

Directors' Remuneration Report

The directors present their remuneration report for the year ended 31 December 2008.

Remuneration committee

The remuneration committee is responsible for recommending to the Board the broad policy for the remuneration of the Chairman, the Chief Executive, the executive directors and the company secretary. The remuneration of non-executive directors is a matter reserved to the Chairman and executive directors.

Within the terms of the agreed policy, the committee determines:

- the total individual remuneration package including, where appropriate, bonuses and share-based incentives;
- the targets for any performance-related incentives;
- the scope of any pension arrangements;
- contractual terms of engagement and any payments to be made on termination; and
- the policy for authorising claims for expenses from the Chairman or Chief Executive.

The committee also monitors the level and structure of remuneration for business unit presidents or managing directors and the head of corporate development.

The remuneration committee consists of the Chairman and the non-executive directors (all of whom are independent), these being at the date of this report Anthony Reading (chairman), Peter Chambré, John Hughes and John Warren. The Chief Executive may be in attendance by invitation and the committee takes into consideration his recommendations regarding the remuneration of his executive colleagues. The Chief Executive is not involved in discussions concerning his own remuneration.

The committee has appointed Hewitt New Bridge Street (a trading name of Hewitt Associates Limited which acquired New Bridge Street Consultants LLP) to advise on various aspects of the Chairman's and executive directors' remuneration. Hewitt New Bridge Street did not provide any other services to the company during the year. However, Hewitt Associates Limited provided benchmark data on selected management roles during the year. Hewitt New Bridge Street operates separately from the rest of Hewitt.

The terms of reference of the remuneration committee can be found on the company's website and are available on request.

Remuneration policy

The Board, in considering the recommendations of the remuneration committee, complied throughout the year with the provisions of the Combined Code (including the principles for performance-related remuneration set out in Schedule A). The policy objective is to ensure that the high calibre individuals required at board level are fairly and competitively remunerated and incentivised in a manner consistent with the group's strategic objectives.

The remuneration committee also regularly reviews the balance between fixed and variable pay.

Salaries and fees

Base salaries and fees are established by reference to surveys of the terms offered by comparable UK quoted companies. The starting point for comparative surveys is the scope of the position and associated performance of the Chairman, each executive director and the company secretary. Excluding his own position and performance, the Chief Executive is responsible for the definition of the scope of positions and assessment of the performance of each executive director, for approval by the remuneration committee. Salaries are reviewed at the beginning of each year and are set at competitive levels, typically based around the market median, although the remuneration committee reserves the flexibility to respond to individual circumstances which may cause salaries to be set at a level higher or lower than market median. Market ranges are reviewed on a regular basis.

Salary levels for all Board members were not subject to any increase at the review date of 1 January 2009.

Bonuses

To align remuneration with shareholders' interests, a significant proportion of executive directors' potential total remuneration is related to annual corporate performance.

Under the 2008 arrangements, bonuses of up to 100% of base salary were achievable upon the attainment of demanding profitability (75% potential) and personal (25% potential) targets set in relation to carefully considered business plans. Bonus payments commence only at a level which shows an acceptable financial result in the context of economic circumstances and market expectations, with an 'on-plan' performance yielding a payment of approximately half the maximum potential. Targets for maximum outturn are set at highly stretching, albeit attainable, levels. There is no change to the bonus potential or performance measures for 2009. Bonuses achieved in respect of 2008 performance based on targets set at the start of the financial year were as follows (as a percentage of salary at 31 December 2008):

J E O'Higgins	81.10%
C G Watson	75.65%
J C Webster	77.90%

Share-based incentives

The remuneration committee keeps under review the company's share-based incentive arrangements and takes advice on market practice. The committee is of the view that offering senior management the opportunity to be awarded and then retain shares in the company is an important part of motivating and rewarding key employees so that they may participate in the future growth in value of the company. The Spectris Performance Share Plan ('the Plan'), approved by shareholders at the 2006 AGM, is intended to support this objective and to facilitate the retention of senior management over the longer term.

Under the Plan, annual awards of shares may be made which vest at the end of a three-year period, subject to continued employment and the satisfaction of challenging performance conditions. The maximum award of performance shares that can be made to any participant in any financial year is limited to shares with a market value equal to 125% of the participant's salary, although the

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committee's general policy is to determine awards by reference to a base award over shares worth 100% of salary, which may then be flexed up or down from year to year depending on corporate and personal performance.

Awards are currently structured so that 50% of the award is subject to an earnings per share ('EPS') target and 50% subject to a total shareholder return ('TSR') target. Each condition operates over a fixed three-year period with no opportunity for retesting.

The performance criteria for grants made in 2008 are summarised in the tables below.

Company EPS performance	% of award that vests (expressed as a percentage of one-half of the total number of shares subject to an award)
Consumer Prices Index ('CPI') + 12% compound per annum ('c.p.a.')	100%
Between CPI +5% and 12% c.p.a.	Pro rata straight line between 25% and 100%
CPI +5% c.p.a.	25%
Less than CPI + 5% c.p.a.	0%

Company TSR performance relative to the FTSE 250 (excluding investment trusts)	% of award that vests (expressed as a percentage of one-half of the total number of shares subject to an award)
Upper quintile or above	100%
Between upper quintile and median	Pro rata straight line between 25% and 100%
Median	25%
Below median	0%

The above criteria will continue to apply to Performance Share Plan awards to be made in 2009.

For grants made in 2006 and 2007, the upper end of each vesting scale was set at a) CPI + 10% c.p.a. and b) upper quartile. The reference level for a base award of shares in 2006 and 2007 was 67% of salary.

If awards in excess of 100% of salary were to be granted, the committee has also undertaken that the percentage of an award that will vest for threshold performance will be limited to 25% of a participant's base salary rather than 25% of the number of shares subject to an award, with pro rata straight line vesting from this lower point up to 100% of the award. There is no intention to make awards in excess of 100% of salary during 2009.

The committee considers the above performance conditions to be an appropriate means of aligning the interests of participants with those of longer-term shareholders. The TSR performance condition will be measured independently by Hewitt New Bridge Street and the EPS condition will be verified by the company's auditors.

It is the intention of the committee that all future share-based incentives granted to senior managers or executive directors are made under the Plan. No share option grants were made during 2008 or the year to date, nor are any grants envisaged. Executive directors may, however, continue to participate in grants made

under the Spectris Savings Related Share Option Scheme which is applicable to all UK employees.

Exercise of share options granted under the 1996 executive share plan (which was not renewed on expiry) or the 1999 executive share option scheme, were subject to prior achievement of performance conditions, requiring compound annual growth in earnings per share before exceptional items and amortisation of goodwill ('EPS') over three financial years to be between 3% and 5% per annum ahead of the increase in the retail prices index ('RPI'). This condition has now been met for all outstanding option grants. EPS growth was selected as the appropriate pre-condition to exercise in order to ensure that share option gains would only be received if the company's performance for shareholders had been enhanced.

Share retention

It is intended that each executive director should, subject to personal circumstances, build a retained shareholding in Spectris plc greater than two times base salary in value within a five-year period from appointment. Executive directors are required to apply the post-tax benefit of any vested Plan awards or bonus payments exceeding 60% of base salary to the acquisition of shares until this level of shareholding is achieved.

Benefits

Company car and health insurance benefits are subject to income tax. The executive directors have defined contribution pension arrangements to which the company contributes at a rate of 25% of base salary.

Contractual terms

All executive directors have rolling contracts subject to 12 months' notice.

The committee has determined that contracts of employment should, going forward, contain a contractual best endeavours obligation to seek alternative employment in the event of serving of notice of termination by the company, and that full mitigation reflective of any earnings from a new position should apply so as to reduce the payments otherwise due from the company during the notice period. Additionally, in these circumstances, it is the current intention that bonus entitlements should be calculated to the date of notice of termination only and that a phased payment provision, subject to reduction as explained above and equivalent to 1.65 times monthly salary, should apply in lieu of all remuneration and benefits otherwise payable during the notice period and in full and final settlement of all employment-related claims. Mr O'Higgins' and Mr Watson's contracts of employment reflect these terms.

Mr Webster's contract, concluded in 1998, provides for a predetermined compensation payment in lieu of notice (equivalent to total notice period remuneration – salary, bonus and benefits) in the event of termination by the employer within 12 months of a change in control of the group. Termination payments in other circumstances would be a matter for negotiation and remain, at the discretion of the committee, subject to mitigation and/or reduction for accelerated payment.

No compensation payments on termination of employment were made during the year.

External appointments

Executive directors may retain any payments received in respect of external non-executive appointments. Such appointments are limited to one per director at any time and are subject to the approval of the Board. Mr Webster is a non-executive director of Raymarine plc and was paid a fee of £35,000 per annum. No other external directorships are held by the executive directors.

Remuneration below board level

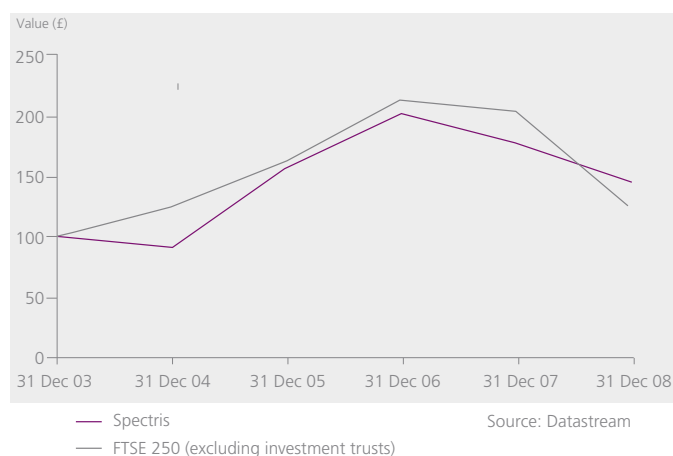
Remuneration for presidents of the group's trading companies is set at competitive levels to reflect the size, complexity and geographic locations of these businesses. Base salaries for presidents of the group's European operations fall within a range between €130,000 and €340,000. Base salaries for presidents of the group's US operations fall within a range between \$220,000 and \$300,000. Additionally, the group's presidents participate in share awards under the Spectris Performance Share Plan (typically over 60% of base salary) and in profit-related bonus arrangements linked to base salary and payable against their business annual operating profit after exchange, plus or minus a financing charge/credit arising from changes in working capital over the year. On plan performance delivers a c.30% of base salary bonus with the upper limit of the payment range delivering 50% of base salary.

Non-executive directors

Non-executive directors' fees are agreed by the Chairman and executive directors by reference to market practice. The base fee is supplemented by allowances for chairmanship of the audit and remuneration committees and the pension scheme trustee board. There is no participation in bonus, share option, or pension arrangements and no participation in the Spectris Performance Share Plan. All non-executive directors' conditions of appointment provide for a six-month period of notice within an initial term of three years from election by shareholders at the director's first AGM. The appointment may be renewed by mutual agreement for a further three-year period.

Total shareholder return

The following graph indicates the value by the end of 2008 of £100 invested in Spectris plc 5p ordinary shares on 31 December 2003 compared with the value of £100 invested in the FTSE 250 index (excluding investment trusts) over the same period. The graph was selected as the most appropriate comparison measure because the company is a constituent member of the FTSE 250 index and the members of the FTSE 250 (excluding investment trusts) form the comparator group for the purposes of the TSR performance test under the Spectris Performance Share Plan.



This graph shows the value, by 31 December 2008, of £100 invested in Spectris on 31 December 2003 compared with the value of £100 invested in the FTSE 250 index (excluding investment trusts). The other points plotted are the values at intervening financial year-ends.

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Service contracts

The following table sets out a summary of the directors' service contracts or terms of appointment. Directors' service contracts provide for termination on the director reaching the age of 65.

	Date of contract	Expiry date	Notice period	Length of service at 23 February 2009
Executive directors				
J E O'Higgins	1.1.06	3.2.29	12 months	3 years 1 month
C G Watson	1.10.06	4.2.23	12 months	2 years 4 months
J C Webster	27.3.98	21.6.15	12 months	15 years 4 months
Non-executive directors				
P A Chambré	1.8.06	16.5.10	6 months	2 years 6 months
J L M Hughes	1.6.07	16.5.11	6 months	1 year 8 months
A J Reading	10.3.04	16.5.10	6 months	4 years 11 months
J A Warren	7.3.06	16.5.09	6 months	2 years 11 months

Mr Webster's contract provides for a predetermined compensation payment in lieu of notice (equivalent to total notice period remuneration – salary, bonus and benefits) in the event of termination by the employer within 12 months of a change in control of the group.

Mr O'Higgins' and Mr Watson's contracts provide, subject to a duty of mitigation, for phased monthly payments equivalent to 1.65 times monthly salary in lieu of all remuneration and benefits otherwise payable during the notice period in full and final settlement of all employment-related claims.

Directors' remuneration and interests

The auditors are required to report on the information contained in the following sections a) to e).

a) Emoluments of directors excluding pension contributions (£000)

	Salary and/or fees	Bonus	Benefits in kind	Taxable expenses	2008 Total	2007 Total
Executive directors						
J E O'Higgins	420	341	15	4	780	663
C G Watson	275	208	11	4	498	447
J C Webster	250	195	21	–	466	421
S C Harris	46	–	2	–	48	403
Non-executive directors						
P A Chambré	39	–	–	–	39	35
J L M Hughes	102	–	–	–	102	23
A J Reading	45	–	–	–	45	40
J A Warren	56	–	–	–	56	40
A F Given	–	–	–	–	–	15
J W Poulter	53	–	–	–	53	126
	1,286	744	49	8	2,087	2,213

1. Benefits in kind include company cars, private fuel and medical expenses insurance. Taxable expenses relate to allowances paid in lieu of company cars and private fuel.
2. The Chairman's fees are £140,000 p.a. Fees paid to Mr Hughes in 2008 reflect his appointment as Chairman in May 2008.
3. For Mr Reading and Mr Warren, their base fee of £38,500 p.a. is increased by an additional fee of £6,500 p.a. for their chairmanship of, respectively, the remuneration and audit committees. Additionally, Mr Warren receives a fee of £15,000 p.a. for his chairmanship of Spectris Pension Trustees Limited, following his appointment to that position in April 2008.
4. During the year Mr Webster received £35,000 in respect of his appointment as a non-executive director of Raymarine plc.

b) Directors' pensions

Company contributions to defined contribution plans:

	2008 £000	2007 £000
J E O'Higgins	105	95
C G Watson	69	63
J C Webster	63	60
S C Harris	10	59

The company contributes at the rate of 25% of salary.

c) Directors' total remuneration

	2008 £000	2007 £000
Aggregate emoluments	2,087	2,213
Company pension contributions to defined contribution schemes	247	277
Gains made on exercise of share options	-	1,561
	2,334	4,051

d) Directors' interests in options to purchase ordinary shares

	Date granted	Options held 1 Jan 08	Granted during the year	Exercise price (p)	Exercised during the year	Share price at date of exercise (p)	Lapsed during the year	Options held 31 Dec 08 (or date of cessation of employment if earlier)	Date exercisable	Expiry date
J E O'Higgins SAYE	Oct 2006	1,529		618				1,529	Dec 2009	Jun 2010
		1,529						1,529		
S C Harris	Sep 2005	85,000		589			85,000	0	n/a	n/a
		85,000					85,000	0		
C G Watson SAYE	Oct 2007	1,146		837				1,146	Dec 2010	Jun 2011
		1,146						1,146		
J C Webster	Sep 2005	85,000		589				85,000	Sep 2008	Sep 2015
		85,000						85,000		
Total		172,675					85,000	87,675		

Shares other than those marked SAYE relate to executive share option grants. Entitlement to exercise grants under the Unapproved 1996 Executive Share Plan is conditional upon a performance criterion requiring compound growth in normalised earnings per share (EPS) over three years up to 5% per annum in excess of the increase in the retail prices index (please refer to the Directors' Remuneration Report on page 38 for further explanation). This condition has been met for all outstanding option grants. No consideration was paid by any recipient in relation to the grant of an option and there were no changes to the conditions on which any option was granted during the year.

No director exercised share options during the year. The remaining options granted to S C Harris lapsed on his leaving employment on 31 January 2008.

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e) Directors' share awards under the Spectris Performance Share Plan

	Number of shares subject to award at 1 Jan 08	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 Dec 08 (or date of cessation of employment if earlier)	Market value of each share at date of award (p)	Date exercisable	Expiry date
J E O'Higgins	56,000				56,000	622.5	May 2009	May 2010
	35,500				35,500	865.0	Mar 2010	Mar 2011
		53,400			53,400	786.5	Mar 2011	Mar 2012
	91,500				144,900			
S C Harris	24,000			24,000	0	622.5	n/a	n/a
	20,500			20,500	0	865.0	n/a	n/a
	44,500			44,500	0			
C G Watson	6,500				6,500	640.0	Oct 2009	Oct 2010
	21,500				21,500	865.0	Mar 2010	Mar 2011
		34,900			34,900	786.5	Mar 2011	Mar 2012
	28,000				62,900			
J C Webster	24,500				24,500	622.5	May 2009	May 2010
	20,500				20,500	865.0	Mar 2010	Mar 2011
		31,700			31,700	786.5	Mar 2011	Mar 2012
	45,000				76,700			
Total	209,000	120,000		44,500	284,500			

The above awards were made as conditional rights to acquire shares (structured as nominal cost options) and the number of shares awarded were based on the mid-market closing price of the company's shares on the business day prior to the date of grant. In respect of the 2008 award, for each of Mr O'Higgins, Mr Watson and Mr Webster, the value of the award was equivalent to 100% of their base salaries at the date of grant. Following satisfaction, in whole or part, of the performance criteria attaching to the awards (as summarised on page 38), the directors may call for the release to them of the vested shares during the above-shown exercise periods.

The awards granted to Mr Harris lapsed on his leaving employment on 31 January 2008.

f) Directors' interests

The following directors or their families had beneficial interests in the ordinary shares of the company:

	Shareholdings	
	2008 31 Dec (or date of resignation)	2008 1 Jan (or date of appointment)
J L M Hughes	8,000	4,000
J E O'Higgins	27,000	15,000
P A Chambré	5,000	5,000
A J Reading	11,000	10,000
J A Warren	3,000	3,000
C G Watson	12,500	8,832
J C Webster	105,942	100,126
S C Harris	19,924	19,924
J W Poulter	85,315	85,315

There were no changes to the above interests between the year end and the date of this report.

No director had during the year or at the end of the year any material interest in any contract of significance to the group's business.

At 31 December 2008 the middle market closing share price on the London Stock Exchange was 535p. The highest share price in the year was 830.5p and the lowest was 400p. At 31 December 2008 each of the executive directors was deemed to have a non-beneficial interest in 10,765 (2007: 20,780) ordinary shares held by the Trustees of the Spectris plc Employee Benefit Trust of which the directors are among the class of discretionary beneficiaries.

By order of the Board



A J Reading

Chairman of the Committee
24 February 2009