

# Business Review

## Corporate Social Responsibility

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

Spectris operates from 160 offices in 29 countries around the world. The company's products are used to monitor and control processes for enhancing productivity for customers in a wide range of industries.

Spectris continues to meet the criteria for membership of the FTSE4Good UK index, which measures and benchmarks the performance of companies that meet globally recognised corporate responsibility standards. The criteria are assessed on a regular basis by the independent research organisation EIRIS, with increasing emphasis on ethics and human rights.

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. The policies are communicated to all business units via the Spectris Group Manual. The individual operating companies are then responsible for ensuring that these policies are communicated and applied within their particular business, taking account of local legislation and regulation. All policies and procedures are reviewed periodically and any updates are communicated to the operating companies.

### Reporting and compliance

Conformity with these 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 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 elsewhere in this Business Review. Potential social and environmental risks to the business may arise within product manufacture or operation of a product at the customer's site. Where a significant risk is identified, procedures for storage, normal operating conditions and emergency situations are

documented and regularly monitored for compliance with the relevant regulations. A nominated individual is responsible for safety compliance and all employees are informed and trained in safety procedures, depending upon the extent of their involvement with the product presenting the risk. Documented processes are in place to reduce the likelihood of an occurrence. Material risk processes and procedures are regularly reviewed by the group internal audit function.

Potential social and environmental risk in Spectris' operations is limited. However, 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 includes the storage of flammable and toxic gases at its testing facility. 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.

## Environment

Many Spectris products and technologies have positive environmental benefits by providing customers with the ability to reduce energy consumption or material wastage or to control emissions. Our curing lamps, for example, use ultraviolet light to cure or 'dry' environmentally-friendly inks and coatings, replacing conventional heat treatment of traditional materials which is energy-intensive and emits toxic solvent vapours. Our instrumentation helps wind farm operators to keep their turbines running by using remote predictive monitoring to detect and prevent faults. Our products can also help customers to meet environmental legislation. For example, we supply instrumentation which can measure low levels of materials such as lead and cadmium to meet legislation on the restriction of hazardous substances. We also supply systems which analyse the amount of sulphur in fuel to ensure compliance with regulations on the levels permitted. Further examples of the use of Spectris products having a direct beneficial contribution to the environment are shown on our website.

We are also committed to adopting environmentally responsible policies wherever our companies operate. We aim to reduce the environmental impact of our operations by developing products which are energy-efficient and avoid the use of harmful substances. 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. Products have been developed which meet the new European regulations on the Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment (WEEE). For example, printed circuit boards used in instrumentation sold to customers in this region no longer use lead-based solder in their manufacture.

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All businesses are conscious of the need to conserve energy and resources and local initiatives are in place at many sites to reduce energy consumption and minimise wastage. These include recycling of items such as waste paper, cardboard, aluminium cans, batteries, toner cartridges and mobile phones, reducing energy consumption through the use of timers and sensors to control hot water, air conditioning and lighting, reducing water consumption and re-use of packaging and filling materials. The new technical centre for Servomex in Crowborough, England, which was opened in November 2008, has been designed and built to the latest environmental standards, including the use of heat exchangers to maximise heating efficiency and motion sensor lighting to reduce power wastage. At NDC's facility in the US, remote control units for the lighting system have been installed to enable the company to achieve energy and cost savings. At PANalytical in the Netherlands, despite a doubling of production volumes over the past ten years, the company's overall energy consumption has decreased by around 10%.

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

Our environmental policy is published on our website at [www.spectris.com](http://www.spectris.com). The nature of our manufacturing activities means that Spectris' operations have very little impact on the environment, as our products do not require energy-intensive manufacturing processes and we endeavour to employ non-polluting technology wherever possible. Although we have four production facilities in the UK, their low power consumption means that the amount of greenhouse gas emissions produced is not significant and hence Spectris is not required to participate in the second round of the European Emissions Trading Scheme, nor is it expected that the company will be included in the UK's Carbon Reduction Commitment plan.

### Environmental management systems

Approximately half of Spectris' operations (by turnover) have received accreditation to the environmental standard ISO14001. Other companies are working towards accreditation where this is deemed beneficial for their customers.

During 2008 no significant environmental incidents were recorded.

## Employees

Spectris' employees are key to the success of the company. We employ around 6,000 people in 160 offices throughout the world, with a high proportion of employees qualified at, or above, degree level. We are committed to providing our people with a creative working environment with plenty of scope for individual responsibility and achievement. In 2008, on average, 3,000 employees were employed in production and engineering, with 2,220 in sales and marketing and 500 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. Annual reviews provide feedback on employees' performance, set objectives and identify training

and development opportunities to enable them to meet their full potential.

## 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](http://www.spectris.com).

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.

Staff turnover is dependent to a large extent upon local market conditions, but is generally low, particularly at senior management level and amongst technical/R&D staff, where in-depth technical knowledge brings loyalty and commitment to the company. Whilst data on employee turnover is not collated centrally, it is monitored by individual businesses.

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

### 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 appraisals and performance reviews are carried out to determine training and development needs for individual

employees. 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](http://www.spectris.com).

Spectris is committed to providing a working environment at all of its sites which, so far as is possible, is safe and without risk to health. Each operating company is 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. No serious injuries or deaths have been reported in the last ten years. Although minor incidents are monitored locally, statistics for these are not compiled for the group as a whole. 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.

## 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.

### Expedition Greenhouse World



As part of their commitment to activities that stimulate interest in the sciences, PANalytical sponsored two students in the 2008 'Expedition Greenhouse World' – an initiative run by Utrecht University in the Netherlands. On the week-long expedition in October to Spitsbergen, Norway, the students visited Longyearbyen glacier where they collected rocks full of 40–60 million year old fossils of the plants that caused the greenhouse effect at that time. They investigated core samples where the ancient carbon layers demonstrated the high concentrations of atmospheric CO<sub>2</sub>. These climate changes devastated the Palaeocene animal population and, during a trip that took them 4km underground, the students saw 55-million year old footprints made by extinct hippopotamus-like mammals.

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### Policy

The company's human rights policy, which can be viewed at [www.spectris.com](http://www.spectris.com), 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.

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.

### 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.

Circumstances may also come to light via the company's Whistleblowing policy, via which employees may report to the business's management team or any Board member, via a confidential email address, any concerns they may have over unethical business practices or conduct, dangers to health and safety, or breach of company policies. Any such disclosures are appropriately investigated. In addition, 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.

Some individual operating companies also have their own Whistleblowing processes whereby employees can anonymously report concerns over discrimination, harassment etc.

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

### Policy

The ethical standards we expect each employee to meet are set out in our Ethics policy which is communicated to all employees. The Ethics policy can be viewed on our website at [www.spectris.com](http://www.spectris.com). The policy prohibits bribery, corruption and similar facilitation payments. Donations to political parties or similar organisations are also prohibited. Any allegations of misconduct are thoroughly investigated. All operating companies are required to comply with export control regulations governing shipment of products and the appropriate compliance procedures are in place.

### 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.

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 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's key internal controls as well as compliance with the group's policies and procedures. 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 results of internal audits and any non-compliance events are reported to the Audit Committee.

The company operates a 'Whistleblowing' policy, described above, through which known instances of fraud, including bribery and corruption, may be reported confidentially. This will be strengthened in 2009 to include a telephone hotline and an on-line reporting system which employees will be able to access in anonymity.

### Training

Currently a number of Spectris companies provide training to employees, however Spectris intends to formalise this with a group-wide ethics programme which will be introduced during

2009. This formal programme will ensure that the group's ethics policy (which includes statements on anti-bribery and corruption) is communicated to and acknowledged by all employees in local language, and will make training compulsory in all companies, either via the HR department or on-line training modules. All companies will be required to nominate an ethics compliance officer. 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.

## 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. Surveys of customer satisfaction are conducted on a regular basis.

## Suppliers

Spectris has no significant suppliers who are 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. For example, as part of its sponsorship of activities that stimulate interest in the sciences, PANalytical sponsored two students on a week-long expedition to Spitsbergen, Norway, in the 2008 'Expedition Greenhouse World' to explore the climate change that took place 55 million years ago. In the UK, Malvern has sponsored scientists attending key scientific conferences, Servomex has five apprentices on a scheme and Brüel & Kjær are participating in the 'Working with Engineering Education Scheme' which links teams of students and their teachers with local companies to work on real scientific, engineering and technical problems.

Donations to charities and community causes in 2008 totalled £44,000, of which £22,400 were in the UK (2007: £28,000 of which £10,400 in UK). This included donations to charities following the earthquake in China, Cancer Research, the Red Cross, Heifer International, and to local arts and educational projects.

## 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.