5. Remuneration

Remuneration Committee

Jane Kingston
Chair of Remuneration Committee

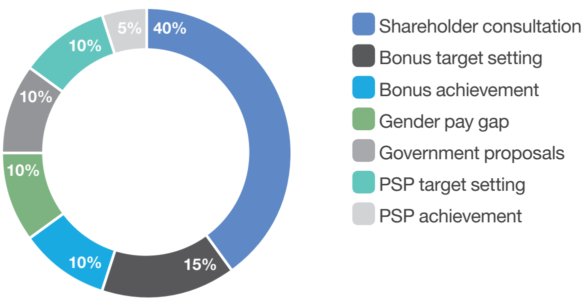
Members

Our Remuneration Committee comprises

	No. of meetings attended/ total no. meetings held	Attendance %
Jane Kingston (Chair)	6/6	100
Peter France[1]	5/5	100
Jamie Pike[2]	2/2	100
Trudy Schoolenberg	6/6	100
Clive Watson	6/6	100

1 Appointed to Board and Board Committees on 6th March 2018
2 Resigned from Committee on 15th May 2018 on appointment as Chair of the Board

How the Committee spent its time



Committee role and responsibilities

The Committee determines the philosophy, principles and policy of Executive remuneration having regard to the latest legislation, corporate governance, best practices and the FCA Listing Rules. The Committee takes account of workforce remuneration and related policies and the alignment of incentives and rewards with culture. The Committee's role has expanded with the introduction of the UK Corporate Governance Code 2018, which takes effect in 2019. In particular, the Committee will review remuneration policy and practices that apply to the Group Chief Executive and other Executive Directors, in addition to the Group Executive Committee.

The main role of the Committee is to determine Executive remuneration policies, how they are applied and set targets for the short- and long-term incentive schemes. It also monitors compliance with the presiding Remuneration Policy.

Key Remuneration Committee activities 2018

February and March

- Annual Report on Remuneration 2017
- Annual bonus – 2017 outcome
- PSP – 2015 outcome
- Annual bonus – 2018 targets
- PSP – 2018 targets

June

- Managing Director, Steam Specialties promotion remuneration

August

- 2019 Executive remuneration discussion
- Shareholder consultation – strategy, materials, contacts

September/October

- Shareholder consultation feedback
- 2019 Executive remuneration discussion

December

- Proxy adviser feedback
- 2019 Remuneration recommendations for Executive Directors and the Group Executive Committee
- Executive remuneration regulatory and practices update
- Committee Terms of Reference
- Performance update

Statement by Committee Chair

Dear shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2018. I confirm that the implementation of Executive Director remuneration complied fully with our Remuneration Policy approved by shareholders at the AGM in May 2017, and the Committee has not exercised any discretion in arriving at 2018 reward entitlements.

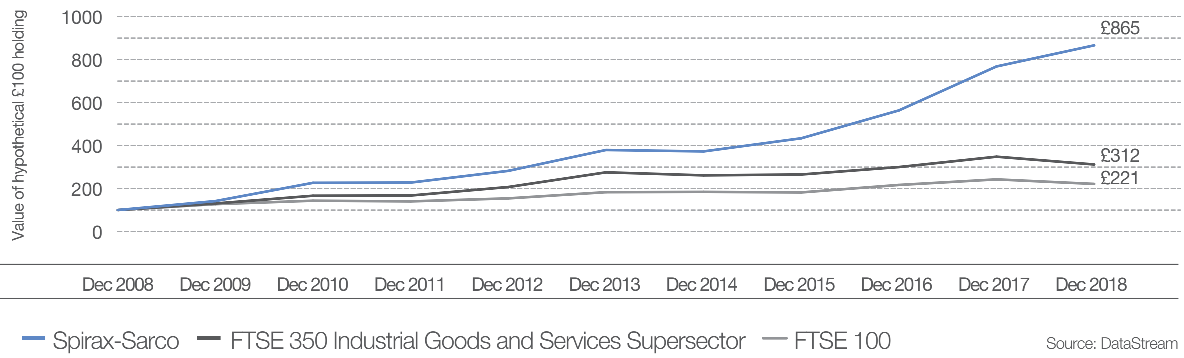
I would like to thank shareholders for the support they showed for the Annual Report on Remuneration 2017 which received 98.96% votes in favour at the AGM in May 2018.

2018 Performance-based rewards

The Chair's Statement on pages 2 to 3, shows that the Company made impressive progress in 2018 with Group revenue up 7% and adjusted operating profit up 12%, both on an organic basis (contributing to adjusted earnings per share (EPS) growth of 13% and a return on capital employed (ROCE) of 54.3% as determined under Annual Incentive Plan (AIP) rules)). The Company delivered a total shareholder return (TSR) of 119.6% for the three years ending 31st December 2018 (as determined under our Performance Share Plan (PSP)), which is in the top decile of our TSR comparator group. An increase in the total dividend for the year extends our dividend progress to 51 years.

TSR performance growth

This graph demonstrates the growth in value of a £100 investment in the Company compared to the FTSE 350 Industrial Goods and Services Supersector from December 2008 to December 2018. This comparison is chosen as it is the supersector within which the Company is classified and it is a broad equity market index including companies of a similar size, complexity and sector. We have also shown a comparison relative to the FTSE 100, following the Company's recent entry into the Index.



Source: DataStream

The Company continued to demonstrate strong underlying organic sales growth of 7% in the Spirax Sarco Steam Specialties business and 9% in Watson-Marlow.

It is important to note that, over the past five years, the Executive team has led the Company and our employees in the delivery of upper quartile performance to shareholders, as measured by organic sales growth, trading profit margins, ROCE, EPS and TSR.

Our Remuneration Policy is designed to ensure that a significant percentage of Executive Director pay is based on the achievement of demanding performance targets and is, therefore, "at risk". Maximum payout in the AIP and PSP is only possible as a result of significant strong performance by the business.

Following feedback from some shareholders, we decided to introduce a cash measure into the 2018 AIP, to the maximum amount permitted by the Policy.

The Committee has undertaken a robust and full assessment of performance during the year, taking into account both financial and non-financial measures. Arising from this, payments to Executive Directors under the AIP range from 79.2% to 115.6% of salary and I am pleased to confirm 100% vesting for the 2016 PSP award. The Committee considers that the remuneration paid to Executive Directors in 2018 (given as a single figure for each Director on page 95) reflects the excellent progress made by the Company during 2018 as well as over the last three years.

5. Remuneration
continued

2019 Executive remuneration review

The Executive remuneration review and the accompanying shareholder consultation were the most important matters addressed by the Committee in 2018. In undertaking this review we are seeking to address a historic difficulty caused by (i) very conservative pay practices and (ii) internal promotions, now compounded by increased business complexity and scale. As a result, all four of our Executive Directors were positioned below the lower quartile for on-target pay (whether looking at (i) base, (ii) base plus target bonus, or (iii) base, target bonus and target PSP award), as compared to a set of 15 UK engineering companies we use regularly for benchmarking and from which we recruit, along with other cross-industry size-appropriate groups (e.g. FTSE 70 to 150).

The business has continued to grow organically, increase in complexity with the acquisitions of Gestra and Chromalox, and recently entered the FTSE 100 index, all while continuing to deliver strong and consistent performance.

The Board is concerned that a failure to address the situation could present a business continuity risk at a crucial time (integration of acquisitions, challenge of managing a more complex business with new technology) as well as adversely affecting the Company's ability to attract high-calibre executives in the future.

Shareholder consultation

In arriving at our final recommendation we consulted with 17 of our top shareholders, outlining our challenge and discussing possible solutions. In aggregate they represented over 50% of our total shares outstanding, and gave us helpful and constructive advice. There was extensive support for the need to address the situation, with almost all of our shareholders preferring a one-off reset as opposed to a string of changes over time. Additionally, we met with ISS, The Investment Association and Glass Lewis, in recognition of their influence on voting outcomes and given many of our shareholders engage their services.

The Committee reviewed and discussed all of the advice and feedback received during the consultation. Following these discussions, we concluded a one-off reset to remuneration within the confines of our 2017 Remuneration Policy was right for our shareholders, the Company, our employees, our customers as well as fair for our Executive Directors.

The final outcome approved by the Committee, details of which are set out on pages 107 to 109, and our commitments for the 2020 Remuneration Policy on page 109, incorporate many additional features based on the feedback received during the consultation.

Although we recognise that this is a very difficult time and environment in which to undertake such change, we nevertheless believe it is necessary before the gap to market grows ever more severe. We trust that we can count on your support for the final position (summarised in the table on page 108), which is within the scope of our current Remuneration Policy and is reasonable as it aligns our Executives' remuneration with the lower quartile of the peer group, despite this Executive team leading the Company in the delivery of upper quartile performance over the past five years.

Wider workforce environment

I am encouraged by management's commitment to invest in employees at all levels. The Committee already receives some information on regional pay norms and we will continue to develop this reporting in 2019, taking into account broader information on workforce pay, policies, practices and diversity to contextualise the decisions of the Committee under its broader 2019 remit.

UK Corporate Governance Code 2018

The UK Corporate Governance Code 2018 (2018 Code) will change the scope for the Committee. Going forward, we will determine the remuneration policy and practices for the businesses' Executive Committees, in addition to the Executive Directors. In setting Executive remuneration, we will look at workforce remuneration and the alignment of rewards with culture. We have revised our Terms of Reference to align with the Committee's change of scope under the 2018 Code.

Committee focus 2019

- Implement the changes following the Executive remuneration review
- Develop a new Remuneration Policy for 2020
- Increase the remit to cover the Group Executive Committee

I hope that this provides a useful overview of the activities and decisions the Committee has taken during 2018.

Jane Kingston
Chair of Remuneration Committee
6th March 2019

Navigating our remuneration information

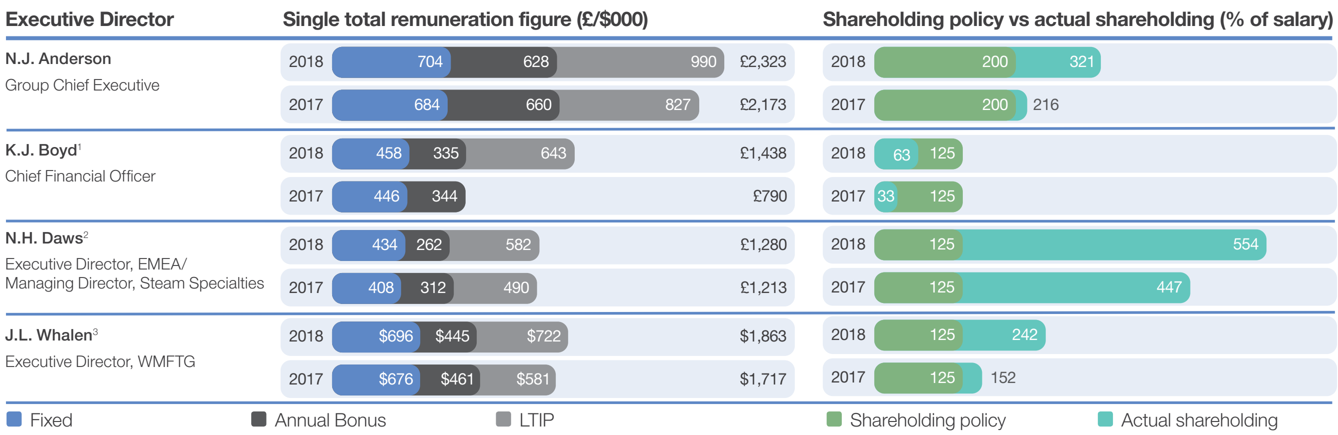
Remuneration at a glance 2018

How we performed

Remuneration key performance indicator	2018 actual	2018 threshold	2018 target	2018 maximum	Remuneration measure
Group operating profit (£m)	264.9	237.3	249.8	262.2	Annual Incentive Plan
Group cash generation (£m)	273.4	263.3	277.2	291.0	Annual Incentive Plan
Group ROCE (%)	54.3	48.6	51.1	53.6	Annual Incentive Plan
2016-2018 EPS (%)	75.3	28.6	N/A	53.2	Performance Share Plan
2016-2018 relative TSR (percentile TSR)	92nd	50th	N/A	75th	Performance Share Plan

Executive Directors' remuneration and shareholdings

The Executive team has consistently delivered upper quartile performance to shareholders and this is reflected in the high vesting of both the annual bonus and LTIP. The Committee is pleased with the work of the Executive team and is confident that this vesting outcome is reflective of the value delivered to the business.



[1] Joined the Company in May 2016.

[2] Executive Director, EMEA (1st January to 31st August 2018) and Managing Director, Steam Specialties (1st September to 31st December 2018).

[3] Paid in US dollars. Original dollar value with the exception of Benefits – refer to Benefits table on page 96.

Overview of the Executive Directors' Remuneration Policy

Base salary

To enable the Group to attract, retain and motivate high-performing Executive Directors of the calibre required to meet the Group's strategic objectives

Benefits

To provide market competitive benefits, and to enable the Executive Directors to undertake their roles through ensuring their well-being and security

Pension

To offer market competitive levels of pension, and to attract and retain individuals with the personal attributes, skills and experience required to deliver Group strategy

Annual bonus award

To incentivise and reward performance against selected KPIs which are directly linked to business strategy, while ensuring a significant proportion of Executive Director remuneration is directly linked to business performance

Performance Share Plan (PSP)

To incentivise and reward Executive Directors for delivering against long-term Group performance, to align Executive Directors' interests to those of shareholders, and to retain key Executive talent

Changes at a glance 2018

Executive Directors	Base salaries	%
Nicholas Anderson	£543,000	2.7
Kevin Boyd	£353,300	2.7
Neil Daws[1]	£320,400	2.7
Jay Whalen	$484,100	3.0

[1] To 31st August 2018.

Chair/Non-Executive Directors	Fees	%
Jamie Pike[1]	£210,000	71.3
Peter France	£50,300	N/A
Jane Kingston	£60,300	2.7
Trudy Schoolenberg	£50,300	2.7
Clive Watson[1]	£70,300	14.3

[1] From 15th May 2018.

Governance Report

5. Remuneration
Shareholder engagement

Engaging with shareholders

Jane Kingston
Chair of Remuneration Committee

Jim Devine
Group HR Director

Engaging with Shareholders

In our Annual Report 2017, the Chair mentioned that we were not proposing any changes to the Remuneration Policy in 2018 or to the way in which we implement that Policy. She also mentioned that during 2018 we would review our remuneration arrangements to ensure they continue to drive incremental performance while appropriately reflecting the changes in the size, scope, operations and complexity of the Group. As part of this review, we consulted extensively with our shareholders to inform our thinking and final decisions.

Shareholder feedback

Over the course of four months, we consulted with 17 of our top shareholders representing 50% of our total shares outstanding. Additionally, we met with ISS, The Investment Association and Glass Lewis, given the importance of the views of these proxy advisers and the engagement of their services by many of our shareholders. These meetings were primarily face-to-face, all with our Committee Chair and the Group Human Resources Director.

Consideration of feedback and outcomes

The Remuneration Committee reviewed and discussed all of the advice and feedback received during the consultation. Following extensive discussions at both the October and December meetings, the final outcome approved by the Committee was modified to take account of the constructive feedback received. This outcome was communicated to those who participated and is detailed in this Report on pages 107 to 109 and summarised below.

The Board and the Committee would like to thank all shareholders and proxy advisers for their feedback and advice. Many of their suggestions are reflected in our final outcome.

Summary

We believe our approach of a "one-off reset" is right for our shareholders, the Company, our employees, our customers as well as fair for our Executive Directors. We have considered all of the aspects and the stakeholders in making our decision.

Change	Our commitment
Salary For 2019, a salary increase of 7.7% for the Group Chief Executive and the Chief Financial Officer, 5% for the Managing Director, Steam Specialties and 3% for the President, WMFTG. The country norms for 2019 were 2.9% (UK) and 3% (USA).	Whilst some Executive Directors' salary increases are above the workforce norm, they are strictly within our normal salary policy. This is accompanied by a commitment not to increase Executive Directors' salaries above the workforce norm for the balance of this Policy and the term of the 2020 Policy.
Bonus Maximum bonus opportunity for the Group Chief Executive only will increase from 125% to 150% which we believe is appropriate for a company of our size and better aligned with the custom peer group.	The Group Chief Executive will defer any bonus, earned in the financial year ending 2019, above 125% into shares for a two-year holding period. In our 2020 Policy a more conventional bonus deferral will be implemented, not linked solely to shareholding.
LTIP/PSP and shareholding requirements The Board believes that the one-off remuneration reset should primarily be addressed through variable pay linked to long-term performance. Therefore, the PSP values will increase from 150% to 200% for the Group Chief Executive and from 125% to 175% for the other Executive Directors.	For awards made in 2019 onwards, threshold vesting will reduce from 25% to 18%. Shareholding requirements will increase from 200% to 300% of base salary for the Group Chief Executive and from 125% to 200% for the other Executive Directors.

5. Remuneration
Annual Report on Remuneration 2018

Strategic alignment

The Committee ensures that the remuneration paid to the Executive Directors, and the Group Executive Committee, is closely aligned with and reinforces the Group strategy. At their meeting in June 2018 the Board reviewed the strategic plan.

This alignment is achieved by using the strategic plan to set financial and individual strategic objectives for the Executive Directors, and the Group Executives, and, from this, bonus targets are agreed and approved by the Committee. This process forms part of the annual Board calendar, with the bonus targets approved in the early part of the financial year. The Group's strategic themes are set out on page 20.

1.0 Annual Report on Remuneration 2018

This section sets out the Directors' remuneration for the financial year ended 31st December 2018.

1.1 Single total figure of remuneration (audited)

	Salary/Fees		Benefits[1]		Annual bonus		PSP[2]		Pension		ESOP[3]		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Executive Directors														
N.J. Anderson	£528,000	£543,000	£24,063	£24,828	£660,000	£627,708	£826,648	£990,103	£132,000	£135,750	£1,909	£2,089	£2,172,620	£2,323,478
K.J. Boyd	£344,000	£353,300	£15,774	£16,184	£344,000	£335,282	N/A	£642,778	£86,000	£88,325	N/A	£2,026	£789,774	£1,437,895
N.H. Daws	£312,000	£330,933	£18,450	£20,366	£312,000	£261,941	£490,556	£581,558	£78,000	£82,733	£1,909	£2,089	£1,212,915	£1,279,620
J.L. Whalen[4]	$470,000	$484,100	$50,462	$50,112	$460,600	$445,372	$580,842	$721,614	$155,230	$161,390	N/A	N/A	$1,717,134	$1,862,588
Chair and Non-Executive Directors														
W.H. Whiteley[5]	£175,000	£69,256	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£175,000	£69,256
P. France[6]	N/A	£41,401	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£41,401
J.S. Kingston	£59,000	£60,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£59,000	£60,300
J. Pike[7]	£57,000	£154,534	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£57,000	£154,534
G.E. Schoolenberg	£49,000	£50,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£49,000	£50,300
C.G. Watson[7]	£59,000	£66,595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£59,000	£66,595

1 The 2018 Benefits are set out in the table on page 96.

2 The 2018 column relates to vesting of the 2016 PSP award valued at 6825.0p or $90.9636 for J.L. Whalen. Value converted at the 2018 average dollar/sterling exchange rate of 1.3328. The 2017 column relates to vesting of the 2015 PSP award valued at 5755.0p or $74.62 for J.L. Whalen. Value converted at the 2017 average dollar/sterling exchange rate of 1.2966.

3 Matching shares awarded during the year based on the mid-market price of the shares on the date of award: 6330.0p for 2018 and 5785.0p for 2017.

4 Paid in US dollars. All elements of J.L. Whalen's remuneration are shown in US dollars because he lives and works mostly in the USA. Furthermore, converting to sterling is misleading due to the movement in exchange rates. Original dollar value with the exception of Benefits – refer to Benefits table on page 96.

5 2018 remuneration calculated to date of retirement on 15th May 2018.

6 2018 remuneration calculated from date of appointment on 6th March 2018.

7 J. Pike was appointed Chair and C.G. Watson was appointed Senior Independent Director on 15th May 2018.

Salary/fees

The following table sets out the 2018 base salary with effect from 1st January 2018 for each of the Executive Directors, compared to 2017.

Executive Directors	2017	2018	Increase
N.J. Anderson	£528,000	£543,000	2.7%
K.J. Boyd	£344,000	£353,300	2.7%
N.H. Daws (1st January to 31st August 2018 – Divisional Director, EMEA)	£312,000	£320,400	2.7%
N.H. Daws[1] (1st September to 31st December 2018 – Managing Director, Steam Specialties)	–	£352,000	10.0%
J.L. Whalen	$470,000	$484,100	3.0%

1 This increase complies with the Remuneration Policy 2017 which states that the Committee may award a maximum of country of residence inflation plus 10% where there is a significant increase in the size and responsibilities of the role.

5. Remuneration
Annual Report on Remuneration 2018 continued

In 2018, the UK Executive Directors' salaries increased by 2.7% and Jay Whalen's salary increased by 3.0%. Increases for the broader employee population were on average 2.7% in the UK and 3.0% in the USA, with above average increases available for top performers in accordance with internal guidelines. The increases for Executive Directors, like those for the broader UK employee population, took account of both individual performance and market data. Neil Daws' salary was reviewed again on his promotion, increasing by a further 10.0% due to the significant increase in the size and responsibilities of his new role as Managing Director, Steam Specialties – revenue responsibility increased by over 100% (£300 million to £700 million) and profit responsibility increased by 300%.

The following table sets out the Policy fees for the Chair and Non-Executive Directors for 2018. Actual fees received, based on role and date of appointment, are set out in the Single total figure of remuneration table on page 95. Pay for the Chair and Non-Executive Directors does not vary with performance. Fees for Non-Executive Directors are reviewed annually. The Chair and Non-Executive Directors did not receive any taxable benefits.

Chair and Non-Executive Directors	Changes during 2018	Date	Basic fees	Additional fees	2018 Total fees
W.H. Whiteley[1]	Retired as Chair	15.05.18	£185,000	N/A	£185,000
J. Pike[2]			£50,300	£10,000	£60,300
J. Pike[1]	Appointed Chair	15.05.18	£210,000	N/A	£210,000
C.G. Watson[3]			£50,300	£10,000	£60,300
C.G. Watson[2,3]	Appointed Senior Independent Director	15.05.18	£50,300	£20,000	£70,300
P. France	Appointed	06.03.18	£50,300	N/A	£50,300
J.S. Kingston[3]			£50,300	£10,000	£60,300
G.E. Schoolenberg			£50,300	N/A	£50,300

1 W.H. Whiteley retired from the Board after the AGM on 15th May 2018. J. Pike was appointed Chair on 15th May 2018.

2 In respect of their duties as Senior Independent Director, J. Pike received £3,699 pro-rated to 15th May 2018 and C.G. Watson received £6,301 pro-rated from 15th May 2018.

3 J.S. Kingston received £10,000 in respect of her role as Chair of the Remuneration Committee and C.G. Watson received £10,000 in respect of his role as Chair of the Audit Committee.

The Chair and Non-Executive Director fees were reviewed at the end of 2017 looking at market data for companies of a similar size, provided by the Committee's independent consultant. The basic fee for the Non-Executive Directors was increased by 2.7%, consistent with the average rate of increase in the UK. As a result of the market review, the Chair's fee was increased from £185,000 to £210,000 and the Senior Independent Director's fee was increased from £8,000 to £10,000. This positions fee levels at the market median and better reflects the expectations and time commitments of the respective roles.

Benefits (excluding pension)

Benefits	N.J. Anderson	K.J. Boyd	N.H. Daws	J.L. Whalen[1, 2]
Company car and associated running costs or cash alternative allowance	£24,434	£15,790	£18,274	$25,758
Private health insurance	£394	£394	£394	$22,282
Telecommunications and computer equipment	–	–	–	$2,072
Common benefit – long service payment[3]	–	–	£1,698	–
Mobility-related benefit – tax advice[2, 4]	£8,328	–	–	$8,160
Life assurance[4]	£779	£507	£475	$695
Long-term disability insurance[4]	£2,226	£1,449	£1,357	$1,985

1 Paid in US dollars. All elements of J.L. Whalen's remuneration are shown in US dollars because he lives and works mostly in the USA. Furthermore, converting to sterling is misleading due to the movement in exchange rates. Original dollar value.

2 J.L. Whalen's value converted at the 2018 average dollar/sterling exchange rate of 1.3328.

3 N.H. Daws received a payment (along with eligible UK employees) based on his length of service with the Company. This is a common benefit permitted by the Remuneration Policy 2017.

4 Not taxable therefore not included in the single total figure of remuneration.

Pension
Full details of the pension benefits are set out at section 1.2 on page 103.

Annual bonus
Executive Directors participate in the annual bonus plan, which rewards them for financial performance both at Group level and, where relevant, the business segment for which they are responsible. Targets are reviewed annually to ensure continuing alignment with strategy and are agreed at the start of the year. Resulting awards are determined following the end of the financial year by the Committee, based on performance against these targets.

For the Group Chief Executive, achievement of target performance results in a bonus of 75% of salary, increasing to 125% of salary for maximum performance. For the other Executive Directors, achievement of target performance results in a bonus of 60% of salary, increasing to 100% of salary for maximum performance.

Bonus payments are subject to a contractual right for the Company to clawback or apply malus for up to three years following payment. Circumstances that may result in a clawback or malus include financial misstatement, erroneous calculations determining bonus payments or gross misconduct.

In accordance with Policy, Executive Directors must use any bonus earned over 60% of base salary or 75% of base salary for the Group Chief Executive, net of tax, to buy shares until their shareholding guideline has been met. This is, in effect, a bonus deferral mechanism.

The majority of each Executive Director's bonus opportunity (90%) is based on the achievement of stretching financial performance targets in areas that directly align with our areas of strategic focus. The remaining 10% is based on the achievement of individual strategic objectives, tailored to each Director's areas of responsibility. Performance standards are agreed and communicated at the start of the year. Financial measures have an established threshold, target and maximum with a sliding scale between each. Individual strategic measures are subject to three possible achievement levels: fully achieved, partially achieved and not achieved.

The table below sets out the performance measures that each of the Executive Directors' bonus awards were subject to.

Executive Directors	2018 Measures (% of bonus)
N.J. Anderson K.J. Boyd	Group operating profit (70%) Group cash generation (10%) Group ROCE (10%) Personal strategic objectives (10%)
N.H. Daws[1] J.L. Whalen	Segmental operating profit (50%) Group operating profit (20%) Group cash generation (10%) Group ROCE (10%) Personal strategic objectives (10%)

1 EMEA operating profit for the period 1st January to 31st August 2018. Steam Specialties business operating profit for the period 1st September to 31st December 2018.

The performance measures are adjusted to reflect certain items including the amortisation of acquisition-related intangible assets and exceptional reorganisational costs and to exclude any profit contribution and other impacts such as major acquisitions during the period.

2018 was a good year for the Group, which delivered strong organic sales growth, grew earnings per share and increased dividend to shareholders. The annual bonus payments to Executive Directors ranged between 79.2% and 115.6% of salary. The bonus is payable in cash where the relevant Executive Director has met the share ownership requirement, otherwise any part of the bonus above target, net of tax, must be used to buy shares until the shareholding requirement has been met.

The table below summarises the achieved performance in 2018 in respect of each of the measures used in the determination of annual bonus, together with an indication of actual performance relative to target.

	Actual performance[1]	Threshold	Target	Maximum
Group operating profit	**£264.9m**	£237.3m	£249.8m	£262.2m
Group cash generation	**£273.4m**	£263.3m	£277.2m	£291.0m
Group ROCE	**54.3%**	48.6%	51.1%	53.6%
Steam Specialties operating profit[2]	**£170.1m**	£147.6m	£155.4m	£163.1m
EMEA operating profit[2,3]	**£55.2m**	£52.9m	£55.7m	£58.5m
Watson-Marlow operating profit	**£87.5m**	£79.4m	£83.6m	£87.8m

1 To comply with the annual bonus plan rules these metrics use, as a base, the actual adjusted operating profit of £264,875 for segmental operating profit performance, and exclude centrally allocated overheads from both the target measure and actual performance.

2 Neil Daws' segmental operating profit related to EMEA operating profit for the period 1st January to 31st August 2018 and Steam Specialties operating profit for the period 1st September to 31st December 2018.

3 Excludes performance of the UK and French manufacturing units and Gestra, for which N.H. Daws, as Divisional Director, EMEA, was not responsible.

Personal strategic objective assessment

The Executive Directors were each obliged to complete an appraisal self-assessment on their performance against each personal strategic objective. The Group Chief Executive reviewed this self-assessment with the Executive Director and made his own assessment. In the case of the Group Chief Executive, the Chair of the Board conducted the assessment. A report was submitted to the Committee and, at its February 2019 meeting, the Committee reviewed the recommendations and approved a final decision.

The personal strategic objectives for 2018 are detailed on pages 98 to 100.

5. Remuneration
Annual Report on Remuneration 2018 continued

Personal strategic objective 2018	Description	Achievement
Nicholas Anderson		
Health, Safety and Sustainability (HS&S)	Accelerate and embed a step change in the HS&S performance of the Group, significantly improving the HS&S awareness and culture. Fast-track the Group's Sustainability programme.	The actual number of accidents across the Group in 2018 was greater than in 2017, including "+three day lost time accidents". However, there was a steady reduction during 2018 as a result of significant improvements in training. Gestra and Chromalox were integrated into the Sustainability programme; Group companies' involvement in community projects increased; a Diversity and Inclusion Policy was rolled out, including a female mentoring programme; and the Group Carbon Disclosure Project climate change score improved from C to B.
Strategy implementation	Further and materially progress the Customer First strategy, including the Spirax Sarco Academy and the Product Lifecycle Management project in the Steam Specialties business.	All elements of our business strategy are progressing well, with all strategy metrics ahead of or on Plan in 2018. This is evidenced by above-average organic sales growth rates in all priority industry sectors, channels to market and product families. During 2018 Watson-Marlow completed the purchase of a small pre-revenue company and the Steam Specialties business completed the divestiture of HygroMatik GmbH.
Gestra integration	Ensure successful implementation of the acquisition integration plans across the Steam Specialties business.	Gestra achieved its overall integration objectives in 2018, ending the year with a strong positive momentum. To date, 10 of the 22 acquisition integration projects have been successfully completed, with the remaining progressing as planned. Noteworthy achievements include: structural re-organisation into sales and supply operating companies with strengthened management teams; new visual identity launched at ACHEMA in June 2018; the development of a next-generation boiler house controls product; and five-year geographic expansion roadmap, including setting-up an operating company in China to start trading in April 2019. In 2018, Gestra exceeded its acquisition plan orders, sales and profit.
Chromalox integration	Ensure successful implementation of the acquisition integration plans, with particular emphasis on the sales growth plans.	Chromalox achieved most of its integration objectives in 2018 and carries a strong sales growth momentum into 2019. Noteworthy integration achievements include: re-organisation into sales and supply operating companies in line with the Group's operating model; development of new product ranges for sale outside the USA; setting-up a new operating company in Brazil, at least three new sales offices and, in EMEA, two quick response centres; and a cross-selling strategy jointly defined with the Steam Specialties business. Chromalox orders and sales exceeded the acquisition plan delivering full-year orders and sales growth over 2017.
Corporate governance	Implement a new enhanced organisational structure by Q3 2018, separating the roles of Group Chief Executive and Managing Director, Steam Specialties, embedding the Group and the businesses' Executive Committees and strengthening our talent management and succession programmes.	During 2018 the roles of Group Chief Executive and Managing Director, Steam Specialties were separated, with the promotion of Neil Daws to Managing Director, Steam Specialties and the appointment of Sean Clay as Divisional Director, EMEA, as announced in July 2018. New Executive governance procedures were defined. New levels of authority were established.

Personal strategic objective 2018	Description	Achievement
Kevin Boyd		
Health, Safety and Sustainability	Accelerate and embed a step change in the Health & Safety performance across the Group's Finance function, strengthening HS&S awareness and culture. Support the implementation of the Group's Sustainability programme.	Fully supported the drive for increased focus on HS&S across the Group including positioning the wider finance leadership team to identify investment opportunities and improve the safety standards across Group operations. Hosted investor visits on the Group sustainability agenda to increase the Group profile with ESG investors. Participated in the Group diversity action plan, including the female mentoring programme.
Corporate M&A	Ensure control over the integration of Gestra and Chromalox, with special emphasis on the full adoption and correct application of the Group's policies by the acquired companies.	Implemented the full range of internal controls and financial planning and reporting disciplines across the recent acquisitions. Actively involved in the successful divestiture of HygroMatik GmbH resulting in a more focused Steam Specialties business in EMEA and generating a good return for shareholders.
Investor relations	Develop and improve shareholder relations, keeping shareholders and the market appropriately informed. Explore alternatives to further diversify the shareholders' geographic spread.	Conducted a record number of investor meetings and visits. Met with potential investors across a range of countries, resulting in increased shareholdings and a number of new shareholders. Investor relationships were judged to be very effective and analyst understanding of Company strategy and performance reflected in an acceptable band of consensus performance expectations.
Information Technology and Systems	Materially strengthen and improve the Group's IS strategy, with emphasis on improvements to global cybersecurity and the development of an investment roadmap.	Led a major investment to improve cybersecurity across the Group, including our recent acquisitions. Implemented a revised Group IS structure which is now actively involved in developing our digital strategy.
Treasury	Materially strengthen and improve the Group's Treasury function, with special emphasis on deploying a stronger understanding and application of cash flow management practices across the Group's operating companies.	Implemented and strengthened the centralised Group Treasury function with major improvements made on reporting and forecasting. Appointed a new Group Treasurer. A range of improvements implemented in managing cash generation, including a revised hedging strategy.
Taxation	Accelerate the implementation of the new Group Tax Strategy, improving the Group's corporate tax position in a sustainable manner.	New organisational structure implemented leading to a reduction in reliance on external advice. New strategy in place which will improve performance across the Group. New appointment made to the Group Tax function.
Neil Daws		
Health, Safety and Sustainability	Accelerate and embed a step change in the HS&S performance of the EMEA Division, strengthening HS&S awareness and culture. Support the implementation of the Group's Sustainability programme.	Improved reporting and increased focus throughout the year led to a 14% reduction in lost time accidents in 2018. Additional initiatives that were implemented included: a safety day on return to work in 2019 focusing on raising awareness across the Group; quarterly themes to better embed culture change; implementation of Behavioural Based Safety training; improved capturing of lead indicators; and a more proactive approach to reviewing risks in sales and service.
Customer First strategy	Successful strategic implementation with a special focus on the Oil & Gas strategy, embedding divisional business development processes and structures, embedding customer value propositions (CVPs) into sales processes, advancing the implementation of the Spirax Sarco Academy and the relevant changes as a result of the implementation of the employee engagement action plans.	The Steam Specialties business Oil & Gas strategy has helped to facilitate double-digit sales growth across the Steam Specialties business with outstanding results in China, Korea and the USA. CVP implementation stepped up in 2018 with EMEA taking a strong lead in process improvement and training. Conducted regular follow-up on employee engagement action plans across all operating companies within the EMEA region.
Customer service	Improve "on time to request" (OTTR) to a specified target by December 2018. Improve inventory quality management to a specified target by September 2018, sustaining this performance for the balance of 2018. Reduce the EMEA total surplus stock to a specified maximum by December 2018.	Overall good progress reaching two out of three targets and improving the quality and consistency of our measures. OTTR improved consistently to achieve target. Sales at risk ended the year better than target. Total surplus stock ended the year better than Plan.

5. Remuneration
Annual Report on Remuneration 2018 continued

Personal strategic objective 2018	Description	Achievement
Neil Daws continued		
Gestra integration	Ensure full support for the successful implementation of the integration plans, with special emphasis on successful market intelligence co-ordination.	Provided support during the implementation of Gestra's sectorised market expansion, which has been well-received by internal and external stakeholders. Segmental Oil & Gas sales team working alongside Gestra promoting both brands in the market, leading on whichever best meets customer needs. Structure implemented at operating company level to extend market intelligence committee reviews into longer term strategy sharing, aimed at accelerating sectorisation. Successfully led the establishment of a new Gestra operating company in China.
Oil & Gas synergies	In conjunction with the President of Chromalox, by December 2018, develop an approved project charter for a heat tracing synergy strategy, leveraging the Group's combined capabilities from a projects and maintenance, repair and operations perspective.	Good progress evolving the strategy to define and deliver business synergies by combining our Steam Specialties and Chromalox approach. Led a project to size the value of the USA contractor market.
Enterprise resource planning system	Ensure approval and subsequent implementation of this new step change project, successfully completing all necessary activities to ensure a first roll out in Q1 2019.	A new customer relationship management system was successfully piloted in Egypt. Some minor delays are being experienced with the project.
Jay Whalen		
Health, Safety and Sustainability	Accelerate and embed a step change in the Health & Safety performance across WMFTG, strengthening HS&S awareness and culture. Support the implementation of the Group's Sustainability programme.	Significant expansion of HS&S awareness and engagement across all operating companies; WMFTG's intranet sustainability site was further developed to enable full reporting and better performance management; additional investment in six regional HS&S manager roles; WMFTG's HS&S strategy framework and structure developed; and safety leadership training delivered.
Aflex Hose	Single site consolidation plans submitted for approval by March 2018 and to be executed as planned by December 2018. Convert sales to WMFTG direct sales teams in certain stated countries.	Local authority approval gained for the new greenfield Aflex Hose site. Construction commenced in January 2019. Sales operations converted from distribution to direct in France, the United Arab Emirates (UAE), Korea, Singapore, South Africa and New England, USA.
New product introduction	Ensure successful and timely launch of specific innovative, new products.	New Flexicon PF7 pump and filler and the Flexicon FPC60 filling line launched. High capacity Qdos research phase completed with new product designs in progress and a project mandate approved in December.
Acquisitions	Complete acquisition in Q1 2018, oversee the development of, and approve the new product range.	Successfully completed the purchase of a small pre-revenue company providing the Group with future technologies that will improve current customer offerings.
Territorial expansion	Ensure successful start-up of a new sales company in the UAE in Q1 2018. Convert representative to direct sales force in certain stated countries.	New sales company in the UAE established in Q1; completion of conversion from existing third party sales organisation to direct sales force in California, USA; and expansion of a direct sales organisation in Ireland for WMFTG and the BioPure product range.

The personal strategic objective achievement levels are set out below.

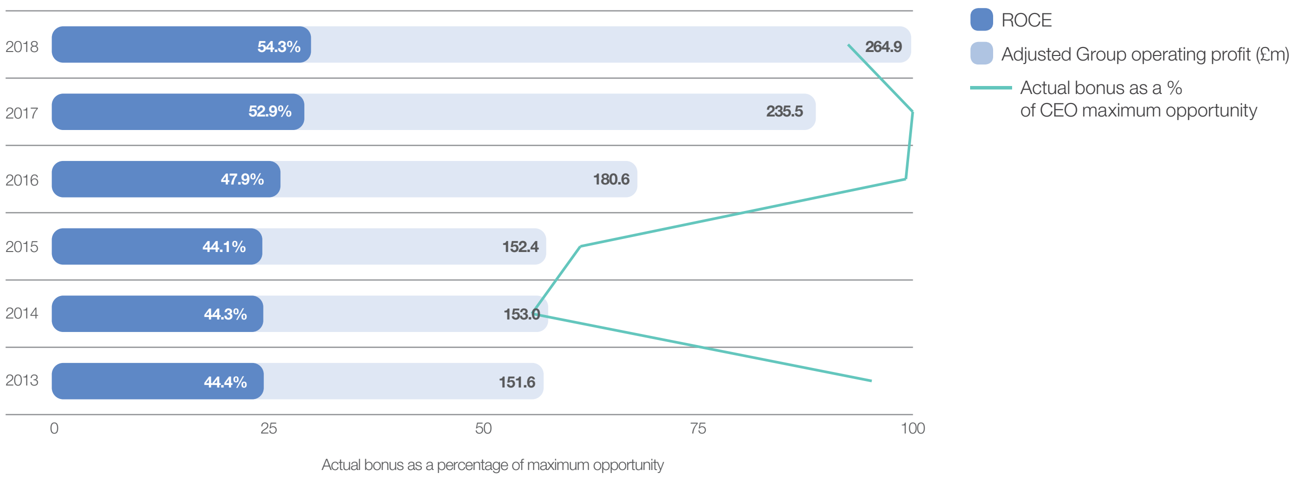
	Performance targets			
	Fully achieved	Partly achieved	Not achieved	% of bonus
N.J. Anderson	3	2	0	9.5%
K.J. Boyd	6	0	0	10.0%
N.H. Daws	5	1	0	9.3%
J.L. Whalen	3	2	0	8.4%

As a result of this performance in 2018, the following bonuses were achieved:

Executive Directors	Bonus achieved	Bonus (% of salary)
N.J. Anderson	£627,708	115.6%
K.J. Boyd	£335,282	94.9%
N.H. Daws	£261,941	79.2%
J.L. Whalen[1]	$445,372	92.0%

1 Paid in US dollars. All elements of J.L. Whalen's remuneration are shown in US dollars because he lives and works mostly in the USA. Furthermore, converting to sterling is misleading due to the movement in exchange rates. Original dollar value.

The following graph provides a six-year summary of bonus outcomes for the Group Chief Executive against the performance of adjusted Group operating profit and ROCE. This illustrates the strong historical alignment between pay and performance.



Spirax Sarco Performance Share Plan (PSP)

The Committee makes an annual conditional award of shares to each Executive Director under the PSP. Prior to award, the Committee reviews the performance targets for each measure to ensure they remain sufficiently stretching. For EPS this includes a review of analysts' forecasts.

PSP awards are subject to malus (reduction in the amount of deferred and as yet unpaid compensation) and clawback (reimbursement of compensation that has already been paid) for up to three years following the award, and can be applied during a holding period. Circumstances that may result in a clawback or malus adjustment include financial misstatement, erroneous calculations determining bonus payments or gross misconduct.

For awards made in 2018, as well as those made in 2016 and 2017, vesting is based on two performance conditions measured over a three-year period, which have been chosen as they are aligned with our strategy:

Performance measure	Weight	Threshold requirement	Maximum requirement
EPS growth	60%	Global IP +2% pa[1]	Global IP +8% pa
Relative TSR	40%	Median TSR	Upper quartile TSR

[1] The Global IP data source is the CHR Metals Global IP Index, providing data that incorporates over 90% of global industrial output.

Performance in line with threshold results in 25% of the award vesting; vesting between threshold and maximum is calculated on a straight-line basis.

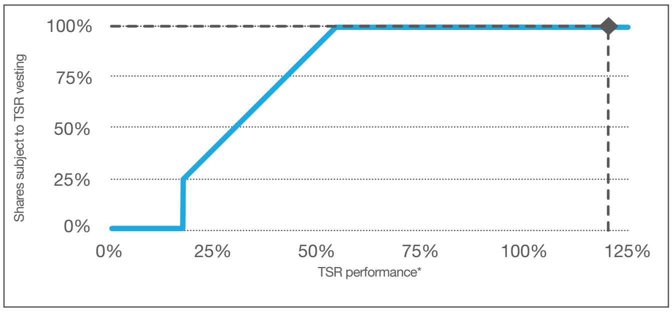
The EPS element of the PSP is based on growth in excess of global industrial production growth rates, often referred to in our industry as "Global IP", rather than UK RPI. Global IP is a measure that the Board and management have used for some time as there is well documented evidence that it is the best predictor of the global and industrial markets within which the Group operates. For these reasons, Global IP was used in the formulation of the long-term strategic plan and targets for EPS growth approved by the Board. In setting the initial performance range in 2016, which was intended to be long-term in nature, the Committee reviewed the historical and projected data (2007 to 2020), including the Group's performance, market benchmarks and analysts' consensus. The Committee remains confident that this range remains sufficiently challenging across various market environments.

The TSR element of the PSP assesses TSR performance relative to a comparator group of companies that comprises the constituents of the FTSE 350 Industrial Goods and Services Super Sector at the start of the performance period. This is the same sector classification as Spirax Sarco, and was selected as it objectively provides a sufficiently robust number of companies to compare performance against, that also operate in the industrial goods and services arena. While the exact number of companies varies from year-to-year, the comparator group generally has between 50 and 60 companies.

5. Remuneration
Annual Report on Remuneration 2018 continued

PSP awards vesting over 2016-2018
In 2016 the Executive Directors received share awards under the PSP, with vesting subject to EPS growth and relative TSR performance. The following diagrams set out details of the performance measures and targets that applied, along with the actual performance during the period 1st January 2016 to 31st December 2018.

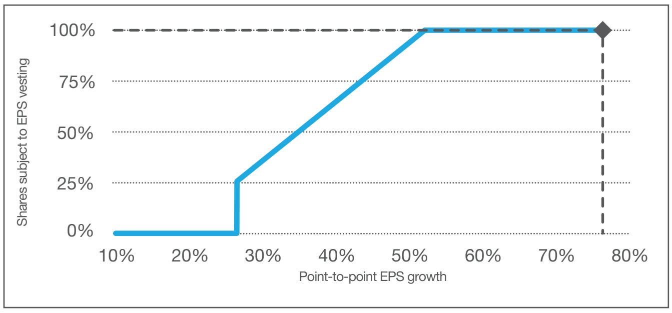
Relative TSR performance (40% of PSP award)
Over the three-year period to 31st December 2018, the Company delivered an increase in TSR of 119.6%. This ranked in the upper decile TSR of the comparator group above the level required for full vesting. The comparator group, comprising 56 companies, for the purpose of measuring relative TSR performance was the FTSE 350 Industrial Goods and Services Supersector constituents at the start of the performance period.



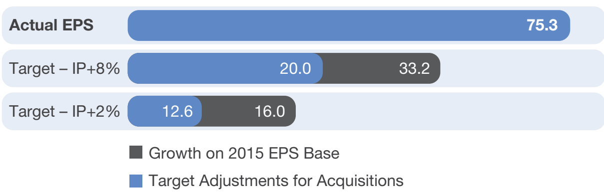
	Target	TSR	Vesting
Threshold	Median TSR	18.7%	25%
Maximum	Upper quartile TSR or above	55.9%	100%
Actual		119.6%	100%

* Vesting is calculated based on Spirax Sarco's TSR relative to the median and upper quartile TSR of the peer group.

EPS growth (60% of PSP award)
Over the three-year period to 31st December 2018, the Company delivered adjusted EPS growth of 75.3%. This equated to growth of approximately 20.6% per annum over the three years. EPS is derived from the audited Annual Report for the relevant financial year but adjusted to exclude the items shown separately on the face of the Consolidated Income Statement and augmented following the acquisitions of Gestra and Chromalox. EPS is based on growth in excess of global industrial production growth rates (see page 101).



	Performance (over 3 years)	Vesting
Threshold	28.6%	25.0%
Maximum	53.2%	100.0%
Actual	75.3%	100.0%



As a result of the very strong Company performance, as measured by relative TSR and EPS growth, 100% of the shares awarded under the 2016 PSP vested. The Committee considers that this result reflects holistic performance and a positive shareholder experience.

Executive Directors	Award	Vested	Lapsed	Value on vesting[1]
N.J. Anderson	14,507	**14,507**	0	**£990,103**
K.J. Boyd	9,418	**9,418**	0	**£642,778**
N.H. Daws	8,521	**8,521**	0	**£581,558**
J.L. Whalen	7,933	**7,933**	0	**£721,614**

[1] Based on share price at date of vesting, 4th March 2019 (6825.0p or $90.9636 for J.L. Whalen). Value converted at the 2018 average dollar/sterling exchange rate of 1.3328.

1.2 Pension (audited)

In lieu of pension benefits, Nicholas Anderson and Kevin Boyd receive 25% of their basic salary in cash which, in the year ended 31st December 2018, amounted to £135,750 and £88,325 respectively.

Neil Daws became a deferred member of an HMRC registered, contributory defined benefit scheme, the Spirax-Sarco Executives' Retirement Benefits Scheme, with effect from 31st December 2012, and is, therefore, no longer accruing any pension benefits within the defined benefit scheme. His defined benefit rights in the Scheme at 31st December 2018 were £4,622,000 and his normal retirement date is 1st January 2025 (age 62½). In lieu of pension benefits, he received 25% of his basic salary in cash which, in the year ended 31st December 2018, amounted to £82,733.

Jay Whalen is a member of the Spirax Sarco Inc. defined benefit plan. The benefit paid under normal retirement from the US defined benefit plan is a single life annuity equal to the number of years of service multiplied by the sum of 1.0% of pensionable salary up to social security covered compensation, plus 1.45% of pensionable salary in excess of social security covered compensation. Final average salary is the average of the highest pensionable pay for any five consecutive years prior to retirement up to a ceiling. Jay Whalen's final average salary is higher than the salary ceiling as at 31st December 2018. The plan was frozen effective 31st December 2018 for all future service and accruals.

Jay Whalen's defined benefit plan arrangements are as follows:

Executive Director	Age attained at 31.12.18	Accrued pension at 31.12.17	Accrued pension at 31.12.18	Change in accrued pension during the year	Change in accrued pension during the year[1]	Change in the value[2] of accrued pension over the year net of inflation[1] and Director's own contributions[3]
J.L. Whalen	62	$90,849	$95,830	$4,980	$2,912	$58,240

1 Net of inflation, limited to 0% ie at a rate of 2.28% per annum.

2 The value of pension has been calculated based on a factor of 20 in line with that required under the disclosure regulations.

3 This is a non-contributory plan so J.L. Whalen did not contribute to the defined benefit plan during 2018.

The following additional information is provided:

- Upon death in service: a spouse's pension equal to one-half of the member's pension, based on pensionable service to the date of death, is payable. After payment of the pension commences the accrued pension shown has no attaching spouse's pension. However, at retirement there is an option to reduce the member's pension to provide for a spouse's pension after death.
- Early retirement rights: after leaving the service of the Company, Jay Whalen has the right to draw his accrued pension at any time after his 65th birthday with no reduction. In addition, he has the right to commence his pension earlier if he meets the age and service requirements, with the pension being reduced. The annual reductions for early retirement are 3% for each year from age 65 to age 60.
- Pension increases: the pension has no guaranteed increases. Spirax Sarco Inc. has the discretion to provide increases.
- Other discretionary benefits: additionally, Jay Whalen benefited from Company contributions to a personal plan (choice of a personal US defined contribution pension plan or cash in lieu of pension benefits) and to a 401k plan. The total amount contributed by the Group was $103,150.

1.3 Scheme interests awarded during the financial year (audited)

Spirax Sarco Performance Share Plan (PSP)

All awards were granted under the PSP as a contingent right to receive shares, with the face value calculated as a percentage (150% for the Group Chief Executive and 125% for the Executive Directors) of base salary, using the share price at date of award (5560.0p). Awards were made on 4th April 2018.

Executive Director	PSP award	Face value	Last day of the performance period	Vesting at threshold performance
N.J. Anderson	14,649 shares	£814,484	31.12.20	25%
K.J. Boyd	7,942 shares	£441,575	31.12.20	25%
N.H. Daws	7,203 shares	£400,487	31.12.20	25%
J.L. Whalen[1]	7,203 shares	$533,769	31.12.20	25%

1 Value converted at the 2018 average dollar/sterling exchange rate of 1.3328.

For awards made in 2018, vesting is based on two performance conditions measured over a three-year period, which have been chosen as they are aligned with our strategy. In addition to the three-year vesting period, a two-year holding period applies. These performance conditions are explained further on page 101.

5. Remuneration
Annual Report on Remuneration 2018 continued

Spirax-Sarco Engineering plc Employee Share Ownership Plan (ESOP)

Executive Directors (excluding Jay Whalen who is a US citizen) are eligible to participate in an HMRC approved Share Incentive Plan known as the ESOP. Nicholas Anderson, Kevin Boyd and Neil Daws are participants.

During the year ended 31st December 2018: Nicholas Anderson and Neil Daws each purchased 33 partnership shares, were each awarded 33 matching shares and received nine and 14 dividend shares respectively; Kevin Boyd purchased 32 partnership shares, was awarded 32 matching shares, however he did not qualify for dividend shares. Further information is set out in the table on page 106.

The maximum annual investment in shares is £1,800 (the HMRC limit) for Executive Directors (and eligible UK employees). This can be matched by the Company on a one-for-one basis for each share that is purchased. Dividends paid can be reinvested as shares.

Shares acquired under the ESOP are not subject to performance measures as the aim of the ESOP is to encourage increased shareholding in the Company by all eligible UK employees. In 2018, 67.7% of eligible UK employees purchased partnership shares and were awarded matching shares under the ESOP.

1.4 Payments to past Directors (audited)
There were no payments to former Directors during the year ended 31st December 2018.

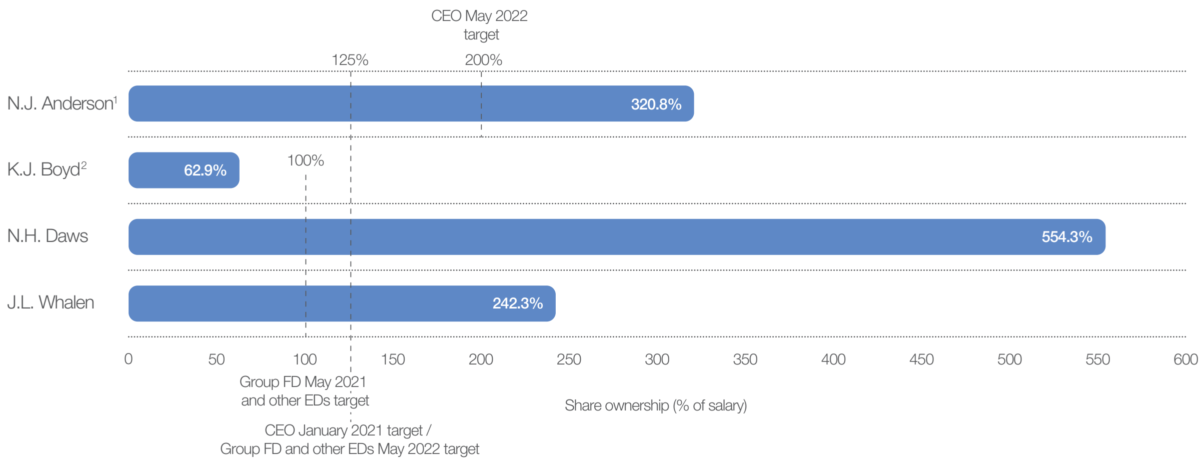
1.5 Payments for loss of office (audited)
There were no payments made to Directors for loss of office during the year ended 31st December 2018.

1.6 Statement of Directors' shareholding and share interests (audited)
Progress towards share ownership guideline

The following chart sets out the Executive Directors' progress towards the Company's share ownership guidelines.

In 2016 the guidelines were 125% of base salary for the Group Chief Executive and 100% for the other Executive Directors, over a maximum period of five years from date of appointment to the Board. Following the approval of the Remuneration Policy at the AGM in May 2017, the share ownership guidelines were increased to 200% of base salary for the Group Chief Executive and 125% for the other Executive Directors. This increase applies to the period from 2017. Executive Directors are expected to achieve the increased maximums within five years.

Progress against the guidelines is illustrated below. The value of the shareholding is taken at 31st December 2018 as a percentage of 2018 base salary. The share price on 31st December 2018 was 6240.0p.



1 Target increased from 100% to 125%, with effect from January 2016, and to 200%, with effect from May 2017.

2 Appointed to the Board 11th May 2016. Target increased from 100% to 125% with effect from May 2017*.

* Increased target also applies to other Executive Directors (EDs).

In accordance with Policy, Executive Directors must use the part of bonus over target, net of tax, to buy shares until their shareholding guideline has been met. This is, in effect, a bonus deferral mechanism. To demonstrate our commitment to this principle, prior to the introduction of our 2020 Policy our Group Chief Executive has volunteered that any bonus earned above 125% will be subject to this mechanism for a two-year holding period.

The share ownership guidelines have been met by all Executive Directors except Kevin Boyd. Kevin Boyd has made significant progress since he joined in May 2016 and will use that part of his bonus over 60% of base salary to buy more shares to reach the applicable targets.

As noted in the Committee Chair's Statement on pages 91 to 92, the shareholding guidelines have again been increased, with effect from January 2019, to 300% for the Group Chief Executive, and 200% for the other Executive Directors.

Outstanding share interests

The following table summarises the total interests of the Directors in shares of the Company as at 31st December 2018. These cover beneficial and conditional interests. No Director had any dealing in the shares of the Company between 31st December 2018 and 6th March 2019.

	Beneficial[1]	PSP awards[2]	PSP nil-cost options[3]	ESOP shares[4]	Total 31.12.18 (or date of retirement if earlier[5])	Total 06.03.19
W.H. Whiteley[5]	11,034	N/A	N/A	N/A	11,034	–
J. Pike	7,396	N/A	N/A	N/A	7,396	7,396
N.J. Anderson	27,287	44,224	0	626	72,137	72,137
K.J. Boyd	3,500	25,541	0	64	29,105	29,105
N.H. Daws	28,381	23,144	16,735	1,018	69,278	69,278
J.L. Whalen	14,103	22,556	0	N/A	36,659	36,659
P. France	980	N/A	N/A	N/A	980	980
J.S. Kingston	2,580	N/A	N/A	N/A	2,580	2,580
G.E. Schoolenberg	2,754	N/A	N/A	N/A	2,754	2,754
C.G. Watson	2,446	N/A	N/A	N/A	2,446	2,446

1 Shares include any owned by connected persons.
2 Subject to the performance measures as set out on pages 101 to 102.
3 Explained in table below.
4 Not subject to performance measures.
5 W.H. Whiteley retired from the Board on 15th May 2018.

Spirax Sarco Engineering plc Share Option Schemes (Option Schemes)

No Directors had interests under the Option Schemes.

Spirax Sarco Performance Share Plan (PSP)

The interests of Executive Directors in the PSP are set out below.

	Date of award							
	11.06.15[1]	05/11.04.16[2]	26.05.17[3]	Balance 01.01.18	Vested 13.03.18[1]	Lapsed 13.03.18[1]	Awarded 04.04.18[4]	Balance 31.12.18
N.J. Anderson	14,364	14,507	15,068	43,939	14,364	0	14,649	44,224
K.J. Boyd	0	9,418	8,181	17,599	0	0	7,942	25,541
N.H. Daws	8,524	8,521	7,420	24,465	8,524	0	7,203	23,144
J.L. Whalen	7,784	7,933	7,420	23,137	7,784	0	7,203	22,556

1 The average mid-market price of the shares on 8th June, 9th June and 10th June 2015 was 3446.0p. 100% of the PSP award vested on 13th March 2018 as the performance measures applicable were fully met. During the performance period 1st January 2015 to 31st December 2017, the TSR and the EPS performance of the Company resulted in 100% vesting of this element. The mid-market price of the shares on 29th February 2016 was 4568.0p. The 2015 awards vested in the form of nil cost options (detailed below) for N.J. Anderson and whole shares for N.H. Daws and J.L. Whalen.

2 The mid-market price of the shares on 5th April 2016 (N.J. Anderson, N.H. Daws and J.L. Whalen) and 11th April 2016 (K.J. Boyd) was 3550.0p and 3557.0p respectively. The period over which performance measures are measured is 1st January 2016 to 31st December 2018. Details of the performance measures attached to these PSP awards are set out on pages 101 to 102.

3 The average mid-market price of the shares on 19th May to 25th May 2017 inclusive was 5256.0p. The period over which performance measures are measured is 1st January 2017 to 31st December 2019. There are two performance measures governing vesting of this PSP award: 40% of the PSP award is subject to a TSR performance measure which requires the Company to rank at median relative to a comparator group of the constituents of the FTSE 350 Industrial Goods and Services Supersector for 25% of this portion of the PSP award to vest, increasing to full vesting for ranking at the upper quartile; 60% of the PSP award is subject to an EPS performance measure which requires growth of Global IP +2% per annum for 25% of this portion of the PSP award to vest, increasing to full vesting for growth of Global IP +8% per annum.

4 The mid-market price of the shares on 4th April 2018 was 5560.0p. This was applied in determining the number of shares subject to the PSP awards granted on 4th April 2018. The period over which performance measures are measured is 1st January 2018 to 31st December 2020. Details of the performance measures attached to these PSP awards are set out on page 101. A two-year post-vesting holding period applies to these awards.

As noted in previous years, the 2010 and 2011 awards that vested in 2013 and 2014 respectively took the form of nil-cost options. The following table summarises the outstanding options.

	Balance at 01.01.18	Vested 13.03.18	Exercised 24.04.18	Balance at 31.12.18
N.J. Anderson	–	14,364	14,364	0
N.H. Daws	12,740		–	12,740
	3,995		–	3,995
Subtotal for N.H. Daws	16,735		–	16,735
J.L. Whalen	–		–	–

5. Remuneration
Annual Report on Remuneration 2018 continued

Spirax-Sarco Engineering plc Employee Share Ownership Plan (ESOP)
The interests of eligible Executive Directors are set out below.

	Balance 01.01.18	Partnership shares purchased[1]	Matching shares awarded[1]	Dividend shares[2]	Balance 31.12.18	Period of qualifying conditions[3]
N.J. Anderson	551	33	33	9	626	3 years
K.J. Boyd	0	32	32	0	64	3 years
N.H. Daws	938	33	33	14	1,018	3 years

1 Partnership shares were purchased, at a price of 5496.6p, and matching shares were awarded on 10th October 2018. The mid-market price of the shares on that date was 6330.0p.

2 16 dividend shares were received on 25th May 2018, on which date the mid-market price of the shares was 6210.0p. Seven dividend shares were received on 9th November 2018, on which date the mid-market price of the shares was 6525.0p.

3 Partnership shares are not subject to qualifying conditions. No matching shares or dividend shares were released from the ESOP or forfeited during the year ended 31st December 2018.

1.7 Directors' service agreements and letters of appointment
Chair and Non-Executive Directors
The Chair and Non-Executive Directors have letters of appointment with the Company for a period of three years, subject to annual re-election at the AGM. Appointments may be terminated by the Company or individual with one month's notice. The appointment letters for the Chair and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

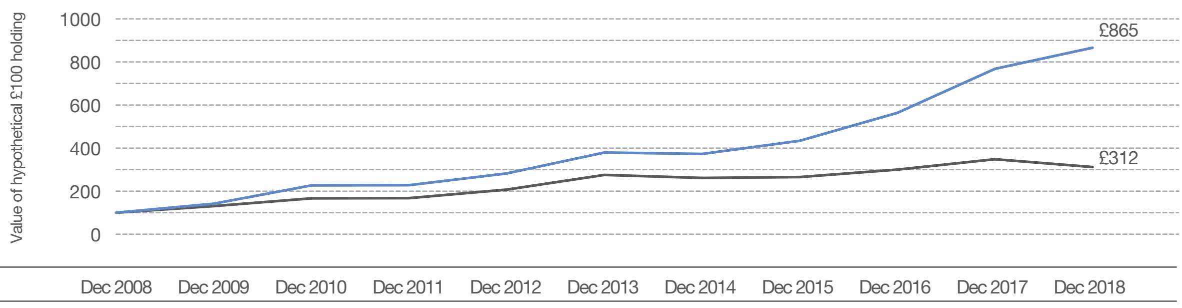
Directors' terms of service
The table below sets out the dates on which each Director was initially appointed, their latest service agreement or letter of appointment and their notice period. All Directors are subject to election or re-election (as the case may be) at the AGM, with the exception of Clive Watson who retires at the end of the meeting.

Executive Director	Original appointment date	Current agreement/ appointment/ re-appointment letter[1]	Expiry date	Notice period
N.J. Anderson	15.03.12	13.12.13	16.01.26	12 months
K.J. Boyd	11.05.16	26.10.15	02.09.29	12 months
N.H. Daws	01.06.03	25.09.12	01.07.27	12 months
J.L. Whalen	15.03.12	17.04.12	28.05.21	12 months
Chair and Non-Executive Directors				
J. Pike	01.05.14	15.05.18	14.05.21	1 month
P. France	06.03.18	05.03.18	05.03.21	1 month
J.S. Kingston	01.09.16	16.08.16	31.08.19	1 month
G.E. Schoolenberg	01.08.12	12.07.18	31.07.21	1 month
C.G. Watson	17.07.09	12.07.18	15.05.19	1 month

1 All letters of appointment and service agreements are available for inspection at the Group's headquarters in Cheltenham.

1.8 External Directorships
Kevin Boyd served as a Non-Executive Director at EMIS Group plc during 2018, for which he received and retained total fees of £40,000.

1.9 TSR performance graph
This graph demonstrates the growth in value of a £100 investment in the Company compared to the FTSE 350 Industrial Goods and Services Supersector from December 2008 to December 2018. This comparison is chosen as it is the supersector within which the Company is classified and it is a broad equity market index including companies of a similar size, complexity and sector.



Source: DataStream

The graph in the Committee Chair's Statement on page 91 also includes a comparison to the FTSE 100, given the Company's recent inclusion to the Index, and shows a similar level of out-performance.

The table below shows the historic levels of the Group Chief Executive's pay (single figure of total remuneration) and annual variable and PSP awards as a percentage of maximum.

	Single figure of annual remuneration	Annual variable pay as a percentage of maximum	Value of vested PSP awards as a percentage of maximum
2018	£2,323,478	92.48%	100.00%
2017	£2,172,620	100.00%	100.00%
2016	£1,610,891	99.20%	40.00%
2015	£1,191,137	61.39%	80.33%
2014[1]	£1,000,115	55.76%	33.06%
2013	£1,593,150	95.24%	29.93%
2012	£1,402,668	31.69%	74.60%
2011	£1,516,798	80.08%	100.00%
2010	£1,720,765	100.00%	100.00%
2009	£1,092,229	37.00%	100.00%

[1] N.J. Anderson appointed Group Chief Executive in January 2014.

1.10 Percentage change in remuneration of the Group Chief Executive

The following table provides a summary of the 2018 increase in base salary, benefits and bonus for the Group Chief Executive compared to the average increase for the general UK employee population across the Group in the same period.

		2018 change	2017 change
Salary	Group Chief Executive	**2.7%**	2.5%
	General employee population	**2.7%**	2.5%
Benefits	Group Chief Executive	**3.2%**	1.8%
	General employee population	**2.7%**	2.5%
Bonus	Group Chief Executive	**-4.9%**	3.4%
	General employee population	**2.4%**	2.4%

1.11 Relative importance of spend on pay

The table below demonstrates the relative importance of total pay spend relative to total employee numbers, profit before tax (selected as the best measure of efficiency) and dividends payable in respect of the year.

	2018	2017	Change
Total pay spend	**£404m**	£351m	15.1%
Group average headcount	**7,403**	6,316	17.2%
Profit before tax	**£289m**	£193m	49.7%
Dividends payable	**£74m**	£64m	15.6%

1.12 Changes for 2019

Rationale for changes to Executive Director pay in 2019

In 2019, the Committee has undertaken to adjust Executive Director pay to reflect concerns about historically low levels of pay and the increasing size and complexity of the Group, generated by both our organic growth over recent years and the acquisition of Gestra and Chromalox. Over the last five years, the Group has grown rapidly from mid FTSE 250 to FTSE 100, outperforming the FTSE 100 and our engineering peers, and has increased EPS by 80%. During that same period, our pay levels have fallen behind market due largely to our historically conservative pay practices and a number of internal promotions.

In order to retain our strong incumbent team, the Committee believes it is important to make a meaningful one-time change, within our shareholder approved Remuneration Policy. This change helps to ensure that total pay reflects the skills and responsibilities required to fill the Executive Director roles, and that business continuity is maintained as we work to integrate and drive performance in our acquisitions and manage a more complex business with new technology.

Shareholder consultation in relation to 2019 implementation

In the second half of 2018, concluding in January 2019, we undertook an extensive consultation process in which we met with 17 of our top shareholders, representing over 50% of our total shares outstanding. We are grateful for the helpful and constructive advice we received.

5. Remuneration
Annual Report on Remuneration 2018 continued

Overview of Executive Director Policy implementation in 2019

The changes approved by the Committee result in situating on target remuneration (base, target bonus, target PSP vesting, and the combination of each of these elements) approaching median for the Group Chief Executive and at, or below, the lower quartile for the other Executive Directors. For the purpose of assessing pay levels relative to market, the Committee primarily considered practices in 15 peer companies (Bodycote, Cobham, Halma, IMI, Meggitt, Morgan Advanced Materials, QinetiQ Group, Renishaw, Rotork, RPC Group, Senior, Smiths Group, Spectris, Ultra Electronics Holdings, and Weir Group). Against this group of UK-listed industrial engineering peers, Spirax Sarco's revenue is positioned at median, and above the upper quartile with respect to market capitalisation and one- and three-year TSR. Accordingly, the Committee determined that a position of approaching median for the Group Chief Executive and lower quartile for the other Executive Directors was reasonable and appropriate in the context of the market median positioning that we target for our broader workforce.

The changes are detailed below and are all within our current Policy.

	Base salary			Annual bonus (AIP)			LTIP (PSP)			Shareholding requirement	
Executive Director	Policy maximum	Country norm	Proposed	Policy max	2018	2019	Policy max	2018	2019	2018	2019[1]
Group Chief Executive	Inflation +5% or, in exceptional circumstances, inflation +10%	2.9%	7.7%	150%	125%	150%	200%	150%	200%	200%	300%
Chief Financial Officer		2.9%	7.7%	150%	100%	100%	200%	125%	175%	125%	200%
Managing Director, Steam Specialties		2.9%	5.0%	150%	100%	100%	200%	125%	175%	125%	200%
President, WMFTG		3.0%	3.0%	150%	100%	100%	200%	125%	175%	125%	200%

[1] As a matter of practice, this change is with immediate effect and will be formally adopted in our 2020 Policy.

The following points relate to 2019 remuneration:

2019 Annual Bonus

The same performance measures and weights apply in 2019 as was the case in 2018, as they continue to align with our strategic focus to deliver self-generated growth that outperforms our markets, by improving on what we already do well. As in previous years, the specific targets associated with each measure that were approved in February 2019 are not disclosed in this Report as they are considered by the Board to be commercially sensitive. The targets will be retrospectively reported in the Annual Report next year.

Executive Directors	2019 Measures (% of bonus)
N.J. Anderson K.J. Boyd	Group operating profit (70%) Group cash generation (10%) Group ROCE (10%) Personal strategic objectives (10%)
N.H. Daws J.L. Whalen	Segmental operating profit (50%) Group operating profit (20%) Group cash generation (10%) Group ROCE (10%) Personal strategic objectives (10%)

2019 Performance Share Plan Awards

The same performance measures and weights apply in 2019 as was the case in 2018. In light of the increased award levels, the Committee has reduced the value that can be earned for threshold performance from 25% of the award to 18%. This has the effect of delivering the same absolute value for threshold performance. In February 2019, the Committee approved the three-year EPS targets, which remain unchanged at Global IP +2% per annum to Global IP +8% per annum. Having reviewed our own forecasts, analysts' expectations and performance expectations of our peers, we remain satisfied that to achieve growth of Global IP +2% per annum to Global IP +8% per annum over the coming three years remains appropriately challenging and exceeds market consensus.

Performance measure	Weight	Threshold requirement	Maximum requirement	Vesting at threshold (% of award)
EPS growth	60%	Global IP +2% pa	Global IP +8% pa	18%
Relative TSR	40%	Median TSR	Upper quartile TSR	

Remuneration Policy in 2020

The Committee is mindful of shareholder feedback around consecutive years of quantum increases and the link between Executive Director pay and long-term Company performance. Therefore, the Committee has committed to make a number of changes to the Remuneration Policy in 2020 to further align our Policy with emerging best practices and the expectations of our shareholders.

We commit to:

- no salary increases for our Executive Directors above the UK or USA (as appropriate) workforce norm during the term of the 2020 Policy (save for a transformational and significant change in the scale of the Group);
- enhance our bonus deferral policy to reflect more conventional market practices as part of the 2020 Policy. Prior to the introduction of our 2020 Policy, our Group Chief Executive has volunteered, with immediate effect, to defer into shares, for a two-year holding period, any bonus earned above his current maximum opportunity of 125%;
- formally adopt the increase in shareholding requirements from 200% to 300% of salary for the Group Chief Executive, and from 125% to 200% of salary for the other Executive Directors. As is the case under our Policy, the Executive Directors will have five years, to May 2025, in which to achieve the increased ownership guideline;
- adopt a post-employment requirement in relation to the level of Company shareholdings that must be maintained by Executive Directors for a defined period of time; and
- set any new Executive Director pension in line with wider UK workforce opportunity.

Implementation of Non-Executive Director fee policy in 2019

Effective from 1st January 2019, the Non-Executive Director basic fee was increased by 2.9%, which is in line with the average UK employee salary increase of 2.9%. The Committee Chair and Senior Independent Director's fees were unchanged.

1.13 Consideration by the Directors of matters relating to Directors' remuneration

Operation of the Remuneration Committee in 2018

Membership and attendance

Each Committee member is an Independent Non-Executive Director and thus brings independence to all aspects of Board remuneration and the application of professional advice to matters relating to remuneration.

During 2018, the Committee was chaired by Jane Kingston and the members comprised: Trudy Schoolenberg, Clive Watson, Jamie Pike (up to his appointment as Chair of the Board on 15th May 2018) and Peter France (with effect from his appointment to the Board on 6th March 2018).

In 2018, the Committee met six times and all members attended each meeting relative to their Committee membership, with Peter France attending five meetings (from his appointment on 6th March 2018). On his appointment to Chair of the Board, Jamie Pike ceased being a formal member of the Committee, but continued to attend meetings at the invitation of the Committee Chair. The Chair of the Board was independent on appointment and did not formally vote on matters approved by the Committee.

Advisers to the Committee

During 2018, the Committee sought advice and information from Bill Whiteley, the Chair up to 15th May 2018, and Jamie Pike, the Chair with effect from 15th May 2018; Nicholas Anderson, the Group Chief Executive; and Jim Devine, the Group Human Resources Director. None of the invitees participated in any discussions regarding their own remuneration or fees. The General Counsel and Company Secretary acts as Secretary to the Committee.

In addition, the Committee received external advice from Willis Towers Watson, who was appointed by the Committee and provided material advice to the Committee on various matters such as Executive remuneration levels and structure, performance updates in respect of the PSP, the Remuneration Report and attendance at Committee meetings. Willis Towers Watson's fees in respect of these services totalled £89,100 in 2018. In addition, Willis Towers Watson work with management on other matters relating to remuneration with the approval of the Committee. A separate advisory team within Willis Towers Watson provides support and advice to management on pensions and other employee benefit-related matters. The Committee is of the opinion that the advice received is objective and independent, given that Willis Towers Watson are a signatory to the Remuneration Consultants Group Code of Conduct, the manner in which advice is delivered and the separate teams that advise management more generally.

In 2018, Baker & McKenzie LLP provided legal advice to the Company (which was available to the Committee). Legal fees relate to advice provided to the Company and not the Committee, and are charged on a time-cost basis.

1.14 Statement of voting at general meeting

At the AGM in 2017, shareholders approved the Remuneration Policy 2017 (mandatory) and at the AGM in 2018, shareholders approved the Annual Report on Remuneration 2017 (advisory). The table below shows the results which required a simple majority (i.e. 50%) of the votes cast to be in favour for the resolutions to be passed.

	Votes for	%	Votes against	%	Votes withheld
Remuneration Policy 2017 (2017 AGM)	57,778,590	95.06	3,005,646	4.9	278,674
Annual Report on Remuneration 2017 (2018 AGM)	59,612,816	98.96	627,896	0.3	379,802

This Annual Report on Remuneration 2018 has been approved by the Board of Directors of Spirax-Sarco Engineering plc and signed on its behalf by:

Jane Kingston
Chair of Remuneration Committee
6th March 2019

Governance Report

5. Remuneration
Remuneration Policy Report 2017

2.0 Remuneration Policy Report 2017
Please note that the Remuneration Policy Report 2017 is reproduced exactly as published in the Annual Report 2016 and as approved by shareholders at the 2017 AGM. Therefore, as the content remains the same the page numbers, examples and illustrations are necessarily historical.

2.1 Remuneration Policy
The table below summarises the Remuneration Policy which will take effect, if approved, from the AGM to be held on 9th May 2017.

Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Fixed elements of Executive Director remuneration				
Base salary	To enable the Group to attract, retain and motivate high performing Executive Directors of the calibre required to meet the Group's strategic objectives.	Reviewed annually by the Committee, taking into account: • scale, scope and complexity of the role; • skills and experience of the individual; • wider workforce comparisons; and • market benchmarking, within a defined external comparator group. The Committee uses this information with caution, given the limited number of direct comparators and to avoid remuneration inflation as a result of benchmarking exercises with no corresponding improvement in performance. The Committee considers the impact of any base salary increase on the total remuneration package.	Reviews take into account Company and individual performance.	Ordinarily, salary increases will not exceed the average increase awarded to other Group employees. The maximum value of any annual increase in Executive Director salaries will be capped at country of residence inflation plus 5%. The Committee may award increases above this level, subject to a maximum of country of residence inflation plus 10%, in circumstances such as (i) where a new recruit or promoted Executive Director's salary has been set lower than the market level for such a role, or (ii) where there is a significant increase in the size and responsibilities of the Executive Director's role.
Pension	To offer market competitive levels of pension and benefit. To attract and retain individuals with the personal attributes, skills and experience required to deliver Group strategy.	For eligible Executive Directors who joined the UK Company before 2001 the Company provides a UK defined benefits pension scheme (DB scheme) or cash alternative allowance. For UK nationals who joined the UK Company after 2001 the Company provides a defined contribution pension arrangement (DC plan) and/or contributions to a private pension and/or a cash allowance. Executive Directors who have transferred internally from overseas may continue to participate in home country pension arrangements and/or receive a cash allowance.	N/A	For DB scheme as per actuarial value. For all other arrangements the total contribution to all pension arrangements will comprise no more than 25% of base salary. No element other than base salary is pensionable.

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Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Fixed elements of Executive Director remuneration				
Common benefits	To provide market competitive benefits. To enable the Executive Directors to undertake their roles through ensuring their wellbeing and security.	The Company provides common benefits including: • Company car and associated running costs or cash alternative allowance; • private health insurance; telecommunications and computer equipment; • life assurance; and • long term disability insurance.	N/A	The aggregate maximum cash value of providing all common benefits will not exceed 20% of base salary.
Variable elements of Executive Director remuneration				
Mobility-related benefits	To ensure that Executive Directors who have relocated nationally or internationally are compensated for costs incurred.	The Company will pay all reasonable expenses for the Executive Director to relocate on appointment. Costs will primarily be dependent on geographical location and family size. The Company will pay all reasonable expenses for repatriation of the Executive Director and his/her family to the original home country at the end of their assignment and/or employment. Executive Directors are personally responsible for all taxes and social charges incurred in the home and host locations as a result of their appointment. To ensure that Executive Directors who relocate internationally are able to fulfil their tax obligations in the home and host countries the Company will pay for reasonable tax advice and filing support in relation to work related income for international Executive Directors. Executive Directors are reimbursed under a Tax Treaty Adjustment for any double tax they might be liable for as a result of being subject to home country and host country taxation typically for days worked in the home location. Executive Directors are not entitled to tax equalisation.	N/A	Based on individual circumstances and subject to written agreement. Maximum values will not exceed the normal market practice of companies of a similar size and nature at the time of relocation.

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5. Remuneration
Remuneration Policy Report 2017 continued

Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Variable elements of Executive Director remuneration				
Annual bonus	To incentivise and reward performance against selected KPIs which are directly linked to business strategy. To recognise performance through variable remuneration and enable the Company to flexibly control its cost base and react to events and market circumstances. To ensure a significant proportion of Executive Director remuneration is directly linked to business performance.	Measures, targets and their relative weightings are reviewed regularly by the Committee to ensure continuing alignment with strategic objectives and will be detailed in the relevant Annual Report on Remuneration. Bonus is based largely or entirely on the achievement of challenging financial performance measures, which have been selected to ensure the Company is focused on its strategic objectives. Bonus is delivered in cash. Executive Directors must use that part of the bonus over target (net of tax) to buy shares until the shareholding guidelines have been met. Purchase to be made within 12 months of bonus receipt. Bonus is subject to clawback or malus for up to three years following payment. Circumstances include financial misstatement, erroneous calculations determining bonus payments or gross misconduct. The Committee can adjust some performance targets to reflect certain non-operating items such as the amortisation of acquisition related intangible assets and exceptional reorganisational costs, and to reflect the inclusion of Associate companies. These adjustments are mechanical rather than discretionary.	Subject to the Committee's judgement, performance measures and their respective targets are set at a Group or divisional level depending on the Executive Director's role. Any measure can be incorporated at the Committee's discretion provided it is clearly aligned to the Group's strategic objectives, subject to a maximum of 10% of bonus opportunity. The weighting of each component will be chosen specifically to reflect the Executive Director's role.	150% of salary.

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Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Variable elements of Executive Director remuneration				
Performance Share Plan (PSP)	To incentivise and reward Executive Directors for delivery against long term Group performance. To align Executive Directors' interests to those of shareholders. To drive sustainable Company performance. To retain key executive talent.	The Committee makes an annual conditional award of shares to each Executive Director. Annual participation is subject to Committee approval. Measures, targets and their relative weightings are reviewed regularly by the Committee to ensure continuing alignment with strategic objectives and will be detailed in the relevant Annual Report on Remuneration. Performance is measured over a three-year period, starting at the beginning of the financial year in which awards are granted. An additional two-year post-vesting holding period will apply. Awards can vest in the form of shares, a nil-cost option or cash. Share awards made from 2012 are subject to clawback or malus for up to three years following award. Circumstances include financial misstatement, erroneous calculations determining bonus payments or gross misconduct. Dividends are not payable on PSP awards prior to vesting.	Vesting is currently based on two performance measures, which have been chosen as they are clearly aligned with our strategic objectives: • TSR; and • EPS growth. To ensure continued alignment with the Company's strategic priorities, the Committee may, at its discretion, vary the measures and their weightings from time-to-time including the consideration of organic growth measures. The Committee reserves the right to adjust for the effects of divestments or major acquisitions from the EPS results, to ensure those results are in line with the primarily organic growth principles that support the EPS targets.	200% of salary.
Employee Share Ownership Plan (ESOP)	To offer all eligible UK-based employees the opportunity to build a shareholding in a tax-efficient way. To align Executive Director interests to those of shareholders.	Eligible UK Executive Directors are entitled to participate in an HMRC approved Share Incentive Plan known as the ESOP. Whilst not currently operated, if in the future employee share plans are offered outside the UK, eligible Executive Directors will be entitled to participate on the same basis as all other eligible employees. Awards granted under the ESOP are not subject to clawback or malus. The ESOP operates over a five-year period.	N/A	Maximum annual investment subject to HMRC limits or such lower sum as determined by the Board. Potential 1:1 matching share award from the Company and dividend shares (can be reinvested). If the ESOP (or an approved sub plan) is offered outside the UK, Executive Directors will be subject to the same limitations as all other participants.

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5. Remuneration
Remuneration Policy Report 2017 continued

Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Variable elements of Executive Director remuneration				
Share ownership guidelines	To provide alignment with shareholder interests.	Executive Directors are required to accumulate, over a maximum period of five years, a shareholding in the Company worth 200% for the Group Chief Executive, and 125% for the other Executive Directors, and to maintain this level of shareholding whilst the Executive Director remains on the Board. The five-year accumulation period is reset if a higher maximum share ownership requirement is introduced but only in respect of such increased amount.	N/A	N/A
Chairman and Non-Executive Directors				
Fees	To attract and retain high calibre individuals, with appropriate experience or industry related skills, by offering market competitive fee levels.	The Chairman is paid a single fee for all responsibilities. The Non-Executive Directors are paid a basic fee. The Chairmen of the main Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Fees for the Chairman and the Non-Executive Directors are reviewed annually by the Board, with reference to any change in the time commitment required, UK market levels and the average base salary increase across the wider workforce. The Chairman and the Non-Executive Directors do not participate in any annual bonus or incentive plans, pension schemes, healthcare arrangements, the Company's PSP or ESOP. The Company repays the reasonable expenses that the Chairman and the Non-Executive Directors incur in carrying out their duties as Directors.	N/A	The aggregate value of fees paid to the Chairman and Non-Executive Directors will not exceed the amount set out in the Articles of Association.

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2.2 Notes to the Policy table

Changes to the Remuneration Policy

The proposed changes to the Remuneration Policy are as follows:

- AIP award: increase potential maximum award from 125% to 150% of salary;
- PSP award: increase potential maximum award from 100%-150% of salary to 200% of salary;
- PSP holding period: introduce a two-year post-vesting holding period (currently there is no holding period);
- share ownership requirements: increase share ownership requirements from at least 125% of salary for the Group Chief Executive and at least 100% of salary for the other Executive Directors to 200% of salary for the Group Chief Executive and 125% of salary for the other Executive Directors;
- remove the Committee's discretion to grant one-off awards for recruitment or retention in exceptional circumstances; and
- reserve the Committee's right to adjust for the effects of divestments or major acquisitions from the EPS results, to ensure those results are in line with the primarily organic growth principles that support the EPS targets.

Additional details and an explanation of the changes can be found in the Statement by the Chairman of the Committee on pages 85 and 86.

Outstanding incentive awards

Details of outstanding incentive awards granted to Executive Directors prior to the Policy coming into force, including awards granted in 2016, and details of the performance targets are set out on pages 89 to 92 of the Annual Report on Remuneration 2016.

All incentive awards granted prior to this Policy coming into force will continue on their existing terms including the exercise of discretion to amend such awards.

Remuneration policy for other employees

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and market pay levels. The most senior managers in the business (approximately 80 people globally) participate in bonus arrangements with similar targets, measures and relative weightings to the Executive Directors. Target and maximum potential values are lower and determined by the grade of the manager's role. Performance targets are based on an appropriate combination of Group, divisional and local operating company financial measures. Contractual terms and benefits for the wider workforce are subject to local employment legislation and best practice.

Measure selection and the target setting process

Measures are selected taking into account the key strategic priorities of the Company, shareholder expectations and factors that sit within an individual's span of control.

Targets are set with reference to internal and external forecasts to ensure that they are realistic, yet sufficiently stretching. An appropriate mix of long- and short-term targets will be used, informed by the nature of the measure.

2.3 External directorships

Directors are permitted to hold external directorships in order to broaden their experience, to the benefit of the Company. Such appointments are subject to approval by the Board and the Director may retain any fees paid in respect of such directorships. The Board ensures compliance by Directors with Code provision B.3.

2.4 Approach to recruitment and promotion remuneration

When appointing external hires, promoting executives, or an Executive Director internally, the Committee will continue to act in the best interests of shareholders when determining remuneration, in line with the stated policy. The main elements of the Remuneration Policy for Executive Director appointments are:

- Base salary will be set on appointment taking into account the factors set out in the Policy table, but also the individual's experience. Depending on an individual's prior experience, the Committee may set salary below market norms, with the intention that it is realigned over time, typically two to three years, subject to performance in the role. In this situation, the Committee is permitted to exceed the "normal" rate of annual salary increase set out in the Policy table.
- On-going annual incentive pay opportunity will not exceed 350% of salary, in line with the maximums stated in the Policy table (up to 150% of salary for annual bonus and an award of up to 200% of salary under the PSP). In the year of appointment an off-cycle award under the PSP may be made by the Committee to ensure an immediate alignment of individual interests.
- In addition to the standard elements of remuneration, on the appointment of an external candidate, the Committee reserves the right to buy-out incentive awards that the individual has foregone by accepting the appointment, if appropriate. The terms of such awards would be informed by the amounts being forfeited and the associated terms (for example the extent to which the outstanding awards were subject to performance, the vehicles and the associated time horizons). Awards would be made either through the existing share plans or in accordance with the relevant provisions contained within the Listing Rules.

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5. Remuneration
Remuneration Policy Report 2017 continued

- When an internal appointment to the Board is made, any pre-existing obligations may be honoured by the Committee and payment will be permitted under this Remuneration Policy.
- For internal promotions, salary will be capped at that of the incumbent Group Chief Executive.

Details of the remuneration for any new Chairman or Executive Director appointed to the Board will be disclosed on the Group's website, www.spiraxsarcoengineering.com.

2.5 Service agreements and termination policy

The Company's policy on service agreements and termination arrangements for Executive Directors is set out below. Service agreements are designed to reflect the interests of the Company, as well as the individual concerned. Executive Directors' service agreements are kept at the Company's headquarters in Cheltenham.

In accordance with the Code and guidelines issued by institutional investors, Executive Directors have service agreements that are terminable by either the Company or the Executive Director on 12 months' notice. In the event of termination or resignation, and subject to business reasons, the Company would not necessarily hold the Executive Director to his or her full notice period. All Directors are subject to election (if newly appointed in the year) or re-election at the AGM.

Service agreements set out restrictions on the ability of the Executive Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees or to solicit/deal with clients of the Group or interfere with supply, in the 12 months following the cessation of employment.

Salary, pension and benefits are included in the agreements and are treated as described in the policy table on pages 100 to 103. There is no contractual entitlement to payment of an annual bonus or granting of an award under the PSP, until individual participation, level of award, measures and targets have been set for a particular year.

The Chairman and Non-Executive Directors do not have service agreements but serve the Company under letters of appointment, for an initial period of three years, subject to annual re-election at the AGM. Appointments may be terminated by the Company or individual with one month's notice.

Group Chief Executive and new appointments from 1st January 2013

The details of the service agreements of the Group Chief Executive and for new appointments to the Board are outlined below and comply with best practice. In the event of a material change in role, function or responsibilities, Executive Directors' agreements will be reviewed and will be expected to be updated to meet the requirements outlined below.

Notice period	12 months by the Executive Director and 12 months by the Company
Termination	No payment if Executive Director commits a repudiatory breach of the service agreement or for gross misconduct or in certain circumstances. No additional termination payment if notice worked. If notice only part worked/part on garden leave, payment in respect of unexpired period of notice, otherwise 12 months' base salary only. Company discretion to pay in lieu of notice in lump sum or monthly except within 12 months of a change of control, when a lump sum will be paid. If paid monthly, payment will be reduced by the value of any salary, fees and benefits, excluding long-term incentives, earned in new paid employment in that period. No automatic entitlement to payments under the annual bonus or PSP. See page 106. Garden leave clause. Robust post-termination restrictions on confidentiality, non-compete, non-solicitation and non-interference with customers or suppliers. Service agreements may be terminated without notice and without payment of compensation on the occurrence of certain events, such as gross misconduct or financial misstatement.
Clawback or malus	Bonus payments and PSP awards are subject to clawback or malus for up to three years following award. Circumstances include financial misstatement, erroneous calculations determining bonus payments or gross misconduct.

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Executive Directors' legacy agreements

Within the legacy agreements of Executive Directors, termination of agreements is subject to a 12 month notice period. Where payment is made in lieu of notice on termination, the payment of a sum in respect of lost future bonus opportunity (based on an average of the preceding three years' bonus payments) is subject to the Committee's discretion. The Committee has the power to reduce the amount to reflect performance on the part of the Executive Director that is considered by the Committee to be unsatisfactory. On termination of such an Executive Director's service agreement, the Committee will take into account the departing Executive Director's need to mitigate his or her loss when determining the amount of bonus. Payment will only be made at the discretion of the Committee after taking into account individual performance in order to ensure that there will be no "payments for failure". In any event, payments will be subject to clawback or malus provisions.

Executive Directors' service agreements may be terminated without notice and without payment of compensation on the occurrence of certain events, such as termination for gross misconduct or financial misstatement.

While the Executive Directors' service agreements include a provision to deal with termination on a change of control, in the event of an offer being made, shareholders have discretion to accept the offer or not. The decision to recommend acceptance, or not, is a matter for the Board, and the Committee is of the clear view that the change of control provision within the Executive Directors' service agreements would have no influence on the voting pattern of those Executive Directors. Executive Directors' legacy agreements are summarised in the table below.

Notice period	12 months by the Executive Director and 12 months by the Company
Termination	No payment if Executive Director commits a repudiatory breach of the service agreement or for gross misconduct or in certain circumstances. No additional termination payment if notice worked. If notice only part worked/part on garden leave, payment in respect of unexpired period of notice. Otherwise 12 months' base salary, the value of other benefits, plus the cost of pension credits or contributions for the period plus the average of the prior three years' annual bonus payments, with Committee discretion to reduce the amount of the bonus that would otherwise be calculated, to reflect performance on the part of the Executive Director that is considered by the Committee to be below the required standards, provided that termination by the Company does not occur within 12 months of a change of control. Committee discretion to pay in lump sum or monthly except within 12 months of a change of control when a lump sum will be paid. If paid monthly, payment will be reduced by the value of any salary, fees and benefits excluding long-term incentives, earned in new paid employment in that period. No automatic entitlement to payments under the current annual bonus or PSP. See page 106. Garden leave clause. Robust post-termination restrictions on confidentiality, non-compete, non-solicitation and non-interference with customers or suppliers.
Clawback or malus	Bonus payments and PSP awards are subject to clawback or malus for up to three years following award. Circumstances include financial misstatement, erroneous calculations determining bonus payments or gross misconduct.

Treatment of leavers under the incentive plans

Whilst it is not an entitlement, it is expected that where an Executive Director is a "good leaver" (ie where the cessation of employment is due to death, disability, redundancy, retirement or the company business in which he/she works being disposed of or where the ending of employment is instigated by the Company and is not for cause), payments will be made under the annual bonus plan if performance targets are met subject to, and in accordance with, the plan rules. If the Executive Director is not a "good leaver" it is expected that no bonus will be paid.

The treatment of leavers under the PSP is determined in accordance with the shareholder approved PSP rules. Any awards granted within six months prior to termination (or the giving or receiving of notice) will lapse. Any awards granted six months or longer prior to termination of employment (but prior to the end of the performance period) will lapse unless the Executive Director is considered to be a "good leaver".

In the case of a "good leaver" the award will vest on the termination date, or the normal vesting date, at the Committee's discretion. This is subject to the satisfaction of the performance targets at that date and a pro-rata reduction in the number of shares to take account of the shortening of the performance period.

For awards granted on or after 1st March 2012, if the Executive Director is a "good leaver" where the ending of employment is not for cause, the number of shares vested may be reduced (including to zero) by the Committee in its absolute discretion.

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5. Remuneration
Remuneration Policy Report 2017 continued

If an Executive Director ceases employment (or notice is given) on or after the end of the performance period but prior to the date on which the Committee has determined the extent to which the award has vested, if the Executive Director is a "good leaver", his/her award will be preserved and will be treated in the same way as if his/her employment had continued, whereas if the Executive Director is not a "good leaver", his/her award will lapse on the earlier of his/her cessation of employment and the giving of notice.

In relation to the ESOP, as an HMRC approved plan, where an Executive Director leaves the treatment will be in line with the approved plan rules and HMRC guidance.

Change of control

Bonus: if termination occurs within 12 months of a change of control, the Executive Director is entitled to (i) a lump sum payment in lieu of notice and (ii) receive a full bonus payment calculated by reference to the average of the preceding three years' bonus payments (without any reduction for performance).

PSP: the rules provide that in the event of a change of control, outstanding share-based awards will vest to the extent that performance targets are met at the date of the event. Any such vesting would generally be on a time pro-rated basis. The Committee may, at its discretion, increase the level of vesting if it believes that exceptional circumstances warrant such treatment.

2.6 Illustrations of application of the Remuneration Policy

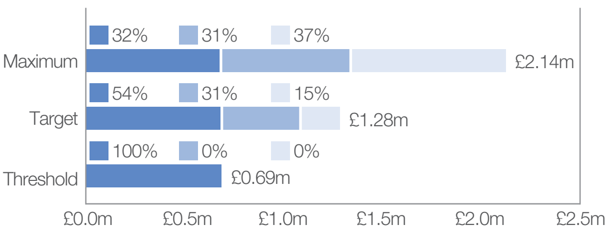
Under the Remuneration Policy, a significant portion of remuneration is variable and depends on the Company's performance. Below and overleaf we illustrate how the total pay opportunity for the Executive Directors varies under three performance scenarios: maximum, on target, and below threshold.

The scenarios for 2017, informed by the current application of our pay policy, are as follows:

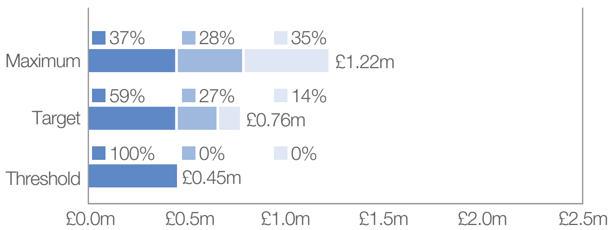
Element			
Fixed pay, benefits and ESOP	Fixed pay and ESOP does not vary with performance and comprises: • base salary effective 1st January 2017; • benefits value based on 2016 disclosure; • pension value (DB 2016: as reported; cash allowance: rate applied to 2017 salary); and • ESOP participation of up to £1,500 1:1 matching shares for eligible Executive Directors.		
		Percentage of base salary	
	Below threshold	**On target**	**Maximum**
Annual bonus (% of salary)	0%	75% CEO 60% ED	125% CEO 100% ED
PSP[1] (% of salary at award)	0%	37.5% CEO 31.25% ED	150% CEO 125% ED

[1] A level of 25% vesting for "on target" performance is equivalent to threshold performance under the PSP, which the Committee believes to be a fair assumption for on target performance given the approach taken to setting performance targets.

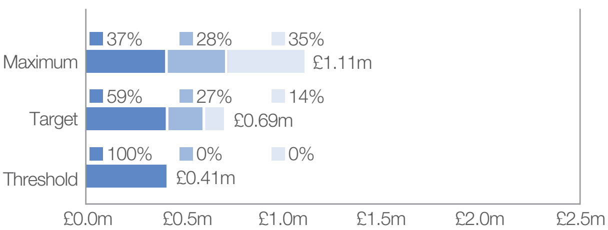
Nicholas Anderson (Group Chief Executive)



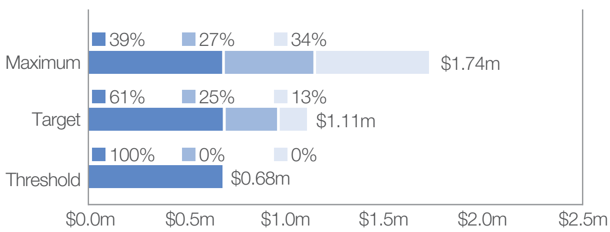
Kevin Boyd (Chief Financial Officer)



Neil Daws (Executive Director, EMEA)



Jay Whalen (Executive Director, WMFTG)



Fixed Annual bonus PSP

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2.7 Statement of consideration of employment conditions elsewhere in the Group

When determining the remuneration of Executive Directors, the Committee considers the pay of employees across the Group. When conducting the annual salary review, the average base salary increase awarded to the UK workforce and senior managers across the Group provides a key reference point when determining levels of increase for Executive Director remuneration. The Remuneration Policy was drawn up by the Committee without the need for any consultation with employees.

The Committee also determines the principles and policy of remuneration which shall apply to the Group's senior managers. The responsibility for determining precise compensation packages that meet local practice and performance targets lies with the Group Chief Executive and the responsible Executive Director.

To ensure consistency in Remuneration Policy across the Group and to encourage a performance culture, senior managers participate in the PSP. The Board believes that share ownership is an effective way of aligning the interests of managers and shareholders and to strengthen the development of the business.

2.8 Statement of consideration of shareholder views

In developing and reviewing the Company's Remuneration Policy for Executive Directors and other senior executives, the Committee seeks and takes into account the range of views of shareholders and institutional shareholder advisers. The Committee Chairman actively engages with major shareholders and institutional shareholder advisers when appropriate and takes into account their views when reviewing and implementing the Company's Remuneration Policy.

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from institutional shareholder advisers more generally. This feedback, plus any additional feedback received during the year at meetings with shareholders, is considered as part of the Company's annual Remuneration Policy review. At the AGM in 2016, the advisory vote on the 2015 Annual Report on Remuneration received 97.2% in favour. At the AGM in 2014 the Remuneration Policy received 98.5% in favour.

In finalising the 2017 Remuneration Policy the views of shareholders and institutional shareholder advisers have shaped the:

- introduction of an additional two-year post-vesting holding period for PSP grants;
- rebalance of long-term and short-term compensation opportunities by way of the Director's PSP opportunity now being more substantive than the AIP;
- agreement to disclose AIP targets retrospectively;
- increase in share ownership requirements;
- removal of the Committee's discretion to grant one-off awards for recruitment or retention in exceptional circumstances;
- keeping of the PSP performance metrics under review, including the consideration of organic growth measures; and
- reserving of the Committee's right to adjust for the effects of divestments or major acquisitions from the EPS results, to ensure those results are in line with the primarily organic growth principles that support the EPS targets.

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