

# Corporate social responsibility

The Board has continued to embrace and apply the general Corporate Social Responsibility ('CSR') principles in conducting its business in a socially acceptable and sustainable way with due regard to the relationship of the Company to its employees, customers, investors, suppliers and society generally. In particular the Board focuses on social, ethical and environmental ('SEE') matters.

This report follows the practice in recent years of illustrating the Board's commitment to meeting the requirements laid down by the Association of British Insurers and the reporting procedures and actions taken within the Group in this connection. The Group has developed further its awareness of CSR issues and has continued to make improvements, particularly in the areas of health and safety and environmental matters.

The Board achieves compliance with the principles of CSR by the management of the risks concerned within the normal operations of the Group such that the necessary policies, systems and procedures are embedded in Group practice. The importance of involvement of employees and suppliers in meeting the standards required by the Board is inherent in the day-to-day business operations. Meeting the standards required in the operation of our business as it affects communities and customers is also a specific objective reflected in our annual plans and strategic planning.

The Group's operations are carried out under the Group's long standing Business Code. A copy of this is posted on the Group web site: [www.SpiraxSarcoEngineering.com](http://www.SpiraxSarcoEngineering.com). This Code formalises policies followed over many years by the Group, the main areas being:

- compliance with all applicable laws and regulations;
- operation of the internal controls established by the Group;
- having proper regard for all stakeholders in the business;
- prohibition of bribery or corrupt practices;
- commitment to fair treatment of all employees; and
- recognition of all health, safety and environmental matters.

The standards required in the practical management of the Group are set out in a separate Management Code issued by the Chief Executive with which general managers and the finance managers in each Group company provide written confirmation of compliance for each year.

The Group also recognises that the achievement of good quality products and services, the maintenance of health and safety, and the achievement of good environmental practices are an integral part of running the business and require consideration as part of the day-to-day operations of the Group and are reflected in the Group's performance.

The responsibility held by Board members for the entirety of the Group's operations, including the implementation of its policies, enables the Group's Business Code and Group policies to be applied on a consistent basis. The Group's decentralised structure provides for detailed local management of SEE matters by the general manager in each Group company, who reports to, and is monitored by, the appropriate executive director and regional general manager. These reporting procedures within the Group enable the executive directors, who have direct responsibility for implementing policy, to monitor, report and take any appropriate action. SEE training is part of the training provided for newly appointed directors appropriate to their experience, knowledge and previous training.

As part of the risk management process explained on page 36, the risks involved in not achieving appropriate SEE standards are assessed and any significant risk is monitored by the Board following half yearly reports from all Group companies.

The Group considers and applies appropriate policies through the Group's Business Code in the following areas:

## (i) Employment policies

The Group supports and applies the principles of human rights in its operations including equal opportunities for employees regardless of sex, race, religion, age or disability. Board members satisfy themselves that the terms of employment in Group companies worldwide are appropriate. The Group has a policy of non-discrimination and does not tolerate bullying and/or harassment in any form. The recruitment procedures throughout the Group avoid employment of underage staff. Care has been taken to provide for a culture of openness and honesty. The Group operates personnel policies designed to meet the needs of its Group companies and employees around the world. Channels of communication appropriate to the local operation have been established to allow employees to be properly informed and voice their views and concerns. Recognition is given to individual employees' needs and requirements throughout the Group and, where possible, flexible working arrangements are considered where the circumstances are justified. Employees are encouraged to apply their skills, knowledge and energy. The Group recognises the importance of its employees and their training as a competitive advantage.

The Group is committed to equality of opportunity for all regardless of gender, race, age, disability, religion or sexual orientation. This applies equally to recruitment and to the promotion, development and training of people who are already part of the Group. The Group takes seriously its obligations to the disabled and gives full and fair consideration to applications for new positions or employment from current or prospective employees regardless of any disability and having due regard to the individual's particular aptitudes and abilities.

The Group is willing to make reasonable adjustments to premises or employment arrangements if these substantially disadvantage a disabled employee or prospective employee. Every effort is made to find a suitable alternative job and, as necessary, training for those who are unable to continue in their existing role due to disability.

A summary of the Group's annual accounts is made available to its employees. The Group's newsletter, with a Foreword from the Chief Executive, is distributed to all Group companies bi-monthly and is made available to employees. Individual Group companies have either a local newsletter, intranet site or a regular communication informing employees on the progress of their company. The Group encourages the growth of employee share ownership.

## (ii) Community involvement

The Group has a Charitable Trust which makes donations both to registered charities and in response to appropriate requests for support from bodies which are not registered charities both in the UK and overseas. In the case of overseas donations the decision to donate is made by the local general manager. In total in the UK the Group donated approximately £64,000 in 2008 to registered charities and other good causes, including the National Star College, the Gloucestershire County Air Ambulance, the Alzheimer's Society, Young Enterprise and the Cheltenham Science and Literature festivals.

The operating companies in the Group are encouraged to provide support to local communities through company donations, employee organised charitable activities, donation of equipment no longer required and through provision of information.

By way of examples, Watson-Marlow Ltd are a sponsor of Falmouth Maritime Museum and a Wildlife Guardian of the Cornwall Wildlife Trust and made charitable donations totalling £6,900 during the year. Watson-Marlow Inc., USA, supports local charities including the Princess House School and The Wilmington Firefighters Association. Bredel Hose Pumps BV supports the annual International Wheelchair Games held in and around Delden.

Spirax Sarco China contributed the sum of RMB 100,000 (£10,256) to the China Earthquake Relief Appeal with the company matching the local employees' donations of RMB 50,000 (£5,128).

In India the local company continues to support a hospital it established many years ago making provision for both company employees and the local community. Both benefit from an established welfare programme based in company provided premises supporting community initiatives, particularly for women and pre-school provision for children. Spirax-Sarco Ltd continues to support the National Star College in Cheltenham.

### (iii) Supplier relations

The Company policy is to use suppliers of goods and services which maintain appropriate quality standards in their operations. Suppliers must consistently achieve the standards required by ISO 9000.

### (iv) Product stewardship

Information and support is given through appropriate technical advice to provide a solution to customers' needs with installation and after-sales service being integral to the Group's business. The proper application of products with due regard to environmental and safety considerations are dealt with in detail in the technical literature made freely available by the Group.

### (v) Corruption

The Company's policy prohibits bribery or corrupt or anti-competitive practices. In addition to provisions within service contracts, general managers, who head Group companies, are required to certify personally that all laws and regulations have been met in their territory.

### (vi) Health and safety

The Company has a clear attitude to health and safety, which is that each operation will maintain a healthy and safe environment. The Group is committed to managing its activities around the world so as to safeguard the health and safety of its employees, customers and local community.

In the first instance the general manager of each company has the responsibility for ensuring that this is effectively managed at the local level. Each major manufacturing site has its own Health and Safety Committee advised by a safety officer.

General managers report the health and safety record of each Group company in a standard form to the responsible executive director in an exercise co-ordinated and monitored by the Supply Director. The Supply Director is responsible for overseeing all health and safety matters in each Group company. In addition to the site Health and Safety Committees referred to above, a separate UK Health and Safety Audit Committee composed of UK based directors and senior managers meets every six months to verify the performance of the UK Spirax business on health and safety and environmental issues.

The Group ensures that the necessary resources are available for health and safety training and companies within the Group seek, as necessary, professional advice regarding the implementation of safety programmes. For example, in the UK Spirax Sarco has an established training programme which is provided to new shop floor employees and refresher courses are provided to all existing shop floor employees.

Regular reviews are conducted to ensure that employees have up-to-date knowledge of health and safety matters relevant to them.

In the UK Spirax Sarco has carried out various reviews and in particular has extended the measures for the welfare of employees by providing:

- automatic external defibrillators for use in heart attack situations - all first aiders have been trained in their use;
- training for all managers in the recognition and prevention of work related stress;
- training for managers and first aiders in the recognition of the symptoms of abuse of alcohol and drugs;
- significant investment in safety equipment; and
- the appointment of an occupational health service including the regular attendance of an on-site health adviser to support managers and employees on health related matters.

Spirax Sarco Châtelleraut (France) achieved OHSAS 18001 registration in 2008 and the resultant improvement actions have resulted in a 50% reduction in reported health and safety incidents. Investments were made in improved fire detectors, air extraction, lifting equipment and noise reduction. Watson-Marlow Ltd in Falmouth has also achieved OHSAS 18001 registration.

### (vii) Environmental

#### a) Policy statement

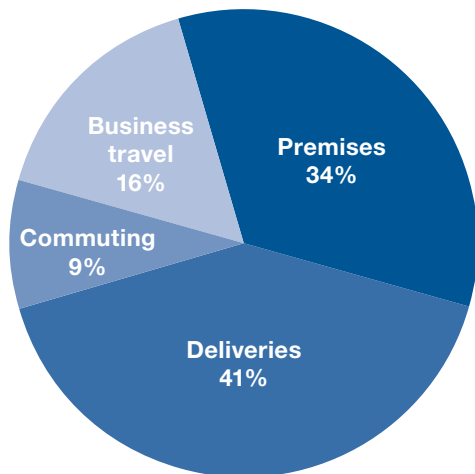
The Group has developed an Environmental Vision entitled 'PROMISE', an acronym for: 'Provide Real Opportunities to Manage, Improve and Sustain our Environment'. The Group will use its expertise in steam system design and maintenance to help protect the environment by:

- developing a global network of outstanding people and suppliers who are committed to improving the environment;
- understanding the environmental challenges and providing cost-effective solutions to its customers;
- building on 80 years' experience in helping customers reduce energy costs and conserve water;
- making best use of all resources to reduce unnecessary waste; and
- maintaining a broad range of quality and environmentally-friendly products, services and solutions.

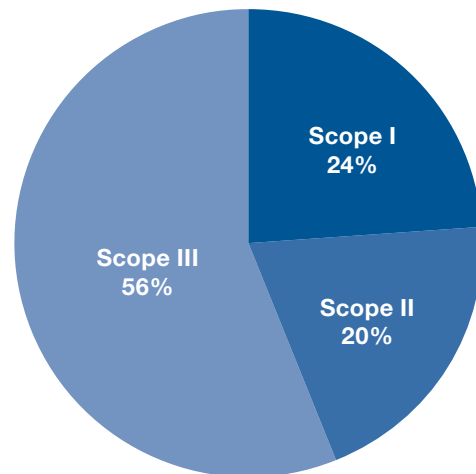
To measure its emissions and climate change impact the Group has committed to annual Carbon Disclosure Project ('CDP') submissions which in 2008 (based on 2007 data) rated the Group with a Carbon Disclosure Leadership Index ('CDLI') score of 43. This was based on detailed data for the UK extrapolated for the rest of the world. During 2008 detailed data has been gathered from all operating companies worldwide showing total carbon equivalent emissions of 55,618 tonnes CO<sub>2</sub>e (carbon dioxide equivalent). This more accurate data will be used for the 2009 CDP submission.

# Corporate social responsibility continued

The following key statistics resulted from the detailed review:



*Breakdown of Group carbon dioxide emissions by emission source  
(55,618 tonnes CO<sub>2</sub>e)*



*Breakdown of Group carbon dioxide emissions as defined by World Business Council for Sustainable Development (WBCSD) Scope  
(55,618 tonnes CO<sub>2</sub>e)*

Scope I - all direct green house gas ('GHG') emissions from wholly operated premises, processes, vehicles and travel.

Scope II - indirect GHG emissions associated with the generation of electricity, heat or steam purchased for own consumption.

Scope III - other indirect GHG emissions associated with extraction and production of materials purchased and outsourced activities or disposal of waste.

Using this data, the Group is benchmarking its performance both internally and externally as well as setting high-level targets for annual weighted reductions in emissions through:

- an improvement in the annual measure of the Group's carbon footprint;
- continuous improvement in waste reduction, in particular, elimination of avoidable waste, re-use of in-process waste through recycling and environmentally safe disposal of unavoidable waste;
- annual targeted reductions in energy, water and paper consumption;
- implementation of a global freight plan to achieve year-on-year carbon savings;
- progressive adoption of the ISO 14001 environmental management standard;
- innovation in product development to improve plant performance, reduce product size or weight and reduce number of parts and waste in manufacture; and
- improving steam engineering efficiency worldwide.

Measurable targets for improvement are being set with continuous improvement projects being managed by a Multi-National User Group, supported by 'Environmental Champions' around the Group. The Group has also decided to take a long-term view on the incremental cost of environmental improvement to accelerate progress and support the many ideas being generated.

In addition to the annual CDP review, the Supply Director has specific environmental responsibility in relation to the Group's operations and their impact on the environment. The Group's objective is to comply with environmental laws and good practice and where any actual or potential non-compliance is identified to have management systems in place to ensure that any issue is rectified within an appropriate timeframe. The environmental policy set out above is circulated to management and to all employees.

General managers of operating companies within the Group are responsible for local compliance with the Group's policy and with local legislation. Agreed actions are implemented by each operating company overseen by the relevant executive director responsible for that operating company.

In the past the Group has utilised external environmental consultants to audit a number of manufacturing facilities and has, as a result, established an internal environmental audit process under which a senior manager assesses the environmental position in each of the major manufacturing units and reports to the local management. This process is overseen by the relevant executive director who informs the Supply Director appropriately and is distinct from the process identified above.

The following environmental improvements have been actioned in 2008:

- achievement by the French manufacturing unit of ISO 14001 accreditation during the year. Significant progress was also made in the UK for accreditation in 2009;
- a paper and cardboard recycling programme in Argentina, the recovery value of which is donated to a foundation for homeless children. There is a similar recovery programme in the USA;
- a three tonne reduction in product packaging materials in Germany as a result of changing the packaging design to enable re-use from raw material to finished product;
- Watson-Marlow Ltd, Falmouth, implemented a UK Government sponsored 'Cycle to Work Scheme' under which employees are able to purchase bicycles for use in travelling to work;
- a reduction in office paper by 8% for the second year in a row in one of our Watson Marlow operations;
- a reduction in chemical wastage by 550 litres per annum as a result of renewing a product paint plant;
- the introduction of various other schemes to replace compressors and fit low-energy light bulbs to reduce energy usage; and
- improved condensate recovery and return in our USA factory saving \$18,000 of water and chemicals per annum.

In addition the new tubing plant and the extension to the peristaltic pump factory in Falmouth which are due for completion in 2009 are being constructed in accordance with the Building Research Establishment Environmental Assessment Method ('BREEAM') guidelines with a view to achieving a BREEAM Excellent rating.

#### b) Environmental benefits from the use of group products

The use by customers of the Group's products and services has a significant environmental benefit that outweighs the environmental issues associated with the production of the products. The Group's main business is to provide its customers with solutions to manage steam and other related fluids in a safe, environmentally-friendly and cost-effective way.

The name Spirax Sarco is synonymous with steam and its efficient use worldwide. The majority of sales are the result of assisting customers to improve the efficiency of their plant process, reduce energy consumption and emissions and meet local safety regulations. Our analysis shows that the environmental impact arising from the manufacture and distribution of the Group's range of steam system products is conservatively one third of the energy-saving benefits enjoyed by customers in the application of those products.

The Group's technical advice and expertise on the application of its products, services and engineered solutions in relation to steam systems and services is the key to maximising the benefit of the products we supply. There are numerous individual examples of benefits enjoyed by customers which include improved overall boiler efficiency, improved energy efficiency of plant processes, reduced consumption of water and water treatment chemicals and lower production of effluent and emissions.

The implementation of these solutions allows customers to reduce their environmental impact by reducing steam consumption and returning condensate to the boiler, hence saving on energy, CO<sub>2</sub> emissions and water costs. Returning ('recycling') condensate for re-use has the added benefit of reducing chemical treatment and effluent costs.

A key part of the Group's activity is auditing customers' steam systems. These audits identify savings to be gained as a result of simple repairs and the employment of new technologies such as energy-saving solutions or packaged engineered systems. As an example, based on audits and surveys alone carried out for customers globally, the Company calculates average potential CO<sub>2</sub> emissions savings in excess of 180,000 tonnes per year assuming implementation of the recommendations. The full CO<sub>2</sub> benefit of all the services provided is considerably higher.

The knowledge and experience of engineers within the Group help customers to identify and implement cost-effective energy savings and emissions reduction solutions through a combination of correctly applied products, engineered systems and associated services. An example of the Group's ability to offer more than product is the Eirdata Environmental Services operation in the Republic of Ireland which offers a service to clients which includes expertise in many areas of energy management. They were winners of the 2007 Energy Service Company award from Sustainable Energy Ireland.

The Group's Product Research and Development programme has been assisted through collaboration with the UK's Carbon Trust, which aims to bring new and innovative energy-saving solutions to customers globally, enabling their CO<sub>2</sub> emissions to be further reduced. A product charter has also been produced to challenge design engineers to enhance the environmental performance of future products both in manufacture and lifetime use.

Many applications for Watson Marlow peristaltic pumps are those where environmental improvement is the main aim. These pumps are particularly well suited to applications such as waste water treatment, where difficult fluids must be handled safely and reliably.

Watson-Marlow Ltd in the UK and Spirax-Sarco Châtelleraut are certified to the Environmental standard ISO 14001. It is the intention for the whole Group to be accredited ISO 14001. In the United States, Watson-Marlow Inc. complies with US OSHA regulations and strives to be environmentally conscious through a paper recycling programme and implementing energy-efficient and green technologies.