

**SPIRAX-SARCO ENGINEERING PLC**  
**LIST OF MATTERS TO BE RESERVED TO THE BOARD**  
(approved at a meeting of the Board of Directors held on 9th February 2010)

**1. ACCOUNTS AND AUDIT**

- 1.1 Approval of preliminary and annual reports and accounts, half-yearly reports and interim management statements.
- 1.2 Accounting policies and practices and any changes thereto; the use of any off-balance sheet structures.
- 1.3 Acceptance of any proposed audit qualification of the accounts.
- 1.4 Approval of Audit Committee's recommendations for appointment or removal of external auditors.

**2. STRATEGIC AND POLICY CONSIDERATIONS**

- 2.1 Review and approve the Group's overall corporate strategy and annual business plan.
- 2.2 Changes related to the Company's status as a listed company or major structural changes to the Group.
- 2.3 Agreement of codes of ethics and business practice, in light of the directors' duty to promote the success of the Company for the benefit of the members as a whole, and in doing so having regard (amongst others) to:
  - 2.3.1 the likely consequences of any decision in the long term,
  - 2.3.2 the interests of the Company's employees,
  - 2.3.3 the need to foster the Company's business relationships with suppliers, customers and others,
  - 2.3.4 the impact of the Company's operations on the community and the environment,
  - 2.3.5 the desirability of the Company maintaining a reputation for high standards of business conduct, and
  - 2.3.6 the need to act fairly as between members of the Company.
- 2.4 Appointment of, or changes to, principal professional advisers.
- 2.5 Environmental policy.
- 2.6 Health and safety policy.

2.7 Any matter which could reasonably be expected to have a material effect on the reputation or standing of the Group.

### **3. RISK MANAGEMENT**

3.1 Reviewing the effectiveness of risk management and internal control on an ongoing basis, including receiving and reviewing regular reports on internal control.

3.2 Carrying out an assessment (at least annually) of significant risks and effectiveness of risk management and internal control policies; and reporting to shareholders on such matters.

3.3 Prosecution, defence or settlement of litigation, arbitration or other proceedings material to the Company/Group and, for this purpose, litigation, arbitration or other proceedings shall be deemed material if the proceedings are for an amount in excess of £5 million or if the penalty likely to be suffered may exceed £5 million.

### **4. TRANSACTIONS**

4.1 Major investment and capital projects in excess of £1 million. Investments or projects in excess of £500,000 sanctioned by the Executive team will be reported to the Board.

4.2 Acquisitions and disposals of subsidiaries.

4.3 Acquisitions and disposals of other assets or liabilities above £1 million.

4.4 Material contracts which are in the ordinary course of business with a value of above £1 million.

4.5 Contracts not in the ordinary course of business.

4.6 Contracts in which a director or other related party is interested.

4.7 Any binding commitment to enter into a material strategic alliance, joint venture, partnership or profit sharing arrangement.

4.8 Giving security over significant assets.

### **5. FINANCE**

5.1 Approval of Treasury Policy or amendments thereto.

5.2 Approval of any financing or currency arrangement above the limit of the Finance Committee.

## **6. REGULATORY REQUIREMENTS**

- 6.1 Ensuring compliance with the Listing, Prospectus, Disclosure and Transparency Rules.
- 6.2 Approval of all circulars, prospectuses and equivalent documents (save that approval of routine documents may be delegated to a committee).
- 6.3 Approval of announcements concerning matters decided by the Board.
- 6.4 Delegation of authority to issue an urgent announcement without the need to call a Board meeting, in order to comply with the Company's regulatory obligation to announce inside information as soon as possible.
- 6.5 Dividend policy, approval of the interim dividend and recommendation of the final dividend.
- 6.6 Calling general meetings of shareholders.
- 6.7 Setting of general Group policy on charitable and political donations.
- 6.8 Issue of shares or other securities (other than on notice of exercise of employee share options) or repurchase of shares.
- 6.9 Changes relating to the Company's share capital.

## **7. DIRECTORS AND SENIOR EMPLOYEES**

- 7.1 Approval of Nomination Committee's recommendations on:
  - (a) Board appointments and removals;
  - (b) Board succession;
  - (c) appointment of Chairman and terms of engagement (other than remuneration) for Chairman;
  - (d) terms of engagement (other than remuneration) of non-executive directors;
  - (e) the re-appointment of any non-executive director at the end of the specified term of office;
  - (f) the re-election by shareholders of any director; and
  - (g) any matters concerning the continuation in office of any director at any time.
- 7.2 Remuneration of non-executive directors.
- 7.3 Terms of engagement (other than remuneration package) of executive directors.
- 7.4 Appointment and removal of Company Secretary.
- 7.5 Board policy on the duration of contracts with directors (both executive and non-executive).

- 7.6 The procedures in place (or to be put in place) for the authorisation of directors' conflict matters falling within section 175 of the Companies Act 2006 and any changes to these procedures.
  - 7.7 The authorisation of any conflict matter arising for any director of the Company under section 175 of the Companies Act 2006 and the terms and conditions attaching to such authorisation.
  - 7.8 Terms of reference and membership of Board committees.
  - 7.9 Delegation of the Board's powers.
  - 7.10 Procedure for directors in the furtherance of their duties to take independent professional advice, at the Company's expense.
  - 7.11 Assessment of which non-executive directors are independent.
  - 7.12 Approval of training and development programmes for directors as relating to their duties as directors.
  - 7.13 Approval of performance evaluation programmes for Board, committees and individual directors.
- 8. EMPLOYMENT ISSUES**
- 8.1 Major changes in the rules or funding of the pension schemes.
  - 8.2 Major changes in employee or directors' share schemes and major changes in the allocation of share options.