

SMITHS NEWS PLC

SCHEDULE OF MATTERS RESERVED FOR THE BOARD

1. COMPOSITION

- 1.1 The Board shall comprise the Chairman, independent non-executive directors and executive directors of the Company.
- 1.2 The Board may request the attendance of any officer of the Company at its meetings.
- 1.3 The Company Secretary shall be the Secretary to the Board.

2. MEETINGS

- 2.1 The quorum for any meeting shall be two of the directors present throughout the meeting or by telephone.
- 2.2 The Board shall normally meet eight times a year and as the Chairman shall require.
- 2.3 The Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

3. RESPONSIBILITIES

The responsibilities of the Board are:

3.1 Strategy and Management (Chairman/Chief Executive)

- (a) responsibility for the overall management of the Company;
- (b) approval of the Company's long term objectives and commercial strategy;
- (c) approval of the annual operating and capital expenditure budgets and any material changes to them;
- (d) oversight of the Company's operations ensuring:
 - (i) competent and prudent management;
 - (ii) sound planning;
 - (iii) an adequate system of internal controls;
 - (iv) adequate accounting and other records; and
 - (v) compliance with statutory and regulatory obligations;
- (e) review of performance in the light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken;
- (f) extension of the Company's activities into new business or geographic areas; and
- (g) any decision to cease to operate all or any material part of the Company's business.

3.2 Structure and Capital (Finance Director/Audit Committee)

- (a) changes relating to the Company's capital structure including reductions of capital, share issues (except under employee share plans) and, share buy backs (including the use of treasury shares);
- (b) major changes to the Company's corporate structure;
- (c) changes to the Company's management and control structure;
- (d) recommendations for alteration of the memorandum and articles of association of the Company;
- (e) recommendations for an alteration of the registered office and the name of the Company; and
- (f) any changes to the Company's listing or its status as a plc.

3.3 Financial Reporting and Controls

- (a) approval of preliminary announcements of interim and final results;
- (b) approval of the Annual Report and annual and interim accounts of the Company, including the corporate governance statement and remuneration report;
- (c) approval of annual budget, capital expenditure, estimates and forecasts, including profit, dividend or other forecast made public;
- (d) approval of the dividend policy;
- (e) declaration of the interim dividend and recommendation of the final dividend;
- (f) approval of any significant changes in accounting policies or practices;
- (g) approval of treasury policies including foreign currency exposure and the use of financial derivatives;
- (h) considering recommendations for the alteration of the Company's accounting reference date;
- (i) preparation and approval of the directors' report in accordance with sections 415 to 419 of the Companies Act 2006 and the Listing Rules; and
- (j) preparation and approval of the directors' remuneration report in accordance with sections 420 to 422 of the Companies Act 2006 and the Listing Rules.

3.4 Internal Controls

- (a) ensuring maintenance of a sound system of internal controls including financial, operational, compliance controls and risk management systems;
- (b) receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;
- (c) undertaking an annual assessment of these processes; and

- (d) approving an appropriate statement for inclusion in the Annual Report.

3.5 Corporate Governance Matters (Chairman/Company Secretary)

- (a) undertaking a formal and rigorous review annually of its own performance, that of its committees and individual directors;
- (b) determining the independence of directors, determining whether each non-executive director is independent in character and judgement and whether there are relations or circumstances which are likely to affect or could affect the non- executive directors' judgement;
- (c) considering the balance of interests between shareholders, employees, customers and the community;
- (d) review of the Company's overall corporate governance arrangements; and
- (e) receiving reports on the views of the Company's shareholders.

3.6 Delegation of Authority

- (a) the division of responsibilities between the Chairman and the Chief Executive which should be in writing;
- (b) approval of terms of reference of Board Committees; and
- (c) receiving reports from Board Committees on their activities.

3.7 Communication

- (a) making arrangements for dialogue with shareholders and canvassing shareholder opinion;
- (b) approval of all circulars, listing particulars and prospectuses; and
- (c) approval of press releases concerning matters decided by the Board.

3.8 Contracts

- (a) monitoring transactions of the Company that are material¹:
 - (i) reverse takeovers;
 - (ii) any class 1 transaction;
 - (iii) any class 2 transaction;
 - (iv) related party transactions;
 - (v) the issue of shares or any class of listed security excluding share options;
 - (vi) any transaction involving an activity of a type not previously carried on by the Company; and
 - (vii) a takeover bid subject to the Takeover Code;

¹ For these purposes material means transactions which fall in the categories (i) to (vii), the terms are as defined in the Listing Rules issued by the Financial Services Authority.

- (b) Publisher and retailer contracts with an annualised value exceeding 2.5% of the Company's turnover;
- (c) investments and capital projects exceeding £1m;
- (d) entering into of any indemnities or guarantees where the maximum amounts payable could in aggregate exceed £1m or any banking facilities (including any indemnities, guarantees or facilities in substitution for or renewal of existing arrangements);
- (e) creation of any mortgage, charge (fixed or floating), pledge, hypothecation or other encumbrance of a similar nature over all or any part of the undertaking, property and assets (both present and future) and uncalled capital of the Company; and
- (f) issue of any debt instruments including bond issues, debenture issues and loan stock instruments.

3.9 People (Approvals, Audit, Nominations and Remuneration Committees)

- (a) Board membership and other appointments
 - (i) establishing Approvals, Audit, Nominations and Remuneration Committees and determining the membership and chairmanship of such Committees;
 - (ii) changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee;
 - (iii) ensuring adequate succession planning for the Board and senior management;
 - (iv) setting or variation of senior management levels;
 - (v) appointments to the Board, following recommendations by the Nomination Committee;
 - (vi) selection of the Chairman of the Board and the Chief Executive;
 - (vii) appointment of one of the independent non-executive directors to be the Senior Independent Director;
 - (viii) 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 Annual General Meeting and otherwise as appropriate;
 - (ix) 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;
 - (x) appointment or removal of the Company Secretary; and
 - (xi) appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.
- (b) Remuneration
 - (i) determining the remuneration policy for the directors, Company Secretary and senior management;

- (ii) determining the remuneration of the non executive directors; and
- (iii) considering the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

3.10 Policies

Approval of policies, including:

- (a) code of conduct;
- (b) share dealing code;
- (c) communications policy including procedures for the release of price sensitive information;
- (d) corporate social responsibility policy, including health and safety policy, environmental policy and ethical trading policy;
- (e) employment policy; and
- (f) political or charitable donations policy.

3.11 Other

- (a) approval of the appointment of the Company's principal professional advisers;
- (b) prosecution, defence or settlement of litigation involving above £1 million or being otherwise material to the interests of the Company;
- (c) approval of the overall levels of insurance for the Company including Directors' & Officers' liability insurance and indemnification of directors;
- (d) major changes to the rules of the Company's pension schemes, or changes of trustees or when this is subject to the approval of the Company changes in the fund management arrangements; and
- (e) this schedule of matters reserved for Board decisions.

4. DELEGATION OF AUTHORITY

Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees. Where express delegation is given for a particular matter the terms will be set by the Board.

5. REPORTING PROCEDURE

The Secretary shall circulate to all members of the Board the minutes of the meetings of the Board.

6. TERMS OF REFERENCE - REVIEW

The Board shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.