

SPIRAX-SARCO ENGINEERING PLC

GROUP MANAGEMENT CODE

1. INTRODUCTION

The reputation of the Group and its subsidiaries and the trust and confidence of those with whom it deals are of fundamental importance to the Group's business. This Code, which has been issued with the authority of the Board of Directors of Spirax-Sarco Engineering plc ("SSE Board"), sets out the Group's philosophy and policy on the operation of its steam and peristaltic pumping businesses.

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

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

All employees must be made aware of the contents of this Code and General Managers are required to brief this Code and any documents referred to herein to their employees.

2. BOARD AND EXECUTIVE

2.1 The SSE Board has ultimate responsibility to the shareholders for the performance of the Group. Executive responsibility for day-to-day management is delegated to the Chief Executive and the Executive Directors. The Group operates its worldwide steam and peristaltic pumping businesses on a relatively decentralised basis, delegating as much responsibility and authority as is practical to the head of each operating company (General Manager).

2.2 Central co-ordination of the Group's activity is necessary to gain maximum benefit from the spread of the business and the knowledge and experience that exists across the operating companies. The central co-ordination and guidance function lies primarily with the Executive Staff, Finance, Secretarial, Human Resources, IS, Manufacturing, Marketing and Product Development functions. This applies to both the Spirax Sarco and Watson-Marlow businesses.

The Executive Directors review the standards and targets and monitor the Group's overall performance, oversee each operating company's performance, ensure compliance with the management and ethical standards, and keep the other Directors informed of all material matters.

3. OPERATING COMPANIES' GENERAL MANAGERS

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

The General Manager of each operating company and his Regional General Manager or Executive Director meet regularly and are required to keep each other informed of all significant issues on a full disclosure 'no surprises' basis. The General Manager must ensure that all his and his management team's compensation and benefits are approved by the Regional General Manager or Executive Director.

The Group's main management and control information, apart from personal visits, takes the form of:-

- Annual and Strategic plans
- Sales and Marketing plans
- Quarterly management reports
- Monthly Flash statements, management accounts and statistics
- Weekly updates of orders/sales forecast for the month
- Semi-annual Risk Management returns
- Annual Internal Controls review and self-certification
- Annual environmental report
- Environmental review every second year
- Semi-annual accounts and annual audited accounts
- Internal audits of companies

4. POLICY

In addition to complying with all Group policies,

- 4.1 All operating companies will act within the laws and regulations applying to their business in any country taking appropriate professional advice from the SSE Board or appropriate local advisers to achieve compliance.
- 4.2 Local operating companies will comply with general good practice in their territory and apply all internal controls and procedures established by the Group.
- 4.3 The Group will operate a comprehensive internal and external reporting system. The Group will meet applicable accounting standards. Employees are required to provide all material information to an auditor appointed by the Group (both external and internal), their managers and directors and senior managers of the SSE Board.

5. COMPLIANCE RESPONSIBILITY

- 5.1 The responsibility for compliance with this Code lies with the General Manager and senior employees of each operating company and they shall carry out their duties to the best of their ability exercising all reasonable care, skill and diligence within the limits of authority laid down by the company's policies and procedures.
- 5.2 They will ensure appropriate communication of this Code and the internal controls and procedures established by the Group to employees in their companies. They will arrange for appropriate terms and conditions of employment of directors, managers and their employees to reflect the responsibilities and duties covered by this Code.

6. BUSINESS PRACTICES

- 6.1 In complying with the general policy of meeting good business practice companies shall operate in a manner designed to promote the long term success of the company for the benefit of the Group as a whole, with a proper regard for the interest of customers, employees, shareholders and the communities in which they operate.
- 6.2 In addition, companies must ensure that business decisions are taken in a manner that maintains and promotes the reputation of the Spirax-Sarco Group as having high standards of business ethics and conduct.
- 6.3 Payment will be made for goods and services received in accordance with the contract of supply terms. No discount, commission, benefit, entertainment or gift, other than those of up to a value approved by the company, shall be accepted or offered by an employee in the course of business.
- 6.4 (a) The Group's Anti-Corruption Policies and Procedures shall be treated as forming part of the Code and shall be strictly observed at all times. It is the responsibility of each General Manager in the Group to ensure that the terms of the Anti-Corruption Policies and Procedures are briefed to all employees.
- (b) No employee of any company shall allow himself or herself to be placed in a position where there is a conflict of interest between his or her own personal interests and those of the Company or where there is a risk of such a conflict occurring. If any employee is concerned about a possible conflict of interest they should raise it with their manager who may, in turn, raise the matter with the Company Secretary.
- (c) Under no circumstances shall any employee pay or agree to pay, or receive or agree to receive, any commission, facilitation payment or bribe to any customer or third party in exchange for obtaining business.
- (d) No employee is to give or make any offer of hospitality, entertainment or gift to a customer except in accordance with written guidelines established in each local operating company.

7. EMPLOYEES

- 7.1 The Group supports and applies the principles of Human Rights.
- 7.2 Operating companies are equal opportunities employers. All staff employed and all job applicants will be given equal opportunity in employment and training including equality in employment terms and benefits. All employees shall be treated fairly.
- 7.3 Employees will be provided with appropriate terms and conditions of employment including confidentiality of company information. Directors and General Managers shall ensure that there is no conflict of interest between the company's business and any other allowed external activities of directors, managers or employees and that the company's resources are properly applied for the company's benefit.

7.4 Communication with employees will include performance appraisal and, where appropriate, consultation with employees or representatives of employees on relevant matters.

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

8. HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

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

9. MAINTAINING THE CODE'S STANDARDS

It is the responsibility of every employee to alert his or her manager to circumstances where the Group's performance can be improved or to any breaches of Group policies and procedures. If an employee in the SSE Group has reasonable grounds for believing that the Management Code is being breached by any person or group of people and does not receive a satisfactory response or feel able to voice the matter with his or her manager, he or she should contact directly the Company Secretary in Cheltenham and provide full details. The Company Secretary will ensure that (a) the circumstances are properly investigated and (b) the employment of the person contacting the Company Secretary will be protected appropriately.

10. COMPETITION/ANTI-TRUST POLICY

It is the policy of SSE that all companies within the Group comply fully with the laws and regulations applicable in each territory in which the Group does business relating to anti-trust and competition laws and regulations.

11. GROUP APPROVALS

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

- Payment of a General Manager's own expenses and annual bonus, and changes to his remuneration, benefits and terms and conditions of employment.
- Creating or changing employee retirement schemes or arrangements.
- Acquisitions or disposals of companies or assets, including creation of new companies/creation of joint ventures.
- Disposal of assets beyond the threshold value of capital expenditure.
- Appointment of auditors, insurance brokers, actuaries and bankers.
- Changes in employees' terms and conditions of employment, including benefits and pension schemes.
- Employment contracts when appointing a new senior person who reports directly to the General Manager.
- Capital expenditure items above the threshold value, as set out in Group policies.
- Appointing and dismissing senior managers, i.e. people reporting directly to the General Manager.
- Taking out borrowing facilities, financial instruments, guarantees, mortgages or charges or issuing/cancelling share capital, as set out in Group policies.

- Prosecution, defence or settlement of any material litigation.
- Material or unusual contracts.
- Employee loans.
- Entering into a contract in which the General Manager or any senior manager is interested.

12. OPERATING COMPANIES' CONFIRMATION OF COMPLIANCE

At the end of each half year the General Manager and Financial Head of each operating company is required to certify that each operating company has operated in accordance with the Risk Management system, Internal Controls, Group Financial Policies and this Management Code, which is to be taken as including the Group's Anti-Corruption Policies and Procedures, Health & Safety and Environmental Policies.

In addition the General Manager of each operating company is required to submit to regular internal audits as advised by the Group Finance Director.