

Smiths Group plc

Terms of Reference of the Nomination & Governance Committee

Constitution

1. The Board has established a committee known as the Nomination & Governance Committee (the “Committee”).
2. These Terms of Reference are defined by the Board and may be amended by the Board at any time. The proceedings of the Board Committees shall be regulated by the Company’s Articles of Association.

Chair

3. The Board shall appoint the Chair of the Board or an independent non-executive Director as the Chair of the Committee. In the absence of the Chair of the Committee, the members present at any meeting shall elect one of themselves to chair the meeting.
4. The Chair of the Board may not chair the Committee when it is dealing with the appointment of his or her successor, in which case the Committee members shall elect one of themselves to chair the whole or relevant part of the meeting. In these circumstances, it is expected that the Senior Independent Director (‘SID’) would assume the role of Chair, unless the SID is himself a candidate for the role.

Membership

5. The Committee shall comprise the Chair of the Board and at least two Directors, appointed by the Board on the recommendation of the Committee and in consultation with the Committee Chair. The majority of Committee members shall be independent non-executive Directors.
6. Appointments to the Committee shall be determined by the Board in consultation with the Chair of the Committee having regard to the Director’s experience, performance, suitability and independence. A Director shall automatically cease to be a Committee member on ceasing to be a Director.

Secretary

7. The Company Secretary, or his or her nominee, shall act as Secretary to the Committee and shall ensure members receive notice, information and papers in a timely manner to enable full and proper consideration to be given to the issues.

Quorum

8. The quorum shall be two members. Any member shall abstain from voting on resolutions of the Committee in relation to which any potential conflict of interest exists.

Attendance at meetings

9. Only Committee members shall have the right to attend Committee meetings. The Chief Executive Officer shall normally be invited to attend and other individuals and external advisers may be invited to attend if appropriate.
10. If there is an equality of votes, the Chair of the Committee shall have a casting vote.

Frequency of meetings

11. The Committee shall meet at least once a year and as otherwise required by the Chair of the Committee.

Notice of meetings

12. Meetings shall be called by the Company Secretary at the request of the Chair of the Committee.

Minutes of meeting

13. Once approved by the Chair of the Committee, minutes shall be circulated to all Committee members and, unless otherwise indicated by the Chair of the Committee, to other non-executive Directors of the Company, the Chief Executive Officer and the Chief Financial Officer.

Authority

14. The Board authorises the Committee, at the Company's expense, to use internal resources and/or to obtain external professional advice, as appropriate. The Committee shall have exclusive responsibility for appointing, retaining and terminating the services of any external advisers and approving their fees and retention terms.

Annual General Meeting

15. The Chair of the Committee shall attend the Annual General Meeting prepared to answer any shareholder questions on the Committee's activities.

Duties

Nomination

16. The Committee shall:

- (a) regularly review the structure, size and composition (including the required skills, knowledge, experience, independence and diversity) of the Board and its Committees and make recommendations to the Board with regard to any changes including the appointment of senior independent director and the chairs of the Committees;
- (b) lead the process for appointments to the Board and ensure plans are in place for orderly succession for the Board and senior management positions and, in so doing, oversee the development of a diverse pipeline for succession;
- (c) before a recommendation for an appointment to the Board is made, evaluate the skills, knowledge, independence, experience and diversity on the Board required to execute the Group's strategy, as well as the values and behaviours expected of directors, and based on this evaluation prepare a description of the role, capabilities and time commitment required for such appointment. In identifying suitable candidates, the Committee shall:
 - i. use open advertising or external advisers to facilitate the search and be exclusively responsible for establishing the selection criteria, selecting, appointing, setting the terms of reference for and reviewing the performance of any external adviser engaged in connection with any Board or executive search;
 - ii. consider candidates from a wide range of backgrounds on merit and against objective criteria, having due regard for the Board's Diversity Policy;
 - iii. take care that an appointee shall have enough time available to discharge his or her responsibilities effectively.
 - iv. consider any actual or potential conflicts of interests the appointee may have with those of the Company and if appropriate recommend the Board to authorise such conflicts including any terms to be imposed in relation to such authorisation as the Committee considers necessary or desirable.

Terms of Reference

- (d) ensure that on appointment to the Board, a non-executive Director receives a formal Letter of Appointment setting out clearly what is expected of them in terms of time commitment, Board Committee membership and involvement outside Board meetings;
 - (e) ensure that on appointment to the Board, Directors receive a tailored induction programme;
 - (f) prepare a job specification for the appointment of the Chair of the Company, including the time commitment expected, recognising the need for availability in the event of crises. The other significant commitments of the Chair and all non-executive Directors should be disclosed to the Board before appointment, and any new external appointments must be reviewed by the Committee and approved by the Board before being accepted by a Director.
17. The Committee shall on an annual basis, with the support of the Chief Executive Officer, give full consideration to succession planning and the development of a diverse pipeline for succession for Directors and senior management, taking into account the Group's strategy, its current and future needs, challenges and opportunities, and with a view to ensuring the continued ability of the Company to compete effectively in the marketplace. Succession plans for the Chairman and executive Directors shall be in writing and reviewed periodically. Succession planning and appointments to senior management positions is the responsibility of the Chief Executive Officer.
18. The Committee shall:
- (a) shall review and approve changes to the Board Diversity Policy;
 - (b) develop and recommend to the Board, appropriate criteria for determining Director independence and to review annually the independence of all non-executive Directors.
 - (c) review annually the time required from non-executive Directors and assess whether each non-executive Director contributes effectively and demonstrates commitment to the role; and
 - (d) review and oversee the implementation of the Group's Diversity & Inclusion Plan including performance against diversity objectives and monitor actions identified as necessary to address any Gender Pay Gap.
19. The Committee shall make recommendations to the Board concerning:
- (a) the re-appointment of any Director at the conclusion of his or her term in office, and under the annual re-election provisions of the the UK

Terms of Reference

- Corporate Governance Code, having given due regard to independence, performance and their ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
- (b) any matters relating to the continuation in office of any Director at any time including whether a Director should be put forward for re-appointment;
 - (c) the appointment of any Director to executive or other office; and
 - (d) any area within its remit where action or improvement is needed.
20. It is expected that Executive Committee members will be determined to be “senior management” for the purpose of these Terms of Reference. In addition to Executive Committee members, the Committee may, at its discretion and after consultation with the chair of the Remuneration Committee and the Chief Executive Officer, also determine which other executives are also determined to be senior management.

Governance

21. The Committee shall:
- (a) keep the Group’s corporate governance arrangements under review and ensure arrangements are consistent with best corporate governance standards. Make recommendations to the Board on any changes to the Group’s corporate governance arrangements to ensure they, and their development and implementation, remain appropriate for a group of the size and complexity of Smiths;
 - (b) review and make recommendations to the Board at least once a year on any changes to the documents and policies within the corporate governance framework including its constitutional documents and Board Committees’ terms of reference;
 - (c) regularly review situations of actual or potential conflict that have been previously authorised by the Board at least annually, and make recommendations to the Board regarding whether the authorisation (and any conditions attached to such authorisation) remains appropriate;
 - (d) at least annually, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;

Terms of Reference

- (e) review the review the results of the Board performance evaluation process that relate to the composition of the Board and corporate governance generally;
- (f) work and liaise as necessary with all other Board Committees and undertake any other duties as directed by the Board;
- (g) be provided with sufficient resources to undertake its duties, including access to the Company Secretariat for assistance as required; and
- (h) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.

Reporting

22. The Chair of the Committee shall report to the Board on the Committee's proceedings and the Committee shall make recommendations to the Board as it deems appropriate.
23. The Committee shall provide a report on its activities to be included in the Company's Annual Report. The report will include the process used to make the appointments it has been responsible for or assisted with and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the Annual Report and a statement made as to whether it has any connection with the Company. In addition, the report should include a statement of the Board's policy on diversity, including gender and ethnicity, any measurable objectives that it has set for implementing the diversity policy, and progress on achieving those objectives.

These Terms of Reference were approved by the Board on 20 March 2019.