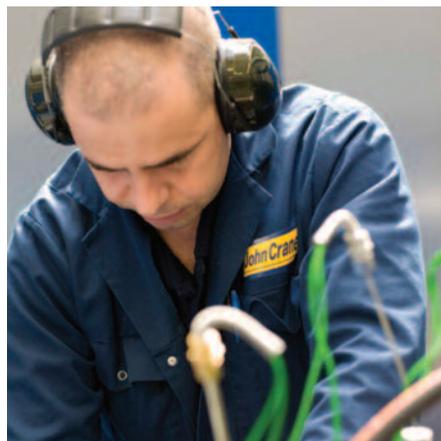
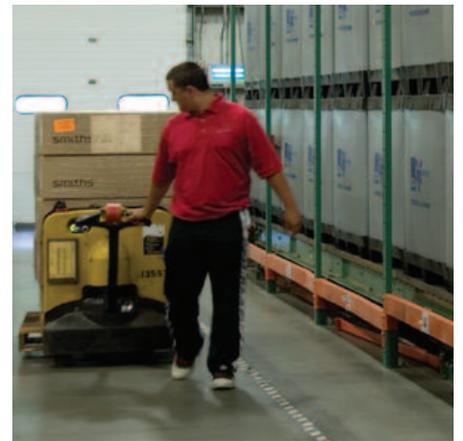
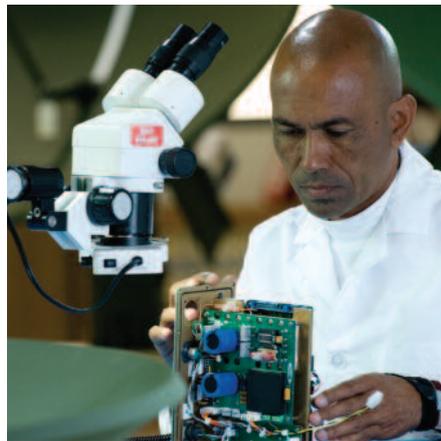
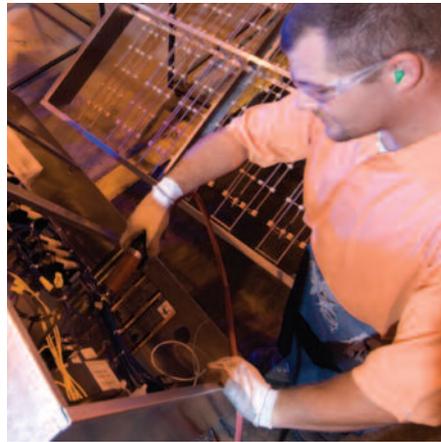


Corporate responsibility report
Year ended 31 July 2008
Protecting and enhancing value



Smiths Group plc

Smiths is a global technology company listed on the London Stock Exchange. A world leader in the practical application of advanced technologies, we deliver products and services for the threat and contraband detection, medical devices, energy, communications and components markets worldwide.

We recognise our duty to our employees, our local communities and the environment in which we operate; and we are pleased to report here on another positive year of corporate responsibility programmes and achievements.

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Chief Executive's introduction

I am very pleased to note that the financial year that we have just completed has been the safest on record for Smiths – a continuation of the trend of recent years.

This is my first opportunity to introduce Smiths corporate responsibility report since taking over as Chief Executive in December 2007.

We have a responsibility to all of our stakeholders including our employees, the communities within which we operate and the environment with which we interact. One of my first tasks was to review and update the environment, health and safety (EHS) policy and the updated version appears at the back of this report. The policy sets out how the Smiths values create expectations of everyone in the organisation and is the basis from which all EHS strategy and programmes will be developed.

I wholeheartedly support the focus this year on safety improvement and am very pleased to note that the financial year that we have just completed has been the safest on record for Smiths – a continuation of the trend of recent years. Our three-year goal to achieve certification to the health and safety management system OHSAS18001 will provide an excellent platform from which to further improve our safety performance.

Whilst safety has been the priority, we continue to monitor and target our environmental impacts. We are on course to achieve our three year goals which include an ambitious aim to halt the absolute increase in Smiths greenhouse gas emissions in a time of increasing sales and margin growth.

We took the opportunity this year to benchmark our Code of Corporate Responsibility and Business Ethics, which resulted in the development and issue of a revised Code. This is being rolled out across all Smiths operations via a series of training initiatives, including a new e-learning process.

This report highlights just a few examples of our businesses engaging with their local communities and of the variety of health and education programmes which we encourage and support.

This year Smiths was awarded membership of the FTSE4Good index, which recognises businesses that meet globally agreed corporate responsibility standards. This membership should reassure all of us at Smiths, and our stakeholders, that we are heading in the right direction.

I hope you enjoy reading this report.

Philip Bowman
Chief Executive



Smiths Group: A global business



Flex-Tek Piloting a new EHS programme in Tennessee, USA

Flex-Tek business Tutco, based in Cookeville, Tennessee, is piloting a new Environment Health and Safety programme in a drive to become OHSAS 18001 certified. The programme seeks to eliminate injuries and reduce hazards in the workplace. The results are already encouraging as the number of recordable injuries has been reduced to zero and recordable incidents have reduced by 25%, while operating costs at the facility have also been cut.



Smiths Detection Manufacturing expansion in Maryland, USA

Smiths Detection has expanded its manufacturing capacity at its Edgewood site by 50% to fulfil increased demand from the US Department of Defense Chemical Biological Protection Shelters (CBPS) programme. CBPS provides contamination free, environmentally controlled working areas for medical and combat services personnel in operational circumstances.



Smiths Medical Automation in New Hampshire, USA

Each year around 150 million safety needles are produced at our Smiths Medical manufacturing facility in Keene. This is largely thanks to an investment in advanced high-speed automated robotics which has yielded record production rates, helping to reduce back orders at the facility to zero.



Smiths Interconnect Opening up in Tunisia

Smiths Interconnect recently opened a new low-cost manufacturing facility in Tunisia to serve its European customers. The facility consolidates and expands manufacturing capacity for connectors which are deployed in military, commercial avionics, medical, space, and test and measurement applications.

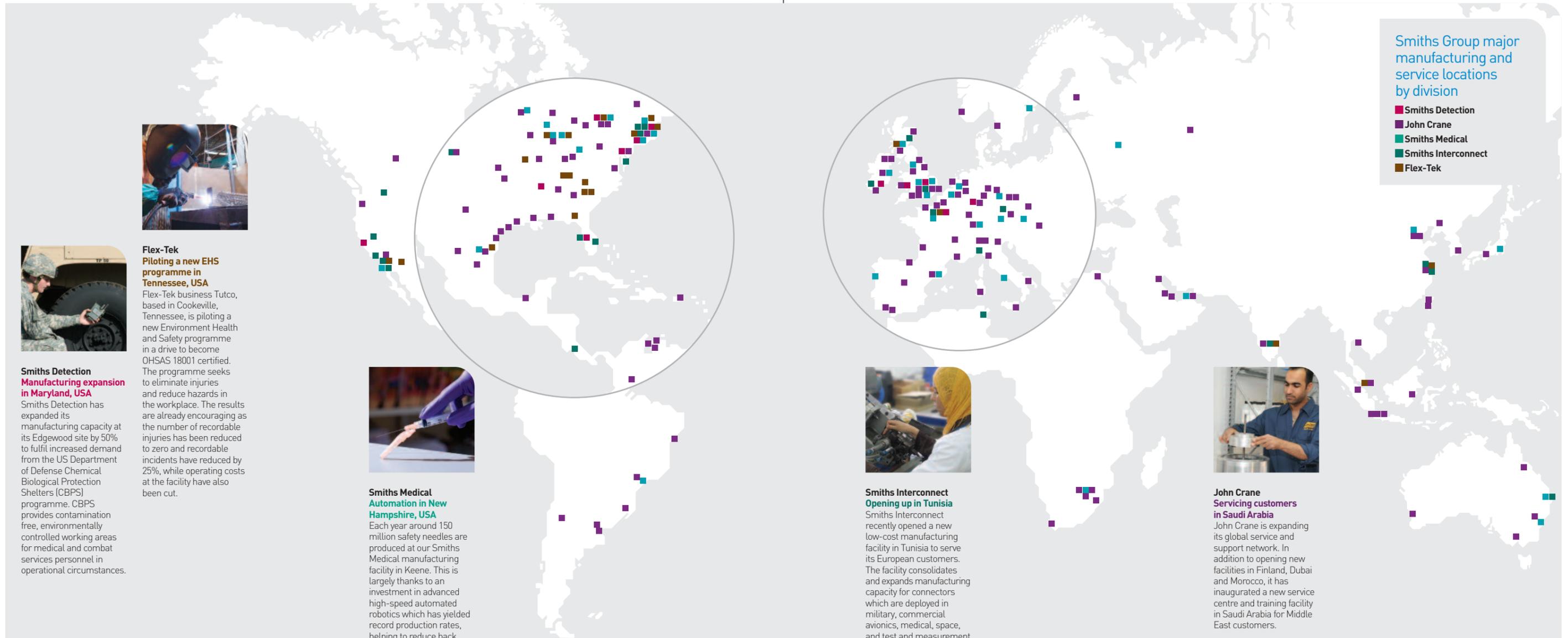


John Crane Servicing customers in Saudi Arabia

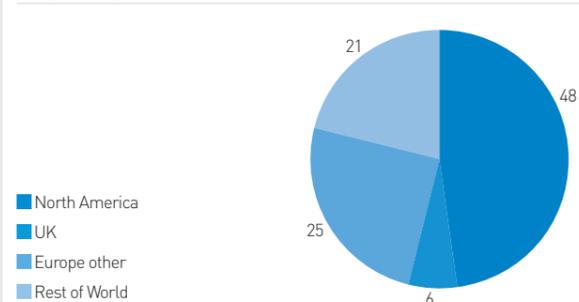
John Crane is expanding its global service and support network. In addition to opening new facilities in Finland, Dubai and Morocco, it has inaugurated a new service centre and training facility in Saudi Arabia for Middle East customers.

Smiths Group major manufacturing and service locations by division

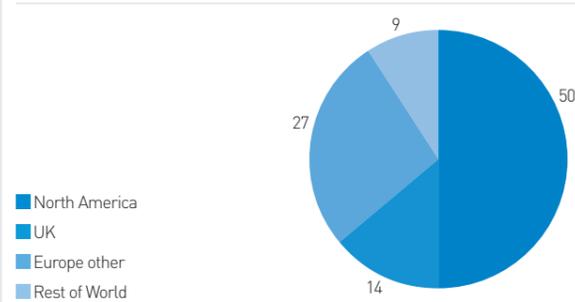
- Smiths Detection
- John Crane
- Smiths Medical
- Smiths Interconnect
- Flex-Tek



Group sales by destination %

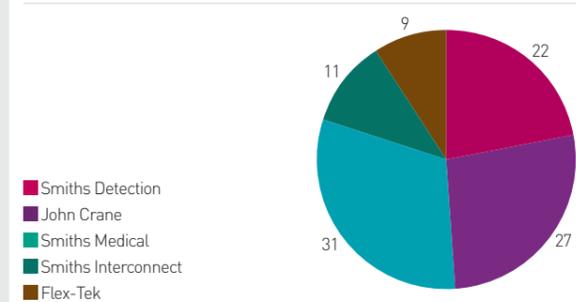


Location of assets %



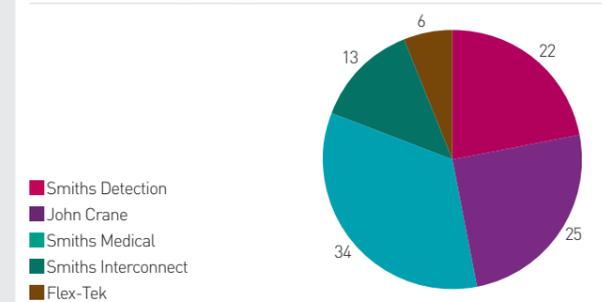
Analysis excludes cash and cash equivalents

Divisional sales %



Analysis is based on revised operating structure for 2008/09 (as reported in Annual Report 2008)

Divisional headline operating profit %



Analysis is based on revised operating structure for 2008/09 (as reported in Annual Report 2008)
Percentage relates to headline operating profit before corporate costs

Smiths divisions

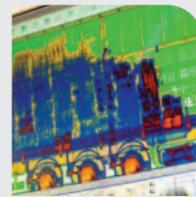
Smiths Group has five divisions: Smiths Detection, John Crane, Smiths Medical, Smiths Interconnect and Flex-Tek. Our businesses are highly competitive, with strong technology positions, and operate in sectors with excellent opportunities for growth.

Smiths has evolved substantially since its foundation. Now employing over 22,000 people in more than 50 countries, we serve a diverse range of global customers including governments and their agencies, petrochemical companies, hospitals, telecommunications companies and manufacturers in a variety of sectors around the world.

We bring technology to life.

Smiths Detection

Smiths Detection is a world-leading designer and manufacturer of sensors that detect and identify explosives, narcotics, weapons, chemical agents, biohazards and contraband.



Customers

Our technology is deployed at nearly 80% of the world's commercial airports. Some 85% of sales are influenced by more than 100 governments and their agencies globally, including homeland security authorities, customs authorities, emergency responders and the military. This includes the US Department of Defense, US Transportation Security Administration (TSA), UK Ministry of Defence, and airport operators such as BAA in the UK.

Contribution to 2008 sales*
22%

Contribution to 2008 headline operating profit*##
22%

Growth opportunities

- Bring new technologies to market
- Develop biological and millimetre wave detection technology
- Seek acquisitions
- Deliver efficiencies: implement single enterprise wide software system and smarter sourcing initiative

Key strengths

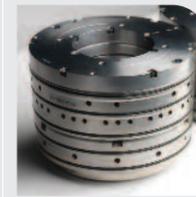
- Global market growth
- Strong technology positions
- Good access to growing markets
- Investment in R&D increasing

Employees
2,300

With governments seeking more advanced ways to counter terror threats, our world leading X-ray screening equipment is continuously evolving to help keep passengers safe across the globe.

John Crane

John Crane is a world-leading provider of products and services for the major process industries, these include the oil and gas, chemical, pharmaceutical, pulp and paper, and mining sectors.



Customers

John Crane serves oil and gas companies, refineries, pump and compressor manufacturers, chemical and other process industries. Its main customers include BP, Chevron, China Petroleum, ConocoPhillips, ExxonMobil, Gazprom, Qatargas, Saudi Aramco, Shell, Total, Dresser, Elliot, Flowserve, GE Nuovo Pignone, ITT, Mitsubishi, Siemens, Solar turbines, Sulzer, York, BASF, Bayer, Dow, Koch Industries and Lyondell.

Contribution to 2008 sales*
27%

Contribution to 2008 headline operating profit*##
25%

Growth opportunities

- Creation of a single John Crane customer-facing organisation
- Expand technology footprint through acquisitions
- Build new upstream services business that uses existing global network
- Increase original equipment sales and manufacturing capacity and extend global customer service network

Key strengths

- Two-thirds of revenue from after-market service
- Market leader in its field, blue chip customer base
- Largest segment is fast-growing petrochemical industry
- Good positions in key growth markets

Employees
6,400

In the petrochemical industry, our advanced mechanical seals are deployed on oil and gas pipelines and refineries, helping to deliver energy efficiently to millions of homes and businesses around the world.

Smiths Medical

Smiths Medical is a leading supplier of specialist medical devices and equipment for global markets. Our products are focused in the medication delivery, vital care and safety devices market segments.



Customers

We estimate that around three-quarters of our end customers are hospitals with the remainder comprising the alternate care market such as home care and other surgery centres. We have a direct sales presence in 20 countries with distribution arrangements in many others.

Contribution to 2008 sales*
31%

Contribution to 2008 headline operating profit*##
34%

Growth opportunities

- Ageing population and increasing prosperity
- Safety legislation and regulation
- Healthcare industry productivity needs and increasing use of IT
- Leverage global product development process and increase percentage of sales from products under three years old
- Scope to reduce costs and improve margins

Key strengths

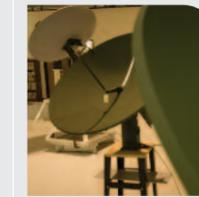
- Consistent market growth
- Global sales & marketing network
- Established brands with practitioner loyalty
- Increasing roll-out of new products
- Focusing increased R&D investment on higher growth segments and markets

Employees
8,400

In healthcare, our products help prevent needlestick injuries and reduce the risk of cross infections, while our revolutionary medication delivery equipment helps to ease patients' pain and prevent accidental overdoses.

Smiths Interconnect

Smiths Interconnect designs and manufactures specialised electronic and radio frequency products that connect, protect and control critical systems for the global wireless telecommunications, aerospace, defence, space and medical markets.



Customers

Smiths Interconnect supplies to multiple levels of the supply chain and its blue chip customers include primes and service providers, OEMs and system suppliers, and sub-system manufacturers. Amongst our largest customers are Raytheon, Finmeccanica, BAE Systems, AAI/Textron, Northrop Grumman, Ericsson, Motorola, Sprint Nextel, ZTE, GE Medical and Alstom.

Contribution to 2008 sales*
11%

Contribution to 2008 headline operating profit*##
13%

Growth opportunities

- Expand globally from US base
- Leverage market knowledge and customer relationships throughout the business
- Add new technologies and territories through bolt-on acquisitions from fragmented sector
- Rationalise manufacturing and accelerate move to lower costs

Key strengths

- Technical differentiation providing barriers to entry for competition

- Strong brands recognised by customers as partners and solution providers
- Excellent military programme positions
- Positive market dynamics in wireless infrastructure and defence

Employees
3,100

In communications, our sophisticated technology helps to keep people and systems connected and protected.

Flex-Tek

Flex-Tek provides engineered components that heat and move fluids for the aerospace, medical, industrial, construction and domestic markets.



Customers

Flex-Tek serves mainly domestic appliance manufacturers and the US construction industry. Its large customers include Whirlpool, Trane, Pratt & Whitney, Carrier, Boeing, Electrolux, Resprionics, GE Aerospace, Airbus, Panasonic, Hoover and Dyson.

Contribution to 2008 sales*
9%

Contribution to 2008 headline operating profit*##
6%

Growth opportunities

- Expand non-construction market activities eg aerospace and medical
- Exploit growth potential in Asian industrial and appliance markets
- Further rationalise sites

Key strengths

- Lean manufacturing culture

- Good performance in markets other than US construction market, civil and military aircraft demand rising

Employees
2,400

Our engineered components heat and move fluids in a wide range of different industries from aircraft and racing cars to medical devices.

*Analysis is based on revised operating structure for 2008/09 (as reported in Annual Report 2008)

##Percentage relates to headline operating profit before corporate costs

Managing corporate responsibility and business ethics

The 12 principles outlined in the Code:

1 Compliance with all applicable laws and regulations

2 Fair and vigorous competition in the marketplace

3 Integrity and ethical conduct as the standard individual and corporate business behaviour

4 Fair and honest treatment of suppliers, business partners and customers

5 Proper and respectful treatment of employees

6 High standards for health, safety and security 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

The Code of Business Ethics

In 2004 we introduced a Code of Corporate Responsibility and Business Ethics ('the Code') which sets out 12 broad principles for how Smiths does business, based on common values of integrity, honesty, fairness and transparency. It was acknowledged that the principles cannot address all areas or all circumstances, but they provide a framework for wider policies and programmes.

In early 2008, Smiths retained the consultancy URS to conduct a benchmarking exercise of our Code of Corporate Responsibility and Business Ethics against guidance on content and implementation from the Institute of Business Ethics (IBE). We took the opportunity to benchmark against companies operating in similar segments, from both a product and an investor perspective, using publicly available materials. The purpose was to establish the comparative strengths, weaknesses and opportunities for development of our Code.

Whilst URS highlighted many strengths, they helped us to identify the following changes that in the main describe areas covered by policies but not previously set out explicitly in the Code:

- we have incorporated more references to the shareholders as a key group of stakeholders;
- we have strengthened the non-retaliation language;
- we have made more explicit the principles in relation to confidential information and use of Smiths and third parties' assets (including IT and communications equipment);
- we have included reference to protection from potential security threats;
- we have included references to payment of taxes and assessment of risk;
- we have expanded references to the availability of resources to support the Code; and
- we have expanded provisions and advice for reporting issues, and have included, at the end of the Code, a section on governance which previously appeared on the website and intranet, but not in printed versions of the Code.

The revised Code, although expanded, retains the 12 core principles structure and has the simplified title 'Code of Business Ethics'. It has been produced in all of the main Smiths operating languages, and is available in both hard copy format for each employee and on Smiths intranet.

In order to communicate the revised Code and provide training to individuals across the Group, we are working on an online training module. The online training will be supported by training on CD-Roms, so that those employees without access to individual work email accounts, or whose native language is not available online, can be trained in a classroom-style setting.

The new Code is available on the Smiths website (www.smiths.com).

Managing the Code

The Code is approved by the Board of Directors of 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 Business Ethics Compliance Council ('the Council') is responsible for reviewing issues, determining priorities and making recommendations to the Audit Committee. Members of the Council brief the Audit Committee periodically on ethical issues and suspected or actual breaches of 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 co-ordinators;
- employee issues are managed through the human resources function and by line management;
- supplier and customer programmes are managed by each business; and
- 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 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.

Managing specific issues

Employees who have concerns or queries in relation to the Code are encouraged to raise these through a number of routes: by raising the issue with line management, or with the human resources or legal support for their business or division, or by using the confidential ethics helplines established across the Group.

Ethics Helplines are 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. These helplines are available via toll-free numbers in over thirty 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. If appropriate and possible, a report back is given to the caller.

Information about the Ethics Helplines and other aspects of Code compliance are available to employees on the Smiths intranet. For employees who do not have access to Smiths Group electronic communication tools, posters are on display at Smiths sites, plus all employees are provided with a hard copy of the Code.

In 2008 Smiths was awarded membership of the FTSE4Good Index which recognises companies that meet globally recognised corporate responsibility standards. Whilst we are not complacent about the ongoing work required, we were pleased to receive this external recognition of our corporate responsibility initiatives and business ethics programme.

Smiths in the environment

We are committed to ensuring that, as far as is reasonably practicable, any detrimental effects of our activities, products and services upon the environment are minimised.

Organisational arrangements

Smiths environment, health and safety (EHS) programmes start with the EHS policy which was revised and endorsed by Philip Bowman in January 2008 and is reproduced at the back of this report.

The policy deployment process is hierarchical within the Group matrix. The Executive Committee develops policy and monitors performance. The EHS Steering Committee, which comprises senior group and divisional representatives, develops strategy and ensures progress. The EHS Technical Committee develops programmes that implement the strategy, share best practices and provide training opportunities. Regional co-ordinators and local EHS staff provide feedback on performance and issues.

Managing environmental impacts

All Smiths manufacturing facilities with more than 50 employees are required to achieve certification to the international management system standard ISO14001 and new acquisitions and sites that grow above this threshold have two years to comply.

Currently we have five sites that fall into the latter category and are working on their programmes. We have seventy-seven sites already certified, providing an externally verified framework for continual improvement, compliance assurance, emergency preparedness and management review.

Performance against targets

Having achieved the three-year goals to the end of July 2007, new goals were established to further challenge our environmental performance. Smiths has set itself the target of reducing water consumption by 9%, waste generation by 9% (both normalised against sales) and to cap its greenhouse gas emissions at FY 2006 – 2007 levels (absolute). These goals are to be achieved by 31 July 2010.

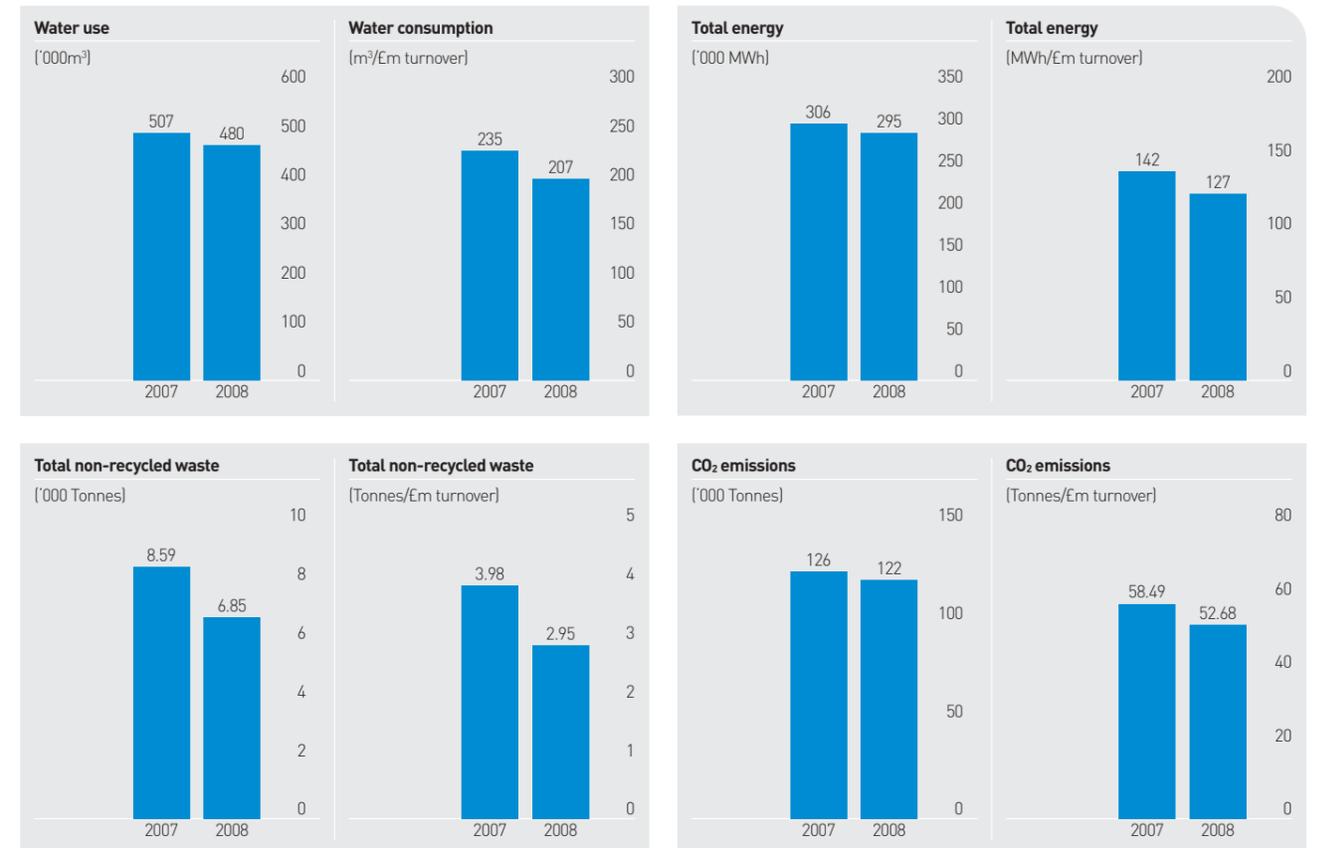
Each of our key indicators shows improvement during the year and we will report on further progress and initiatives towards our three-year goals.

Our new data management system has been live for over a year now and has given us the ability to improve the quality and timeliness of the data with monthly reporting and real time checking for errors. A greater number of Smiths businesses than ever before now report and it is much easier to include or exclude acquired or divested businesses. The 2007 data here has been adjusted to remove business disposals during the year and the 2008 data does not include recent acquisitions.

There were very few environmental fines received this financial year and the largest related to a waste water discharge breach at the John Crane facility in Mexico. The breach occurred in October 2004 and the fine had a total value of 10,114 Mexican pesos (£545). The non-compliance was corrected.

Smiths Medical, Keene, USA

One of Smiths goals is to reduce the total non-recycled waste and where possible, packaging waste is minimised by the use of reusable and returnable packaging as introduced here in Keene.



Smiths in the workplace

We believe in providing our employees with the means to add value to themselves and the business they work in. We support our employees by investing in improved safety in the workplace, ensuring their statutory rights are upheld, treating our work colleagues fairly and with respect, and developing our talent.

Employees

Smiths continues to be a diverse group of businesses and our people reflect that diversity.

Adding value

Throughout Smiths people are taking action to achieve the best possible long-term performance for our shareholders. We invest in the skills and capabilities of our people and expect them to reflect that investment in their performance in terms of business results.

Career progression

As a global technology group, we offer a variety of roles to help our people progress their career within Smiths in line with their capabilities and performance. We identify potential future leaders and provide them with development tools and opportunities to support their career ambitions and the needs of the business. We also recognise the need to balance internal development and promotion with external recruitment where this is necessary to fulfil our individual and team commitment to add value.

Diversity

We welcome diversity in our workforce, not only to adhere to our legal obligations but also because we believe that everyone needs to challenge constructively and to contribute ideas from their own perspective to support the achievement of business performance objectives.

Succession management

Smiths operates a systematic succession management process for leadership roles. Our businesses identify leadership talent and development needs using common tools and a consistent language. Development plans are monitored by senior management to optimise effective succession opportunities.

Developing talent

Smiths has a number of development programmes 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 add value we have to ensure they are properly engaged with and committed to the business priorities. We provide not only the training and development opportunities that represent an investment in both their future and that of the business but also a safe and responsible working environment that encourages mutual respect, provides opportunities for personal growth and rewards individual and team contributions that realise value for the business.

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 our sites. These link to the Smiths European Forum, through which employee representatives from across the EU meet annually to discuss transnational matters with Group executives. This year's meeting was held in the UK and included a presentation from Smiths Chief Executive, Philip Bowman, on the performance of Smiths and his expectations for enhancing the value of the Group's businesses.

John Crane, UK

For over 18 months, John Crane Engineering has been promoting self-study through e-learning, resulting in the creation of a CD-based 'Mechanical Seal Foundations' course, plus various intranet-based study modules and other tools.

A central implementation team has been developing a powerful e-learning software platform called 'Know-How'. This has been rolled out to a limited audience in India, enabling access to an induction curriculum containing basic courses on topics such as health & safety, IT policies, environmental policies and lean manufacturing, as well as introductions to mechanical seals and couplings.

Know-How will now be introduced to other locations in a phased roll-out programme which will gradually add more users, courses and functionality.

Horizons

Smiths continues to be actively involved in all aspects of training and developing young people, including initiatives designed to ease the transition from school to work. For example, Horizons is a two-year programme for newly and recently appointed graduates and those early in their career. It provides an understanding of the Group and the business world in general, and develops personal and team working skills.

Smiths Medical, Rockland, USA

Employees from Smiths and other local companies have joined together for a weekly skate at a local ice hockey arena. They have been able to field two teams consistently which provides a non-stop hour of intense action that is nothing short of fun and a great cardio workout!



Smiths Medical, Dublin, USA

The 'Across the Pond Walkathon' was planned and initiated in June of this year and 60 people signed up to walk. There were eight teams, comprising members of various departments promoting collaboration with people who don't usually sit together.

Prizes were awarded for the first team to reach 100 miles, first team to reach 500 miles, individual with the most miles in a single week, and the team who walked the farthest in the sixth and final week of the race. But, in a wider sense, all who participated were winners, with benefits including weight loss, reconnecting the family unit by walking together, and social interaction.

Smiths Medical, Fraureuth, Germany

Smiths Medical Fraureuth encourages health and exercise initiatives and employees have the opportunity to spend one evening every week together for exercise and sport activities such as volleyball. This has become a popular fixture in which many employees take part.

Smiths Medical, Kirchseon, Germany

A fitness studio, opposite the company building, is fully certified and recognised as an excellent training unit by health insurance companies. An agreement is now in place with a major insurer who will provide significant advantage schemes for employees who are members of this fitness facility.

Titeflex, Paris, France

Titeflex has enrolled in an innovative project with a company which arranges cultural activities to broaden the interests of employees by offering events outside of their usual environment.

Quarterly activities include lunches with guest speakers, and visits to castles, museums and other places of interest to highlight that great scientists were also writers and artists and that discoveries were made by people with broad knowledge in various fields.



Einstein, for example, was a philosopher and musician and Pascal a writer, engineer and philosopher.

A talk on Leonardo da Vinci introduced him as an artist, philosopher, engineer, discoverer and a self-trained man. This last detail particularly impressed workers, and the new expression on the shop floor is "let's do it à la Leonardo".

Visiting the Museum of Perfume in Versailles illustrated the challenge of producing a consistent product every year. This was of interest to engineers, who meet the same challenge with our products.

Smiths Medical, Rockland, USA

Twenty-six employees took part in a 40-hour college course on 'English as a Second Language' with all of the students passing their final examination. The course contributed to their understanding of our environment, health and safety procedures and training, in addition to complementing their own personal education.



Health and safety

Organisational arrangements

See the environment section on page 8 for an outline of the organisational arrangements for managing health and safety.

Performance indicators

Smiths tracks safety performance using the US Occupational Safety and Health Administration (OSHA) methods for lost time incident rate and recordable incident rate which express the number of incidents per 100 employees per year. The US Bureau of Labour publishes industry comparisons each year allowing an approximate benchmark.

As announced in August 2007, Smiths now requires all of its businesses to have a recordable incident rate better than 1.5 (per 100 employees per year) by July 2010.

OHSAS18001

ISO14001 has proven successful in driving continual improvement in environmental matters in Smiths and we now require the closest equivalent for health and safety – OHSAS18001 – at all manufacturing businesses with more than 50 employees. OHSAS18001 requires:

- formal risk assessment and hazard identification
- legal compliance and assurance
- formal organisational arrangements
- training and competency
- internal audit
- management review
- external verification.

Some Smiths businesses have already achieved certification and we are therefore able to use this experience to develop a Group-wide programme. Two sites – Trak Microwave, Dundee and Tutco, Cookeville, Tennessee – were selected as pilots for the development of standard materials and understanding of the certification process.

In total we now have 17 facilities, out of a 2010 target of 83, certified to OHSAS18001.

Audit

An audit process has been developed and external auditors retained to conduct legal compliance audits. Facilities to be audited were chosen from across the Group based on size, complexity and past performance and the audits were completed in March, April and May 2008. Each audited site now has a corrective action plan which will be reviewed on site later in 2008. Analysis of the findings from the audits suggests three common areas of weakness: machine guarding, electrical safety and emergency preparedness. These will be the focus of future programmes.

Targeting under-performers

Eight sites with historically weaker performance were selected for additional attention involving:

- monthly senior management reviews
- performance goals
- agreed improvement programmes.

Three of the eight sites have improved their performance sufficiently and alternative sites are currently being considered to replace them.

Safety Technical Workshops

Three safety technical workshops were held in Europe and North America with more than 100 representatives from the major sites in attendance.

The workshops had a shared agenda:

- Hazard identification and risk assessment
- Legal compliance
- Incident investigation
- The OHSAS18001 certification process
- Smiths resources

Trak Microwave, Dundee, Scotland

Dynamic X-ray inspection methods are used routinely to verify the integrity of solder joints and the internal efficacy of components destined for deep space missions and satellite applications. Operated in a controlled access area, machine interlocks and personal dosimeters ensure radiation exposure is both minimised and continuously monitored.



Tutco, Cookeville, USA

Safety Bingo is an innovative way of raising health and safety awareness in the workplace.

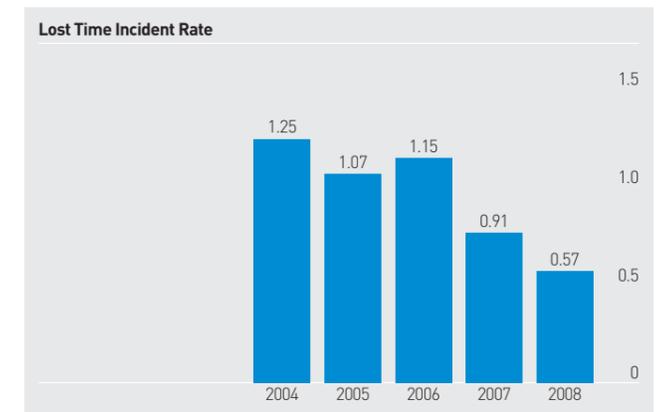
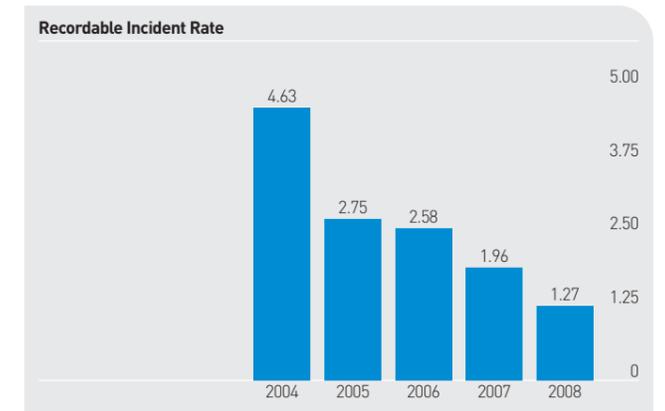
Numbers are posted on the notice board each day and employees check them off on their 'Bingo' cards until there is a winner.

The prize money starts at \$50 and increases by \$1 for each day without a recordable incident. A winning card completes the game and everyone starts over, but the prize continues to grow by \$1 a day unless a recordable incident occurs and sends it back down to \$50.



Tutco, Cookeville, USA

Tutco were Smiths first North American facility to achieve certification to OHSAS18001 and their preparation included a comprehensive machine guarding programme.



Data collection and analysis

We invested in a bespoke worldwide data collection and reporting system which was implemented in August 2007 and we now have an enhanced ability to review performance site by site in real time against Group targets.

Performance against targets

Last year we reported on three incidents that resulted in extended hospital stays for the injured parties. We are pleased to report that we have had no incidents of the same severity this year.

Following a concerted effort, driven from the highest levels of the organisation, our safety performance, as measured through recordable incident and lost time incident rates, continues to improve. The improvements are supported by enhanced incident investigation and return to work programmes. The financial year that we have just completed has been the safest on record for Smiths.

We are starting to see other positive indicators. Fines and violations are as low as we can remember. Smiths had no UK employer liability claims in the financial year and US workers' compensation direct costs are \$300,000 lower than last year. These visible and tangible benefits exclude the business costs and personal impacts associated with injury and lost time.

The largest fine received this financial year related to two findings from an OSHA inspection of our Tubular Systems facility in Springfield MA, USA. The combined fine was US\$1,487.50. The non-compliances have been corrected.

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.

Charitable Donations and Community Initiatives

Here are some examples of charitable and community initiatives from Smiths businesses around the world.

Smiths Medical, Germany, Austria and Switzerland

Last year, 16 employees, drawn from Germany, Austria and Switzerland, completed a 24-hour cycle race in Munich.

For each of the 1,275 kilometres completed Smiths made a donation of €1 to the German Bone Marrow Donation Association, raising a total of €1,275. The cyclists plan to repeat this initiative in 2008.



Smiths Detection, Edgewood, MD USA

Smiths Detection in Edgewood, Maryland (USA) held a day for Breast Cancer Awareness in October 2007. Smiths bought 'pink ribbon' bagels and offered them for a \$1 donation. Smiths managers matched every \$5 donation from employees and provided a raffle ticket for the chance to win a prize.

There was a lunchtime group walk around the Edgewood business park, with pink balloons and a cake to celebrate the day. The local 'Race for the Cure' representative provided literature and other materials to share.

The proceeds (nearly \$5,000) went to the Susan G. Komen Foundation.



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 Technology Education Programme (STEP)

Smiths is in its second year of collaboration with the UK Royal Academy of Engineering in the STEP programme. STEP is an initiative to assist able students from any background, facing economic or social barriers, to a career in technology.

Each year, 20 students who are studying for advanced level qualifications in mathematics or science have the opportunity to attend a 'Head-Start' summer school in engineering and technology, run by the Royal Academy of Engineering. Five of these alumni are then selected to receive a Smiths bursary of £1,000 per year towards the cost of a university course in engineering or technology.

John Crane, Czech Republic

Employees and their partners attended the annual John Crane Company Ball where 30,000 Kč (€1,000) was raised in a charity raffle for a local centre which cares for disabled children. The money was used to improve facilities at the centre where employees give their support by joining them for seasonal events.



John Crane, Brazil

For the third year running, the HR department of John Crane Brazil organised and managed a multi-disciplinary team for their charitable Christmas appeal. This project involved donations of food from employees and their families to help needy children and the elderly. Employees from each region represented by John Crane Brazil selected specific organisations to receive their donations.



Smiths Medical, Dublin, USA

Smiths Medical's Services Centre in Dublin, Ohio, has been supporting the Leukemia and Lymphoma Society (LLS) through 'Light the Night' since the sister of one of their employees was diagnosed with Non-Hodgkins Lymphoma five years ago.

A 'can castle' event was organised to collect food for the Plain City Food Pantry. Four teams competed and over 1600 cans, boxes and other items, were collected. Castles were judged on size and creativity. The Customer Service Data Center won with their medieval castle made of over 700 cans, and donated the equivalent cost of their prize to the 'Toys for Tots' charity.

Employees also volunteer for 'Corporate Meals on Wheels' during their lunch breaks, delivering meals to people who can not otherwise get meals on their own.

Smiths Detection, USA

Smiths Detection sites in the USA take part in 'Take Your Sons & Daughters to Work', an annual national event which encourages employees to bring their children, aged six and over, to work. The children are given a tour of the facility and spend the day learning about Smiths Detection and how their parents contribute to our organisation.

This day of fun education has activities designed to demonstrate that their studies in subjects such as science, maths, english and business will

better prepare them for a wide variety of jobs and the skills needed for specific professions.

Small breakout sessions are arranged with various departments. This year for example:

- Finance hosted a 'how to budget for a party' workshop.
- HR orchestrated games such as 'Safety Jeopardy' and 'Are you Smarter than a Fifth Grader?' where parents and their children challenged each other.



Smiths Detection, Wiesbaden, Germany

Employees from Smiths Detection, Germany annually donate approximately €3,000 to help support a local hospice near its facility in Wiesbaden. The hospice cares for the terminally ill in two units and the donation is divided equally between the children's unit 'Baerenherz', and the adult unit, 'Advena'.

Smiths Medical, St Paul, USA

Smiths Medical St Paul sponsored a Health and Wellness week for employees and organised blood drives throughout the year which provided 153 pints of blood for the local Red Cross. Funds of over \$52,000 were also raised in a Juvenile Walk for Diabetes and a large supply of clothing and food was collected for a local homeless shelter for Christmas 2007.

Smiths Medical, Mount Everest Study

Smiths Medical is currently developing a revolutionary breathing circuit. It was tested on Mount Everest as part of a groundbreaking medical study undertaken in collaboration with Great Ormond Street Hospital and University College London and the system is

undergoing clinical trials and regulatory assessments. If approved, it will for the first time enable patients with chronic breathing difficulties to stay active whilst receiving treatment, greatly improving their chances of recovery. It could prove to be a major breakthrough for patients with COPD (Chronic Obstructive Pulmonary Disease).



Smiths in the community continued

John Crane, China

In autumn 2007, John Crane China launched a three-year scholarship project with Tianjin University, which is available to 10 full-time graduate and postgraduate students of the Chemical and Mechanical Engineering Colleges. Practical experience within John Crane is also arranged for students and Tianjin University encourages them to seek internships upon graduation.

The first Scholarship Awarding Ceremony was held in January and was attended by college faculty and visitors from other universities. Representatives from John Crane awarded the scholarships, promoted the programme, and answered questions from students keen to participate.



John Crane, Czech Republic

For the past seven years John Crane has partnered with a local high school in its 'Pathway Study Programme' which is geared towards mechanics and machinists. Students undergo their annual work experience at the John Crane factory and the best students are honoured each year after graduation. Many of the current John Crane employees graduated from this school.

The local Training and Lean Co-ordinator, Viktor Mensik, is responsible for the students on work experience and was honoured this year by the school for his hard work and dedication. John Crane used this opportunity to support the school in a joint press promotion, advertising the school's curriculum and career possibilities with John Crane.

The partnership went a stage further recently as John Crane committed to assist the high school in a special EU educational project. Employees will be co-operating with, and participating in, the process of textbook modification, applying practical and up-to-date information from the manufacturing environment, so as to share this knowledge and experience with the students.



John Crane, Egypt

John Crane in Egypt is forging an important link with the world of education through a seminar presented to an audience largely composed of students and professors from the Mechanical Engineering Department of the Faculty of Engineering at Alexandria University, considered to be one of the finest engineering colleges in Egypt.

As the most prominent supplier of sealing solutions in Egypt, John Crane was approached by the Department's professors to introduce students to the subject of sealing solutions. All 300 attendees received a CD which contained the material presented in the seminar, plus extra information on John Crane products. As a result of the seminar the University's Turbomachinery Division has begun working with John Crane to develop a sealing technology training programme.

Smiths Medical, Germany and Switzerland

Smiths Medical is running an apprenticeship programme offering nine places (five in Kirchseeon, three in Fraureuth and one in Switzerland) which are combined with practical and

theoretical study at a business school. This education is completed with an examination and degree from the Chamber of Commerce.

Successful graduates are encouraged to apply for available positions within Smiths Medical.

Environment, health and safety policy

Smiths Group ('the Company') is committed to achieving excellence in environment, health and safety (EHS) performance.

The Chief Executive has overall responsibility for EHS matters in the Group and the Group Human Resources Director is responsible for its effective administration and implementation. Strategic direction and performance monitoring is undertaken by the EHS Steering Committee and the EHS Technical Committee which have representation from all Smiths divisions.

The most senior manager in each division has overall responsibility for EHS matters within their business and for implementing organisational arrangements to ensure compliance with this policy.

Smiths employees, at all levels, have a personal responsibility to follow EHS rules and to take due care. They also have a responsibility to warn others if they see potential hazards, either physical or behavioural. Failure to fulfil these responsibilities may lead to disciplinary action.

The Company conducts its business in accordance with the following key EHS principles which are supported by effective management systems:

- Commitment to meeting or exceeding all relevant legal and other requirements to which the Company is subject and monitoring performance through periodic assessment.
- Continual improvement in EHS performance, including prevention of pollution, hazard reduction and the protection of human health.
- Robust training systems to ensure that all persons working for or on behalf of the company are competent to fulfil their EHS responsibilities.
- Clearly defined objectives and targets.
- Regular assessment of the EHS impacts and interactions of all new and existing business activities, products and services.
- Promotion of the efficient use of energy and other resources to minimise environmental impact.
- Promotion of the health and wellness of our employees.
- Consideration of EHS issues during acquisitions and divestitures.
- Selection of competent contractors who commit to comply with Smiths high EHS standards.
- Communication with all persons working for or on behalf of the Company and other stakeholders regarding the EHS impacts and objectives of its operations and to seek to engage them in the commitment to continual improvement.

Philip Bowman
Chief Executive

January 2008



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.

Designed and produced by *****langsford 020 7378 1457 www.langsford.co.uk

smiths

Smiths Group plc
765 Finchley Road, London NW11 8DS, UK
T: +44 (0)20 8458 3232
F: +44 (0)20 8458 4380
E: cr@smiths.com
www.smiths.com