

## Rotork plc

### Division of Responsibilities between the Chair and Chief Executive Officer

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The Board of Directors believes that, in the interests of maximising the effectiveness of the Board, that there should be a clear division of responsibilities between the Chair of the Board and the Chief Executive Officer (CEO) and that these functions should not be exercised by the same individual. This policy statement adopted by the Board on 27 March 2015 defines the broad roles of the Chair and CEO. The Chair is responsible for leadership of the Board and individual Director effectiveness, both inside and outside the Boardroom. The CEO is responsible for running Rotork's business.

This document does not supersede the authorities delegated in the Schedule of Matters Reserved for the Board.

#### The role of the Chair

The role of the Chair is to create the conditions for overall Board and individual Director effectiveness. The Chair should demonstrate the highest standards of integrity and probity, and set clear expectations concerning Rotork's culture, values and behaviours, and the style and tone of Board discussions.

#### **Board Meetings**

- running Board meetings and ensuring their effectiveness in all aspects, including regularity and frequency;
- setting the Board agenda, taking into account issues and concerns of all Board members, primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for Board discussion and ensuring an accurate and timely flow of clear high-quality supporting information;
- making certain that the Board determines the nature, and extent, of the significant risks Rotork is willing to embrace in the implementation of its strategy, and that there are no 'no go' areas which prevent the Directors from operating effective oversight in this area;
- ensuring that the Board has effective decision-making processes and applies sufficient challenge to major proposals;
- ensuring the Board's Committees are properly structured with appropriate terms of reference;
- encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence and promoting a culture of openness and debate on the board.

#### **Corporate Governance**

- demonstrating ethical leadership and promote the highest standards of Corporate Governance throughout Rotork in accordance with the UK Corporate Governance Code. If full compliance is not possible, ensure the reasons for non-compliance are fully understood and agreed by the Board and explained to shareholders;
- consulting the Senior Independent Director on Board matters in accordance with the UK Corporate Governance Code;
- regularly considering succession planning and Board composition;
- fostering constructive relationships founded on mutual respect and open communication (both inside and outside the Boardroom) between the non-executive Directors and the executive team;
- developing productive working relationships with all executive directors, and the CEO in particular, providing support and advice while respecting executive responsibility;

#### **Induction and Director Development**

- leading on issues of Director development, including through induction programmes for new Directors and regular reviews with all Directors and taking responsibility for acting on the results of annual board evaluations by recognising the strengths and weaknesses of the board and, where appropriate, proposing new Directors be appointed to the Board or seeking the resignation of Directors;
- ensuring that the development needs of Directors are identified and, with the Company Secretary, that those needs are met;
- being aware of and responding to the Chair's own development needs especially when taking on the role for the first time;

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**Shareholders and stakeholders**

- ensuring effective and sufficiently regular communication with shareholders and other stakeholders and, in particular, that all Directors are made aware of major shareholder issues and concerns;
- ensuring that the views of shareholders are communicated to the Board as a whole and that an appropriate balance is maintained between the interests of shareholders and other stakeholders.

The Chair of each Board Committee has a role similar to the Chair of the Board, particularly in creating the overall conditions for Committee and Director effectiveness.

The role of the Chief Executive Officer

The CEO is accountable and reports to the Board and is responsible for running Rotork’s business. Within delegated authority limits, the CEO is responsible for:

**Strategy and Management**

- developing and promoting a long term strategic vision for Rotork;
- leading the executive Directors and the senior executive team in the day to day running of Rotork’s business, including chairing the Rotork Management Board and communicating its decisions/recommendations to the Board;
- formalising the roles and responsibilities of the senior executive team and divisional management, including clear delegation of authorities;
- ensuring the development of senior teams within subsidiaries and ensuring appropriate succession planning throughout the business together with talent management and training;
- regularly reviewing the operational performance and strategic direction of Rotork’s businesses;
- promoting strategy to the Board and delivering the agreed strategy;
- regularly reviewing Rotork’s organisational structure and recommending changes where appropriate;

**Policies and Procedures**

- ensuring that all Rotork policies and procedures are followed and conform to appropriate standards and developing the following policies for Board approval and implementation:

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| Ethics and Values;  | Investor Relations;   |
| Share Dealing;  | Corporate Social Responsibility (including environmental, employee communications and employee disability); |
| Health and Safety (including risks and procedures) to be reviewed annually;           | Charitable Donations;   |
| Communications (including procedures for the release of price sensitive information); | Other relevant policies   |

### **Corporate Governance**

- communicating to employees the Board's expectations on the company's culture, values and behaviours;
- supporting the Chair to ensure that the highest standards of governance are spread throughout the organisation;
- with the Chair, providing coherent leadership of Rotork, including representing Rotork to customers, suppliers, government, shareholders, financial institutions, employees, the media, the community and the public;
- keeping the Chair informed on all important matters.

### **Board and Board Committees**

- ensuring the Board knows the executive directors' views on business issues and explaining in a balanced way any divergence of view in the executive team before a final decision on an issue is taken;
- ensuring effective implementation of Board decisions;
- making recommendations to the Remuneration Committee on remuneration policy, executive remuneration and terms of employment of the senior executive team;
- making recommendations to the Nomination Committee on the role and capabilities required in respect of the appointment of executive Directors.

### **Investment and Financing**

- examining all material major capital expenditures proposed by subsidiaries;
- identifying and executing acquisitions and disposals and approving major proposals or bids;
- leading geographic diversification initiatives;
- identifying and executing new business opportunities outside current core activities

### **Risk Management and Internal Controls**

- managing Rotork's risk profile, including health and safety performance, in line with the extent and categories of risk identified as acceptable by the Board;
- ensuring appropriate internal controls are in place;

### **Communications and Shareholders**

- providing a means for the timely and accurate disclosure of information, including an escalation route for issues;
- ensuring effective communication with shareholders.

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