

**SPIRAX-SARCO ENGINEERING PLC**  
**TERMS OF REFERENCE FOR REMUNERATION COMMITTEE**  
**(approved at a meeting of the Board of Directors held on 29th October 2009)**

**Constitution**

1. It is resolved that a committee of the Board be established, to be known as the Remuneration Committee.

**Membership**

2. The Remuneration Committee members shall be appointed by the Board in accordance with the Company's articles of association from amongst the independent non-executive directors of the Company.
3. The Remuneration Committee shall comprise at least three members.
4. Each member shall hold office as a Committee Member as long as the member continues to be an independent Non-Executive Director and so long as the Board agrees.
5. The Chairman of the Remuneration Committee shall be appointed by the Board. In the absence of the Chairman of the Remuneration Committee (and/or an appointed alternate member), the members present at any meeting of the Committee shall elect one of their number to chair the meeting.
6. The Chairman and members shall be listed each year in the annual report.
7. The Company Secretary or the Remuneration Committee's nominee shall be the Secretary of the Remuneration Committee.
8. Each member of the Remuneration Committee shall disclose in writing to the Remuneration Committee and the Company Secretary as soon as the member becomes aware of the interest or the conflict:
  - (a) any personal interest including financial interest (other than as a shareholder) in any matter to be decided by the Remuneration Committee; or
  - (b) any potential conflict of interest.

Any such member shall abstain from voting on resolutions of the Remuneration Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Remuneration Committee.

## **Attendance at meetings**

9. No one other than the Chairman and members of the Remuneration Committee is entitled to be present at a meeting of the Remuneration Committee. The Chairman and members shall, however, have the discretion to decide who else shall be invited to attend. The Chairman of the Company and/or Chief Executive shall be invited by the Remuneration Committee to attend meetings to discuss the performance of the other executive directors and to make proposals as necessary. The Remuneration Committee may consult any other non-executive directors in its evaluation of the Chief Executive. No director shall be present when his own remuneration is being discussed. No director shall be involved in any decision as to his own remuneration.

## **Meetings**

10. A meeting of the Remuneration Committee may be called by any member of the Remuneration Committee, but in any event a meeting shall be held at least twice each year.
11. The quorum for meetings of the Remuneration Committee shall be two members present throughout the meeting in person or by telephone or by video conference.
12. Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the Remuneration Committee and to each other person invited to attend, normally not less than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Remuneration Committee to all members of it and to arrange such meetings so that members are able to attend them.
13. A member of the Remuneration Committee may participate in a Remuneration Committee meeting by telephone or by video conference.
14. The Secretary of the Remuneration Committee shall prepare minutes of any meeting of the Remuneration Committee and, after approval and signature by the Chairman of the Remuneration Committee, shall, subject to maintaining necessary confidentiality, submit them to all members of the Board and as directed by the Chairman of the Committee.
15. The Chairman of the Remuneration Committee shall be available to answer questions about the Committee's activities at the Annual General Meeting of the Company. All members of the Remuneration Committee shall also attend the Annual General Meeting.

## **Authority and duties**

16. The Remuneration Committee shall consult the Chairman of the Company with regard to the Chief Executive's remuneration and the Chief Executive with regard to his proposals relating to the remuneration of other executive directors.

The Remuneration Committee is authorised to investigate any activity within its Terms of Reference and to seek any information it requires from any employee of the Company or any of its subsidiaries in order to perform its duties. All employees are directed to co-operate with any request made by the Remuneration Committee.

17. The Remuneration Committee is authorised by the Board to obtain inside and outside legal or other professional advice, as well as information about remuneration practices elsewhere. The Remuneration Committee may, if it thinks fit, supply to others information about the Company's remuneration practices and secure the attendance at meetings of outsiders with relevant experience and expertise at the Company's expense.
18. The duties of the Remuneration Committee shall be:
  - (a) to make recommendations to the Board on the Company's framework of executive remuneration and its cost, giving full consideration to the matters set out in Code provision B (headed "Remuneration") of, and Schedule A to, the Combined Code;
  - (b) to determine the philosophy, principles and policy of remuneration which shall apply to the Group's Senior Management. The responsibility of determining the precise package to meet local practice and performance lies with the Chief Executive and the responsible Executive Director;
  - (c) in relation to each of the following cash bonus and equity incentive plans listed below;
    - (1) Cash Bonus

To consider the basis for the cash bonus payable to the executive directors and the criteria on which it should be established. The Committee shall arrange for the determination, in conjunction with the Company Auditors, as to whether and the extent to which performance targets have been satisfied.
    - (2) Share Option Plans

In relation to the Group's Share Option Schemes:

      - (i) determine policy for the grant of awards/options to executive directors and senior executives, to ensure that they are provided with appropriate incentives consistent with the Company's policy as currently in force;
      - (ii) approve all and any awards/options to executive directors and senior executives, including consideration of the quantum of grants and vesting schedules;
      - (iii) set appropriate performance targets in connection with the awards/options;

- (iv) determine, in conjunction with the Company's auditors, whether such performance targets have been satisfied;
  - (v) approve any amendments to the Plans prior to obtaining any necessary shareholder approval; and
  - (vi) exercise any discretion specified in the rules of the Plans and generally oversee the administration of Plans offered to executive directors and/or other senior executives;
- (d) to consider and review the terms of any new equity plans for executive directors and/or senior executives;
  - (e) to advise on any major changes in employee benefit structures throughout the Company or group which relate to executive directors and senior executives;
  - (f) to assist the Board in preparing an annual report to shareholders for the purposes of, and in accordance with, Schedule 7A of the Companies Act 1985, LR 9.8.8.R of the Listing Rules of the Financial Services Authority and the provisions of the Combined Code. The report will form part of, or be annexed to, the Company's annual report and accounts;
  - (g) to appoint consultants in respect of executive director remuneration and make the terms of reference of such consultants, together with a statement of whether they have any other connection with the company, available (by making it available on request and placing it on the Company's website); and
  - (h) to consider any other matters as referred to the Remuneration Committee by the Board.
19. In discharging its functions, the Committee shall also have regard to the duty of Committee members, as directors of the Company, to promote the success of the Company for the benefit of its members in accordance with the provisions of Section 172 of the Companies Act 2006 and having regard, as appropriate, to the matters specifically referred to in paragraphs (a) to (f) of that section.