

## **Matters reserved to the Board**

### **1. Strategy and management**

- 1.1 Approval of the Group's strategy, objectives, business plans and budgets, and monitoring of performance generally, ensuring that any necessary corrective action is taken.
- 1.2 Approval of any proposal to cease to operate all or any material part of the Group's business.
- 1.3 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 1.4 Approval of any single item (or series of linked items) of capital expenditure in excess of £10 million.
- 1.5 Approval of reorganisation expenditure exceeding £10 million.

### **2. Structure and capital**

- 2.1 Approval of changes relating to the Group's capital structure, including reduction of capital, change of currency, share issues (unless under employee share plans or upon the exercise of share options) and share buy-backs, including the use of treasury shares.
- 2.2 Approval of major changes to the Group's structure or to the Group's management and control structure.
- 2.3 Approval of any changes to Smiths Group plc's listing or its status as a plc or its domicile.

### **3. Financial reporting and controls**

- 3.1 Approval of the half-yearly report, interim management statements and any preliminary announcement of the final results.
- 3.2 Approval of the annual report and accounts, including the corporate governance statement and directors' remuneration report.
- 3.3 Approval of Policy 7.4 Legal Structure and Dividends and declaration of interim dividends and recommendation of final dividends.
- 3.4 Approval of any significant changes in accounting policies or practices.
- 3.5 Approval of treasury policies, including foreign currency exposure and the use of financial derivatives and of borrowings or activities outside those policies.

## **4. Internal controls**

- 4.1 Ensuring maintenance of a sound and effective system of internal control and risk management including receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives, undertaking an annual assessment of such processes, and approving an appropriate statement for inclusion in the annual report.

## **5. Contracts and transactions**

- 5.1 Approval of contracts that are material strategically or are significant by reason of type or size, to be entered into by Smiths Group plc or any subsidiary, including
  - 5.1.1 Acquisitions or divestments of shares, businesses or assets outside the Group, subject to any delegated authority in place from time to time for smaller transactions
  - 5.1.2 Major investments, including the approval of all agreements relating to the subscription for shares in a third party or the making of any takeover offer
  - 5.1.3 The consideration and, if determined by the Board, defence against any offer to purchase the Company or a majority of its shares
  - 5.1.4 Purchase commitments in excess of £25 million
  - 5.1.5 Research and development agreements where the gross cost will or is likely to be more than £25 million
  - 5.1.6 Acquisitions or divestments of freehold property with a value in excess of £10 million, or agreeing a leasehold property commitment with a total cost in excess of £25 million
  - 5.1.7 Joint ventures or partnerships, in whatever legal form, and all material agreements related to them
  - 5.1.8 Any guarantee or material letter of comfort or material indemnity to be issued by Smiths Group plc or any intermediate holding company to support the commercial obligations of any Divisions or part thereof. "Materiality" is to be determined by the Group Finance Director, following discussion with the Company Secretary
  - 5.1.9 Service or employment agreements with notice periods of more than 12 months.

## **6. Communication**

- 6.1 Approval of resolutions and related documentation to be put forward to shareholders at a general meeting.

6.2 Approval of all circulars, prospectuses and listing particulars.

## **7. Board membership, committees and the Company Secretary**

7.1 Approval of changes to the structure, size and composition of the Board, and new appointments to the Board following recommendations from the Nomination Committee.

7.2 Ensuring adequate succession planning for the Board, the Divisional General Managers and other senior management.

7.3 election of the Chairman of the Board and the Chief Executive Officer, appointment of the Senior Independent Director, and membership and chairmanship of Board committees.

7.4 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise, as appropriate.

7.5 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their service contract.

7.6 Appointment or removal of the Company Secretary.

7.7 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.

## **8. Remuneration**

8.1 Determining the remuneration policy for the directors and other senior executives, and the remuneration of the non-executive directors, subject to the articles of association, as appropriate.

8.2 The introduction of new employee share plans or major changes to existing plans to be put to shareholders for approval and the issue of invitations to participate in the share plans.

## **9. Delegation of Board authority**

9.1 The division of responsibilities between the Chairman and the Chief Executive Officer and the approval of terms of reference of Main Board committees.

## **10. Effective corporate governance**

10.1 Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors, and determining the independence of directors.

- 10.2 Considering the balance of interests between shareholders, employees, customers and the community and receiving reports on the views of Smiths Group plc's shareholders.
- 10.3 Review of the Group's overall corporate governance arrangements.

## **11. Miscellaneous**

- 11.1 Approval of making a political donation or contribution over £50,000.
- 11.2 Prosecution, defence or settlement of litigation involving sums or payments over time likely to be above £10 million or being otherwise material to the interests or reputation of the Group, subject to the defence or settlement of litigation relating to CSST gastite product liability claims or asbestos related claims against John Crane Inc. (about which the Board receives regular briefings), being delegated to the Chief Executive Officer.
- 11.3 Major changes to the rules of the Group's pension schemes or, so far as within the Group's control, changes of trustees.
- 11.4 Approval of the Code of Business Ethics, Share Dealing Policy and Policy 10.1 Environmental Health and Safety and this Schedule setting out the matters reserved for the decision of the Board.

The Matters reserved to the Board were last revised in July 2017.