

smiths

bringing technology to life

Smiths Group plc Corporate Responsibility Report 2007

Smiths Group is a global technology company. A world leader in the practical application of advanced technologies, we deliver products and services for the threat & contraband detection, medical devices, energy and communications markets worldwide. Our products and services make the world safer, healthier and more productive.

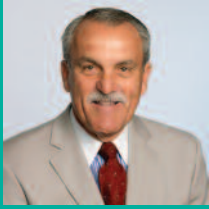
Smiths has six key strengths that help us deliver our full potential strategy. One of these is doing business the right way.

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Chief Executive's introduction

I am always pleased to hear reports of what the businesses are doing in their local communities and take great pleasure from seeing some of them highlighted here.



Keith Butler-Wheelhouse
Chief Executive

A handwritten signature in black ink that reads "Keith Butler-Wheelhouse". The signature is written in a cursive, flowing style.

Smiths is committed to doing business the right way. We try to ensure that our focus on growth is balanced by a respect for the environment and communities in which we live and work.

This year, we have strengthened that commitment through a combination of innovative global projects and smaller, but nonetheless significant, local initiatives.

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Since the last Corporate Responsibility report we have sold our Aerospace division to the General Electric Company. Over the past five years, we have invested heavily in aerospace technology and this investment, together with the successful efforts of our dedicated employees, won us positions on every major military and commercial programme.

The structure of the aerospace industry is changing – in particular its increased capital requirements and the growing importance of supplier scale, especially as the next generation of large programmes kicks in. The Board considered these issues and the opportunities for Smiths going forward and instigated a thorough process which led to the deal with GE. By selling Aerospace, we crystallised the value for our shareholders and at the same time, we know that this business has gone to a great owner.

Last year's Corporate Responsibility report was our first and we committed to dialogue with key stakeholders to develop a better understanding of our corporate responsibilities as they apply to Smiths global operations. We appointed the environmental consultancy ERM to assist with this and the findings, which are discussed elsewhere in this report, reassure us that we are heading in the right direction.

I am pleased that the programme to certify all sites with more than 50 employees to the ISO14001 environmental management standard was virtually complete at the financial year end and that our other environmental targets have been met.

There is always more to do on health and safety. Whilst our trends are positive and our rates are better than ever before we are going to push ahead with a programme of implementation of the health and safety management standard OHSAS18001. Two of our three most serious injuries were to contractors working on our premises and this is an area which we know offers particular challenges.

We received encouraging feedback from readers about the 2006 report typically remarking that it felt frank, honest and to the point. Hopefully we can achieve this again this year.

Managing corporate responsibility and business ethics

The Code and its application in Smiths is not a paper exercise. It is an ongoing commitment to everyone with whom we do business, or who is affected by our operations, to doing business the right way.

Smiths has identified six fundamental strengths that underpin our position as a world leading technology company and help us to meet or exceed the targets and standards that our customers and other stakeholders rightly expect. One of these core strengths is doing business the right way.

The Code of Corporate Responsibility and Business Ethics

In order that our employees and stakeholders understand what doing business the right way means, we have a Code of Corporate Responsibility and Business Ethics ('the Code'). The Code sets out in a written document twelve principles for how Smiths does business.

Implementing the Code

The principles set out in the Code are based on common values of integrity, honesty, fairness and transparency. The principles cannot address all areas or all circumstances, but they provide a framework for wider policies and programmes.

The Code is approved by the Board of Directors at Smiths Group plc and is supported by the Chief Executive, the directors and the management of Smiths at all levels. The Board has ultimate responsibility for the Code and its application across Smiths businesses worldwide.

The Audit Committee of the Board has particular responsibility for monitoring the implementation of the Code, in addition to the programmes and functions that underpin compliance.

The Code of Corporate Responsibility and Business Ethics Compliance Council ('the Council') is responsible for reviewing issues, determining priorities and making recommendations to the Audit Committee. The Audit Committee is briefed periodically on the activities of the Council and Code compliance issues.

Communicating the Code

Responsibility for managing specific issues lies at different levels within Smiths Group, depending on the nature of the issue and how it can most effectively be managed.

- Health, safety and environment issues are managed through a Group-wide steering committee, a technical implementation committee, and local coordinators.
- Employee issues are managed through the human resources function and by line management.
- Supplier and customer programmes are managed by each business.
- Community programmes are principally managed locally, although there is also some Group-level activity.

The Chief Executive and his leadership team actively champion the Code, securing its ongoing relevance and profile via several routes. These include:

- the discussion of ethics issues and Code compliance at management meetings;
- the review of ethics issues in the performance review system for all managers; and
- the examination of Code compliance issues in site level internal audit reviews.

Day to day responsibility for compliance with the Code has to rest with each and every Smiths employee. Various tools and materials are available to support understanding of the Code, including a question and answer booklet (which is available in eleven languages); Group, divisional and business level policies and procedures; and communication and training, which is provided in a number of formats. For example, the second principle of the Code, which sets out the requirements for fair competition, is supported by an online anti-trust compliance programme. This is taken by employees in sales, procurement or other functions whose job responsibilities may bring them in contact with competition issues.

The 12 principles outlined in the Code:

- 1 Compliance with national laws and regulations.
- 2 Fair and vigorous competition in the marketplace.
- 3 Integrity and ethical conduct as the standard for individual and corporate business behaviour.
- 4 Fair and honest treatment of suppliers and customers.
- 5 Proper and respectful treatment of employees.
- 6 High standards for health and safety in the workplace.
- 7 Respect for the environment.
- 8 Contributing to the communities in which we live and work.
- 9 Engaging appropriately with government departments and agencies.
- 10 Respect for human rights.
- 11 Prudent and transparent public accounting and reporting.
- 12 A culture of compliance throughout the entire Smiths organisation, embracing all employees.

Managing specific issues

An Ethics Helpline is accessible by both phone and email to answer queries relating to ethics issues, as well as to act as a confidential reporting line for concerns and allegations. The Helpline is available via toll-free numbers in 36 countries where Smiths has businesses, staffed by individuals who speak the local language. All issues are addressed promptly and referred, as required, to relevant functions to enable proper investigation and, if appropriate and possible, reported back on to callers.

Information about the Ethics Helpline and other aspects of Code compliance are available to employees on the Smiths intranet and via posters and wallet cards to ensure that employees without access to Smiths Group electronic communication tools can also access it. Employees with concerns or questions are encouraged to raise them through a variety of routes, including line management, local human resources management and Smiths legal counsel, in addition to the Helpline.

The Code and its application in Smiths is not a paper exercise. It is an ongoing commitment to everyone with whom we do business or who is affected by our operations, to doing business the right way.

Corporate responsibility consultation and programme development

Two of the commitments made in our 2006 corporate responsibility report were to understand better our corporate responsibilities as they apply to our global operations and to capture the views and opinions of our key stakeholders.

Smiths retained the environmental consultancy ERM to undertake a number of stakeholder engagement and research activities to support the achievement of these commitments.

These included:

- interviews with 13 senior members of Smiths management, including the Chief Executive;
- interviews with 8 customers, 11 suppliers and 4 investors;
- attendance at a Smiths graduate workshop on 'Operating Responsibly';
- a desktop benchmarking study of 31 Smiths competitors and six fellow FTSE 100 companies; and
- two workshops discussing corporate responsibility and the research findings with Smiths senior management.

The following comments are from ERM:

"In summary, the research undertaken indicates that the primary drivers for corporate responsibility within Smiths are internal and not external.

Key internal corporate responsibility drivers include the following:

- Ethical values and behaviours amongst staff are considered by Smiths senior management to be key drivers of business performance.
- Rigid adherence to legislative requirements (some of which are directly related to corporate responsibility topics) has been an important mechanism for ensuring ongoing business performance and protection of reputation.
- Corporate responsibility is important to being seen as a good employer and a workplace to be proud of, and thus to attracting and retaining staff. This is considered to be of particular importance to the new generation of workers entering the workforce."

How does Smiths compare?

"In terms of publicly available information on corporate responsibility, Smiths compares favourably to competitors and a small sample of fellow FTSE 100 companies, and demonstrates a comprehensive understanding of corporate responsibility issues. In most corporate responsibility areas Smiths is on a par with or ahead of the competitors included in this sample. However, leading companies provide more information (specifically quantitative data and indicators) on a wider range of corporate responsibility related topics. Leaders make a greater number of corporate responsibility commitments and disclose progress towards their achievement."

Goal for next year

To develop a corporate responsibility roadmap from the ERM research with clearly defined goals and targets



Smiths in the community

In addition to providing employment opportunities, we focus on community involvement through charitable giving, community activities and health and education initiatives. Our charitable donations and community initiatives facilitate projects around the globe that, like our products, seek to help make the world a safer, healthier and more productive place.

Impacting our community

Smiths employees around the world take an active role in the community, in hospitals, schools, universities and through charitable projects. These are often small but significant interventions involving people's time rather than large corporate donations. A number of employee payroll giving schemes are also in operation.

Smiths supports selected national and international charitable organisations from a central budget, which is administered by the Charitable Donations Committee.

Education

Education is vital for people to achieve their potential. Smiths supports a host of initiatives both centrally and within individual businesses that provide educational opportunities.

Smiths Specialty Engineering, Tutco, Tennessee, US

Tutco has been a proud sponsor of Prescott Central Middle School (PCMS), which is home to approximately 950 fifth and sixth graders, since 1996.

Tutco employees who are parents and grandparents of PCMS students are encouraged to participate in and support various activities during school hours throughout the year.

In addition, Tutco has built a close relationship with its local university, Tennessee Tech, to provide work placement opportunities for the university's students and promote development activities for mutual benefit.

Smiths Medical, Southington, Connecticut, US

Like many of our businesses, the Smiths Medical facility in Southington hosts field trips for the local high school students to offer insights into the world of engineering.

Smiths Detection: Arkwright Scholarships

Smiths individual businesses also support charity projects. For example, Smiths Detection has been a sponsor of the Arkwright Scholarship Trust since 2005. This UK organisation aims to encourage and stimulate high ability 15 and 16 year old students to take up engineering or technological careers by awarding scholarships funded by industry partners and charitable trusts. Each year, two Smiths Detection Arkwright Scholarships of £1,800 each are awarded to students studying Design and Technology.

Smiths Technology Education Programme (STEP)

One of this year's beneficiaries of a charitable donation was The Royal Academy of Engineering, which helped to set up a collaborative education initiative with Smiths - the Smiths Technology Education Programme (STEP).

STEP aims to help tackle the problem of the declining numbers of UK students entering engineering careers by providing able young people from diverse backgrounds who face social or financial barriers with the information and financial support they need to explore a career in technology. In particular, the programme reaches out to female and ethnic minority students who are under-represented in the engineering sector.

Through the programme, 20 students per year who are studying advanced level qualifications in mathematics and science are offered the opportunity to participate in a Headstart summer school course in engineering and technology, run by The Royal Academy of Engineering. Five of those alumni are then selected to receive a Smiths bursary of £1,000 per year towards the cost of taking an engineering or technology course at university. Smiths has made a commitment to the initiative for at least three years



STEP was formally launched with an educational day at one of Smiths key manufacturing facilities in the UK. STEP student Shahina Ali, who plans to study mechanical engineering, said:

"The support I am receiving from Smiths will really help with my progression through university. Without it, I may not have been able to go to university at all."

Smiths is currently investigating work placement opportunities for the students.

Health

Health is a priority for Smiths. We aim to participate in initiatives and programmes with wider public health objectives. This year, we reaffirmed our commitment to making the world healthier through our global community initiatives.

Weebale nnyo – “Thank you very much” in Luganda

Smiths Medical helped to make newborn babies in Uganda healthier when they responded to an appeal for vital medical equipment from a neonatal intensive care nurse who volunteers for Health Volunteers Overseas.

Ellen Milan contacted Smiths Medical to request donations of Medfusion™ syringe pumps – which help medics deliver medication automatically – and IV tubings to take with her to the Special Care Baby Unit at Mulago Hospital in Uganda (shown below).

If babies don't get the intravenous fluids they need, they can develop hypoglycaemia and dehydration, which can be fatal. In an environment where there are only one or two nurses charged with looking after the health of over 30 children, the Medfusion™ pumps prove to be vital tools that enable the nurses to administer the right medication.

Ellen wrote a very moving letter to thank us for our assistance in providing this equipment:

“With the donation of these valuable syringes pumps, Smiths Medical has helped make a difference in the lives of newborns in Uganda.”



John Crane, Bangalore, India

John Crane Bangalore organised a blood donation session at its facility earlier this year. Around 50 employees participated.



Smiths Specialty Engineering, Tutco, Tennessee, US

Since 1994, Tutco employees have raised over \$100,000 for charitable initiatives including the Multiple Sclerosis Society and the American Heart Association.

One of the most popular events that employees engage with is the *Relay for Life*, an overnight event that celebrates survivorship of those diagnosed with cancer as well as raising money for research programs for the American Cancer Society. A representative from each team is asked to be on the track at all times throughout the night. This year, Tutco employees have raised \$10,000 for the cause.

In addition, employees from Florida RF Labs and EMC Technology, part of Smiths Interconnect, participated in their first *Relay for Life* this year, raising over \$2,500.

The Smiths Medical Young Everest Study (SMYES)

Smiths has had a long-standing relationship with Great Ormond Street Hospital for Children (GOSH) and University College London (UCL) for over 15 years.

This year Smiths Medical contributed a further £150,000 towards the Smiths Medical Chair of Anaesthesia and Critical Care at UCL.

Professor Monty Mythen, is a member of the Smiths Medical advisory panel, and the first person to hold the Chair. Professor Mythen said: "Smiths Medical has donated more than £4,000,000 over the last decade to research at UCL. As a result of that funding, we are able to underpin research into anaesthesia, critical care, respiratory medicine and respiratory physiology. It provides us with core funding, which allows us to seed and develop young scientists and also get involved in the collaborative development of key technologies and advancements in the care of critically ill children – and now adults as well.

"The Smiths Medical Chair at UCL to a very large extent underpins academic anaesthesia in the United Kingdom. It has been a dwindling speciality and, were it not for endowments such as this, I think we would have seen the death of academic anaesthesia in the UK."

As part of this research, Professor Mythen was involved in a pioneering project that took place this year, the Smiths Medical Young Everest Study (SMYES). The study was conducted by doctors and scientists from GOSH and UCL's Institute of Child Health (ICH).

Groundbreaking Mount Everest trip

In the first study of its kind, nine healthy children were taken on a groundbreaking trip to Mount Everest by doctors and scientists at UCL, ICH and GOSH, aiming to develop new treatments for critically ill children and those with both breathing and sleep problems.



SMYES investigated how the children coped with low oxygen levels in the Everest region. Doctors do not yet fully understand children's responses to low oxygen levels, which are common in very sick children and can be fatal. By investigating how healthy children's bodies cope and adapt at altitude, the SMYES team hopes to improve the chances of survival for very sick children. The team also aims to improve the quality of life of those with chronic/long term lung diseases and to develop new methods for detecting and treating children with disturbed sleep patterns.

Each morning, the children recorded in a diary how they were feeling. They also had their blood pressure, oxygen saturation and heart rate measured. Wherever possible, the scientific team used simple non-invasive methods to measure sleeping patterns, lung function, response to exercise, short term memory and blood flow to the brain to see how well the children adapted to altitude.

Janet Stocks, Professor of Respiratory Physiology at UCL, ICH, who led SMYES, said: "The information gathered by the Smiths Medical Young Everest Study will provide important information about how children's bodies cope and adapt in conditions of low oxygen.

"We hope that the results can be used to help the many children we treat at Great Ormond Street Hospital who suffer from a shortage of oxygen due to a variety of lung problems and sleep disorders.



"We also hope that the methods and equipment that we have adapted for use during this trek can be used afterwards to monitor children with sleep or breathing problems in their own homes. This would reduce the number of hospital visits and overnight stays for these children and their families." The results from the study will be revealed next year.

SMYES was carried out in collaboration with Caudwell Xtreme Everest (CXE), the largest medical research project conducted at altitude. CXE, which was also conducted by UCL, investigated how adults acclimatised to low oxygen levels.

Professor Monty Mythen spent three months in Nepal running the Smiths Medical High Altitude Laboratory at Namche Bazaar (3,400m/11,155ft) as part of CXE. There, the team tested over 200 volunteer trekkers en-route to Everest Base Camp. His four children, Patrick, 13, Charlotte, 11, Alice, 8, and Tom, 6, took part in SMYES.

Doctors involved in CXE concluded they would not be able to apply the results of the adult study to children because children's bodies work differently: they are not simply 'miniature adults'. They decided to take advantage of the unique infrastructure provided by the study to carry out similar tests on children. Results from both studies are being used to help develop and validate new medical devices.

Community

Paula Carr Diabetes Trust

Smiths employees combined environmental campaigns with fundraising initiatives within their local communities. This year employees from Smiths Medical in Hythe supported the Paula Carr Diabetes Trust through recycling of paper and magazines, including employees' waste paper from home, raising around £700 per year. The same site also supports the UK Cancer Research charity by recycling printer cartridges, generating another £750 each year.

Comic Relief

Smiths employees at the corporate headquarters in London enjoyed making money for Comic Relief's Red Nose Day this year by organising a 'wear something red' event, raising a total of £750 for the charity. Smiths Medical in Hythe raised £250 for the same cause. The money raised for Comic Relief is used for charitable projects in Africa and the UK.

St Mungo's

Employees from Smiths Medical took a hands-on approach to helping out in their local community when they participated in St Mungo's Putting Down Roots initiative, a gardening project for London's homeless (shown below).

Donning their working boots, the team, which included Smiths Medical Group Managing Director Sринi Seshadri, spent a day refurbishing a communal area used by the charity to improve the wellbeing of some of London's most vulnerable people. The team cleared away waste ground, created flower beds and laid more than five tonnes of shale and gravel as the foundation for garden pathways.

Smiths Medical donated £1,000 to the cause which was used to purchase gardening equipment and building materials. In addition, employees at Smiths generously supported fundraising activities and collections for warm clothing and toiletries for the charity throughout the year.



Science Museum

In the UK, Smiths has provided financial support to the Science Museum for over a decade. The Science Museum relies heavily on corporate and non corporate support to enable it to exist and achieve its aim of inspiring future generations of scientists. The museum boasts a vast array of inspirational scientific exhibitions and runs outreach educational programmes for children to engage them in science. Amongst its collection of 300,000 objects are Watson & Crick's DNA model, the Apollo 10 space capsule, Fleming's original penicillin cast and Henry Wellcome's entire collection.

Smiths in the workplace

We believe in enabling people to be the best they can be. We support our employees by engendering safe practice in the workplace, ensuring that their statutory rights are upheld, giving fair treatment to all who work with us and developing the talents of those who want to reach their full potential through training and development activities.

Employee engagement

Smiths is a diverse group of businesses and our people continue to reflect that diversity. Smiths businesses employ around 22,000 people in over 50 countries.

Reaching full potential

We introduced our 'Full Potential' programme in 2003 in order to focus everyone in Smiths on the twin goals of growing sales and profits. Throughout the business our people are taking action to achieve the best possible long-term performance for our shareholders. We invest in our people's skills and capabilities to help them realise their own full potential and to facilitate their contribution to Smiths businesses achieving the same.

Developing talent

Horizons

Horizons is an innovative two-year development programme for those who are relatively new in their Smiths career. It provides an understanding of the Group, the business world in general and helps participants to develop their contribution both as an individual and as part of a team. Participants benefit from regular reviews with mentors, managers and human resources advisers, all of whom are actively engaged with their progress.

Emerging Leaders programme

Emerging Leaders is a global development programme designed to support the Smiths Group talent management process by early identification of potential leaders, evaluation of their leadership qualities and potential and development activities to help realise that potential.



Mentoring

Our mentoring programme provides the opportunity for suitable participants to work with another Smiths person as their mentor, aiding their personal and professional development through coaching, role modelling, business counselling and sharing of knowledge.

Career progression

As a global technology company we have a wide range of roles that can provide suitable opportunities to help our people progress their careers within Smiths in line with their capabilities and performance. We seek to identify future leaders and to provide them with the development tools that can support their career ambitions and the needs of the business.

Diversity

Smiths embraces the idea of a diverse workforce, reflecting the diversity of its businesses. Diversity is not just a reflection of relevant legal obligations. It facilitates the contribution of different perspectives and of a wide range of ideas at all levels to support the achievement of full potential goals.

Succession management

Smiths has a systematic succession management process for middle and senior leadership roles. We identify leadership talent and development needs and follow this up with individual development plans that are monitored by senior management to help ensure effective succession as and when this is required.

Developing talent

Smiths has a number of development programmes that are designed to evaluate and enhance core leadership competencies. These development programmes are designed and tailored to address a wide range of learning styles, incorporating workshops, experiential learning, mentoring, team working and project experience.

For employees to reach their full potential, we have to make sure they are properly engaged in the business. Not only do we provide the training and development opportunities that represent an investment in both their and the Group's future, but also a safe and responsible working environment that encourages respect, gives employees the scope to apply their capabilities and to assume responsibilities, and enables both individual and team contributions to be recognised.

Communication

Communication is crucial to helping employees engage with the business. At business unit level, we have a variety of channels including team briefings, presentations, intranets and newsletters. Many businesses have well-established forums for exchanging information and best practice as well as discussing current business issues including efficiency initiatives, training and development, and environment, health and safety issues.

In European Union (EU) countries, we have workplace information and consultation arrangements at all of our sites. These link to the Smiths European Forum through which employee representatives from across the EU meet annually to discuss transnational matters within an EU context. This year's meeting was held in Italy and included a presentation on the Group's financial performance and prospects.

Health and safety

The Chief Executive has overall responsibility for environment, health and safety matters throughout Smiths. The Group Human Resources Director, supported by the Director, Environment, Health and Safety (EHS), is responsible for implementing EHS policies across the Group. The Group EHS Steering Committee monitors performance and sets strategic direction. The Committee includes representatives from all Smiths divisions. It sets policy and targets and meets quarterly to review performance and progress against goals.

The most senior director for each business unit is responsible for EHS matters within their unit. Business unit managers are responsible for making sure that the right resources are in place to manage the level of hazard and risk in their areas. A network of regional co-ordinators helps to ensure that local issues are supported and Group strategy and reporting requirements are met.

A Group EHS Technical Committee, which reports to the Group EHS Steering Committee, was formed in 2007 with technical experts from across the group. This committee assists with the implementation of programmes and development of best practices and training materials to support the Group EHS targets.

Performance against our targets

We monitor our safety performance globally using the United States Occupational Safety and Health Administration standard methodologies (OSHA 29CFR1904), which define rates per 100 employees per year for lost time incidents (where an employee is unable to work after the day of the incident) and recordable incidents (where an employee requires medical attention beyond first aid).

Over the last year we continued to make steady progress towards our target of a lost time incident rate (LTIR) of one or less and have now met this commitment. The LTIR is now better than at any point since it has been measured in Smiths. This success reflects the increased focus on safety throughout Smiths.

We have also seen a reduction in our workers' compensation costs and recordable incident rate (RIR). This was achieved by increased focus by our senior team, improved data and data availability and added attention to those sites performing less well.

Incidents

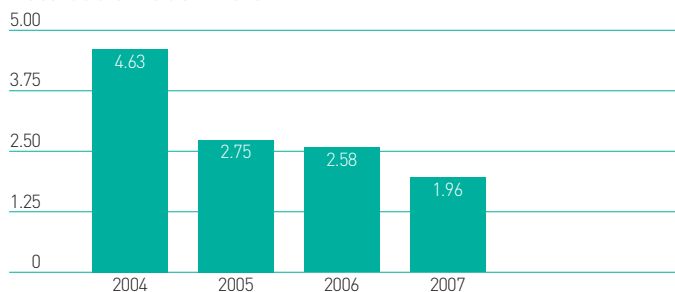
Regrettably, there were three incidents on Smiths premises during the year that resulted in extended hospital treatment.

- An employee at our Detection facility in Toronto received burns to her leg following the accidental spill and ignition of a flammable liquid.
- A building contractor working on the roof of our Interconnect factory in Costa Rica received an electric shock through touching a live overhead power cable.
- A contractor driving a forklift truck at our Medical warehouse in Otay Mesa, California collided with racking, resulting in injuries to his ribs and spleen.

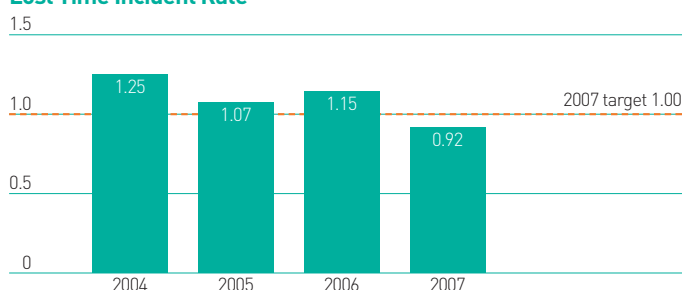
In each of these cases an extensive review of the circumstances was conducted and a corrective action plan developed and implemented.

We are pleased to report that all three injured parties are recovering well or have already returned to work.

Recordable Incident Rate



Lost Time Incident Rate



Looking forward

Looking forward we decided that a three year programme remains sensible to allow time for the development of solutions and allocation of budgets. Thus we have established goals to be achieved by July 2010 which require further improvement to our health and safety performance.

Lost Time Incident Rate

Our improving LTIR performance has led us to switch to the more demanding measure of the RIR. Our goal is an RIR of less than 1.5 and we will be reporting annually on our progress. This challenging target will be supported by our decision to build on the success of our ISO14001 programme by implementing the health and safety management system OHSAS18001 at those sites that are ready.

By fully integrating Health and Safety management with normal operational controls we hope to further improve our overall safety performance. Our target is for more than 66% of eligible sites (those with more than 50 employees) to be certified.

Smiths Medical Group Managing Director (GMD) Award

Smiths Medical's facility in Hythe was the first to win the newly created Smiths Medical GMD Award for commitment to the achievement of excellent standards in Environment, Health and Safety practices. Entries were judged on performance in environment, health & safety, compliance, training and community engagement.



Smiths Medical, Gary, Indiana, US.

Employees at the Gary facility pioneered Wellness Week, which was a full week of activities that included presentations on topics such as:

- the US Recommended Daily Allowance food guidance;
- vitamins and supplements;
- management of chronic conditions including diabetes and high blood pressure;
- the benefits of exercise;
- how to quit smoking; and
- advice on the impact of alcohol.

Smiths Medical, Tijuana, Mexico

In Tijuana, employees have access to weekly consultations with a nutritionist and monthly health days during which they are given access to specialist health care professionals. The team also organises bi-annual health and wellness fairs for employees and their families.

Goals for next year

- To develop internal systems and networks to support OHSAS 18001 implementation in three years.
- To identify key actions necessary to support the achievement of a recordable incident rate of less than 1.5 by July 2010.

Smiths and the environment

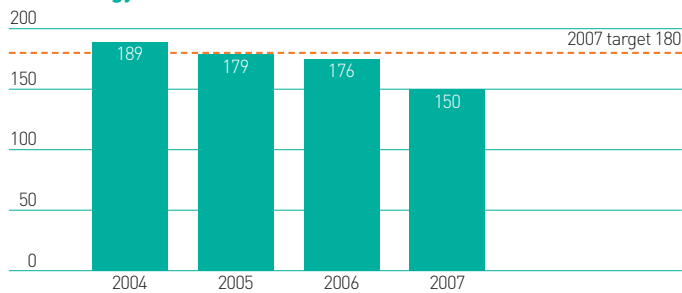
Our focus on growth is balanced by a respect for the environment we live in. We try to find ways to minimise our impact on the environment by keeping our energy use, water consumption and waste to a minimum through our working practices and through our products.

Managing environmental impacts

Organisational arrangements to manage environment issues are combined with those for health and safety. At Smiths we believe that performance-based environmental management systems are the way to drive improvements throughout the business. All facilities, except small offices, have been set the task of certification to the environmental management system ISO14001 while all new acquisitions must achieve certification within two years. On 31 July 2007, 74 of our 75 eligible sites were certified to ISO14001.

Smiths is very proud of its commitment to ISO14001 and we believe that this verified commitment to top management involvement and continual improvement will continue to deliver environmental benefits to all stakeholders. Indeed, Smiths was requested to address the ISO14001 tenth birthday celebrations held in London in November 2006 and present our experience of certification and the benefit realised by the company.

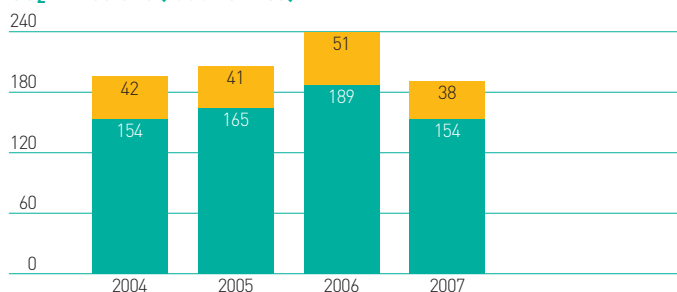
Total energy use (MWh/£m sales)



Total waste to landfill (Tonnes/£m sales)



CO₂ Emissions ('000 Tonnes)



■ Electricity ■ Natural gas & other site energy sources

Note that the 2004 baseline data includes Smiths Aerospace whereas 2007 does not. Whilst normalisation against sales makes the figures directly comparable the changed mix of manufacturing processes can exaggerate to some extent an already positive level of achievement.

Performance against targets

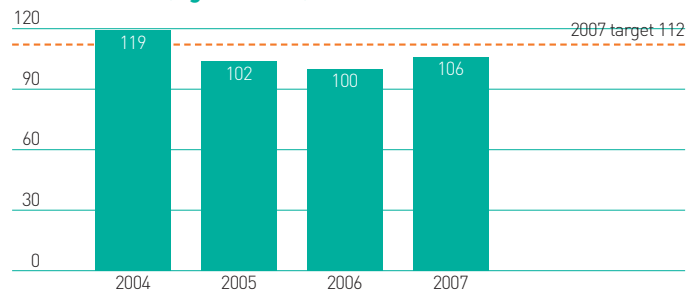
In July 2004, we identified four key reduction targets (normalised based on turnover) with a three-year horizon:

- energy consumption, 5%;
- waste to landfill, 6%;
- air emissions in the form of volatile organic compounds (VOCs), 6%; and
- water consumption, 12%.

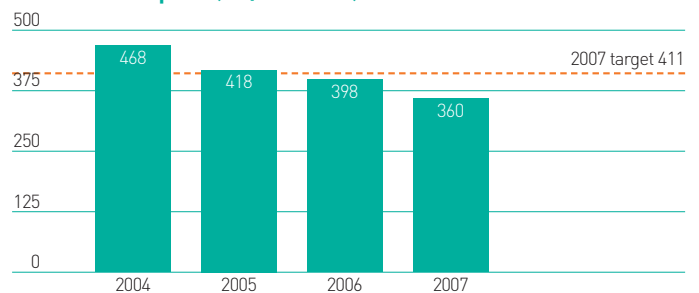
We committed to achieve these goals by 31 July 2007 and we are very pleased to report that we met or exceeded all four of our targets.

Whilst not targeted, we continue to monitor CO₂ emissions which reflect our successful drive on energy efficiency. Smiths facilities are not included in the European Union Emissions Trading Scheme.

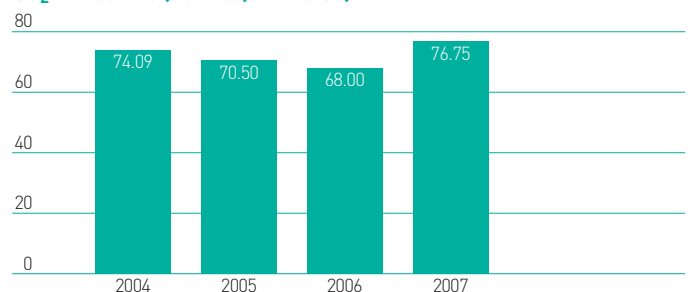
VOC emissions (Kg/£m sales)



Water consumption (m³/£m sales)



CO₂ Emissions (Tonnes/£m sales)



Reduction of hazardous waste

Titeflex, our Specialty Engineering site in Springfield, Massachusetts, US, uses a stainless steel wire braiding process, similar to weaving, for our Teflon hose products. To protect the wire during the braiding process, it is coated with oil which must later be removed by a cleaning process before shipping the product to customers.

The hazardous waste produced by this cleaning process has been reduced by 10.5 tons a year by using an alternative cleaning solution. The new cleaner produces about 25 times less waste.

SmartFlow

Smiths is helping our customers to save around 1.5 billion litres of water each year, thanks to John Crane’s award winning SmartFlow seal water control system. SmartFlow regulates seal water consumption using temperature monitoring and can save up to 95% of water compared to traditional flow meter regulated control systems.

The system won a Business Enterprise award for Best Specific Environmental Initiative at the United Nations Association of Australia, a national awards programme that acknowledges action taken at local level to address global environmental issues.

Waste reduction: Smiths Medical, Dublin, Ohio, US

A programme is currently running at Smiths Medical’s facility in Dublin, Ohio to recycle more waste.

This yields an average 280lb of plastic bottles and 80lb of aluminium cans each month, greatly reducing the amount of waste to landfill.

John Crane Awards

In April 2007, John Crane, Inc., Cranston, RI Division, was awarded the US Environmental Protection Agency’s (EPA) Environmental Merit Award in recognition of its ‘exceptional work and commitment to the environment’ in 2006.

EPA’s Environmental Merit Award is an annual award that recognises outstanding environmental advocates who have made significant contributions toward preserving and protecting natural resources.

Looking forward

Looking forward, we decided that a three year programme remains sensible to allow time for the development of solutions and allocation of resources. We have established goals to be achieved by July 2010 which require further improvement to our environment performance as follows:

Subject	Target	Normalisation
Greenhouse gas emissions	No increase over 2007 baseline	None. Absolute cap
Waste generation	9% reduction in total non-recycled waste over 2007 baseline	Per £1M sales turnover
Water consumption	9% reduction over 2007 baseline	Per £1M sales turnover

We will continue targeting waste and water consumption normalised based on sales. Rather than targeting energy use as in the past, we will target our greenhouse gas emissions (mostly energy related) and, for the first time in Smiths, remove normalisation and focus on absolute values with an aim to maintain a flat emission level during a period of ambitious growth.

Smiths has participated in the UK’s Business in the Community’s Environmental Index for some years. In 2006 we scored just over 90% achieving a ‘Gold’ rating. We scored well on management systems and related issues but acknowledge that we have more to do on product stewardship and supply chain relationships to improve our performance further. The full BITC feedback is available to review on the Smiths website (www.smiths.com/responsibility).

Goal for next year
 To identify key actions necessary to support the achievement of the three year environmental goals.

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Greencoat Digital 80 Velvet contains 80% post-consumer recycled fibre, 10% TCF (Totally Chlorine Free) and 10% ECF (Elemental Chlorine Free) pulp. All pulp is fully recyclable and sourced from carefully managed and renewed commercial forests.

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