

Remuneration

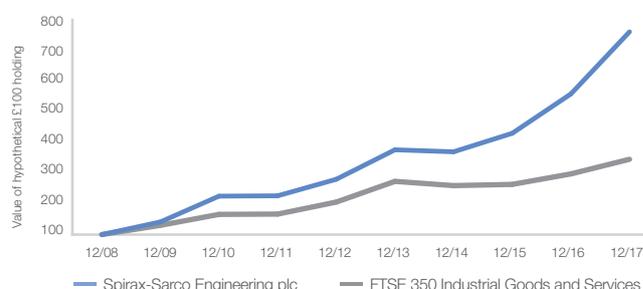
Remuneration at a glance

How we performed

Key performance indicator	2017	2016
Organic revenue growth (%)	6.0	4.0
Adjusted operating profit (£m)	235.5	180.6
Operating profit margin (%)	23.6	23.8
Return on capital employed (ROCE) (%)	52.9	47.9
Basic earnings per share (EPS) (p)	220.5	171.5

[Read more on pages 28-29](#)

TSR performance growth



Executive Directors' remuneration and shareholdings [Read more on pages 88-98](#)

Executive Director	Single total remuneration figure (£/\$000)	Value of shareholding vs shareholding policy (% of salary)			
Nicholas Anderson Group Chief Executive	2017: <table border="1"><tr><td>694.0</td><td>690.0</td><td>826.6</td></tr></table> £2,173	694.0	690.0	826.6	2017: 216.0
	694.0	690.0	826.6		
2016: <table border="1"><tr><td>667.8</td><td>638.6</td><td>302.1</td></tr></table> £1,611	667.8	638.6	302.1	2016: 134.0	
667.8	638.6	302.1			
Kevin Boyd ¹ Group Finance Director	2017: <table border="1"><tr><td>445.7</td><td>344.0</td><td></td></tr></table> £790	445.7	344.0		2017: 32.7
	445.7	344.0			
2016: <table border="1"><tr><td>289.3</td><td>221.5</td><td></td></tr></table> £511	289.3	221.5		2016: 12.0	
289.3	221.5				
Neil Daws Executive Director, EMEA	2017: <table border="1"><tr><td>408.4</td><td>312.0</td><td>490.5</td></tr></table> £1,213	408.4	312.0	490.5	2017: 446.6
	408.4	312.0	490.5		
2016: <table border="1"><tr><td>396.5</td><td>275.4</td><td>183.2</td></tr></table> £858	396.5	275.4	183.2	2016: 358.0	
396.5	275.4	183.2			
Jay Whalen ² Executive Director, WMFTG	2017: <table border="1"><tr><td>675.7</td><td>460.6</td><td>580.8</td></tr></table> \$1,717	675.7	460.6	580.8	2017: 152.4
	675.7	460.6	580.8		
2016: <table border="1"><tr><td>657.2</td><td>444.3</td><td>222.7</td></tr></table> \$1,324	657.2	444.3	222.7	2016: 146.0	
657.2	444.3	222.7			

■ Fixed ■ Annual Bonus ■ LTIP

¹ 2016 Remuneration calculated from date of appointment to the Board.

² Paid in US dollars. Original dollar value with the exception of Benefits - refer to Benefits table on page 89.

Overview of the Executive Directors' Remuneration Policy [Read more on pages 99-108](#)

Base salary	Benefits	Pension	Annual bonus award	Performance Share Plan (PSP)
<ul style="list-style-type: none"> To enable the Group to attract, retain and motivate high-performing Executive Directors of the calibre required to meet the Group's strategic objectives 	<ul style="list-style-type: none"> To provide market competitive benefits To enable the Executive Directors to undertake their roles through ensuring their well-being and security 	<ul style="list-style-type: none"> To offer market competitive levels of pension To attract and retain individuals with the personal attributes, skills and experience required to deliver Group strategy 	<ul style="list-style-type: none"> To incentivise and reward performance against selected KPIs which are directly linked to business strategy To ensure a significant proportion of Executive Director remuneration is directly linked to business performance 	<ul style="list-style-type: none"> To incentivise and reward Executive Directors for delivering against long-term Group performance To align Executive Directors' interests to those of shareholders To retain key Executive talent

Our remuneration information is structured as follows:

Remuneration at a glance

- Performance against our key performance indicators
- How we performed against the FTSE 350 Industrial Goods & Services index
- Executive Directors' single figure of remuneration
- Executive Directors' shareholding (% of salary)
- Executive Directors' Remuneration Policy overview

Remuneration Committee overview

- Membership and attendance
- How the Committee spent its time
- Role of the Committee

Statement by the Chairman of the Committee

- Executive Director salary review
- Rewarding strong business performance
- Looking ahead to 2018

Annual Report on Remuneration 2017

- Directors' remuneration
- Directors' shareholdings
- Directors' service agreements

Remuneration Policy Report 2017

- The current policy approved at the AGM 2017

Remuneration

Remuneration Committee

Role of the Committee

The Committee determines Executive remuneration policies and sets targets for short and long-term performance-based incentive schemes. It also monitors compliance with the presiding Remuneration Policy.

Summary of the key Committee activities in 2017:

- Set bonus and Long-Term Incentive Plan (LTIP) performance targets
- Reviewed Executive Director pay and benefits
- Reviewed feedback from shareholders and investors/proxy advisers
- Prepared for gender pay gap reporting requirements
- Monitored UK government proposals on executive pay

 [Read more on pages 87-108](#)

Summary of the key areas of focus for 2018:

- Review Executive Director pay and benefits in light of business expansion
- Adjust LTIP performance targets for impact of acquisitions on EPS
- Monitor Government proposals on corporate governance and compensation

Membership and attendance

There were three meetings in 2017

Committee member	Attendance	Committee member	Attendance
 J.S. Kingston	3	 G.E. Schoolenberg	3
 J. Pike ¹	2	 C.G. Watson	3

How the Committee spent its time during the year



¹ Unavoidable absence due to a bereavement.



Remuneration

Statement by the Chairman of the Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2017. I am happy to confirm that the implementation of Executive Director remuneration complied fully with our Remuneration Policy, approved by shareholders at the AGM in May 2017.

The Remuneration Report has been split into two sections:

- the 2017 remuneration implementation report (Annual Report on Remuneration 2017) as set out on pages 88 to 98; and
- Directors' Remuneration Policy (Remuneration Policy Report 2017) as set out on pages 99 to 108.

We would like to thank shareholders for the support they showed for the Annual Report on Remuneration 2016 and the Remuneration Policy 2017. At the AGM in May 2017, the advisory resolution on the Annual Report on Remuneration 2016 received 99.7% votes in favour. At the same time our new Remuneration Policy was approved with 95.1% votes in favour. This new Policy was implemented immediately following the AGM. The Committee is satisfied that the Remuneration Policy continues to reflect the interests of shareholders and aligns Executive remuneration with Company strategy, while allowing the Group to attract and retain motivated and talented individuals.

Executive Director salary review

Salaries were reviewed in accordance with the Remuneration Policy, taking into account the Company and individual performance in conjunction with the wider workforce comparisons. For 2018, all Executive Directors were awarded base salary increases strictly in line with the wider workforce. This equated to 2.7% for the UK-based Executive Directors and 3.0% for Jay Whalen, who is based in the USA.

Rewarding strong business performance

As noted in the Chairman's Statement on pages 4 to 5, the Company made impressive progress in 2017 with Group revenue up 6% and adjusted operating profit up 6%, both on an organic basis (contributing to adjusted earnings per share (EPS) growth of 29% and a return on capital employed (ROCE) of 51.8% (as determined under Annual Incentive Plan (AIP) rules)). The Company delivered a total shareholder return (TSR) of 111.7% which is in the upper quartile of our comparator group. An increase in the total dividend for the year extends our dividend progress to 50 years.

2017 was a landmark year with the two largest acquisitions in the Group's history; Gestra and Chromalox. During this transformative year, the Company continued to demonstrate strong underlying organic growth of 5% in the Spirax Sarco Steam Specialties business and 10% in Watson-Marlow.

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 Performance Share Plan (PSP) is only possible as a result of significant strong performance by the business. The Committee considers that the remuneration paid to Executive Directors in 2017 (given as a single figure for each Director on page 88) reflects the progress made by the Company during 2017 as well as over the last three years.

Annual bonus

Annual bonuses are based on adjusted operating profit, ROCE targets and personal strategic objectives. The Group profit achievement of £214.1 million (as determined under the AIP rules) was 6.2% above the £201.7 million plan target and the ROCE achieved of 51.8% was 2.7 percentage points above the 49.1% plan target. These achievements resulted in a 125% of salary bonus award for the Group Chief Executive and 100% of salary for the Group Finance Director. Other Executive Directors' targets have an additional divisional profit element and details of their bonus targets and level of achievement can be found on pages 89 to 90.

Performance Share Plan

In spite of difficult macro-economic conditions over the performance period, I am delighted to confirm that the Group has performed well against the demanding performance targets set for the 2015 PSP. Shares awarded in the 2015 PSP vest based on the growth of two measures, EPS (60%) and TSR (40%), over the three year performance period. EPS resulted in 100% vesting. A 111.7% increase in TSR in the three year performance period triggered a 100% award for this element. The total number of shares vesting under both elements was therefore 100% of the total shares awarded. Details of the PSP awards can be found on pages 91 to 92.

In light of the significant acquisition activity in 2017, we have increased the target of the EPS element of the Executive Director PSP to reflect both planned organic growth from the underlying business and the incremental contribution expected from Gestra and Chromalox in accordance with our acquisition business case.

Looking ahead to 2018

In respect of 2017 we reported record levels of profit, a further material increase in our share price and a dividend increase of 15%. The acquisitions of both Gestra and Chromalox have created a larger and more complex organisation that is providing additional challenges for the leadership team. Our Remuneration Policy 2017 was designed to provide flexibility for the future, if so required, to meet the needs of the changing shape of the Group, its management structure and to retain Executives. We are not proposing any changes to the existing Policy in 2018, or to the way in which we implement it beyond the modest salary increases and increased PSP targets described above. However, during 2018 we will 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. In addition to this we have published our Gender Pay Gap data and we will also be monitoring the outcome of the FRC review of the UK Corporate Governance Code and any resulting legislation.

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

Jane Kingston

Remuneration Committee Chairman

14th March 2018

Remuneration

Annual Report on Remuneration 2017

Strategic alignment

The Committee ensures that the remuneration paid to the Executive Directors is closely aligned to the Group strategy. In June 2017 the Board reviewed the Strategic Plan approved in 2014.

The Strategic Plan is used to set individual strategic objectives for the Executive Directors 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 21.

1.0 Annual Report on Remuneration 2017

This section sets out the Directors' remuneration for the financial year ended 31st December 2017.

The following information has been audited by Deloitte LLP:

- Single total figure of remuneration;
- Pension;
- Scheme interests awarded between 1st January 2017 and 31st December 2017;
- Payments to past Directors;
- Loss of office payments; and
- Directors' shareholdings and share interests.

1.1 Single total figure of remuneration (audited)

	Salary/Fees		Benefits		Annual bonus		PSP ¹		Pension		ESOP ²		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Executive Directors														
N.J. Anderson	£515,000	£528,000	£24,000	£24,063	£638,600	£660,000	£302,082	£826,648	£128,750	£132,000	£2,459	£1,909	£1,610,891	£2,172,620
K.J. Boyd ³	£223,333	£344,000	£10,224	£15,774	£221,546	£344,000	N/A	N/A	£55,833	£86,000	N/A	N/A	£510,936	£789,774
N.H. Daws	£302,500	£312,000	£18,378	£18,450	£275,448	£312,000	£183,177	£490,556	£75,625	£78,000	£2,459	£1,909	£857,587	£1,212,915
J.L. Whalen ⁴	\$444,250	\$470,000	\$47,347	\$50,462	\$444,250	\$460,600	\$222,717	\$580,842	\$165,638	\$155,230	N/A	N/A	\$1,324,202	\$1,717,134
Chairman and Non-Executive Directors														
W.H. Whiteley	£165,400	£175,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£165,400	£175,000
J.S. Kingston ³	£17,500	£59,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£17,500	£59,000
J. Pike	£53,000	£57,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£53,000	£57,000
G.E. Schoolenberg	£48,000	£49,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£48,000	£49,000
C.G. Watson	£57,000	£59,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£57,000	£59,000

¹ The 2017 column relates to vesting of the 2015 PSP award valued at \$755.0p or \$74.62 for J.L. Whalen. Value converted at the 2017 average dollar/sterling exchange rate of 1.2966. The 2016 column relates to vesting of the 2014 PSP award valued at \$568.0p or \$62.12 for J.L. Whalen. Value converted at the 2016 average dollar/sterling exchange rate of 1.36.

² Matching shares awarded during the year based on the mid-market price of the shares on the date of award: 5785.0p for 2017 and 4553.0p for 2016.

³ 2016 remuneration calculated from date of appointment to the Board. K.J. Boyd was appointed on 11th May 2016 and J.S. Kingston was appointed on 1st September 2016.

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 large movement in exchange rates. Original dollar value with the exception of Benefits - refer to Benefits table on page 89.

Salary/fees

The following table sets out the 2017 base salary with effect from 1st January 2017 for each of the Executive Directors, compared to 2016.

Executive Directors	2016	2017	Increase
N.J. Anderson	£515,000	£528,000	2.5%
K.J. Boyd	£335,000	£344,000	2.6%
N.H. Daws	£302,500	£312,000	3.0%
J.L. Whalen	\$444,250	\$470,000	5.8%

The Executive Directors' salaries increased by an average of 3.3% in 2017. Increases for the broader employee population were on average 2.5% in the UK, and 3.0% in the USA, increasing in accordance with internal guidelines for top performers. The increases for Executive Directors, like those for the broader employee population, took account of both individual performance and market data, to ensure that salaries remain competitively positioned in the market. A higher salary increase was awarded to Jay Whalen in view of the significant contribution of WMFTG to the Group.

The following table sets out the 2017 fees for the Chairman and Non-Executive Directors. Pay for the Chairman and Non-Executive Directors does not vary with performance. Fees for Non-Executive Directors are reviewed annually.

Chairman and Non-Executive Directors	Basic fees	Additional fees	2017 Total fees
W.H. Whiteley	£175,000	N/A	£175,000
J.S. Kingston ¹	£49,000	£10,000	£59,000
J. Pike ²	£49,000	£8,000	£57,000
G.E. Schoolenberg	£49,000	N/A	£49,000
C.G. Watson ¹	£49,000	£10,000	£59,000

¹ J.S. Kingston received £10,000 in respect of her role as Chairman of the Remuneration Committee. C.G. Watson received £10,000 in respect of his role as Chairman of the Audit Committee.

² J. Pike received £8,000 in respect of his duties as Senior Independent Director.

The Chairman's fee and the Senior Independent Director's fee were both increased following a review of market data and the scope of the 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	£23,664	£15,375	£17,859	\$25,758
Private health insurance	£399	£399	£399	\$20,598
Telecommunications and computer equipment	–	–	£192	\$4,106
Mobility-related benefit:				
– Tax advice ^{2,3}	£6,748	–	–	\$11,068
Life assurance ^{2,3}	£724	£472	£428	\$531
Long-term disability insurance ^{2,3}	£2,017	£1,314	£1,193	\$1,478

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 large movement in exchange rates. Original dollar value.

² J.L. Whalen's values converted at the 2017 average dollar/sterling exchange rate of 1.2966.

³ 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 pages 92 to 93.

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 clawback or 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.

The payment of up to 10% of an Executive Director's bonus opportunity, 12.5% for the Group Chief Executive, is based on individual strategic objectives, alongside the current financial measures. These strategic objectives are tailored to an individual's areas of responsibility and agreed at the start of the year. Each measure is subject to three possible achievement levels: fully achieved, partially achieved and not achieved.

A comprehensive review of the personal objectives which applied in 2017 to each Executive Director can be found on page 90.

	Performance targets			% of salary
	Fully achieved	Partly achieved	Not achieved	
N.J. Anderson	5	0	0	12.5%
K.J. Boyd	5	0	0	10.0%
N.H. Daws	5	0	0	10.0%
J.L. Whalen	5	0	0	10.0%

Remuneration

Annual Report on Remuneration 2017 *continued*

Nicholas Anderson:

Objectives included continued improvement to the Health and Safety performance of the Group; the successful implementation of the corporate strategy by leading the successful acquisitions of the Gestra and Chromalox businesses, including their integration into the Group; and implementation of the Customer First strategy to drive organic growth in the Steam Specialties division.

Kevin Boyd:

Objectives included fully supporting the due diligence, acquisition and integration of the Gestra and Chromalox businesses; the successful completion of the annual audit cycle; the recruitment of a new Group IS Director and implementation of a revised IS strategy with emphasis on improvements to cybersecurity; the development of a Group tax strategy to improve the Group's corporate tax position; and implementation of the actions recommended in the 2016 internal audit review by PricewaterhouseCoopers LLP.

Neil Daws:

Objectives included continued improvement to the Health and Safety performance of the EMEA region; maintenance of the successful implementation of the Customer First strategy; the successful integration of the Gestra acquisition; acceleration of sales growth and execution of local manufacturing plans in India; and continued territorial expansion into new markets.

Jay Whalen:

Objectives included full integration of recent acquisitions, including Aflex; the successful and timely launch of new products; completion of the global ERP system; continued investment in development activities for WMFTG personnel and implementation of the Group sustainability strategy.

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

Executive Directors	2017 Measures (% of salary)
N.J. Anderson	Group operating profit (87.5%) Group ROCE (25.0%) Personal strategic objectives (12.5%)
K.J. Boyd	Group operating profit (70%) Group ROCE (20%) Personal strategic objectives (10%)
N.H. Daws	Segmental operating profit (50%) Group operating profit (20%) Group ROCE (20%) Personal strategic objectives (10%)
J.L. Whalen	Group operating profit (20%) Group ROCE (20%) Personal strategic objectives (10%)

The performance measures are adjusted to reflect certain non-operating 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.

2017 was a good year for the Group which delivered earnings growth, maintained operating profit margin and increased dividend to shareholders. The annual bonus payments to Executive Directors ranged between 98% and 125% of salary. The bonus is payable in cash where the relevant Executive Director has met the share ownership requirement, otherwise that part of the bonus over 60% of base salary, 75% for the Group Chief Executive, net of tax, must be used to buy shares until the shareholding requirement has been met.

The table below summarises the achieved performance in 2017 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	£214.1m	£191.6m	£201.7m	£211.8m
Group ROCE	51.8%	46.6%	49.1%	51.6%
EMEA operating profit ²	£52.4m	£46.7m	£49.1m	£51.6m
Watson-Marlow operating profit	£83.0m	£75.4m	£79.4m	£83.4m

¹ To comply with the annual bonus plan rules these metrics use, as a base, the actual adjusted operating profit of £235,462 for segmental operating profit performance, and exclude centrally allocated overheads from both the target measure and actual performance.

² Excludes performance of the UK and French manufacturing units, and Gestra, for which N.H. Daws is not responsible.

As a result of this performance in 2017, the following bonuses were achieved:

Executive Directors	Bonus achieved	Bonus (% of salary)
N.J. Anderson	£660,000	125%
K.J. Boyd	£344,000	100%
N.H. Daws	£312,000	100%
J.L. Whalen ¹	\$460,600	98%

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 large 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 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 financial measures 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.

In relation to PSP awards made prior to 2017, the maximum award under the PSP was 100% of base salary. From 2017 the maximum award was increased to 150% for the Group Chief Executive and 125% for the other Executive Directors, in accordance with the Remuneration Policy approved at the AGM in 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:

- TSR relative to a comparator group; and
- EPS growth.

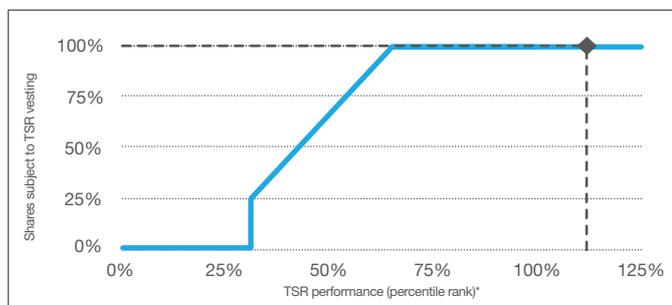
In addition, a two-year post-vesting holding period applies to PSP awards made from 2017.

PSP awards vesting over 2015-2017

In 2015 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 2015 to 31st December 2017.

Relative TSR performance (40% of PSP award)

Over the three-year period to 31st December 2017, the Company delivered an increase in TSR of 111.7%. This ranked above the upper quartile TSR of the comparator group.



	Target	TSR	Payout
Threshold	Median TSR	31.2%	25%
Maximum	Upper quartile TSR or above	65.0%	100%
Actual		111.7%	100%

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

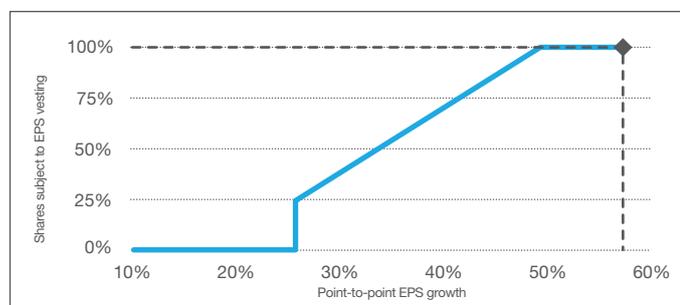
The comparator group for the purpose of measuring relative TSR performance is the FTSE 350 Industrial Goods and Services Supersector.

Remuneration

Annual Report on Remuneration 2017 *continued*

EPS growth (60% of PSP award)

Over the three-year period to 31st December 2017, the Company delivered adjusted EPS growth of 57.1%. This equated to growth of approximately 16.3% per annum over the three years.



	Performance (over 3 years)	Payout
Threshold	25.7%	25.0%
Maximum	49.5%	100.0%
Actual	57.1%	100.0%

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.

In respect of the 2015 PSP awards, actual performance for the combined relative TSR and point-to-point EPS resulted in 100% of shares vesting.

Executive Directors	Award	Vested	Lapsed	Value on vesting ¹
N.J. Anderson	14,364	14,364	0	£826,648
N.H. Daws	8,524	8,524	0	£490,556
J.L. Whalen	7,784	7,784	0	\$580,842

¹ Based on share price at date of vesting, 13th March 2018 (5755.0p or \$74.62 for J.L. Whalen). Value converted at the 2017 average dollar/sterling exchange rate of 1.2966.

1.2 Pension (audited)

In lieu of pension benefits, Nicholas Anderson and Kevin Boyd received 25% of their basic salary in cash, which in the year ended 31st December 2017 amounted to £132,000 and £86,000 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 2017 were £4,765,000 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 2017 amounted to £78,000.

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 2017.

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

Executive Director	Age attained at 31.12.17	Accrued pension at 31.12.16	Accrued pension at 31.12.17	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	61	\$86,161	\$90,849	\$4,688	\$2,764	\$55,280

¹ Net of inflation, limited to 0% ie at a rate of 1.46% per annum.

² This year 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 paid zero contributions into the defined benefit plan over the year.

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 \$99,950.

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 (5256.0p). Awards were made on 26th May 2017.

Executive Director	PSP award	Face value	Last day of the performance period	Vesting at threshold performance
N.J. Anderson	15,068 shares	£791,974	31.12.19	25%
K.J. Boyd	8,181 shares	£429,993	31.12.19	25%
N.H. Daws	7,420 shares	£389,995	31.12.19	25%
J.L. Whalen ¹	7,420 shares	\$505,668	31.12.19	25%

¹ Value converted at the 2017 average dollar/sterling exchange rate of 1.2966.

In respect of the PSP awards made to Executive Directors in 2017, vesting is dependent on the following TSR and EPS performance measures. In addition to the three-year vesting period, a two-year holding period applies.

Relative TSR performance (40% of PSP award)	Performance	Payout
Threshold	TSR equal to median	25%
Maximum	TSR equal to or higher than the upper quartile	100%

For awards made in 2017 the comparator group is the constituents of the FTSE 350 Industrial Goods and Services Supersector at the start of the performance period.

Point-to-point EPS growth (60% of PSP award)	Performance	Payout
Threshold	Global Industrial Production +2% per annum	25%
Maximum	Global Industrial Production +8% per annum	100%

With effect from 2016, 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. As a result, the Committee was of the view it made sense to incorporate Global IP into our PSP, as a means of better aligning the assessment of performance against our long-term strategic plan and market dynamics within our industry. The Committee reviewed the historical and projected data (2007-2020), including the Group’s performance, market benchmarks and analysts’ consensus to determine a performance range associated with this benchmark growth rate that remains sufficiently challenging across various market environments. Accordingly, threshold vesting will occur for exceeding Global IP by 2% per annum, increasing on a straight line basis to full vesting for exceeding Global IP by 8% per annum.

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

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 and Neil Daws are participants. Kevin Boyd was not eligible to participate in the 2016 ESOP because the date on which he joined the Group was too late. He is a participant in the 2017 ESOP which has a share purchase date of October 2018.

During the year ended 31st December 2017 Nicholas Anderson and Neil Daws each purchased 33 partnership shares, were each awarded 33 matching shares and received seven and 30 dividend shares respectively. Further information is set out in the table on page 95.

The maximum annual investment in shares was increased (along with eligible UK employees) to the HMRC limit of £1,800 per Executive Director which can be matched by the Company on a one-for-one basis for each share that is purchased by an Executive Director and dividend shares can be reinvested.

No shares acquired under the ESOP are subject to performance measures as the aim of the ESOP is to encourage increased shareholding in the Company by all eligible UK employees.

1.4 Payments to past Directors (audited)

There were no payments to former Directors during the year ended 31st December 2017.

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 2017.

Remuneration

Annual Report on Remuneration 2017 *continued*

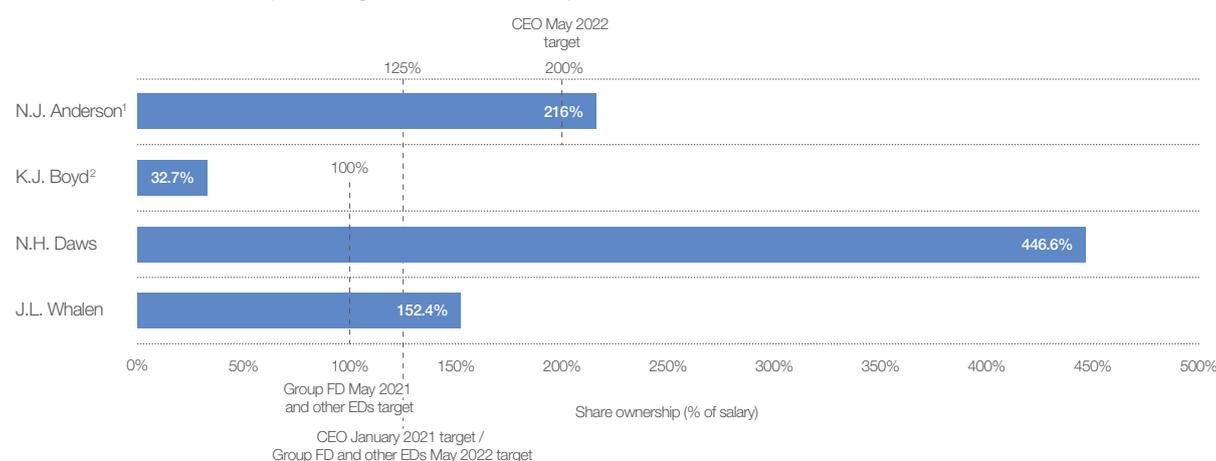
1.6 Statement of Directors' shareholding and share interests (audited)

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 2016 guidelines and the reset 2017 guidelines is illustrated below. The value of the shareholding is taken at 29th December 2017 as a percentage of 2017 base salary.



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 EDs.

In accordance with Policy, Executive Directors must use the part of bonus over 60% of base salary, 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 share ownership guidelines have been met by all Executive Directors excepting 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 2021 and 2022 targets.

Outstanding share interests

The following table summarises the total interests of the Directors in shares of the Company as at 31st December 2017. These cover beneficial and conditional interests. No Director had any dealing in the shares of the Company between 31st December 2017 and 14th March 2018.

	Beneficial ¹	PSP awards ²	PSP nil-cost options ³	ESOP shares ⁴	Total 31.12.17	Total 14.03.18 ⁵
W.H. Whiteley	11,034	N/A	N/A	N/A	11,034	11,034
N.J. Anderson	19,709	43,939	0	551	64,199	78,563
K.J. Boyd	2,000	17,599	0	N/A	19,599	19,599
N.H. Daws	23,856	24,465	16,735	938	65,994	74,518
J.L. Whalen	9,828	23,137	0	N/A	32,965	40,749
J.S. Kingston	1,080	N/A	N/A	N/A	1,080	1,080
J. Pike	4,540	N/A	N/A	N/A	4,540	4,540
G.E. Schoolenberg	1,854	N/A	N/A	N/A	1,854	1,854
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 91 to 92.

³ Explained in table overleaf.

⁴ Not subject to performance measures.

⁵ The increase in shareholding at 14th March 2018 for N.J. Anderson, N.H. Daws and J.L. Whalen is a result of 100% of the 2015 PSP award vesting.

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			Balance 01.01.17	Vested 06.03.17 ¹	Lapsed 06.03.17 ¹	Awarded 26.05.17 ⁴	Balance 31.12.17
	14.03.14 ¹	11.06.15 ²	05/11.04.16 ³					
N.J. Anderson	16,533	14,364	14,507	45,404	6,613	9,920	15,068	43,939
K.J. Boyd	0	0	9,418	9,418	0	0	8,181	17,599
N.H. Daws	10,024	8,524	8,521	27,069	4,010	6,014	7,420	24,465
J.L. Whalen	8,963	7,784	7,933	24,680	3,585	5,378	7,420	23,137

¹ The mid-market price of the shares on 14th March 2014 was 2873.0p. 40% of the PSP award vested on 6th March 2017 as the performance measures applicable were partly met. During the performance period 1st January 2014 to 31st December 2016, the TSR performance of the Company resulted in 100% vesting of this element. The EPS performance of the Company resulted in zero vesting of this element. The mid-market price of the shares on 29th February 2016 was 4568.0p. The 2014 awards vested in the form of whole shares.

² The average mid-market price of the shares on 8th June, 9th June and 10th June 2015 was 3446.0p. The period over which performance measures are measured is 1st January 2015 to 31st December 2017. Details of the performance measures attached to these PSP awards are set out on pages 91 to 92.

³ 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. 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 average mid-market price of the shares on 19th May to 25th May 2017 inclusive was 5256.0p. This was applied in determining the number of shares subject to the PSP awards granted on 26th May 2017. The period over which performance measures are measured is 1st January 2017 to 31st December 2019. Details of the performance measures attached to these PSP awards are set out on page 93. A two-year post-vesting holding period applies to this award.

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 01.01.17	Exercised	Balance at 31.12.17	2017 gain arising on exercise (£)	Date from which first exercisable	Expiry date
N.J. Anderson	–	–	–	–	–	–
N.H. Daws	12,740	–	12,740	–	05.03.13	05.03.20
	3,995	–	3,995	–	04.03.14	04.03.21
Subtotal for N.H. Daws	16,735	–	16,735	–	–	–
J.L. Whalen	–	–	–	–	–	–

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

The interests of eligible Executive Directors are set out below.

	Balance 01.01.17	Partnership shares purchased ¹	Matching shares awarded ¹	Dividend shares ²	Shares sold	Balance 31.12.17	Period of qualifying conditions ³
N.J. Anderson	478	33	33	7	0	551	3 years
N.H. Daws	2,042	33	33	30	1,200	938	3 years

¹ Partnership shares were purchased, at a price of 4477.3p, and matching shares were awarded on 11th October 2017. The mid-market price of the shares on that date was 5785.0p.

² 26 dividend shares were received on 26th May 2017, on which date the mid-market price of the shares was 5760.0p. 11 dividend shares were received on 10th November 2017, on which date the mid-market price of the shares was 5690.0p.

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 2017.

Remuneration

Annual Report on Remuneration 2017 *continued*

1.7 Directors' service agreements and letters of appointment

Chairman and Non-Executive Directors

The Chairman 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 Chairman and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

Directors' terms of service

The tables below set 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 Bill Whiteley who retires at the end of the meeting.

Executive Director	Original appointment date	Current agreement 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

Chairman and Non-Executive Directors	Original appointment date	Appointment/ Re-appointment letter ¹	Expiry date	Notice period
W.H. Whiteley	26.07.02	30.06.15	15.05.18	1 month
J.S. Kingston	01.09.16	16.08.16	31.08.19	1 month
J. Pike	01.05.14	06.03.17	30.04.20	1 month
G.E. Schoolenberg	01.08.12	03.08.15	31.07.18	1 month
C.G. Watson	17.07.09	03.08.15	16.07.18	1 month

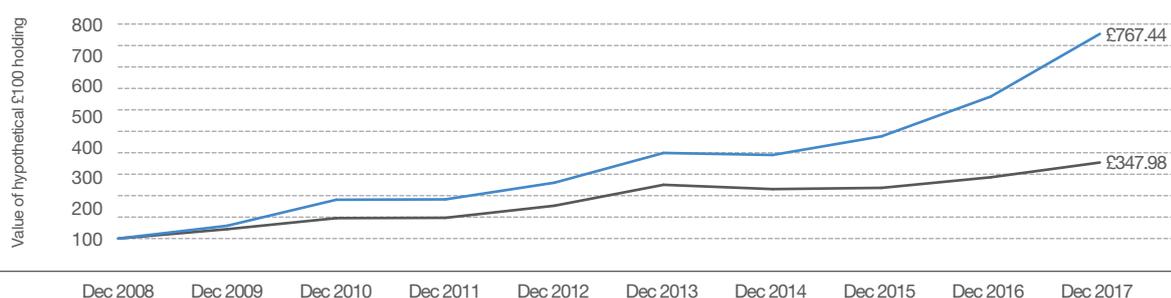
¹ All letters of appointment and service agreements are available for inspection at the Group's headquarters in Cheltenham.

1.8 External directorships

Kevin Boyd served as a Non-Executive Director at EMIS Group plc during 2017, 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 2017. 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.



— Spirax-Sarco Engineering plc — FTSE 350 Industrial Goods and Services

Source: DataStream

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
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 2017 increase in base salary, benefits and bonus for the Group Chief Executive compared to the average increase for the general employee population across the Group in the same period.

		2017 change	2016 change
Salary	Group Chief Executive	2.5%	4.1%
	General employee population	2.5%	2.0%
Benefits	Group Chief Executive	1.8%	8.5%
	General employee population	2.5%	2.0%
Bonus	Group Chief Executive	3.4%	110.1%
	General employee population	2.4%	49.7%

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.

	2017	2016	Change
Total pay spend	£351m	£264m	33.0%
Group average headcount	6,316	4,998	26.4%
Profit before tax	£193m	£171m	12.9%
Dividends payable	£64m	£56m	14.3%

1.12 Changes for 2018

With effect from 1st January 2018, the Executive Directors' salaries have been increased by an average of 2.8%. Increases for the broader employee population were on average 2.7% for the UK and 3.0% for the US, increasing in accordance with internal guidelines for top performers. The increases for Executive Directors, like those for the broader UK employee population, took account of both individual performance and market data, to ensure that salaries remain competitively positioned in the market.

Base salaries:

– N.J. Anderson	£543,000	2.7%
– K.J. Boyd	£353,300	2.7%
– N.H. Daws	£320,400	2.7%
– J.L. Whalen	\$484,100	3.0%

Bonus targets for 2018 are not disclosed because they are considered by the Board to be commercially sensitive. The targets will be retrospectively reported in the Annual Report on Remuneration next year.

Chairman and Non-Executive Director fees

Effective from 1st January 2018, the Non-Executive Director basic fee was increased by 2.7%, which is in line with the average UK employee salary increase of 2.7%. The fee for Committee chairmanship was unchanged. The Senior Independent Director's fee was increased from £8,000 to £10,000 to match the market median. The Chairman's fee was increased by 5.7% to continue addressing the asymmetries to our Group policy and the below-market competitiveness of the Chairman's fee.

Remuneration

Annual Report on Remuneration 2017 *continued*

Annual bonus plan

From 2018, and consistent with the Remuneration Policy 2017, the Group ROCE element of the annual bonus plan will be replaced with a Group cash generation metric in order to reinforce cash discipline.

Other aspects of remuneration

There are no other planned or implemented changes of note for remuneration in 2018.

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

Operation of the Remuneration Committee in 2017

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 2017, the Committee was chaired by Jane Kingston and the members comprised: Jamie Pike, Trudy Schoolenberg and Clive Watson. In 2017, the Committee met three times and, with the exception of Jamie Pike, all members attended each meeting. Jamie Pike was unable to attend one meeting due to unavoidable absence because of a bereavement, but reviewed all the papers and provided his views in advance to the Committee Chairman.

Advisers to the Committee

During 2017, the Committee sought advice and information from Bill Whiteley, the Chairman; 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 £32,000 in 2017. 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 2017, 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 Annual Report on Remuneration 2016 and the Remuneration Policy Report 2017. The table below shows the results in respect of these resolutions, which required a simple majority (i.e. 50%) of the votes to be cast to be in favour in order for the resolution to be passed.

	Votes for	%	Votes against	%	Votes withheld
Annual Report on Remuneration 2016 (2017 AGM)	60,631,649	99.7	169,497	0.3	261,765
Remuneration Policy Report 2017 (2017 AGM)	57,778,590	95.1	3,005,646	4.9	278,674

This Annual Report on Remuneration 2017 has been approved by the Board of Directors of Spirax-Sarco Engineering plc and signed on its behalf by:

Jane Kingston

Remuneration Committee Chairman

14th March 2018

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.	<p>Reviewed annually by the Committee, taking into account:</p> <ul style="list-style-type: none"> – 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. <p>The Committee considers the impact of any base salary increase on the total remuneration package.</p>	Reviews take into account Company and individual performance.	<p>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%.</p> <p>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.</p>
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.	<p>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.</p> <p>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.</p> <p>Executive Directors who have transferred internally from overseas may continue to participate in home country pension arrangements and/or receive a cash allowance.</p>	N/A	<p>For DB scheme as per actuarial value.</p> <p>For all other arrangements the total contribution to all pension arrangements will comprise no more than 25% of base salary.</p> <p>No element other than base salary is pensionable.</p>

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.

Remuneration

Remuneration Policy Report 2017 *continued*

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: <ul style="list-style-type: none"> – 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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Executive Directors are not entitled to tax equalisation.</p>	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.

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.

Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Variable elements of Executive Director remuneration				
Annual bonus	<p>To incentivise and reward performance against selected KPIs which are directly linked to business strategy.</p> <p>To recognise performance through variable remuneration and enable the Company to flexibly control its cost base and react to events and market circumstances.</p> <p>To ensure a significant proportion of Executive Director remuneration is directly linked to business performance.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The weighting of each component will be chosen specifically to reflect the Executive Director's role.</p>	150% of salary.

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Remuneration

Remuneration Policy Report 2017 *continued*

Element	Purpose and link to strategy	Operation	Performance measures	Maximum potential value
Variable elements of Executive Director remuneration				
Performance Share Plan (PSP)	<p>To incentivise and reward Executive Directors for delivery against long term Group performance.</p> <p>To align Executive Directors' interests to those of shareholders.</p> <p>To drive sustainable Company performance.</p> <p>To retain key executive talent.</p>	<p>The Committee makes an annual conditional award of shares to each Executive Director. Annual participation is subject to Committee approval.</p> <p>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.</p> <p>Performance is measured over a three-year period, starting at the beginning of the financial year in which awards are granted.</p> <p>An additional two-year post-vesting holding period will apply. Awards can vest in the form of shares, a nil-cost option or cash.</p> <p>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.</p> <p>Dividends are not payable on PSP awards prior to vesting.</p>	<p>Vesting is currently based on two performance measures, which have been chosen as they are clearly aligned with our strategic objectives:</p> <ul style="list-style-type: none"> – TSR; and – EPS growth. <p>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.</p> <p>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.</p>	200% of salary.
Employee Share Ownership Plan (ESOP)	<p>To offer all eligible UK-based employees the opportunity to build a shareholding in a tax-efficient way.</p> <p>To align Executive Director interests to those of shareholders.</p>	<p>Eligible UK Executive Directors are entitled to participate in an HMRC approved Share Incentive Plan known as the ESOP.</p> <p>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.</p> <p>Awards granted under the ESOP are not subject to clawback or malus.</p> <p>The ESOP operates over a five-year period.</p>	N/A	<p>Maximum annual investment subject to HMRC limits or such lower sum as determined by the Board.</p> <p>Potential 1:1 matching share award from the Company and dividend shares (can be reinvested).</p> <p>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.</p>

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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.	<p>The Chairman is paid a single fee for all responsibilities.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Company repays the reasonable expenses that the Chairman and the Non Executive Directors incur in carrying out their duties as Directors.</p>	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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Remuneration

Remuneration Policy Report 2017 *continued*

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.
- 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.

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– 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	<p>No payment if Executive Director commits a repudiatory breach of the service agreement or for gross misconduct or in certain circumstances.</p> <p>No additional termination payment if notice worked.</p> <p>If notice only part worked/part on garden leave, payment in respect of unexpired period of notice, otherwise 12 months' base salary only.</p> <p>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.</p> <p>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.</p> <p>No automatic entitlement to payments under the annual bonus or PSP. See page 106.</p> <p>Garden leave clause.</p> <p>Robust post-termination restrictions on confidentiality, non-compete, non-solicitation and non-interference with customers or suppliers.</p> <p>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.</p>
Clawback or malus	<p>Bonus payments and PSP awards are subject to clawback or malus for up to three years following award.</p> <p>Circumstances include financial misstatement, erroneous calculations determining bonus payments or gross misconduct.</p>

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.

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Remuneration Policy Report 2017 *continued*

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	<p>No payment if Executive Director commits a repudiatory breach of the service agreement or for gross misconduct or in certain circumstances.</p> <p>No additional termination payment if notice worked.</p> <p>If notice only part worked/part on garden leave, payment in respect of unexpired period of notice.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>No automatic entitlement to payments under the current annual bonus or PSP. See page 106.</p> <p>Garden leave clause.</p> <p>Robust post-termination restrictions on confidentiality, non-compete, non-solicitation and non-interference with customers or suppliers.</p>
Clawback or malus	<p>Bonus payments and PSP awards are subject to clawback or malus for up to three years following award.</p> <p>Circumstances include financial misstatement, erroneous calculations determining bonus payments or gross misconduct.</p>

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.

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.

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2.6 Illustrations of application of the Remuneration Policy

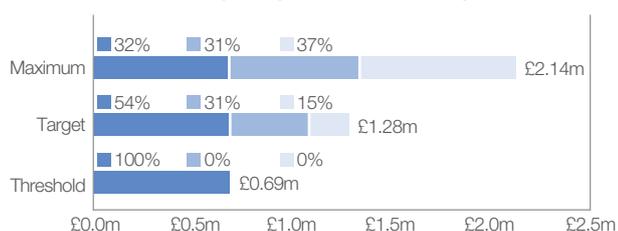
Under the Remuneration Policy, a significant portion of remuneration is variable and depends on the Company's performance. Below and overleaf we illustrate how the total pay opportunity for the Executive Directors varies under three performance scenarios: maximum, on target, and below threshold.

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

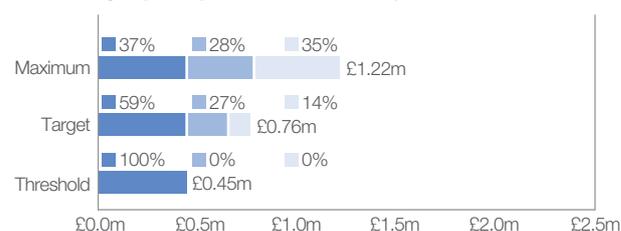
Element	Percentage of base salary		
	Below threshold	On target	Maximum
Fixed pay, benefits and ESOP	Fixed pay and ESOP does not vary with performance and comprises: – base salary effective 1st January 2017; – benefits value based on 2016 disclosure; – pension value (DB 2016: as reported; cash allowance: rate applied to 2017 salary); and – ESOP participation of up to £1,500 1:1 matching shares for eligible Executive Directors.		
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.

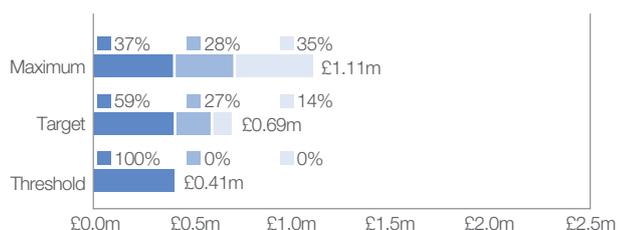
Nicholas Anderson (Group Chief Executive)



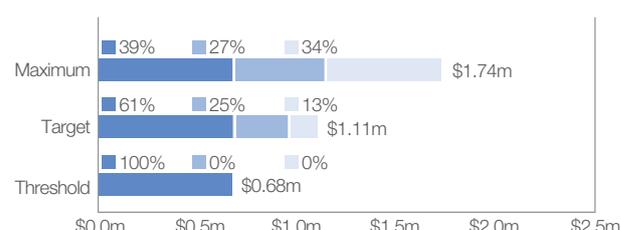
Kevin Boyd (Group Finance Director)



Neil Daws (Executive Director, EMEA)



Jay Whalen (Executive Director, WMFTG)



■ Fixed ■ Annual bonus ■ PSP

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.

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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.