

# The directors' remuneration report

The Board presents the following report on directors' remuneration and the work and responsibilities of the Remuneration Committee.

## The remuneration committee

This Committee has been established for many years and operates under terms of reference agreed by the Board and which can be found on the Group web site: [www.SpiraxSarcoEngineering.com](http://www.SpiraxSarcoEngineering.com).

The Committee members throughout the year were Messrs. W. H. Whiteley (Chairman), G. Bullock and E. Lindh. On 10th February 2009 Dr. K. Rajagopal replaced Mr. E. Lindh. Each Committee member is an independent non-executive director. They bring independence to all aspects of Board remuneration and in the application of professional advice to matters of remuneration.

The Committee is responsible for determining, on behalf of the Board, the Company's remuneration policy, the employment conditions and remuneration packages (comprising salary and benefits) of individual executive directors and the fees for the Chairman. The Committee also administers and determines the grant of options under the Group's share option schemes for senior employees and administers and determines the grants of awards under the Performance Share Plan.

The Committee obtains independent professional advice from Towers Perrin to ensure that the Company's remuneration policy is appropriate and competitive. Towers Perrin was appointed by the Committee and has not provided other services to the Company during the year. Mr. M. Townsend, the Company Chairman, and the Chief Executive (Mr. M. J. D. Steel up to 31st March 2008 and Mr. M. E. Vernon since that date) attend meetings at the invitation of the Committee to provide information requested by it. During the year Mr. D. J. Meredith was also invited to attend one meeting. However, the invitees do not participate in any discussions involving their own remuneration. The Company Secretary acts as Secretary to the Committee.

The Committee consulted with Towers Perrin in arriving at the remuneration packages paid to directors during 2008.

The Company has throughout the year complied with the provisions of The Combined Code and Code of Best Practice published in July 2006 with regard to directors' remuneration. The Committee has given full consideration to the Combined Code in establishing the remuneration policy and packages for directors.

## Policy on executive directors' remuneration

The Company's policy is to reward directors competitively and on the broad principle that their remuneration should be comparable with remuneration in other similar public companies. Further, the total remuneration package is designed in a way which is appropriate and necessary to attract, retain and motivate directors of the calibre required to take the Company forward. It is anticipated that this policy will continue to govern the Company's approach to executive directors' remuneration in subsequent financial years.

In order to align the interests of directors and shareholders, the Committee has structured the total remuneration package to provide a material performance-related element through the annual bonus and the Group's Performance Share Plan.

The structure of the directors' remuneration package has been established, subject to appropriate modifications, for many years and has regard to pay and conditions elsewhere in the Group.

The Company's policy on directors' remuneration and the structure of their remuneration package are kept under review to ensure the directors' overall package remains competitive and shareholders will be informed of any resulting change. The remuneration package comprises:

### Basic salary

The Committee obtains independent professional advice from Towers Perrin using published information for comparable public companies. Salaries are reviewed annually as at 1st January taking into account the experience, responsibility and performance of the individual.

### Benefits

The Company operates company car, life assurance and private health insurance schemes in which the executive directors are eligible to participate. These benefits are reviewed annually to ensure they remain comparable with benefits provided by other similar public companies and to ensure they are purchased by the Company at a competitive market rate.

### Annual bonus

The Company operates an annual bonus scheme for executive directors. The bonus is determined as a percentage of salary. For 2008, maximum bonus remained at 100% of salary (as in prior years) and it was not pensionable.

The bonus was made up as follows:

- (i) a component of up to 65% of salary was determined on a sliding scale by reference to the operating profit of the Group including the Group's associate companies in India and Mexico; and
- (ii) a component of up to 35% of salary was determined on a sliding scale by reference to the return on capital employed ('ROCE').

The application of the above formula resulted in a bonus equal to 87.2% of salary being payable to all executive directors in respect of the Group's 2008 performance.

For 2009, the Committee plans to base the bonus on the same two measures with the same relative weight as in 2008 and the maximum bonus payable will remain a sum equal to 100% of base salary.

The Committee offered to executive directors in a UK defined benefit scheme a cash alternative to pension contributions in respect of the directors' pensionable service from 6th April 2006, ie 'A Day' under the HMRC tax regime for pensions. The level of this cash alternative was confirmed by the Company's actuaries. The cost of the alternative to the Company would be no greater than the cost of the pension contributions. The cash alternative has not been adopted by any of the executive directors in the scheme.

## Options

### Spirax-Sarco Engineering 1992 UK and global share option schemes

#### Spirax-Sarco Engineering approved and global share option schemes

The Company operates share option schemes administered by the Committee which determines the grant of options under the schemes, usually once per year. These are designed to align the longer term interests of participants with those of shareholders by giving an incentive linked to added shareholder value. Following the introduction of the performance share plan in 2005, it is intended that, ordinarily, executive directors will be granted awards under that plan rather than be granted options.

Executive directors, senior executives and management hold options granted in previous years and it is intended that options will continue to be granted to senior executives and management. The policy is to phase options over the ten-year life of the share option schemes. Options granted to each director from 1997 are subject to a performance condition which is described below.

#### Performance condition for share option schemes

In accordance with market practice, options granted are normally specified to be exercisable between three and ten years from the date of grant and, for grants from 1997, only if a specified performance condition is satisfied. In line with the then established market practice, the performance condition for options granted from 1997 up to 2001 requires an increase in earnings per share ('EPS') of more than 6% greater than the increase in the UK retail prices index over a period of three consecutive years between grant and exercise. For options granted from and including 2002 the performance condition requires an increase in EPS of more than 9% greater than the increase in the UK retail prices index over a period of three consecutive years between grant and exercise. For grants from and including 2005, the performance condition will, ordinarily, need to be met over the three-year period from the 1st January prior to the date of grant in order for the option to become exercisable. If the condition is not met at the end of the three-year period, the option will lapse. The same performance condition applies to each director. The performance condition chosen was considered appropriate because it ensured increases in the EPS were achieved having taken account of UK inflation. The auditors are asked to confirm whether the performance condition has been met. The method of assessment is considered appropriate to confirm compliance with the condition. The performance condition requires a comparison with a factor external to the Company, namely the growth in the UK retail prices index over the performance period.

Details of total share options outstanding are set out in Note 24 on page 69. The above performance conditions apply to other relevant options granted to all participants in the share option schemes.

#### Spirax-Sarco performance share plan ('PSP')

The PSP for executive directors, senior executives and management was adopted at the 2005 annual general meeting. Following the introduction of this PSP no further option grants have been made to executive directors. Details of options that were awarded prior to this and which remain outstanding are provided on page 46.

The PSP allows for awards to be made each year with a market value of up to 150% of base salary. The market value of awards made to executive directors in 2008 was generally limited to 100% of base salary. Details are set out on page 47. Awards take the form of contingent rights to acquire shares, subject to the satisfaction of performance targets. To the extent they vest, awards may be satisfied in cash, in shares or an option over shares at the discretion of the Company.

The performance target applied to awards granted in 2006, 2007 and 2008 was based on the Company's Total Shareholder Return ('TSR') relative to the TSR of other companies included in the FTSE All-Share Industrial Engineering Index over the three-year periods commencing with effect from 1st January 2006, 1st January 2007 and 1st January 2008. For awards to be made in 2009, the Committee has decided to amend the comparator group of companies against which the Company's TSR would be measured to encompass a group of 27 companies within the overall Industrial Goods and Services super sector of FT350. TSR was chosen as the measure of performance as the Committee felt that this achieved an appropriate alignment of the interests of the directors with those of the shareholders of the Company. For full vesting, the Company's TSR must be at or above the upper quartile, with 25% of the shares subject to an award vesting if the Company's TSR is at the median relative to the comparator group. Awards vest on a straight line pro-rata basis between median and upper quartile performance. In respect of the awards made in 2006, the Company's relative TSR performance resulted in 100% of the awards vesting.

Following a review of the operation of the PSP and the market competitiveness of awards, the Committee decided in 2008 to adopt a second performance measure to determine vesting under the PSP. Although relative TSR will be retained as one of the measures to determine the vesting of part of the award, a second, separate element of the award will be based upon EPS growth. The decision to adopt EPS as a specific measure to determine the vesting of part of the future awards is a reflection of the importance the Company gives to continuing growth in earnings.

Specifically, for awards made in 2008, the award was split into two separate parts amounting to 60% and 40% of salary respectively.

The vesting of each part of the overall award will be subject to the satisfaction of separate performance targets as follows:

- (i) vesting of the first part, amounting to 60% of salary, will be based on the TSR measure as described above; and
- (ii) vesting of the second part, amounting to 40% of salary, will be subject to achievement of a target based on aggregate EPS over the whole of the three-year performance period, with growth measured relative to EPS in the year prior to that in which the award is made. For the awards made in 2008, 25% will vest if the compound annual growth in EPS over the three-year period 2008 to 2010 is equal to 5%; and 100% of the award will vest if the compound annual growth in EPS is equal to or exceeds 11%; there will be pro-rata vesting for actual growth between these two rates.

No award will vest if the Company's TSR is below the median.

The Committee reviews the measures annually and is maintaining the same measures and the same performance standards for awards made in 2009.

TSR calculations are performed by Towers Perrin.

# The directors' remuneration report continued

## Spirax-Sarco Engineering plc employee share ownership plan ('the plan')

The executive directors, with the exception of Mr. M. E. Vernon, participate in the plan, as described on pages 47 and 48. Participation in the plan is open to all eligible UK employees. No employee's entitlement under the plan is subject to performance conditions, as the aim of the plan is to encourage increased shareholding in the Company by all eligible UK employees.

There are no other long-term incentives or share-based arrangements provided to directors.

## Share ownership policy

It is the policy of the Board of Spirax-Sarco Engineering plc that executive directors should have a significant shareholding in the Company. The Board expects that executive directors will accumulate, following appointment to the Board, a shareholding equivalent to at least 100% of basic salary and should retain a shareholding of at least this amount whilst remaining on the Board.

To achieve this level of share ownership the Board expects that executive directors will retain shares acquired under the Company's share-based incentive schemes (after sales of such shares as are needed to settle relevant tax and national insurance charges) until the required level of shareholding is achieved. Any shares held in trust for an executive director or in the name of a connected person, e.g. spouse, will be considered as part of an executive director's shareholding.

The Board will exercise discretion in implementing this policy where the personal circumstances of an individual executive director make that appropriate.

The policy does not require any shareholdings by non-executive directors.

## Pensions

The UK executive directors, other than Mr. M. E. Vernon, are members of an HMRC registered, non-contributory, defined benefit pension scheme based on 1/60th of pensionable salary, for each year of pensionable service. The maximum pension is two-thirds of pensionable salary. Messrs. A. D. H. Black, N. H. Daws and D. J. Meredith accrue pro-rata additional service at a rate which gives a further two and a half years of service at age 62½ although their normal retirement age is now 65. The same provision applied to Messrs. M. J. D. Steel and P. A. Smith who retired on 31st March 2008. This additional service provision does not apply to Messrs. M. E. Vernon and A. J. Scrivin who have a normal retirement age of 65.

The UK scheme also provides lump sum death-in-service benefit of four times pensionable salary and spouses' pensions are payable where death occurs in service or in retirement.

Mr. M. E. Vernon, in addition to membership of the Spirax Sarco Inc. defined benefit scheme, has defined contributions as set out on pages 48 and 49. In total, pension contributions at the rate of 25% of pensionable pay were payable from 12th June 2007. A lump sum death-in-service benefit of four times salary is also provided for Mr. M. E. Vernon.

## Non-executive directors

The remuneration of non-executive directors is approved by the full Board within the limits set out in the Company's articles of association. Their remuneration reflects the amount of time spent on the Company's business. The non-executive directors do not participate in the bonus, share option or share ownership schemes and do not participate in the Performance Share Plan. Non-executive directors' appointments are non-pensionable.

## Service contracts

The Committee applies a policy on directors' contracts reflecting established practice and reviews the content from time-to-time on professional advice. The executive directors have rolling service contracts with no fixed expiry dates which are subject to 12 months' notice.

	<b>Date of Contract</b>	<b>Notice Period</b>
M.E. Vernon	10.12.08	12 months
A.D.H. Black	18.10.98	12 months
N.H. Daws	28.05.03	12 months
D.J. Meredith	30.12.92	12 months
A.J. Scrivin	15.03.05	12 months
P.A. Smith <sup>(1)</sup>	24.12.92	12 months
M.J.D. Steel <sup>(1)</sup>	30.12.92	12 months

(1) Messrs. M. J. D. Steel and P. A. Smith retired from the Board on 31st March 2008. No compensation for loss of office was made on their retirement.

Termination payments reflect the circumstances leading to termination of employment and excessive compensation will not be paid. Professional advice will be obtained by the Committee to ensure legal obligations and good practice are followed.

Executive directors' contracts may be terminated without notice and without payment of compensation on the occurrence of certain events, such as gross misconduct. If however the Company were to terminate an executive director's contract without cause and without due notice, it would pay a sum equal to the value of the salary and benefits to be received during the notice period, but taking into account the director's duty to mitigate his loss. Any rights to pensions would be dealt with under the rules of the pension scheme applicable to the director and any rights under the Company's share plans would be dealt with in accordance with the rules of each plan.

The executive directors' contracts contain no provisions regarding material non-statutory redundancy payments, rights to compensation on change of control of the Company or entitlement to early retirement benefits.

The non-executive directors, including the Chairman, Mr. M. Townsend, do not have service contracts. They have appointment letters, normally for three-year periods, and re-appointment is not automatic.

	<b>Date of Appointment Letter</b>	<b>Notice Period</b>
M. Townsend	11.04.06	1 month
G. Bullock	05.03.08	1 month
E. Lindh <sup>(1)</sup>	06.04.06	1 month
W.H. Whiteley	04.03.09	1 month

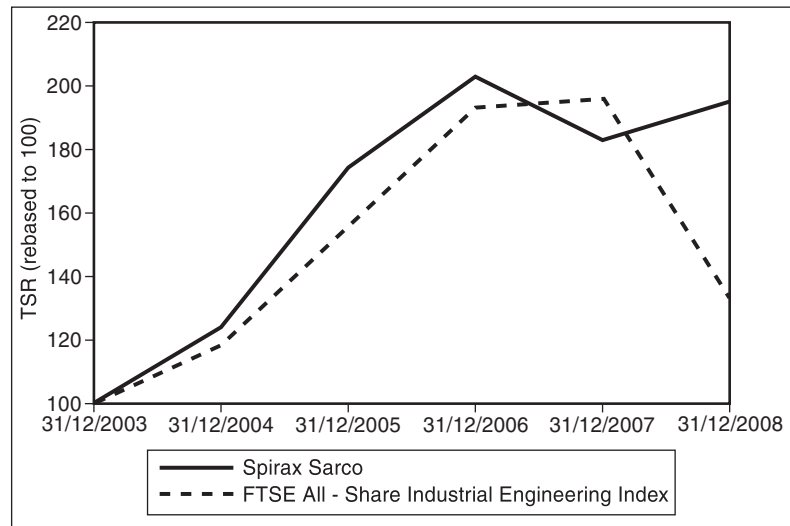
(1) Mr. E. Lindh retired from the Board on 31st December 2008.

#### Policy on senior executive remuneration

The Committee determines the philosophy, principles and policy of remuneration which shall apply to the Group's senior executives. The responsibility for determining the precise package to meet local practice and performance lies with the Chief Executive and the responsible executive director.

#### Total shareholder return

The performance graph illustrated shows the Company's total cumulative shareholder return for the five-year period ended 31st December 2008 compared with the total cumulative shareholder return for the FTSE All-Share Industrial Engineering Index. This comparison is selected as being the most appropriate sector for the Company's operations as the comparison automatically takes account of the impact on the Company's shares of the market's view of the engineering industry generally.



#### Information subject to audit

The auditors are required to report on the information contained in the remaining sections of the Report.

#### Directors' emoluments

	<b>Basic Salary/ Fees</b>	<b>Benefits <sup>(1)</sup></b>	<b>Annual performance related bonus</b>	<b>Total emoluments excluding pension</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>2008 Total</b>	<b>2007 Total</b>
				<b>£</b>	<b>£</b>
M. Townsend <sup>(2)</sup>	100,000	-	-	100,000	90,000
M.E. Vernon	352,500	16,130	307,380	676,010	427,337
A.D.H. Black	225,000	13,963	196,200	435,163	298,733
N.H. Daws	217,000	13,053	189,224	419,277	285,282
D.J. Meredith	250,000	17,321	218,000	485,321	335,190
A.J. Scrivin	217,000	7,981	189,224	414,205	257,749
P.A. Smith <sup>(3)</sup>	46,250	2,125	40,330	88,705	244,505
M.J.D. Steel <sup>(3)</sup>	102,500	5,101	89,380	196,981	537,443
G. Bullock <sup>(2)</sup>	36,000	-	-	36,000	33,000
E. Lindh <sup>(2)(3)</sup>	36,000	-	-	36,000	33,000
W.H. Whiteley <sup>(2)</sup>	52,000	-	-	52,000	46,000
	<b>1,634,250</b>	<b>75,674</b>	<b>1,229,738</b>	<b>2,939,662</b>	<b>2,588,239</b>

(1) Benefits arising from employment by the Company relate mainly to the provision of a company car, private health insurance and provision of telecommunications equipment.

(2) Non-executive director.

(3) Messrs. M. J. D. Steel and P. A. Smith retired from the Board on 31st March 2008. Mr. E. Lindh retired from the Board on 31st December 2008. No compensation for loss of office was made on their retirements.

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## Long term incentives

- (i) Spirax-Sarco Engineering 1992 UK and Global Share Option Schemes  
Spirax-Sarco Engineering Approved and Global Share Option Schemes

The interests of directors are set out below:

		01.01.08	Exercised in year <sup>(3)</sup>	31.12.08	Exercise price per share <sup>(4)</sup>	Date from which exercisable <sup>(5)</sup>	Expiry date <sup>(5)</sup>
	<sup>(2)</sup>	No.	No.	No.	pence		
M.E. Vernon	B	8,400	8,400	0	-	-	-
		8,400	8,400	0			
A.D.H. Black		-	-	-	-	-	-
		-	-	-			
N.H. Daws	A	20,000	-	20,000	541.9	25.03.07	25.03.14
	B	15,000	-	15,000	394.5	14.03.06	14.03.13
		35,000	-	35,000			
D.J. Meredith	A	15,000	-	15,000	525.0	12.10.02	12.10.09
	A	17,500	-	17,500	436.0	22.03.05	22.03.12
	A	20,000	-	20,000	394.5	14.03.06	14.03.13
	A	20,000	-	20,000	541.9	25.03.07	25.03.14
		72,500	-	72,500			
A.J. Scrivin	B	7,000	-	7,000	394.5	14.03.06	16.06.12
	B	7,000	-	7,000	541.9	25.03.07	16.06.12
		14,000	-	14,000			
P.A. Smith <sup>(1)(7)</sup>	A	40,000	40,000	0	-	-	-
		40,000	40,000	0			
M.J.D. Steel <sup>(1)(6)</sup>	A	185,000	185,000	0	-	-	-
		185,000	185,000	0			

(1) Messrs. M. J. D. Steel and P. A. Smith retired from the Board on 31st March 2008. (See notes 6 and 7 respectively.)

(2) Options shown on line A relate to options granted to members of the Board, whereas options shown on line B relate to options granted to individuals prior to their appointment to the Board.

	2008 Options exercised	Option exercise price	Mid market price on the date options exercised	2008 Gain arising on exercise	2007 Gain arising on exercise
	No.	pence	pence	£	£
M.E. Vernon	8,400	686.0	905.0	18,396	56,892
M.J.D. Steel	25,000	525.0	1038.0	1,111,535	-
	25,000	319.2			
	35,000	397.7			
	30,000	436.0			
	35,000	394.5			
	35,000	541.9			
A.D.H. Black	-	-	-	-	99,720
D.J. Meredith	-	-	-	-	53,100
A.J. Scrivin	-	-	-	-	8,600
P.A. Smith	20,000	394.5	1138.0	267,920	-
	20,000	541.9			
<b>Aggregate of gains arising on exercise</b>				<b>1,397,851</b>	<b>218,312</b>

(4) These are the exercise prices for ordinary shares under option at 31st December 2008. The exercise prices for all options shown are lower than the mid-market price of the Company's ordinary shares on 31st December 2008.

(5) These are the ranges of dates between which options may be exercised.

(6) Mr. M. J. D. Steel retired from the Board on 31st March 2008. Following his retirement, but in accordance with the rules of the option schemes, Mr. M. J. D. Steel exercised 185,000 options realising a gain of £1,111,535.

(7) Mr. P. A. Smith retired from the Board on 31st March 2008. Following his retirement, but in accordance with the rules of the option schemes, Mr. P. A. Smith exercised 40,000 options realising a gain of £267,920.

No options were granted to directors during the year and no options held by directors lapsed during the year.

The mid-market price of the ordinary shares on 31st December 2008 was 908.0p. During the period from 1st January 2008 to 31st December 2008 the ordinary mid-market share price ranged between 742.5p and 1199.0p.

The performance conditions are described on page 43.

#### (ii) Performance share plan

The interests of directors are set out below:

	24.03.06 <sup>(1)</sup>	Date of award			Total awards as at	
		26.03.07 <sup>(2)</sup>	10.09.07 <sup>(3)</sup>	12.03.08 <sup>(4)</sup>	31.12.08 (or date of retirement if earlier <sup>(5)</sup> )	09.03.09
M.E. Vernon	12,567	11,288	17,538	36,757	78,150	65,583
A.D.H. Black	12,500	12,416	-	23,461	48,377	35,877
N.H. Daws	11,375	11,887	-	22,627	45,889	34,514
D.J. Meredith	14,000	13,887	-	26,068	53,955	39,955
A.J. Scrivin	10,250	10,886	-	22,627	43,763	33,513
P.A. Smith <sup>(5)</sup>	10,000	10,298	-	0	20,298	0
M.J.D. Steel <sup>(5)</sup>	21,875	22,538	-	0	44,413	0

- (1) The date of award was 24th March 2006 and the mid-market price of the shares on that date was 972.5p. 100% of the award has vested as the performance conditions applicable to that award were met, namely that the TSR performance of the Company during the period 1st January 2006 to 31st December 2008 placed the Company within the upper quartile of the TSR performance of the companies in the FT250 All-Share Industrial Engineering Index over the performance period. The award vested on 4th March 2009 and the mid-market price of the shares on that date was 808.0p.
- (2) The date of award was 26th March 2007 and the mid-market price of the shares on that date was 1020.0p. The period over which performance conditions are measured is 1st January 2007 to 31st December 2009.
- (3) The date of award was 10th September 2007 and the mid-market price of the shares on that date was 1013.0p. The period over which performance conditions are measured is 1st January 2007 to 31st December 2009.
- (4) The mid-market price on 11th March 2008 was 959.0p. This was applied in determining the number of shares subject to the award granted on 12th March 2008. The mid-market price of the shares on that date was 994.5p. The period over which performance conditions are measured is 1st January 2008 to 31st December 2010.
- (5) Messrs. M. J. D. Steel and P. A. Smith retired from the Board on 31st March 2008. The performance conditions at that date were not met and therefore the award made on 24th March 2006 to Messrs. M. J. D. Steel and P. A. Smith did not vest.

However the performance conditions at 31st March 2008 were partially met in relation to the award made on 26th March 2007 such that 51.5% of the maximum award vested. The award was reduced by a factor of 15/36 due to the shortened performance period of 15 months from 1st January 2007 to 31st March 2008. The award vested on 7th April 2008 and the mid-market price of the shares on that date was 1074.0p. Messrs. M. J. D. Steel and P. A. Smith both requested that the award be satisfied in shares. They each sold sufficient shares to cover the basic rate tax and National Insurance liability and each retained the remaining shares as follows.

	Date of award 26.03.07	Shares vested	Shares sold
P.A. Smith	10,298	2,210	798
M.J.D. Steel	22,538	4,836	1,898

The performance conditions are described on page 43.

#### (iii) Spirax-Sarco Engineering plc employee share ownership plan ('the plan')

The Company operates the plan in which all the executive directors, with the exception of Mr. M. E. Vernon, are eligible to participate on the same basis as all other eligible UK employees. For the plan period the individual director's contributions are limited to a maximum of £1,500 per annum under HMRC rules. The trustee of the plan provides a matching share for each share purchased under the plan on behalf of the director which is the same basis as for other participating employees. Dividends paid on the partnership and matching shares are reinvested and held by the trustee as dividend shares. Matching shares and dividend shares may generally only be released three years after they were purchased by the trustee.

	Interest at 01.01.08	Partnership shares purchased <sup>(1)</sup>	Matching shares awarded <sup>(1)</sup>	Dividend shares awarded <sup>(2)</sup>	Interest at 31.12.08 (or date of retirement if earlier <sup>(3)</sup> )	Period of qualifying conditions <sup>(4)</sup>
A.D.H. Black	3,805	163	163	122	4,253	3 years
N.H. Daws	3,914	163	163	125	4,365	3 years
D.J. Meredith	3,914	163	163	125	4,365	3 years
A.J. Scrivin	1,252	163	163	43	1,621	3 years
P.A. Smith <sup>(3)</sup>	3,914	-	-	-	3,914	3 years
M.J.D. Steel <sup>(3)</sup>	3,914	-	-	-	3,914	3 years

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- (1) Partnership shares were purchased, at a price of 920.0p, and matching shares were awarded on 6th October 2008. The mid-market price of the shares on that date was 923.5p.
- (2) Dividend shares were awarded on 19th May 2008, on which date the mid-market price of the shares was 1199.0p, and on 17th November 2008, on which date the mid-market price of the shares was 814.5p.
- (3) Messrs. M. J. D. Steel and P. A. Smith retired from the Board on 31st March 2008. The mid-market price of the shares on that date was 1027.0p.
- (4) Partnership shares are not subject to qualifying conditions. In accordance with the rules of the plan matching shares and dividend shares were released to Messrs. M. J. D. Steel and P. A. Smith following their retirement. No other matching shares or dividend shares were released from the plan or forfeited during the year.

## Directors' pensions

The UK executive directors, other than Mr. M. E. Vernon, are members of defined benefit pension arrangements. Mr. M. E. Vernon is a member of a defined benefit scheme provided by Spirax Sarco Inc. The information below is consistent with the presentation used last year and sets out the disclosures under the Stock Exchange Listing Rules and the Companies Act 2006.

	Age attained at 31.12.08	Accrued pension at 31.12.07 £pa	Accrued pension at 31.12.08 £pa	Change in accrued pension during the year £pa	Change in accrued pension during the year* £pa	Transfer value of change in accrued pension* £	Transfer value of accrued pension at 31.12.07 £	Transfer value of accrued pension at 31.12.08 £	Change in total transfer value £
A.D.H. Black <sup>(1)</sup>	51	79,410	80,388	978	(2,993)	(35,664)	690,000	926,000	236,000
N.H. Daws	46	90,829	94,248	3,419	(1,122)	(7,717)	639,000	883,000	244,000
D.J. Meredith	49	99,405	101,372	1,967	(3,003)	(31,903)	814,000	1,095,000	281,000
A.J. Scrivin	61	121,792	144,667	22,875	16,785	291,548	1,938,000	2,287,000	349,000
P.A. Smith <sup>(2)</sup>	60	112,466	108,265	(4,201)	(9,824)	(186,463)	1,990,000	1,988,000	(2,000)
M.J.D. Steel <sup>(2)</sup>	63	262,139	263,338	1,199	(11,908)	(213,794)	5,120,000	4,452,000	(668,000)

\* net of deferred revaluation at a rate of 5% per annum

- (1) Benefits shown net of pensions sharing order, currently worth £28,897 per annum.
- (2) Messrs P. A. Smith and M. J. D. Steel retired on 31st March 2008 and are now receiving pension payments.

The following is additional information relating to UK executive directors' pensions:

### (i) Dependant's pension

On the death of a director in service, a spouse's pension equal to one-half of the director's pension based on pensionable service to the date of death is payable. On the death of a director after payment of the pension commences, a spouse's pension of one-half of the director's pension entitlement at the date of death, ignoring commutation and any early retirement actuarial reduction, is payable; in addition directors' pensions are guaranteed to be paid for five years from retirement.

### (ii) Early retirement rights

After leaving the service of the Company, a director has the right to draw his accrued pension at any time after his 60th birthday with no reduction, with the exception of Mr. A. J. Scrivin.

### (iii) Pension increases

Pensions are subject to annual increases in line with the annual rise in the RPI subject to a maximum of 5% per annum. The Trustees and the Company have the discretion to apply a greater increase.

### (iv) Other discretionary benefits

There are no discretionary practices which are taken into account in calculating transfer values on leaving service.

Mr. M. E. Vernon's defined benefit pension arrangements are as follows:-

	Age attained at 31.12.08	Accrued pension at 31.12.07 £pa	Accrued pension at 31.12.08 £pa	Change in accrued pension during the year £pa	Change in accrued pension during the year <sup>(1)</sup> £pa	Transfer value of change in accrued pension <sup>(1)</sup> £	Transfer value of accrued pension at 31.12.07 £	Transfer value of accrued pension at 31.12.08 £	Change in total transfer value £
M.E. Vernon	55	6,433	11,049	4,616	4,298	32,048	45,589	82,388	36,799

- (1) Net of inflation at a rate of 4.9% per annum.

The following is additional information relating to Mr. M. E. Vernon's pension:

### (i) Dependant's pension

On the death of Mr. M. E. Vernon in service, a spouse's pension equal to one-half of his 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 Mr. M. E. Vernon has the option to reduce his own pension to provide for a spouse's pension after death.

**(ii) Early retirement rights**

After leaving the service of the Company, Mr. M. E. Vernon has the right to draw his accrued pension at any time after his 65th birthday with no reduction.

Mr. M. E. Vernon has the right to commence his pension upon retirement (for which he now 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 and 5% for each year from age 60 to earliest retirement age.

**(iii) Pension increases**

The pension has no guaranteed increases. Spirax Sarco Inc. has the discretion to provide increases.

**(iv) Other discretionary benefits**

Additionally, Mr. M. E. Vernon benefited from contributions made into a UK defined contribution pension scheme. The total contributions made by the Group were £82,375.

Signed by

**W.H. Whiteley** *Chairman of Remuneration Committee*  
on behalf of the Board