

Group Management Code (Code)

2018

1. Introduction

The reputation of the Group and the trust of those who we deal with are of fundamental importance to our businesses. This Code sets out the Group's policy on the operation of its two existing businesses: Spirax Sarco for steam and electrical thermal energy management and Watson-Marlow Fluid Technology Group (WMFTG) for niche peristaltic pumps and associated fluid path technologies.

This Code is issued with the authority of the Board of Directors of Spirax-Sarco Engineering plc (Group Board).

The Group Board requires the highest standards of conduct and integrity from all its employees and these standards are reflected in this Code.

Detailed procedures, controls and senior manager certification will provide the means to achieve compliance with the Code throughout the Group and to achieve continuous improvement in the Group's performance.

All employees must be made aware of the contents of this Code.

Divisional Directors, Regional General Managers and General Managers are required to brief their employees on this Code and any documents referred to in it.

2. Board and Executive

2.1 The Group Board has ultimate responsibility to the shareholders for the performance of the Group. Executive responsibility for day-to-day management is delegated to the Group Chief Executive and the Executive Directors. They, in turn, delegate responsibility and authority to Divisional Directors, Regional General Managers and General Managers. In addition the Group Audit Committee, whose members are the Group's non-executive directors, provide oversight to ensure the integrity of financial reporting and the effectiveness of controls.

2.2 Central co-ordination of the Group's activity is necessary to gain maximum benefit from the spread of the business and the knowledge and experience that exists across Group Companies. The central co-ordination and guidance function lies primarily with the following bodies:

- Group Executive Committee (GEC)
- Chromalox Executive Committee
- Spirax Sarco Executive Committee
- Group Finance
- Group Supply Chain
- Group Legal
- Group Business Development functions
- Group Human Resources
- WMFTG Executive Committee
- Group Information Systems

The GEC reviews the standards and targets and monitors the Group's overall performance, oversees each Group Company's performance, ensures compliance with the management and ethical standards, and keeps the Group Board informed of all material matters.

2.3 The Divisional Directors are responsible for managing, controlling and co-ordinating the Group Companies in their respective divisions in accordance with the authority limits, strategies, policies and business plans/budgets agreed by the Group Board and the GEC.

3. Group Companies

Each Regional General Manager and General Manager is expected to manage the Group's local business in line with agreed plans and policies and in the best interests of the Group with the aim of maximising long term sales, profits and cash flow from its focused market. These officers are responsible for: achieving annual and longer term plans, complying with all local regulations, complying with Group policy guidelines, operating with integrity, adhering to the Core Values and operating in accordance with the strong centrally established financial and management controls and principles.

Divisional Directors, Regional General Managers and General Managers meet regularly and are required to keep each other informed of all significant issues on a full disclosure "no surprises" basis.

Each General Manager must ensure that all his or her own and his or her management team's compensation and benefits are approved by the Regional General Manager or Divisional Director. Divisional Directors must approve the compensation and benefits of Regional General Managers.

The Group's main management and control mechanisms, apart from personal visits, take the form of:

- Annual and Strategic plans
- Sales and Marketing plans
- Group Authority Limits
- Group Accounting Policies
- Semi-annual accounts and annual audited accounts
- Quarterly management reports and reviews
- Monthly Flash statements, management accounts and statistics
- Weekly updates of orders and sales forecast for the month
- Internal audits
- Bi-annual Risk Management returns and on-going risk monitoring
- Group Policies including those below and as referred to elsewhere in this Code:
 - Anti-Bribery and Corruption Policy
 - Group Competition Law Compliance Policy
 - Group Sanctions, Embargoes and Restrictions Policy
 - Group Nuclear Policy
 - Group Serious Incident Procedure
 - Group Environmental, Health, Safety, Energy and Sustainability Policy
 - Group Treasury Policy
 - Group Tax Policy including Failure to Prevent Tax Evasion
 - Group Charitable Donations Policy

- Group Human Rights Policy
- Modern Slavery Act Policy and Code
- Annual Internal Controls review and self-certification
- Semi-annual, quarterly and monthly health and safety reports
- Semi-annual and quarterly environmental reports
- Environmental review every second year.

4. Policy

In addition to complying with all Group Policies (the main policies are set out above) and the Authority Limits:

- 4.1 All Group Companies must act within the laws and regulations applying to their business in any country, taking appropriate professional advice from the Group Board and Group Legal to achieve compliance.
- 4.2 Group Companies must comply with general good practice in their territory and apply all internal controls and procedures established by the Group.
- 4.3 The Group will operate a comprehensive internal and external reporting system. The Group will meet applicable accounting standards. Employees are required to provide all material information to auditors appointed by the Group (both external and internal including the Head of Internal Audit), managers, senior managers and Directors of the Group Board.

5. Compliance Responsibility

- 5.1 The responsibility for compliance with this Code lies with the General Manager and senior managers of each Group Company and they shall carry out their duties to the best of their ability exercising all reasonable care, skill and diligence within the Authority Limits issued by the Group.
- 5.2 They will ensure appropriate communication of this Code and the internal controls and procedures established by the Group to employees in their companies. They will arrange for appropriate terms and conditions of employment of Directors, managers and their employees to reflect the responsibilities and duties covered by this Code.

6. Business Practices

- 6.1 In complying with the general policy of meeting good business practice, Group Companies shall operate in a manner designed to promote the long-term success of the Group Company for the benefit of the Group as a whole, with a proper regard for the interest of customers, employees, shareholders and the communities in which they operate, as well as minimising their impacts on the environment.
- 6.2 Group Companies must ensure that business decisions are taken in a manner that maintains and promotes the reputation of the Group as having high standards of business ethics and conduct.

- 6.3 Payment will be made for goods and services received in accordance with the contract of supply terms. No discount, commission, benefit, entertainment or gift, other than those up to a value approved by the Group, shall be accepted or offered by an employee in the course of business.
- 6.4 (a) The Group's Anti-Bribery and Corruption Policy shall be treated as forming part of this Code and shall be strictly observed at all times. It is the responsibility of each General Manager in the Group to ensure that the terms of the Anti-Bribery and Corruption Policy are briefed to all employees and that all relevant employees undertake the basic Group approved anti-bribery training programme and its two-yearly refresher. This training will also include reference to the Group Policy on Failure to Prevent Tax Evasion.
- (b) No employee of any Group Company shall allow himself or herself to be placed in a position where there is a conflict of interest between his or her own personal interests and those of the Group Company or where there is a risk of such a conflict occurring. If any employee is concerned about a possible conflict of interest they should raise it with their manager who may, in turn, raise the matter with the General Counsel.
- (c) Under no circumstances shall any employee pay or agree to pay, receive or agree to receive, any commission, facilitation payment or bribe from or to any customer or third party in exchange for obtaining business.
- (d) No employee is to give or make any offer of hospitality, entertainment or gift to a customer except in accordance with written guidelines established by the Group.

7. Employees

- 7.1 The Group supports and applies the principles of Human Rights, both within its own operations and within its supply chain. The Group Human Rights Policy will be treated as forming part of this Code and shall be strictly observed at all times.
- 7.2 Group Companies are equal opportunities employers. All employees and all job applicants will be given equal opportunity in employment and training, including equality in employment terms and benefits. All employees shall be treated fairly.
- 7.3 Employees will be provided with appropriate terms and conditions of employment including confidentiality of Company information. Divisional Directors, Regional General Managers and General Managers shall ensure that there is no conflict of interest between the Group Company's business and any other allowed external activities of Directors, managers or employees and that the Group Company's resources are properly applied for the Group Company's benefit.
- 7.4 Communication with employees will include performance appraisal and, where appropriate, consultation with employees or representatives of employees on relevant matters.

7.5 Employees shall not use confidential information obtained through their employment for personal gain.

8. Health, Safety and Environmental Matters

Each Group Company shall ensure compliance with statutory regulations and good practices with regard to health, safety and environmental matters. The Group Health, Safety and Environmental Policy will be treated as forming part of this Code and shall be strictly observed at all times.

9. Maintaining the Code's Standards

It is the responsibility of every employee to alert his or her manager to circumstances where the Group's performance can be improved or to any breaches of Group policies and procedures. If an employee in the Group has reasonable grounds for believing that the Code is being breached by any person or group of people and does not receive a satisfactory response or feel able to voice the matter with his or her manager, he or she should either use "SafeCall", an independent, external whistle-blowing line where concerns can be raised confidentially and anonymously, or contact the General Counsel and provide full details. The General Counsel will ensure that (a) the circumstances are properly investigated and (b) the employment of the person contacting the General Counsel will be protected appropriately.

10. Competition/Anti-Trust Policy

It is Group policy that all companies within the Group comply fully with the laws and regulations applicable in each territory in which the Group does business relating to anti-trust and competition laws and regulations. The Group Competition Law Compliance Policy will be treated as forming part of this Code and shall be strictly observed at all times.

11. Group Approvals

Certain actions have been identified as requiring specific approval from the Group (i.e. in addition to the general approval of the annual plan) before a General Manager can take them.

These approvals are in addition to those set out in the Group Authority Limits issued by the Group Finance Director:

- Payment of a General Manager's own expenses and annual bonus, and changes to his or her remuneration, benefits and terms and conditions of employment;
- Creating or changing employee retirement schemes or arrangements;
- Appointment of auditors, insurance brokers, actuaries and bankers;
- Changes in employees' terms and conditions of employment, including benefits and pension schemes;
- Employment contracts when appointing a new senior person who reports directly to the General Manager;
- Appointing and dismissing senior managers, i.e. people reporting directly to the General Manager;

- Taking out borrowing facilities, financial instruments, guarantees, mortgages or charges or issuing/cancelling share capital, as set out in Group Policies;
- Prosecution, defence or settlement of any material litigation;
- Material or unusual contracts;
- Employee loans; and
- Entering into a contract in which the General Manager or any senior manager has a conflict of interest.

12. Group Companies' Confirmation of Compliance

At the end of each year the General Manager and Financial Head of each Group Company is required to sign a Letter of Assurance that the relevant Group Company has operated in accordance with the Risk Management system, Internal Controls, Group Financial Policies and this Code, which is to be taken as including (1) the Group's Anti-Bribery and Corruption Policy, (2) the Group Competition Law Compliance Policy, (3) the Group Human Rights Policy, (4) the Group Health, Safety and Environmental Policy, (5) the Sanctions, Embargoes and Restrictions Policy and Guide and (6) all other relevant Group Policies and procedures.

In addition the General Manager of each Group Company is required to submit to regular internal audits as advised by the Group Finance Director and the Head of Internal Audit.