 78 to 81</p> <p>Page 46</p>

Reporting requirement	Relevant policy or document	More information and related principal risk	
<b>Respect for human rights</b>	<p><b>Code of Business Ethics</b> – outlines the ethical standards we all commit to</p> <p><b>Modern Slavery Statement</b> – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains</p> <p><b>Human Rights Policy</b> – recognises the important responsibility we have with respect to human rights</p>	<p>Our people and culture</p> <p>Behaving ethically and legally</p> <p>Risk management and Principal risks and uncertainties</p> <p>Principal risk: People</p>	<p>Page 9</p> <p>Page 37</p> <p>Page 40 to 48</p> <p>Page 46</p>
<b>Anti-bribery and anti-corruption matters</b>	<p><b>Code of Business Ethics</b> – outlines the ethical standards we all commit to</p> <p><b>Anti-Corruption Policy</b> – sets out Smiths approach and controls to manage bribery and corruption risks</p>	<p>Behaving ethically and legally</p> <p>Risk management and Principal risks and uncertainties</p> <p>Audit &amp; Risk Committee Report</p> <p>Principal risk: Legal and compliance</p>	<p>Page 37</p> <p>Page 40 to 48</p> <p>Page 87 to 93</p> <p>Page 47</p>
<b>Business model</b>		<p>Our business model</p> <p>Key performance indicators</p> <p>Business review</p> <p>Principal risk: Commercial</p>	<p>Page 6</p> <p>Page 14 to 16</p> <p>Page 24 to 31</p> <p>Page 46</p>
<b>United Nations Sustainable Development Goals</b>	<p>Business has a vital role to play in delivering the UN SDGs. Our business activities, the way we operate, and our ESG framework and priorities enable us to contribute in a meaningful and practical way to seven of these critical global goals.</p>		

### Policy due diligence and outcomes

Smiths operates a confidential Speak Out reporting hotline to report behaviour and activities that breach our Smiths Values, our policies, or the law. This is critical to assessing the effectiveness of our policies. The Internal Audit function play an important role in assessing policy adherence and outcomes. In FY2024, they audited each business’s compliance with our Data Protection and Privacy Policy and our trade policies. In addition, each year the ethics & compliance team issue surveys to certain sites and functions, these include questions around recruitment and employment, and are used to assess compliance with our Human Rights Policy.

### Supporting information

More information about the Group’s principal risks and how they are managed can be found on pages 42 to 48. The Group’s key performance indicators, including both financial and non-financial metrics, can be found on pages 14 to 16. The Company’s S172 Statement is on pages 80 and 81 in the Governance report.

# ESG metrics, targets and performance

## 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	FY2024	FY2023
Gross vitality	30%	<b>28.5%</b>	31%

R&D as a percentage of sales was 3.5% in FY2024 (FY2023: 3.7%).

### 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

#### FY2024 performance

	FY2024	FY2023	Change	Target	Target achieved	Linked to remuneration Read more on page 96
Energy use MWh	<b>215,027</b> $\Delta$	218,094	(1)%	–	N/A	
Energy efficiency <sup>1</sup>	<b>5.5%</b>	7.9%	–	4.5% Group improvement vs FY2023 <sup>2</sup>	☑	✓ Annual Incentive Plan
Renewable electricity	<b>73%</b>	70%	–	66% by FY2024	☑	
Electric vehicles – % of fleet	<b>10%</b>	–	–	–	N/A	
Scope 1 & 2 emissions tCO <sub>2</sub> e <sup>3</sup>	<b>40,759</b> $\Delta$	45,649	(10.7)% <sup>4</sup> $\Delta$	SBTi trajectory	☑	✓ Long-Term Incentive Plan
Scope 3 emissions tCO <sub>2</sub> e <sup>5</sup>	<b>1,170,000</b> $\Delta$	1,380,000	(15)%	SBTi trajectory	N/A	

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 FX rates (excluding price growth within the measurement year). Includes HCP acquisition; 5.9% excluding HCP acquisition.

2 Target excludes acquisitions.

3 Scope 1 & 2 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol.

4 (14.3)% excluding HCP acquisition.

5 SBTi target has been verified in FY2024. We anticipate updating our Scope 3 target next year, incorporating advancements in methodology to ensure continued alignment with best practices.

#### Limited assurance

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected FY2024 information marked with  $\Delta$ . For the full assurance opinions for FY2023 and FY2024 please see [www.smiths.com](http://www.smiths.com)



## New targets

Smiths has set the following targets from FY2025.

	Target	Commentary	Linked to remuneration Read more on page 96
Energy reduction <sup>1</sup>	2% reduction in MWh FY2025 vs FY2024	Continues to incentivise energy reduction as foundation of Net Zero plan and promotes culture change.	✓ Annual Incentive Plan
Renewable electricity	80% by FY2027	Continues to frontload trajectory and support global grid decarbonisation.	
Scope 1 & 2 emissions tCO <sub>2</sub> e <sup>2</sup>	17.5% reduction by FY2027 vs FY2024 <sup>3</sup>	Continues to incentivise resource investment in support of trajectory.	✓ Long-Term Incentive Plan
Supplier engagement	40% of supplier spend evaluated on EcoVadis by FY2027	Supports procurement and supplier behaviour towards a sustainable supply chain.	
Supplier engagement Scope 3	25% of supplier spend committed to SBTi targets by FY2027	Supports our 2050 SBTi commitment Currently c.10%	

1 Year-on-year reduction in absolute MWh consumed (target depending on revenue).

2 Scope 1 & 2 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol.

## SECR global energy use and emissions disclosure

		FY2024	FY2023	FY2022	Change FY2024 vs FY2023
<b>Global energy use – absolute values</b>	MWh	<b>215,027 Δ</b>	218,094	223,709	(1)%
UK energy use – absolute values	MWh	<b>17,906</b>	11,394	10,446	
<b>Global emissions – absolute values</b>					
Scope 1 (direct emissions)	t CO <sub>2</sub> e	<b>19,687 Δ</b>	19,694	19,591	
Scope 2 (market-based emissions)	t CO <sub>2</sub> e	<b>21,072 Δ</b>	25,955	32,193	
Scope 2 (location-based emissions)	t CO <sub>2</sub> e	<b>48,989</b>	47,111	–	
Scope 3 (value chain emissions)	t CO <sub>2</sub> e	<b>1,170,000 Δ</b>	1,380,000	1,450,000	
<b>Total Scope 1 &amp; 2 emissions (market-based)</b>	t CO <sub>2</sub> e	<b>40,759 Δ</b>	45,649	51,784	(10.7)% Δ
Total Scope 1 & 2 emissions (location-based)	t CO <sub>2</sub> e	<b>68,676</b>	66,805	–	
UK Scope 1 & 2 emissions (market-based)	t CO <sub>2</sub> e	<b>1,290</b>	1,779	1,755	
<b>Global emissions – normalised values</b>					
Scope 1 (direct emissions)	t CO <sub>2</sub> e/£m revenue	<b>6.29</b>	6.48	7.63	
Scope 2 (indirect emissions)	t CO <sub>2</sub> e/£m revenue	<b>6.73</b>	8.55	12.55	
Scope 3 (value chain emissions)	t CO <sub>2</sub> e/£m revenue	<b>373.56</b>	454.40	565.08	
<b>Total Scope 1 &amp; 2 emissions</b>	t CO <sub>2</sub> e/£m revenue	<b>13.01</b>	15.03	20.18	(13.4)%

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected FY2024 information marked with Δ.

### GHG inventory

Smiths assesses the GHG emissions associated with all its global operations for all four of its operational divisions and all sites. We have developed a GHG Inventory Management Plan (IMP) that outlines our methodology to provide systematic and appropriate GHG inventory data collection, manipulation and management, to produce a relevant, credible and transparent GHG inventory that will provide visibility into our near- and long-term goals. The IMP includes methods to estimate direct emissions from Smiths operations (Scope 1), indirect emissions from purchased energy (Scope 2), and value chain emissions (Scope 3).

The methods prescribed in the IMP conform to the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol and the United States Environmental Protection Agency (USEPA) Center for Corporate Climate Leadership Greenhouse Gas Inventory Guidance.

### GHG boundaries

Per the GHG protocol, we have selected the operational control approach to set the organisational boundary for our GHG inventory, meaning 100% of GHG emissions from assets which the Company manages and over which it has authority to implement operational policies will be included.

In selecting these organisational boundaries, Smiths evaluated equity share, financial control and operational control approaches and primarily considered the comprehensiveness of assets that would be included in the inventory under each of the three approaches, as well as which boundary would best reflect Smiths level of influence over emissions. This includes 98 locations globally.

As for our operational boundary, which determines the direct (Scope 1) and indirect (Scope 2 and 3) emissions associated with operations within Smiths organisational boundary, we defined this as operations where we have the full authority to introduce and implement operating policies. Operations or activities that are outside of Smiths operational control, and therefore excluded from our Scope 1 and Scope 2 inventories may become relevant when accounting for Scope 3 emissions.

GHG emissions are reported in metric tons of CO<sub>2</sub> equivalents (MT CO<sub>2</sub>e). Because individual GHGs have different impacts on climate change, or global warming potentials (GWPs), CO<sub>2</sub>e is used to express the impact of emissions from each GHG on a common scale. Smiths uses the IPCC Fifth Assessment Report (AR5) GWPs.

### Inventory boundary

Smiths Group will report all GHG emissions within its organisational and inventory boundary. Emissions are considered outside of the inventory boundary when they are quantified as not material.

## Water, waste, packaging and biodiversity

### FY2024 performance

	Target	Performance	Target achieved
Normalised water use in stressed areas (10 locations)	5% reduction in water use in water-stressed areas normalised to revenue FY2022 to FY2024	{17}%	☑
Water	30 water saving projects FY2022 to FY2024	30 projects	☑
Normalised waste disposal	5% reduction FY2022 to FY2024	{19}%	☑
Packaging	24 packaging reduction projects FY2022 to FY2024	28 projects	☑

### New targets

Smiths has set the following targets from FY2025:

	Target	
Normalised water use in stressed areas (c.15 locations <sup>1</sup> )	5% reduction in water use in water-stressed areas normalised to revenue FY2025 to FY2027	Positive for our local environments and promotes climate resilience of our sites in water-stressed areas.
Normalised waste disposal	5% reduction in waste disposal normalised to revenue FY2025 to FY2027	Encourages reduction in overall waste and cost and continued increase in recycling.
Waste/circularity	30 waste/circularity projects FY2025 to FY2027	Supports continuing reduction in waste, packaging and raw materials.
Biodiversity	30 biodiversity projects FY2025 to FY2027	Positive for our local environments and colleague engagement.
Biodiversity – water	30 water saving projects FY2025 to FY2027	Positive for our local environments.

<sup>1</sup> Updated annually based on the World Resource Institute (WRI) Aqueduct tool.

## Social

### Safety

**Medium-term target:** continuous improvement towards a zero-harm workplace. Group RIR below 0.4.

#### Performance

Recordable injuries		Recordable incident rate Per 100 employees		Lost time incident rate Per 100 employees	
FY2024	71	FY2024	0.44	FY2024	0.21
FY2023	64	FY2023	0.41	FY2023	0.14
FY2022	87	FY2022	0.56	FY2022	0.25
		FY2021	0.47	FY2021	0.20
		FY2020	0.35	FY2020	0.17

Zero work-related colleague or contractor fatalities in FY2024. Zero contractor recordable incidents in FY2024.

17,000+ safety look out observations and leadership tours in FY2024.

### Employee engagement

Employee engagement is measured in our annual My Say survey. See page 13 for more information on My Say.

**Medium-term target: E-sat:** Upper quartile score (75+).

	E-sat score
FY2024	75
FY2023	73
FY2022	72
FY2021	71
FY2020	73

The survey response rate was 85% in FY2024 (FY2023: 84%). 13,590 comments were submitted in FY2024.

### Developing talent

In FY2024 75% of open senior individual contributor and above roles were filled by internal candidates (FY2023: 70%).

### Reward and recognition

Recognising and rewarding colleagues in a fair, open and meaningful way is an important foundation for developing and attracting talent. We are committed to fair pay practices, ensuring colleagues are rewarded fairly and equally for the work they do and their performance, and that they have opportunities to participate in our success.

Colleague benefits, which include access to an Employee Assistance Programme for colleagues and their families, rights to parental leave, the opportunity to request part-time or job share working and a paid volunteering day, are aligned across all our geographies, businesses and Group. Approximately 6,500 colleagues participate in our Group Annual Incentive Plan (AIP) and we are working towards alignment of local bonus plans in our businesses.

We have been an accredited Living Wage employer in the UK since 2018. In the UK, we operate an all-colleague Sharesave Scheme, which enables colleagues to buy Smiths shares at a discounted rate.

### Equal opportunities

We provide equal employment opportunities. We recruit, support and promote our people based on their qualifications, skills, aptitude and attitude. In employment-related decisions, we comply with all applicable anti-discrimination requirements in the relevant jurisdictions. We have zero tolerance for discrimination, harassment or retaliation. Our procedures and training activities advocate and enforce fair treatment for all.

To support our diversity goals, we recruit using balanced slates and interview panels where possible and have gender-neutral job descriptions.

People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion based on their aptitude and ability. We endeavour to find roles for those who are unable to continue in their existing job because of disability.

## Gender and ethnic diversity

**Medium-term target:** 30% of senior leadership positions held by women by FY2025.

FY2024	27%
FY2023	25%
FY2022	24%
FY2021	23%

### Other gender disclosures

	Male # of employees		Female # of employees		Definition
Board of Directors	6	60%	4	40%	
Executive Committee	7	64%	4	36%	
Senior Leadership Team	482	73%	180	27%	Senior Leadership Team is the metric used to track gender diversity at Smiths. It is defined as all colleagues on permanent and fixed-term contracts in senior leadership roles. These colleagues are able to influence and drive business results.
Total colleagues <sup>1</sup>	11,190	71%	4,575	29%	Employees on permanent and fixed-term contracts.
Senior managers (Companies Act)	192	82%	43	18%	Executive Committee plus Directors of subsidiary undertakings as defined by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
Senior managers (UK Code)	59	64%	33	36%	Executive Committee, including the Company Secretary, and their direct reports as defined by the UK Corporate Governance Code 2018.
Women in Leadership	59	65%	32	35%	Executive Committee and their direct reports as defined by FTSE Women Leaders.

<sup>1</sup> Does not include 15 colleagues whose gender is unknown

## Board diversity disclosures

As at 31 July 2024, the Board met all of its own diversity targets, as well as the targets set out in the Financial Conduct Authority's Listing Rule 6.6.6R(9)(a). Numerical diversity data, in the format required by Listing Rule 6.6.6R(10), as at 31 July 2024 is set out below. The Board and executive management were asked to disclose which characteristic they identified with.

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 <sup>1</sup>	Percentage of executive management <sup>1</sup>
Men	6	60%	3	8	67%
Women	4	40%	1	4	33%
Not specified/prefer not to say	–	–	–	–	–

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 <sup>1</sup>	Percentage of executive management <sup>1</sup>
White British or other White (including minority white groups)	8	80%	4	10	83%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	2	20%	–	2	17%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

<sup>1</sup> Defined as the Executive Committee and the Company Secretary in accordance with Listing Rule 6.6.6R(10).

## Ethnicity disclosure

The Parker Review aims to enhance the ethnic diversity of UK boards. The review sets specific targets, such as having at least one director from an ethnic minority background on every FTSE 100 board and disclosing the percentage of senior management who are from ethnic minorities as well as setting a target for what this percentage should be at the end of 2027.

Smiths has accordingly sought this data from its senior management group as defined by the Parker Review and set an FY2027 target. 82% of the population responded. Smiths definition of ethnically diverse covers groups with lower representation in the organisation including Asian, Black and mixed multiple ethnic backgrounds.

Senior management <sup>1</sup> ethnicity representation	FY2024	FY2027 target
Identifying as ethnically diverse	32%	35%
Identifying as white	68%	

<sup>1</sup> Defined as the Executive Committee and their direct reports.

## Communities

In FY2024 the total value of annual grants made by the Smiths Foundation was c.£1m.

# Going concern and Viability Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 70. The financial position of the Company, its cash-flows, liquidity position and borrowing facilities are described on pages 22 to 23. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has undertaken a detailed going concern review, as set out on page 69, with a severe but plausible downside scenario taking into account everything that has been learnt since the COVID-19 pandemic.

At 31 July 2024 the net debt of the Group was £213m, a £174m decrease from 31 July 2023. At the end of July, the Group had available cash and short-term deposits of £459m. These liquid resources are immediately available with 98% invested with the Group's global banking partners. The Group's debt profile shows an average maturity of 2.6 years (from 3.6 years at 31 July 2023). There are no scheduled repayments of debt due until February 2027.

The Group maintains a core US\$800m committed Revolving Credit Facility (RCF) from these banks, which matures in May 2029. The RCF was undrawn at 31 July 2024 and has no financial covenants attached.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for a period of at least 12 months from the date of this Report. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements of the Company and the Group.

In accordance with the requirements of the 2018 UK Corporate Governance Code, the Directors have assessed the longer-term prospects of the Group, taking into account its current position and a range of internal and external factors, including the principal risks detailed on pages 42 to 48 (the 'viability assessment').

The Directors have determined that a three-year period to 31 July 2027 is an appropriate timeframe for the viability assessment. The selected period is considered to be appropriate as, based on the historical performance of the Group, a three-year outlook represents an optimum balance of long-term projection and acceptable forecasting accuracy. The three-year viability assessment timeframe also takes into account considerations such as the maturity of the Group's borrowing facilities and the cyclical nature of the performance of the Group's underlying markets. In making this viability assessment, the Directors have considered the current financial position and prospects of the Group, including the current year business performance, the detailed operating plan for 2025 and forecasts for 2026 and 2027. Against these financial projections, the Directors took into account the principal risks (as outlined on pages 42 to 48) to develop a set of plausible scenarios (as set out overleaf) with potentially high-impact outcomes.

In addition to the scenario-specific assumptions (detailed overleaf) the principal assumptions for this three-year viability assessment are as follows:

- FX rates for £ at US\$1.28 and €1.15 and are modelled to remain at this level in the forecast period;
- Interest payments have been updated to reflect latest forecast interest rate increases with no further refinancing with overdrafts and the Group's RCF drawn to maintain our minimum cash requirements;
- Dividend payments projected to grow over the viability assessment period. Even under the downside scenarios it has been assumed that dividend increases are maintained, representing a potential mitigating action that could be taken;
- The bond due to be repaid in FY2027 of £550m is assumed to be refinanced in all scenarios at prevailing higher interest rates; and
- The previously announced £100m buyback is modelled to complete in FY2025 in all scenarios. The first £50m tranche completed on 6 September 2024. The timing for initiating the second £50m tranche has not been determined

Consideration was then given to the magnitude of the gross risks and their potential impact, directly or indirectly, on the Group's future performance and liquidity. The assessment included stress testing of the Group's financial capacity to absorb the impact of such adverse events, either individually or in combination, and what mitigating actions the Group could take to respond to them in order to protect its business.

The Directors also considered the Group's ability to raise additional liquidity. In performing this assessment, the Directors have taken comfort from the diversity of the Group's businesses across different markets, industries, geographies, products and customers. In order to ensure consistency, the base case used for the three-year viability assessment has also been reconciled against divisional impairment review models.

As at 31 July 2024 the Group held a tradeable commodity through its investment in 1.92% of the equity in ICU Medical, Inc. The base case assumed that the Group could contemplate a further reduction in this investment, the cash inflows from which would remove any need to utilise the RCF over the period. The downside scenarios do not include any cash inflows from the sale of this investment.

The downside results below show the impact on EBITDA, net debt and headroom under each scenario.

The headroom includes the currently unutilised RCF of US\$800m (£623m).

Based on the robust assessment, the Directors confirm that given the current strong cash position, under all scenarios they have a reasonable expectation the Group will remain viable for the period being assessed and will continue to operate and meet its liabilities as they fall due. The Directors have no reason to doubt that the Group will continue in business beyond the period under assessment.

## Scenarios modelled

Scenarios	Link to principal risks	Scenario-specific assumptions
<p><b>Scenario 1</b> A significant economic shock (political unrest or resurgence of a pandemic) leads to significant supply chain disruption, low customer demand and recessionary circumstances spanning several years and well in excess of the impact felt in FY2020/21.</p>	<p>Business continuity and Economy and geopolitics</p>	<ul style="list-style-type: none"> <li>- 20% fall in revenue across the Group in FY2025, a 10% fall in FY2026 and a further 5% fall in FY2027 compared to the base case.</li> <li>- 65% reduction in operating profit in FY2025 due to plant closures, customer and supply chain disruption, a 35% fall in FY2026 and 20% in FY2027.</li> <li>- Increased working capital due to stock builds and customer defaults.</li> <li>- No mitigating activities such as restructuring and headcount reductions</li> </ul>
<p><b>Scenario 2</b> One of John Crane's mechanical seals is identified as faulty and the cause of an explosion at a major refinery causing the deaths of two staff and significant damage to the plant. John Crane is sued for the costs of repair and restoration of the plant in addition to the consequential losses of plant closure.</p>	<p>Product quality</p>	<ul style="list-style-type: none"> <li>- Legal defence costs of £20m per annum plus a one-off payment of £100m in FY2025 in settlement of deceased's claims</li> <li>- Legal defence costs of £5m per annum over the review period in relation to agreement of restoration costs</li> <li>- Restoration costs of £50m spread over the three-year review period</li> <li>- Legal defence costs of £25m per annum over the review period in relation to mitigation of consequential loss claims</li> <li>- One-off payment of £250m payable in FY2025 in settlement of the losses claim</li> <li>- Insurance claim rejected</li> </ul>
<p><b>Scenario 3</b> Following a product cyber attack, a terrorism-related incident occurs at a US airport. As a consequence, the US Government revokes Smiths Detection's licence. Sales of Detection's products to the US Military and all other governmental contracts have been banned and due to the reputational damage, the impact of the ban will spread to other Group businesses.</p>	<p>Cyber security and Product quality</p>	<ul style="list-style-type: none"> <li>- Immediate loss of all US-based Government contracts within Smiths Detection</li> <li>- 25% fall in other Smiths Detection revenue over FY2025</li> <li>- Loss of 50% of Interconnect's North America revenue</li> <li>- Legal defence costs of £10m per annum</li> <li>- £100m fine levied by US Government for security breach</li> <li>- £50m compensation paid to US Government in FY2025 in respect of previous products purchased that may have security flaws</li> <li>- Insurance claim under product liability is not met or delayed outside of the review period</li> </ul>

## Scenarios modelled continued

Scenarios	Link to principal risks	Scenario-specific assumptions
<p><b>Scenario 4</b> Smiths Detection are found guilty of bribing government officials in Asian countries in order to land significant contracts. This damages the Group's reputation and leads to worldwide regulators imposing significant sanctions on the Group.</p>	Legal and compliance	<ul style="list-style-type: none"> <li>- Regulatory fines globally amounting to £100m</li> <li>- Loss of all future revenue in both China and India</li> <li>- 10% sales erosion in Detection's USA and EMEA markets due to reputational damage</li> <li>- £50m of severance costs incurred</li> <li>- 10% fall in revenue within other Smiths businesses due to the reputational impact</li> </ul>
<p><b>Scenario 5</b> A major fire at the John Crane plant in Czechia renders the facility unusable, causing severe disruption to production.</p>	Business continuity	<ul style="list-style-type: none"> <li>- Loss of six months EMEA revenue and margin in FY2025.</li> <li>- 20% reduction in future (FY2026 &amp; FY2027) EMEA revenue due to loss in market shares and competitiveness</li> <li>- Breach of supply contracts leading to legal defence costs of £20m per annum plus a one-off settlement of £50m in FY2025</li> <li>- Refurbishment and repair costs of £50m in Czechia (net of insurance claims)</li> <li>- Costs of increasing capacity at other John Crane sites additional £50m of cost</li> <li>- Capital expenditure on replacement equipment in Czechia of £20m (net of insurance claims)</li> </ul>
<p><b>Scenario 6</b> Combination of scenarios 2 and 3.</p>	Product quality and Cyber security	<ul style="list-style-type: none"> <li>- As above</li> </ul>

The Strategic Report was approved by the Board on 23 September 2024.

By order of the Board

**Roland Carter**  
Chief Executive Officer