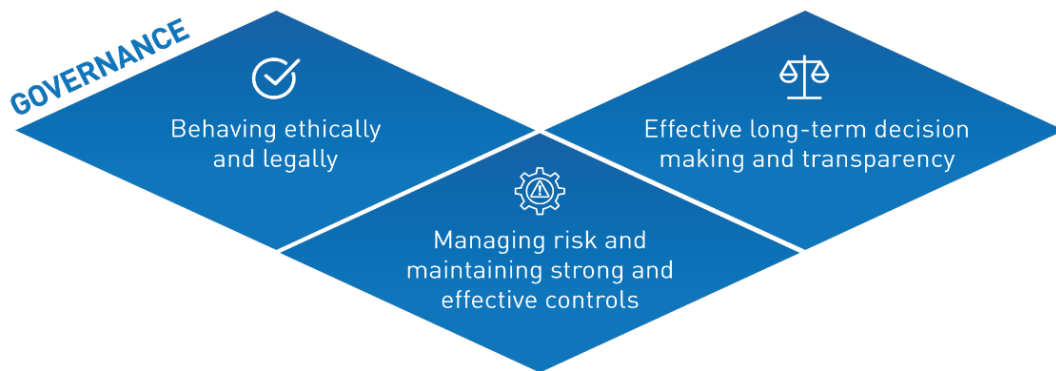


Smiths Governance Framework

Approved by the Board on 22 March 2023



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Introduction

The primary role of the Board is to lead Smiths in a way that ensures its long-term success. The Board is responsible for approving Group strategy and for overseeing its implementation. Subject to applicable legislation and regulation and the Articles of Association, the Directors may exercise all powers of the Company.

The Board exercises oversight of our Company and in doing so ensures that the strategy is consistent with our Purpose and is delivered in line with our Values. In support of protecting and growing stakeholder value the Board continually monitors the internal controls, risk management and viability of the Company, as well as considering the views of stakeholders.

The Board has approved a governance framework of systems and controls to effectively discharge its collective responsibility. The framework includes the delegation of specific authorities to the Board's five Committees. Each committee operates under its own terms of reference together with a set of terms applicable to all the Committees. The terms have been tailored to support the Board and to enable more detailed, deeper-dive reviews to be undertaken in particular areas when required. Their differing responsibilities are set out in summary below. For full details please click on the relevant terms of reference

The Board				
<p>There is a schedule of matters which are considered significant to Smiths and have therefore been reserved for decisions by the Board. This is due to their strategic, financial, or reputational implications or consequences. The Chief Executive Officer is responsible for preparing and recommending the strategy and for the day-to-day management of the Company.</p>				
Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Science, Sustainability & Excellence Committee	Finance Committee
<p>Reviews and makes recommendations to the Board on the structure, size and composition of the Board and its Committees. It also leads the process for Director appointments and Director and senior management succession planning. Oversees the ongoing suitability of the Group's governance framework.</p>	<p>Ensures the integrity of the Group's financial reporting and audit processes, and the maintenance of sound internal control and risk management systems, including oversight of the internal audit function and the Group's ethics and compliance activities. Manages the relationship with the external auditor, including making recommendations to the Board and shareholders in relation to the appointment and re-appointment of the external auditor.</p>	<p>Responsible for the Group's Directors' Remuneration Policy and reviews and oversees the Group's remuneration strategy for the Executive Directors and senior management. Oversees, on behalf of the Board, the implementation of the People strategy for the Group, including the Group's approach to diversity, equity and inclusion.</p>	<p>Oversees the Group's culture and approach to science, sustainability and excellence (SSE). This includes reviewing the scientific and technology strategy, innovation, research and development; overseeing the Group's sustainability strategy; overseeing the Smiths Excellence System; and reviewing and determining SSE targets, metrics and KPIs relating to remuneration.</p>	<p>Oversees and provides agility to the Group's approach to capital management including sources and uses of cash, portfolio activity, changes to capital structure and budgetary planning</p>

Schedule of Matters Reserved for the Board

Schedule of Matters Reserved for the Board

1. Strategy and management

- 1.1 Approval of the Group's purpose, vision, values, strategy, objectives, business plans and budgets, and monitoring of performance generally, ensuring that any necessary corrective action is taken.
- 1.2 Oversight of the Group's culture and ensuring that policy, practices or behaviour throughout the business are aligned with the Group's purpose, vision, values and strategy.
- 1.3 Considering the views of the Group's stakeholders including but not limited to shareholders, the workforce, customers, suppliers, regulators and governments and the community. In doing so the Board should ensure a satisfactory dialogue with stakeholders based on the mutual understanding of objectives and keep its stakeholder engagement mechanisms under review.
- 1.4 Approval of any proposal to cease to operate all or any material part of the Group's business.
- 1.5 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 1.6 Approval of any single item (or series of linked items) of capital expenditure in excess of £10 million.
- 1.7 Approval of reorganisation expenditure exceeding £10 million.
- 1.8 Oversight of the Group's operations ensuring: competent and prudent management; sound planning; maintenance of sound management and internal control systems; adequate accounting and other records; and compliance with statutory and regulatory obligations.

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.
- 2.2 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 annual and interim financial statements of the Company, preliminary announcements of results and any other formal statements relating to its financial performance.
- 3.2 Approval of the annual report and accounts, including the strategic report, corporate governance statement, the directors' remuneration report, the viability statement and the assessment of whether the Company is a going concern.
- 3.3 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: approving the Group's risk appetite statements; receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives; approving procedures for the detection of fraud and the prevention of bribery; 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 or unusual by reason of type or size, to be entered into by Smiths Group plc or any subsidiary, including but not limited to:
 - 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 Chief Financial Officer, 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 its Committees, and new appointments to the Board following recommendations from the Nomination & Governance Committee.
- 7.2 Through the Nomination & Governance Committee, ensuring adequate succession planning for the Board, the Executive Committee and other senior management positions.
- 7.3 Approval of the election of the Chairman of the Board and the Chief Executive Officer, and appointment of the Senior Independent Director, and membership and chairmanship of Board Committees.
- 7.4 Approval of any matters in relation to the continuation in office of any Director at any time, including recommending the re-election of Directors when they are due to be re-elected by shareholders at the AGM and otherwise, as appropriate.
- 7.5 Approval of the appointment or removal of the Company Secretary.

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 Smiths Group plc Articles of Association, as appropriate. Ensuring that any fees paid to directors, including in respect of Board Committees, are in accordance with the Company's remuneration policy.
- 8.2 The introduction of new employee share plans or major changes to existing plans to be put to shareholders for approval.

9. Delegation of Board authority

- 9.1 The division of responsibilities between the Chairman of the Board and the Chief Executive Officer and the approval of terms of reference of Board Committees.
- 9.2 Approval of the delegated levels of authority, including the Chief Executive Officer's authority limits (which must be in writing).
- 9.3 Establishing Board Committees and approving their terms of reference and approving material changes thereto.

10. Effective corporate governance

- 10.1 Undertaking a formal and rigorous annual review of its own performance, that of its Committees and individual directors. The review shall be externally facilitated at least every three years.
- 10.2 Determining the independence of non-executive directors.
- 10.3 Approval of the Group's overall corporate governance arrangements on recommendation from the Nomination & Governance Committee
- 10.4 Consider the balance of interests between shareholders, workforce and other stakeholders, including customers, suppliers, the community, regulators and Government.
- 10.5 Consider requests for approval from directors for their election to the boards of other publicly quoted or listed companies or other material external appointments, having weighed the development benefits for the individual with the likely demands of the role and his or her responsibilities as a director of the Company.
- 10.6 Identify and manage any actual or potential conflicts of interest directors may have, including those resulting from significant shareholdings or interests.
- 10.7 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit & Risk Committee.

- 10.8 Approval of a policy on the employment of former employees of the external auditor and approval of a policy on the provision of non-audit services by the external auditor.

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 Oversight of public policy, regulatory and compliance issues including matters which would have a significant impact on the Group's reputation.
- 11.5 Approval of the Code of Business Ethics and this Schedule setting out the matters reserved for the decision of the Board.

Nomination & Governance Committee Terms of Reference

Nomination & Governance Committee Terms of Reference

A. Chair

1. 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 themselves a candidate for the role.

B. Membership

2. The Committee shall comprise the Chair of the Board and at least two Directors. The majority of Committee members shall be independent Non-executive Directors.

C. Duties

Nomination

3. 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, ensuring a formal, rigorous and transparent procedure, and ensure written 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 balance of 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 engagement 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; and
 - 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.
- (d) ensure that on appointment to the Board, the Chair and all Non-executive Directors receive 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) The other significant commitments of the 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;
- (g) on an annual basis consider and approve the development by the Chief Executive Officer of a diverse pipeline for succession for 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.

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, decide which other executives are also determined to be senior management.

4. The Committee shall:

- (a) review and approve changes to the Board Diversity Policy;
- (b) develop and recommend to the Board appropriate criteria for determining Director independence, and review annually the independence of all Non-executive Directors; and
- (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.

5. The Committee shall make recommendations to the Board concerning:
 - (a) the re-election of any Director at the conclusion of his or her term in office, and under the annual re-election provisions of the UK Corporate Governance Code (the “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-election;
 - (c) any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved;
 - (d) the appointment of any Director to executive or other office; and
 - (e) any area within its remit where action or improvement is needed.

Governance

6. 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) at least annually review situations of actual or potential conflict that have been previously authorised by the Board, and make recommendations to the Board regarding whether the authorisations (and any conditions attached to such authorisations) remain appropriate; and
 - (c) review the results of the Board performance evaluation process that relate to the composition of the Board, succession planning and corporate governance generally.

D. Reporting

7. The Committee shall provide a report on its activities to be included in the Company’s annual report and accounts. The report will include:
 - (a) the process used to make Board appointments and the Committee’s approach to succession planning, and how both of these support the development of a diverse pipeline of potential appointments;
 - (b) an explanation if external advice or open advertising has not been used for a Board appointment. Where an external search agency has been

used, it shall be identified and a statement made as to whether it has any connection with the Company;

- (c) how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions action; and
- (d) a statement of the Board's policy on diversity, including gender and ethnicity, any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives. The gender balance of those in the senior management team should also be identified.

Audit & Risk Committee Terms of Reference

Audit & Risk Committee Terms of Reference

A. Membership

1. All members of the Committee must be independent Non-executive Directors and the Committee shall comprise at least three members. The Chair of the Board shall not be a member of the Committee.
2. At least one member shall have significant recent and relevant financial experience. The Committee as a whole shall have a range of skills, experience, knowledge and competence relevant to the sectors in which the Company operates.

B. Frequency of meetings

3. Outside of Committee meetings, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer and the external and internal auditors.

C. Duties

Financial Reporting

4. The Committee shall monitor the integrity of the annual and interim financial statements of the Company, preliminary announcements of results, and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the external or internal auditor.
5. The Committee shall review any other statements requiring Board approval which contain financial information first, and where the Committee is not satisfied with any aspect of proposed financial reporting by the Company it shall report its views to the Board.
6. The Committee shall review and recommend to the Board for approval the annual report and accounts, including the corporate governance statement, and the Audit & Risk Committee report.
7. The Committee shall review and challenge where necessary:
 - (a) the consistency and application of accounting and treasury policies (and any changes to them) both on a year on year basis and across the Group;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;

- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- (e) the effectiveness of the Company's financial reporting procedures;
- (f) all material information presented with the financial statements of the Company, such as the strategic report, the operating and financial review and the corporate governance statements relating to audit and risk management; and
- (g) If requested by the Board, the Committee shall provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Risk management and internal controls

8. The Committee shall:

- (a) advise the Board on the Company's overall risk appetite and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives;
- (b) advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that appropriate due diligence of the proposition is undertaken;
- (c) keep under review the effectiveness of the Company's and the Group's internal financial, operational and compliance controls and the systems established to identify, assess, manage and monitor financial risks;
- (d) advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact; monitor and review the Company's internal control and risk management systems and consider whether the level of assurance it has on the risk management and internal control systems is sufficient to assist the Board in satisfying itself that they are operating effectively;
- (e) oversee and seek suitable assurance regarding:
 - i. the risk exposures of the Company;
 - ii. the adequacy and effectiveness of the Company's processes and procedures to manage risk and the internal control framework,

- including the design, implementation, and effectiveness of those systems;
- iii. the ability of the Company's internal control and risk management systems to identify the risks facing the Company and enable a robust assessment of principal risks;
 - iv. the effectiveness of the Company's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary;
 - v. the Company's ability to identify and manage new and emerging risk; and
 - vi. the Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- (f) oversee the internal and external threats to, and the resilience of, the Smiths IT enterprise and information, operations and products relating to cyber security;
 - (g) review and recommend to the Board the disclosures to be included in the annual and interim reports concerning internal controls, risk management, including the assessment of principal risks, the adoption of the going concern basis of accounting and the Board's assessment of the Company's prospects and viability; and
 - (h) approve the overall levels of insurance for the Group including directors' & officers' liability insurance and indemnification of Directors.

Code of Business Ethics and Business Ethics Programme

9. The Committee shall:

- (a) monitor the implementation of the Company's Code of Business Ethics ("Code") and Business Ethics Programme ("Programme") and compliance with their provisions;
- (b) review the Company's and the Group's arrangements for its workforce and others to raise concerns, anonymously or in confidence and without fear of retaliation, about possible wrongdoing in financial reporting or other matters arising under the Code or the Programme. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- (c) review the Company's and the Group's procedures for detecting fraud and systems and controls for preventing bribery.

Internal Audit

10. The Committee shall:

- (a) approve the appointment and removal of the Director of Internal Audit;
- (b) consider annually and approve the Internal Audit Charter setting out the remit of the internal audit function, ensuring it has unrestricted scope, adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (c) review and approve an annual internal audit plan that is aligned to the key risks of the Group;
- (d) review promptly all reports on the Company and the Group from the internal auditors;
- (e) review and monitor management's responsiveness to the findings and recommendations of the internal auditors;
- (f) monitor and review the Group's internal audit function and carry out an annual assessment of its effectiveness, including the quality, experience and expertise of the function, in the context of the Group's overall risk management system Review and assess the annual internal audit plan and receive a report on the results of the internal auditor's work. In addition, the Committee shall review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function; and
- (g) meet the Director of Internal Audit, at least twice a year, without management being present, to discuss the effectiveness of the internal audit function and any issues arising from internal audits carried out. In addition, the Director of Internal Audit shall have direct access to the Chair of the Board and members of the Committee.

External Audit

11. The Committee shall:

Appointment, reappointment, and removal

- (a) consider and make recommendations to the Board, to be put to the shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Group's external auditor. If an auditor resigns the Committee shall investigate the reasons for this and decide whether any action is required;
- (b) consider if and when the audit services contract should be put out to tender, taking into consideration any legislative requirements and relevant guidance;

- (c) oversee the selection process when the audit services contract is put out to tender and ensure that all tendering firms have appropriate access to information and individuals during the tendering process, so that the Committee may properly compare the quality and effectiveness of the services provided by the incumbent external auditor with those offered by others participating in the tender process;
- (d) if the Board does not accept the Committee's recommendation on the appointment, re-appointment or removal of external auditor, prepare a statement explaining the Committee's recommendation. This shall be included in the annual report and accounts and in any papers recommending appointment, re-appointment or removal, together with the Board's reasons for taking a different position;

Relationship Management

- (e) oversee the relationship with the external auditor including:
 - i. approval of their remuneration, whether fees for audit or Non-audit services and that the level of fees is appropriate to facilitate an effective, high quality audit;
 - ii. approval of the scope of the audit and any terms of engagement;
 - iii. influencing the appointment of the individual identified by the external auditor as being primarily responsible for conducting the audit;
 - iv. assessing annually the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements (including the FRC's Ethical Standard) and the relationship with the auditors as a whole, plus any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services;
 - v. satisfying itself that there are no relationships between the auditor and the Company or the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - vi. agreeing with the Board a policy on the employment of former employees of the Company's auditor, taking into account the FRC's Ethical Standard and legal requirements, and monitor the implementation of this policy;
 - vii. monitoring the auditor's processes for maintaining independence, and its compliance with relevant UK law, regulation, other professional requirements and the FRC's Ethical Standard, including the guidance on the rotation of audit partner and staff;

- viii. assessing annually the qualifications, expertise and resources, of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- ix. seeking to ensure the co-ordination of the external audit with the activities of the internal audit function;
- x. evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee; and
- xi. developing and recommending to the Board the Company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should take regulations and ethical guidance into account and include consideration of the following matters:
 - threats to the independence and objectivity of the external auditor and any safeguards in place;
 - the nature of the non-audit services;
 - whether the external audit firm is the most suitable supplier of the non-audit service;
 - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - the criteria governing compensation.

Audit Cycle

- (f) meet regularly with the external auditor, including once at the planning stage before the audit, once after the review of the interim results and once after the audit at the reporting stage. The Committee shall meet the external auditors at least twice a year, without management being present, to discuss their remit and any issues arising from the audit or the interim review;
- (g) discuss with the external auditor the factors that could affect audit quality and review and approve the external annual audit plan and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (h) review the findings of the review of the interim results and the audit with the external auditor, taking into consideration relevant UK professional and regulatory requirements. This shall include:

- i. a discussion of any major issues identified during the review/audit;
 - ii. the auditor's view of their interactions with senior management;
 - iii. any key accounting and audit judgements;
 - iv. levels of errors identified during the review/audit;
 - v. the effectiveness of the review/audit process;
 - vi. any matters that the external auditor may have raised; and
 - vii. compliance with relevant financial reporting standards and relevant financial and governance reporting requirements.
- (i) in reviewing the effectiveness of the audit at the end of the annual audit cycle, taking into consideration relevant UK professional and regulatory requirements:
- i. assess the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee;
 - ii. obtain information from the auditor about how any known risks potentially affecting the quality of the audit were addressed;
 - iii. assess whether the auditor has met the agreed audit plan and understand the reasons for any changes;
 - iv. obtain feedback about the conduct of the audit and the external auditor's reliance on the internal audit function from senior management;
 - iv. obtain feedback from the auditor about their interactions with senior management;
 - v. review any representation letter(s) requested by the external auditor before they are signed by management;
 - vi. review the external auditor's management letter and related correspondence to assess the external auditor's understanding of the Company and establish whether any recommendations have been implemented or not; and
 - vii. discuss any difficulties, reservations or other matters arising from the external audit (in the absence of management where necessary).

D. Reporting

12. The Committee shall compile a report of its activities to be included in the Company's annual report and accounts. The report should describe the work of the Committee including:
- (a) an explanation of how the Committee has addressed the effectiveness of the external audit process;
 - (b) the approach taken to the appointment or reappointment of the external auditor, information on the length and tenure of the current audit firm, when a tender was last conducted, and advance notice of any retendering plans;
 - (c) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services;
 - (d) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated by the auditor;
 - (e) the work of the internal audit function; and
 - (f) all other disclosure requirements prescribed by the UK Corporate Governance Code.
13. In compiling the above report, the Committee shall exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the longer term viability statement.
14. The Committee shall seek to ensure that shareholder interests are properly protected in relation to financial reporting and internal control

Remuneration & People Committee Terms of Reference

Remuneration & People Committee Terms of Reference

A. Chair

1. The Board shall appoint an independent Non-executive Director as Chair of the Committee who must have served on a remuneration committee previously for a period of at least 12 months. The Chair of the Board may not be Chair of the Committee.

B. Membership

2. The Committee shall comprise at least three independent Non-executive Directors. The Chair of the Board (provided he or she was considered independent on appointment) can also be a member.

C. Attendance at meetings

3. The Chief Executive Officer shall normally be invited to attend Committee meetings except when his or her own remuneration is under discussion. No Committee member or attendee shall be involved in any decision or be present at any meeting where his or her own remuneration is under discussion. Committee members shall declare any potential conflict of interest prior to the discussion of any matter and shall not vote on such matters.

D. Authority

4. The remuneration of the Non-executive Directors is a matter for consideration by a sub-committee of the Board, consisting of the Chair of the Board and the Executive Directors.

E. Annual General Meeting

5. The Chair of the Committee shall ensure that each year a report of the Company's remuneration practices is put to shareholders for approval at the AGM, and that the Company's remuneration policy is put to shareholders for approval at the AGM at least every three years, or more frequently if there are significant amendments to that policy.

F. Duties

Remuneration

6. The Committee shall:

- (a) design, determine and recommend to the Board the remuneration policy, including any pension benefits and compensation payments, of the Chair of the Board, the Executive Directors and senior management, including the Company Secretary. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
- (b) ensure the remuneration policy promotes the long-term sustainable success of the Company having regard to the Company's culture and risk appetite and clearly linked to the successful delivery of the Company's long-term strategy, including environmental, social and governance metrics;
- (c) ensure the remuneration policy enables the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance;
- (d) set individual remuneration arrangements for the Chair of the Board, the Executive Directors and senior management, taking into account, amongst other things: the total remuneration package; relevant legal and regulatory requirements and the matters set out in the UK Corporate Governance Code ("the Code"); remuneration trends; individual performance; pay and workforce policies, practices and conditions across the Company as a whole; overall market positioning of the remuneration package; individual base salaries and increases; and annual and long-term incentive/bonus arrangements. In addition, the Committee shall set the relevant targets for performance related schemes (subject to the rules of the schemes) and other benefits as well as pension arrangements;
- (e) consider the Code requirements for clarity, simplicity, risk mitigation, predictability and proportionality and alignment to culture when determining executive director remuneration policy and practices;
- (f) ensure that all payments to Directors are consistent with the latest shareholder approved remuneration policy or are otherwise approved separately by shareholders;
- (g) approve the service contracts of all Executive Directors, including termination arrangements, and ensure that any compensation payable (including pension and long term incentive matters) on such termination is fair to the individual and the Company, and that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- (h) approve any benefit, pension and/or incentive scheme entitlement, any other bonuses and fees, and a formal policy for post-employment shareholding requirements of all Executive Directors;
- (i) review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration;
- (j) oversee any major changes in employee benefits structures throughout the Group;
- (k) annually review the on-going appropriateness and relevance of the remuneration policy;
- (l) review the terms of any new share scheme; and
- (m) agree the policy for authorising claims for expenses from the Chair of the Board and Chief Executive Officer.

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 Nomination & Governance Committee and the Chief Executive Officer, decide which other executives are also determined to be senior management.

Share Schemes

7. The Committee shall establish remuneration schemes that promote long-term shareholding by Executive Directors that support alignment with long-term stakeholder interests.
8. In respect of the Smiths Group Sharesave Scheme and any successor or other all-employee scheme operating in the UK or elsewhere (the “All-employee Schemes”), in the absence of any other delegation from the Board, the Committee may:
 - (a) determine which employees should be invited to participate in the All-employee Schemes;
 - (b) periodically determine the appropriate balance between the maximum number of options that may be granted under the All-employee Schemes, and any other relevant option and equity participation schemes, and the number of options in existence from time to time and provide the Share Schemes Committee with guidelines on scaling-down options; and
 - (c) review the design of all All-employee Schemes for approval by the Board and, where required, shareholders, and exercise the powers of the Board to amend or vary the All-employee Scheme’s terms, conditions and rules.
9. In respect of the Smiths Group Long Term Incentive Plan, Smiths Group Restricted Stock Plan and the Smiths Group Deferred Bonus Plan and any

successor schemes (together, the “Executive Incentive Plans”) the Committee shall:

- (a) approve the grant of options and awards under the Executive Incentive Plans to employees selected by, and subject to such conditions as may be approved by, the Committee;
 - (b) exercise the powers of the Board in relation to all matters under the Executive Incentive Plans, including the power to amend or vary the terms, conditions and rules of the Executive Incentive Plans; and
 - (c) exercise the discretionary powers of the Board under the rules of the Executive Incentive Plans regarding the remuneration outcome for individuals or groups of individuals within the parameters approved by shareholders in the remuneration policy and the terms or rules of any share or performance related plan or scheme in operation from time to time. For the avoidance of doubt, the Committee may within these parameters amend any previous exercise of discretion if the circumstances or information on which it based that decision are subsequently found to have changed or been incorrect.
10. The Committee shall consider and review the terms of any other equity plans, and give due consideration to laws, regulations, guidelines and recommendations regarding the formation and operation of share schemes.

People

11. The Committee shall oversee, on behalf of the Board, the implementation of the Board approved People Strategy for the Group. In particular it shall;
- (a) oversee implementation of the People strategy and, as necessary, make recommendations to the Board regarding changes to or approval of the strategy;
 - (b) oversee the process for the Group’s talent strategy and the development of a diverse pipeline of succession below senior management;
 - (c) review and oversee the implementation of the Group’s diversity, equity, and inclusion strategy, including performance against diversity objectives;
 - (d) oversee the Group’s approach to workforce engagement including reviewing the results of the MySay Survey and the related action plans;
 - (e) oversee a programme of Board engagement activities to enable the Non-Executive Directors to have regular dialogue with employees across the Group to inform their view of employee engagement; and
 - (f) oversee the Group’s Well-being policies, programmes and performance.

Other Duties

12. The Committee shall:

- (a) in exercising all duties and responsibilities under these Terms of Reference, including determining the remuneration policy and remuneration arrangements or any payments for loss of office, consider all applicable legal and regulatory requirements, including the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and the Code and any other applicable rules;
- (b) liaise as necessary with the Nomination & Governance Committee and/or the Chief Executive Officer as relevant regarding the remuneration packages offered to newly appointed Executive Directors and members of senior management (and ensure they are within the overall remuneration policy); and
- (c) the Chair of the Committee shall seek engagement with shareholders on significant matters related to the Committee's areas of responsibility and shall ensure that the Board as a whole has a clear understanding of the views of shareholders in this regard.

G. Reporting

13. The Committee shall ensure that provisions regarding disclosure of information, as set out in applicable legislation and the Code, are fulfilled and produce a report of the Company's remuneration practices to be included in the Company's annual report and accounts. If the Committee has appointed remuneration consultants, the annual report and accounts should identify such consultants and state whether they have any other connection with the Company or individual directors.

Science, Sustainability & Excellence Committee Terms of Reference

Science, Sustainability & Excellence Committee Terms of Reference

A. Membership

1. The Committee shall comprise at least three non-executive Directors.
2. There should be at least one member of the Committee who also serves on the Audit & Risk Committee and the Remuneration & People Committee (not necessarily the same person) in order to ensure exchange of information of common interest.

B. Duties

3. The Committee shall:

Science

Provide oversight of the Company's: strategy (as it relates to science and technology); innovation and R&D processes; and new product progress and investments.

Sustainability

Oversee the Group's sustainability strategy. In particular, provide recommendations to the Board on environmental strategy and thereafter, oversight of the Group's progress towards meeting its net-zero emissions targets and other environmental targets.

Excellence

Provide oversight of the Smiths Excellence System and the framework through which continuous improvement programmes are designed, prioritised and implemented.

C. Reporting

4. The Committee shall
 - i. Review SSE targets, metrics and key performance indicators against which performance can be evaluated. Upon request from the Remuneration & People Committee, review proposals and make recommendations to the Remuneration & People Committee as to non-financial factors or metrics within the SSE remit which it considers relevant to Directors' and Senior Executives' remuneration.
 - ii. Review the Company's non-financial reporting in particular information presented in the Company's Annual Report insofar as it relates to SSE.
 - iii. Keep under review the Group's external reporting and stakeholder feedback on matters and commitments as they relate to sustainability and the environment.

- iv. Upon request of the Audit & Risk Committee, review any internal audit or other findings and corrective and preventive actions as well as any regulatory findings and fines/penalties in relation to SSE activities.
- v. The Committee shall comply with applicable legal and regulatory obligations to disclose information, including content required to be included in the Strategic Report contained within the Company's Annual Report. The report should also include:
 - (a) a summary of the role and work of the Committee;
 - (b) a list of the members of the Committee and a statement of the number of Committee meetings and attendance by each member over the previous year;
 - (c) details of how the Committee's performance evaluation has been conducted;
 - (d) the significant issues that the Committee has considered;
 - (e) details of any issues that could not be resolved between the Committee and the Board; and
 - (f) any statement of compliance or other information required by law or regulations.
- vi. In compiling the above disclosures, the Committee shall exercise judgement in deciding which of the issues it considers are significant.

Finance Committee Terms of Reference

Finance Committee Terms of Reference

A. Membership

1. The Committee shall comprise the SID, Chair of the Board and at least one other Non-executive Director with relevant and recent financial experience.

B. Duties

2. If the monetary value of one of the following matters exceeds the authority delegated by the Board to the Chief Executive Officer or a different Committee of the Board, the Committee is authorised to consider and if appropriate make recommendations prior to the Board's consideration of that matter:
 - a) Proposals for the disposal of Group assets with annual sales greater than £30m;
 - b) Use of proceeds arising from the disposal of assets envisioned by 16 (a);
 - c) "Bolt on" M&A activity, Joint Ventures and alternative investments such as technology Venture Capital projects with enterprise values in excess of £100m;
 - d) "Transformational" M&A opportunities;
 - e) Financial Projections including the Annual and Strategic Plans;
 - f) Matters relating to tax and treasury strategy which are sufficiently material to require consideration by the Board as a whole;
 - g) Funding of and investment strategies for the Group's Pension schemes including de-risking 'buy-in' and 'buy-out' proposals;
 - h) Changes to the Groups' capital structure including:
 - a. consideration of the Group's financing arrangements; and
 - b. any distribution or return of capital to shareholders, including buy-backs and the Group's dividend policy and proposals for the quantum of any distribution or dividend to be paid or to be put to shareholders for approval.
3. The Committee may also be authorised by the Board to consider and make recommendations in respect of any other matter that the Board deems appropriate or desirable.

Terms that apply to all Committees

Terms that apply to all Committees

Constitution

1. The Board has established the following committees:
 - a. Audit & Risk Committee
 - b. Remuneration and People Committee
 - c. Nomination & Governance Committee
 - d. Science, Sustainability & Excellence Committee
 - e. Finance Committee
2. The Terms of Reference are defined by the Board and may be amended by the Board at any time. The proceedings of the 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.

Membership

4. Appointments to the Committee shall be determined by the Board, on the recommendation of the Nomination & Governance Committee and in consultation with the Chair of the Committee, having regard to the Director's experience, performance, suitability and independence. Only the Chair and/or Non-executive Directors can be members of a Committee. A Director shall automatically cease to be a Committee member on ceasing to be a Director.

Quorum

5. The quorum shall be two members. For the Remuneration & People Committee both members must be independent Non-executive Directors. Any member shall abstain from voting on resolutions of the Committee in relation to which any potential conflict of interest exists. For the

Secretary

6. 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.

Attendance and voting at meetings

7. Only Committee members shall have the right to attend Committee meetings. Committee members shall declare any potential conflicts of interest prior to the discussion of any matter and shall not vote on such matters. Non-executive Directors may attend and observe Committee meetings. The Chief Executive Officer and Chief Financial Officer (if not a member of the Committee) shall normally be invited to attend and other individuals and external advisers may be invited to attend if appropriate.
8. If there is an equality of votes, the Chair of the Committee shall have a casting vote.

Frequency of meetings

9. The Committees shall meet at least three times a year and as otherwise required by the Chair of the Committee, with the exception of the Finance Committee which can meet as and when required.

Notice of meetings

10. Meetings shall be called by the Company Secretary at the request of the Chair of the Committee.
11. The agenda and supporting materials for the items to be discussed shall be forwarded to each member of the Committee and any other person required to attend in a timely manner to enable full and proper consideration to be given to the issues. Unless otherwise agreed this shall be no later than seven days before the date of the meeting.

Minutes of meeting

12. The Secretary to the Committee shall minute the proceedings and decisions of all Committee meetings. 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 the Executive Directors and any other Non-executive Directors of the Company.

Authority

13. The Board authorises the Committee, at the Company's expense and in consultation with the Chief Financial Officer, 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.
14. The Committee is authorised to seek any information it requires from any employee of the Group and to call any employee to be questioned at a Committee

meeting as and when required. All employees are directed to co-operate with any request made by the Committee.

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.

Other Matters

16. The Committee shall:
 - (a) the Chair of the Committee shall seek engagement with shareholders on significant matters related to the Committee's areas of responsibility and shall ensure that the Board as a whole has a clear understanding of the views of shareholders in this regard;
 - (b) 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 Nomination & Governance Committee, or the Board as appropriate, for approval;
 - (c) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - (d) make recommendations to the Board on any area within its remit where action or improvement is needed or desirable;
 - (e) work and liaise as necessary with all other Board Committees and undertake any other duties as directed by the Board;
 - (f) oversee any investigation of activities which are within its Terms of Reference;
 - (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

17. After each Committee meeting the Chair of the Committee shall report to the Board on all matters within its duties and the Committee shall make recommendations to the Board as it deems appropriate. The report may include how the Committee has discharged its responsibilities, as set out in these Terms of Reference.

Other important governance documents

Other important governance documents

Please visit [Smiths Group plc website](#) for other important Corporate Governance documents including:

- Articles of Association
- Remuneration Policy
- Board diversity policy
- Role profile – Chairman
- Role profile – Senior Independent Director
- Role profile – Chief Executive
- Role profile – Chief Financial Officer