

Spectris is committed to creating business growth through adding value for customers **whilst ensuring that its own impact on the environment is minimised.**

Our Values

Honesty

Acting with absolute integrity in all that we do.

Empowerment

Creating an environment of autonomy in our operating companies where people are expected to take the initiative and to succeed.

Ownership

Taking personal ownership of the responsibility of our roles.

Delivery

Performing to the highest standards against the commitments we make both internally and, especially, externally to our customers.

Speed

Ensuring that our business decisions are made and actions executed with a sense of urgency.

Spectris operates from 160 offices in 29 countries around the world. The company's products are used to monitor and control research and manufacturing processes, enhancing productivity and reducing environmental impact for customers in a wide range of industries. Spectris is committed to creating business growth through adding such value for its customers whilst also ensuring that its own impact on the environment is minimised.

Spectris continues to meet the criteria for membership of the FTSE4Good index, the leading responsible investment benchmark. The index series is designed to track the performance of companies meeting international corporate responsibility standards. The FTSE4Good inclusion criteria are enhanced regularly and demand continued improvement in order to maintain inclusion in the index. The criteria are assessed on a regular basis by the independent research organisation EIRIS.

The policies and information described below apply to all Spectris operations.

Policy setting and monitoring

Overall responsibility for developing corporate policies on environmental, social, ethical, and health and safety matters, and for reviewing their effectiveness, lies with the Spectris Board. These policies are mandated across all business units and applied within each particular business, taking account of local legislation and regulation. All policies are reviewed periodically and any updates are communicated to the operating companies.

Currently, operating companies may establish additional non-financial policies and appropriate key performance indicators relevant to the nature of their operations and their customers. However, in order to develop a more comprehensive approach to our sustainability worldwide, the Board is reviewing the feasibility and value of establishing group-wide metrics during 2010.

Reporting and compliance

Conformity with the above group policies is monitored by self-certification, on an annual basis, by the managing director and finance director of each operating company that their business has complied in full. Any instances of non-compliance must be reported.

Such certification forms an integral part of the company's risk management and corporate governance processes, and is regularly reviewed by the group's internal audit function and considered annually by the company's external auditors. Compliance testing is a formal part of internal audit reviews. Through a structured review process, the internal audit function undertakes visits to group locations on a rotational basis. These visits involve an assessment of the business' key internal controls as well as compliance with the group's policies and procedures. The results of internal audits and any non-compliance events are reported to the Audit Committee.

Risk assessment

The key potential risks and uncertainties which could have a material impact on the group's long-term performance are described on pages 26 and 27 of this Business Review.

The group does not consider that there are any material environmental, social or governmental risks which may impact the business. Nevertheless, the process for

identification of potential risks to the business and the procedures for their mitigation are regularly reviewed by the group's internal audit function and the Audit Committee.

A very small proportion of our products and processes have potential environmental risks. The PANalytical business, which supplies instrumentation for X-ray analysis, makes limited use of beryllium in detector windows and X-ray tubes, whilst certain NDC Infrared Engineering products utilise low-level sealed radioactive sources. In all cases, the legal requirements for the correct handling and labelling of such products are documented and regularly audited for compliance. Procedures also exist for the disposal of contaminated waste and for recovering used products from customers and disposing of them safely. The Servomex gas analysis business requires the storage of flammable and toxic gases at its technical centre. Operating procedures for the movement and use of cylinders containing such gases are in accordance with the appropriate legal requirements and are inspected annually by an independent authority. Chemical and hazardous waste is disposed of in accordance with written procedures.



Renewable energy generation

A number of our products are used in the development, manufacture and maintenance of renewable energy generation technologies such as wind turbine generators and solar panels.

Environment

Our core business of providing instruments and controls for the design and manufacturing processes of major industrial companies helps our customers to reduce their environmental impact in a number of ways. We offer our customers products and technologies to reduce energy consumption, make more efficient use of resources, and control emissions. A number of our products are used in the development, manufacture and maintenance of renewable energy generation technologies such as wind turbine generators and solar panels. For example, our Brüel & Kjær Vibro business has developed a remote monitoring solution for wind farm operators enabling them to minimise maintenance downtime and prevent breakdown. Our test and measurement segment is a leader in providing test equipment to develop the transport vehicles of the future, with energy efficiency and emissions reduction being critical design constraints. Many of our businesses are engaged in the optimisation of manufacturing processes, resulting in a beneficial impact on the environment. For example, Servomex supplies analysers which are used to monitor exhaust gases. The information these analysers provide enables customers to enhance the efficiency of their combustion processes and thus reduce emissions of pollutants and harmful gases. Further examples of the use of Spectris' products having a direct beneficial contribution to the environment are shown on our website and we will continue to work with our customers to develop new products which will deliver renewable energy in the future.

We also take our own environmental impact seriously, endeavouring to employ non-polluting technology wherever possible in our operations and taking steps to reduce our energy consumption. Design processes take into account the operational lifetime of every product and end-of-life removal or disposal. Consideration is also given to environment-friendly production, packaging and shipping. Our environmental policy is published on our website at www.spectris.com/aboutus/corporate.php.

We further recognise that our strategy of outsourcing non-core manufacturing does not absolve us from responsibility for the environmental impact of our suppliers and we work to help them reduce their impact on the environment and ensure that their products meet relevant legislation. Supplier audits are regularly undertaken by operating company managements and the group's strategic sourcing team.

Carbon management

Overall, Spectris has a low climate change impact, as our products do not require substantial manufacturing processes. Nevertheless, we recognise the importance of carbon management and are conscious of the growing requirement for reporting greenhouse gas emissions. Whilst we are below the threshold for participation in the UK CRC Energy Efficiency Scheme, we do take seriously the need to manage our carbon emissions and we have therefore established a project to determine a medium-term socially responsible investment strategy and the performance indicators and data which will be required to support this in a way which complements our businesses' focus on day-to-day operations. We expect to be in a position to provide further details in the 2010 corporate social responsibility statement.

As a result of the divergent manufacturing processes across our various businesses, there are currently no group-wide metrics in place. However, local initiatives are in place at a number of sites to reduce energy and water consumption and minimise wastage. For example at our principal site in the Netherlands, despite a doubling of production volumes over the past ten years, the company's overall energy usage has decreased by around 10%. Within our Danish operation, as a result of an energy saving programme launched in 2008, total electricity consumption had reduced by 17% by the end of 2009. At our main German facility, electricity usage has been reduced by over 5% over the past two years, and water consumption by over 35%. Our largest site in the UK has put in place a number of initiatives which resulted in electricity consumption reducing by 15% in 2009 and gas by 5%. The new technical centre for our Gas Analysis business in the UK, opened at the end of 2008, has been designed and built to the latest environmental standards, including the use of heat exchangers to maximise heating efficiency. Most sites have facilities for recycling waste paper, cardboard, glass, aluminium cans, plastic and reusing packaging materials.

Spectris complies with the UK Producer Responsibility Obligations (Packaging Waste) Regulations which set targets for the recovery and recycling of packaging waste.

Environmental management systems

Approximately half of Spectris' manufacturing operations (by turnover) have now received accreditation to the environmental standard ISO14001.

During 2009 no significant environmental incidents were recorded.

5,764

Employees

Employees

Spectris' employees are key to the success of the company. We employ a highly skilled technical workforce, averaging 5,764 people in 2009, in 160 offices throughout the world and are committed to providing our people with a creative working environment with scope for individual responsibility and achievement. In 2009, on average 2,862 employees were employed in production and engineering, with 2,307 in sales, marketing and service and 595 in administrative functions. Compensation and benefits, which are in line with other leading companies in the sector, are designed to reward the achievement of objectives.

Employment

Policy

Spectris operates mainly in Europe and the US, but with a growing presence in Asia. Although different social and employment conditions exist in different locations, Spectris places high priority on compliance with the legislative and ethical requirements of the countries in which we operate, particularly with respect to employment practices, labour rights and equal opportunities. The company secretary has overall responsibility for employment policies, but responsibility for implementation is delegated to individual business units, with operational policies and procedures tailored to suit local needs. The company's employment policy is available at www.spectris.com/aboutus/corporate.php.

Overall HR policies are set at the centre and implemented by each operating business, taking account of local conditions. Spectris retains a diverse workforce, valuing the different perspectives of its employees, and the company is committed to equal opportunities for all employees in terms of recruitment and employment, training and development, and promotion. We strive to create a culture of honesty, respect and professional excellence whilst maintaining a healthy balance between working and personal lives, with initiatives such as part-time and job share opportunities providing family-friendly working conditions. Employee surveys are carried out in a number of companies to measure the views of employees on company issues and action plans agreed to address the issues raised.

Data on employee turnover is not collated centrally, although it is monitored by individual businesses.

Graduate recruitment programmes and student work placements exist in a number of companies, providing opportunities for young people, particularly scientists, to be introduced to the business environment.



Award-winning advertising

Developed in conjunction with the HotDiggity Creative agency, Malvern Instruments' movie heralding the launch of the company's revolutionary Kinexus rheometer won BtoB magazine's coveted award for 'Most creative online campaign' in December 2009, with the judges claiming "it made us want to see it". The online campaign 'A unique event in rheology' was a teaser for the new product's web launch and included a quirky animated cartoon that led viewers to sign up for the launch webinar. One of the cartoons whimsically showed the advance from the wheel to the carriage to the convertible.

Reporting

It is the responsibility of the managing directors in each operating company to ensure that all employees are fully aware of Spectris' HR policies. The group monitors compliance through various processes, including confirmation in writing by each business unit annually, and consolidated Equal Employment Opportunities Commission returns which are produced in the US.

Training and development

Spectris' commitment to training and personal development emphasises the importance of retaining staff throughout the group and ensuring that all employees are encouraged to realise their full potential. Annual reviews provide feedback on performance, set objectives and identify training and development opportunities to enable employees to meet their full potential. Career opportunities within many of our companies are shared via their websites and secondments take place within companies to transfer skills and resources. Malvern and Servomex, our two principal UK businesses, have received the Investors in People award for their programmes of training, appraisal, employee development and skills recognition.

Financial participation in the group is encouraged through the Savings Related Share Option Scheme, available to all UK employees, and through grants under the group's Performance Share Plan made to senior management across the group.

Employee communications

The company has a policy of encouraging its operating companies to provide information to their employees on a regular basis. This information includes matters relating to their company's performance, its prospects in the markets it serves and the future outlook for its business. In addition to regular staff briefings, most companies have intranets where news bulletins are posted.

Health and safety

Policy

The Chief Executive has overall responsibility for environment, health and safety matters. Senior executives in each of the business units are responsible for implementing the company's health and safety policy at local level and ensuring compliance with local legislation and regulations. The company's health and safety policy can be viewed on our website at www.spectris.com/aboutus/corporate.php.

Spectris strives to provide a workplace at all of its sites where all employees feel safe and protected from harm. Our policies regarding workplace health and safety are implemented throughout the group, with each operating company responsible for ensuring that the highest standards of health and safety are achieved by its employees and by sub-contractors and suppliers.

Reporting

Any serious health and safety incidents are required to be reported by the managing director of the business in an accident report to the company secretary, who reports on such issues to the Board. All accidents are thoroughly investigated and appropriate corrective and preventative actions put in place. Minor incidents are monitored locally. Audits of health and safety policies and procedures are undertaken at all major locations by external assessors acting on behalf of the group's insurers on an annual basis and recommendations are made for improving practices where appropriate. No work-related serious injuries or deaths have been reported in the last ten years.

Human rights

Spectris believes in the fundamental rights of people in all parts of the world and is committed to adopting internationally recognised human rights standards wherever it operates.

Policy

The company's human rights policy, which can be viewed at www.spectris.com/aboutus/corporate.php, is consistent with the Principles of Human Rights, as set out in the International Labour Organization's Core Conventions, and includes policies on non-discrimination, harassment, pay and forced labour. The policy is reviewed periodically and any updates are communicated to the operating companies. The Chief Executive has overall responsibility for human rights.

Spectris takes its commitments to human rights seriously and our operating companies are required to ensure that all employees are aware of the policy and understand it. In most of the operating companies, new employees are provided with an employee handbook which includes sections on employee responsibilities with regard to equal opportunities, non-discrimination, harassment, bullying, disciplinary practices, etc, and new employees must sign to say that they have read and understood this. The new Code of Business Ethics also contains a section on human rights and employees are required to ensure that all company operations adhere to these important standards.

In Asia, the general manager is responsible for ensuring that the highest ethical standards are maintained in all of our Asia-based operations. Spectris has a number of sales offices in China and also owns a factory which supplies high quality weighing components. This comprises a modern facility located in a business park along with other western companies. The factory employs skilled workers, adopts employment conditions consistent with best local practice, and pays wages that are higher than average for the area.

Spectris considers human rights as part of its due diligence process for acquisitions, ensuring that the core labour rights, including non-discrimination, equal opportunities and freedom of association, of the company to be acquired are taken into account.



Customer recognition

For nine consecutive years the readers of Control Design Magazine have voted Red Lion the number one panel meter manufacturer in the industry.

Reporting

The managing director and finance director of each operating company are required to certify, on an annual basis, compliance with all Spectris policies. Any non-compliance is investigated by local human resources managers or by Spectris management or the internal audit function if it is serious. Pay practices are monitored to ensure they are non-discriminatory.

Employees are encouraged to report any concerns they may have over unethical business practices or conduct, dangers to health and safety, or breach of company policies. Reports are made via a third-party, multi-lingual 'whistleblowing' hotline. This comprises a telephone hotline and on-line reporting system which employees are able to access in anonymity in local language. Any disclosures are appropriately investigated. Spectris is committed to protecting the career and reputation of employees who report wrongdoing in accordance with established procedures, so long as their disclosures are delivered in good faith and seek to safeguard the best interests of the group.

Training

In the US, awareness training on harassment and discrimination is carried out, with companies providing regular refresher training on harassment and non-discrimination to all employees. In some companies there are worldwide programmes on corporate values and desired behaviour, with employees being measured against these values in their annual performance appraisals.

Ethics

All employees are expected to behave in accordance with the company's behavioural values, which are set out on page 28.

These values define who we are and how we do business, both as individuals and as a company.

Policy

Our core values – honesty, empowerment, ownership, delivery and speed – underpin the way we do business. These were recently reinforced when we strengthened our ethics policy with the introduction of a new Code of Business Ethics and all employees have received face-to-face training for this group-wide programme in local language. The Code of Business Ethics includes policies on anti-bribery and corruption, dealings with customers, suppliers and colleagues, conflicts of interest, and human rights, and can be viewed on our website at http://www.spectris.com/uploads/spectris_codeofethics.pdf. Each employee must acknowledge that he/she has understood the standards set out in the Code and agrees to abide by them. Each of the companies has a nominated Ethics Compliance Officer. Compliance with the Code will be monitored by the internal audit function as part of the risk assessment process.

The ethics policy prohibits bribery, corruption and similar facilitation payments. Donations to political parties or similar organisations are also prohibited. All operating companies are required to comply with export control regulations governing shipment of products and the appropriate compliance procedures are in place (our export control policy can be viewed on our website at http://www.spectris.com/uploads/spectris_exportcontrolcompliance.pdf).

Reporting

As with all Spectris policies, conformity is monitored by self-certification, on an annual basis, by the managing director and finance director of each operating company that they have complied with the policy. Any instances of non-compliance must be reported. In particular any known instances of fraud, including bribery and corruption, must be specifically disclosed. The scope of the work performed during internal audit visits includes testing to confirm compliance with the group's overall position and policy regarding anti-bribery and corruption measures.

The company operates a 'whistleblowing' policy, described above, through which instances of fraud, including bribery and corruption, may be reported confidentially. This was strengthened in 2009 with the establishment of a telephone hotline and an on-line reporting system which employees can, if they wish, access in anonymity.

Training

As outlined above, a group-wide ethics training programme was introduced during 2009. Annual on-line refresher modules are planned for 2010 and beyond. Compliance with the ethics policy and training within each company will be monitored by the internal audit function as part of the risk assessment process.

Contractual arrangements

The company has no contractual or other arrangements which are essential to the business of the company, nor any key customers or major suppliers upon which it is dependent.

Customers

Spectris sells productivity-enhancing instrumentation and services to a large number of customers around the world. We have developed close working relationships with our customers and in many instances involve them in the development of new products to ensure they meet their requirements, as detailed on pages 10 and 11. Surveys of customer satisfaction are conducted on a regular basis, for example via web-based surveys where customers are asked, amongst other things, to rate product performance and the quality of documentation, and to specify overall satisfaction.

Suppliers

Spectris has no significant suppliers who are wholly dependent upon the company's business. Suppliers are paid in line with contractual and legal obligations. Spectris' businesses work with their suppliers to help them to reduce their impact on the environment and to ensure that their products meet the relevant legislation. Outsourcing of products, particularly in Asia, is to quality-approved organisations only which are regularly inspected and audited by the strategic purchasing teams and local managements. Appropriate procedures are taken, where practicable, to ensure that the company's policies, in particular in relation to human rights and ethics, are applied to suppliers.

Local communities

Spectris companies worldwide participate in a range of local activities and educational initiatives in support of their local communities. Educational initiatives include providing apprenticeships and work placements for students, working with local schools and colleges on science projects, and sponsorship of scientists attending key scientific conferences.

Donations to charities and community causes in 2009 totalled £19,955 of which £6,042 were in the UK (2008: £44,000 of which £22,400 in UK). This included donations to Cancer Research, the Red Cross, Unicef and Crisis and to local sports clubs, schools and colleges, and local arts and educational projects.



Helping local communities

The non-profit organisation Sarakasi Trust's Sarakasi Theatre in Nairobi, Kenya, is not only used for shows and concerts but also for training youths from the city slums to become acrobats and musicians. With the help of Brüel & Kjær's sound analysis equipment and sound-absorbing materials gathered at the local market, the theatre's acoustics were greatly improved. The theatre re-opened in time for the Sawa Sawa festival in May 2009 featuring dance, acrobatics and music.