

Spirax-Sarco Engineering plc Sustainability Accounting Standards Board Disclosure

(For the Year Ended 31st December 2020)

The Sustainability Accounting Standards Board (SASB) is an independent non-profit organization that has established Standards to guide the disclosure of financially material sustainability information by companies to their investors. SASB Standards identify a subset of environmental, social and governance (ESG) issues for 77 industries. For more information see: <https://www.sasb.org/>.

We recognise that there is a need for greater consistency in sustainability reporting standards globally and believe that corporate reporting of sustainability metrics should be aligned with business materiality, to ensure useful and transparent disclosure for investors and other interested stakeholders. SASB seeks to address these needs.

SASB designates Spirax-Sarco Engineering plc as being in the “Engineering and Construction Services” sector. During 2020 we reviewed SASB’s reporting Standards for this and other related sectors and assessed them for materiality. We have aligned our preliminary SASB reporting with the Engineering and Construction Services Standard and have disclosed, to the fullest extent possible, against the requirements of this Standard in respect of 2020. However, given the diversified nature of Spirax-Sarco Engineering plc’s businesses, we have found that no single industry Standard offers strong alignment between the sustainability topics we believe to be material and the metrics required by the Standard. We anticipate that in future years we will either disclose against more than one Standard, to provide a wider range of metrics than those outlined below, or will seek reclassification into a different sector where alignment with metrics is stronger.

This document should be read in conjunction with our Sustainability Report, found on pages 66 to 86 of our 2020 Annual Report, which includes a more comprehensive set of Sustainability-related performance metrics.

Engineering and Construction Services Standard disclosure (2020)

Within our designated industry sector, Engineering and Construction Services, the metrics we have identified as material are:

DISCLOSURE TOPIC	METRIC	SASB CODE	UNITS	SPIRAX-SARCO ENGINEERING PLC METRIC / DISCLOSURE LOCATION
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	IF-EN-320a.1	Rate	<p>We report extensively on a range of Health and Safety metrics (see pages 70 to 71 of our 2020 Annual Report) and align our reporting with the requirements of the UK Health and Safety Executive, the jurisdiction in which we are listed, and not the U.S. Occupational Safety and Health Administration, as required by SASB.</p> <p>The nearest comparable data we currently report is outlined below, in respect of 2020:</p> <p>Total incident rate for all employees: 2.9 over three-day lost time injuries per 1,000 employees</p> <p>Total incident rate for all employees: 1.3 one-to-three-day lost time injuries per 1,000 employees</p> <p>Fatality rate for direct and contract employees: 0</p>
Climate Impacts of Business Mix	Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects	IF-EN-410b.1	Reporting currency	<p>We do not publicly disclose our order book (using the language of SASB, our “backlog”). However, in the interests of transparency we have provided an alternative metric below, disclosing the percentage of hydrocarbon-related projects and renewable energy projects as a percentage of total Group backlog on 31st December 2020.</p> <p>(1) Hydrocarbon-related projects: 6% of Group backlog*</p> <p>(2) Renewable energy projects: less than 1% of Group backlog*</p> <p><i>* Due to the nature of our business, the projects that we deliver to customers are of a significantly smaller scale than those implied in the Engineering and Construction Services Standard. We have therefore chosen to report in line with our internal definition of a “large project”, which we define as an order with a value of over £200,000. In this metric we give large project orders as a percentage of the total backlog of all orders irrespective of size.</i></p>
	Amount of backlog cancellations associated with hydrocarbon-related projects	F-EN-410b.2	Reporting currency	None

Climate Impacts of Business Mix	Amount of backlog for non-energy projects associated with climate change mitigation	F-EN-410b.3	Reporting currency	<p>Climate change mitigation is one of several sustainability-related performance drivers for customers of the Steam Specialties and Electric Thermal Solution business. Other sustainability-related drivers in customer projects include but are not limited to water reduction, waste reduction, increased product quality and safety.</p> <p>An engineered solution provided by our Steam Specialties or Electric Thermal Solutions businesses, in particular, will usually deliver multiple sustainability benefits; climate change mitigation is one of several reasons why our customers engage with us.</p> <p>We do not currently classify projects in the way required for this metric. Therefore, we have chosen not to quantify this figure for 2020 but note that climate change mitigation is an important driver for customers in a significant proportion of our non-energy project backlog.</p> <p>While we cannot currently quantify the value of backlog associated with climate change mitigation projects, we report on the energy and CO₂ savings achieved by customers of our Steam Specialties business as a result of purchasing our products. Using third-party verified methodology, we estimate that a range of energy saving products sold by the Steam Specialties business in 2020 will reduce our customers' energy use by 218 million GJ per year, equivalent to the energy use of 4 million UK households, and reduce their CO₂ emissions by 15.8 million tonnes a year, equivalent to the annual CO₂ absorption of 719 million mature trees (see our 2020 Annual Report, page 81).</p>
Business Ethics	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	IF-EN-510a.1	Number, Reporting currency	<p>During 2020 we served customers in the following countries that appear in the 20 lowest ranking countries in the Index: Afghanistan, Cambodia, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Iraq, Venezuela and Yemen.</p> <p>However, sales into these countries were very small and together accounted for less than 0.05% of Group revenue in 2020, with no large projects.</p> <p>(1) None (2) None</p>
	Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anticompetitive practices	IF-EN-510a.2	Reporting currency	<p>(1) None (2) None</p>

Business Ethics	Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes	IF-EN-510a.3	n/a	<p>Holding the highest standards of ethical behaviour is central to the way we do business across our global operations. We maintain a zero-tolerance approach to breaches of our Anti-Bribery and Corruption Policy and operate in accordance with requirements of Competition Law. We require all employees with an email address, globally, to complete Anti-Bribery and Corruption training when joining the Company and on an annual basis thereafter, with compliance monitored by our internal audit function. We have a Group Competition Law Compliance Policy that sets out standards on areas such as anti-competitive agreements, advice on contracting with third parties and abuse of a dominant position. Our Group Anti-Bribery and Corruption Policy and our Competition Law Compliance Policy can be found on our website: https://www.spiraxsarcoengineering.com/our-approach/corporate-governance/governance-documents under the “Policies” section of the page.</p> <p>All employees have access to a confidential, multi-lingual, third-party whistle blowing hotline and are encouraged to report any concerns or suspected breaches of our Group policies. All reports to the helpline are thoroughly and appropriately investigated.</p> <p>With an average invoice size of less than £2,500, and just 15% of our revenue derived from our customers’ capital budgets, large projects are relatively rare within the Group. As a result, the risk of breaches of our Anti-Bribery and Corruption Policy or Competition Law during the bidding process are relatively low. In addition, bid and contract approval limits are in operation across the Group, with certain large orders requiring Managing Director, Group Executive Committee or Board approval, ensuring good oversight of large project orders, further reducing the risk of policy breaches.</p> <p>During 2020 we rolled out standard contract terms across the Group, to further reduce risk.</p>
Activity Metrics	Number of active projects	IF-EN-000.A	Number	<p>We define a large project as any order with a value of over £200,000. While our projects are not of a comparable scale to those referenced within the Engineering and Construction sector Standard under SASB, in the interests of transparency we are disclosing large projects as we define them internally.</p> <p>Total number of active projects at 31st December 2020: 104</p>
	Number of commissioned projects	IF-EN-000.B	Number	<p>Definition of “projects” as described above.</p> <p>Total number of commissioned projects during 2020: 180</p>
	Total backlog	IF-EN-000.C	Reporting currency	Not disclosed

Non-material topics

Several metrics required for disclosure in the Engineering and Construction Services Standard are not material to our business due to the Standard's strong alignment with large scale construction projects, i.e. "infrastructure construction, non-residential building construction, building subcontractors and construction-related professional services". The Standard defines "engineering services" as "specialised architectural and engineering services such as design and development of feasibility studies" associated with projects in the construction industries outlined above.¹

As a supplier of engineered products, services and solutions to industrial customers, with only 15% of our revenue generated from customers' Capital Expenditure budgets, 85% of revenue arising from customers' operational budgets and an average invoice size of less than £2,500, the large capital construction projects implied throughout the Engineering and Construction Services Standard are not applicable to our business and thus alignment with the standard is relatively low.

Further detail on the metrics within the Engineering and Construction Services Standard that are not deemed to be material to Spirax-Sarco Engineering plc is given below.

Environmental impacts of project development – the two metrics included in this topic are:

- number of incidents of non-compliance with environmental permits, standards, and regulations (IF-EN-160a.1); and
- discussion of processes to assess and manage environmental risks associated with project design, siting and construction (IF-EN-160a.2).

These reporting metrics specifically relate to the environmental impacts of construction and infrastructure projects. We do not deliver such projects as a lead contractor. While we do supply products and solutions that are incorporated into larger developments, we work with lead contractors who take responsibility for the environmental management of projects. Due to the nature of our business, i.e. supplying products and services to industrial customers largely for use within their plants, we do not undertake work that is environmentally sensitive and there are few environmental risks associated with our work. Therefore, these metrics are not material to our business.

Conversely, environmental *benefits* are a key consideration for many Spirax-Sarco Engineering plc customers during project design. Please see our latest Annual Report, pages 18 to 19 and 81 to 83, for examples of how we help customers to reduce their environmental impacts.

¹ SASB, ENGINEERING & CONSTRUCTION SERVICES, Sustainability Accounting Standard, (October 2018)

Structural Integrity & Safety – the two metrics included in this topic are:

- amount of defect- and safety-related rework costs (IF-EN-250a.1); and
- total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents (IF-EN-250a.2).

The first of these metrics is closely aligned with the Construction Industry Institute’s definition of rework, as “activities in the field that have to be done more than once in the field or activities that remove work previously installed as part of the project”. This is not material to our businesses.

The total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents is not material for the Company, at less than 0.2% of Group revenue in 2020.

Lifecycle Impacts of Buildings & Infrastructure – the two metrics included in this topic are:

- number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification (IF-EN-410a.1); and
- discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design (IF-EN-410a.2).

We do not complete total commissioned buildings and infrastructure projects that are certified to a third-party multi-attribute sustainability standard such as BREEAM or LEED etc. Where we supply products into large projects, the lead contractors of those projects are typically responsible for ensuring compliance with relevant permits, standards and regulations, rather than Spirax-Sarco Engineering plc.

Central to our customer offering is the ability if our sales engineers to walk our customers’ plants, identify opportunities to improve process efficiency, and design and deliver engineered solutions that reduce customers’ energy and water use and lower carbon emissions. 35% of Group revenue is derived from such small projects. Please see our 2020 Annual Report, pages 14 to 22 and 81 to 83 for information on, and examples of, the sustainability-related benefits we deliver to customers.