

# Directors' Remuneration Policy

## The Directors' Remuneration Policy

The Company intends that, subject to shareholder approval, the following Directors' Remuneration Policy will take effect from 1 January 2020, following the December 2019 General Meeting. The table below describes each component of the remuneration package applicable to the Executive Directors:

### The Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics	Changes from previous policy <sup>1</sup>
<b>Base salary/fees</b>	<ul style="list-style-type: none"> <li>Competitive fixed remuneration that enables Spectris to attract and retain key Executives.</li> </ul>	<ul style="list-style-type: none"> <li>Normally reviewed annually.</li> <li>Benchmarked triennially against FTSE 50-150 excluding investment trusts. This peer group is considered appropriate given the size and listing of the business. Other peer groups may be considered by the Committee if appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Increases will typically not exceed the average increase for the general UK workforce. The Committee retains the discretion to award increases in excess of or below this if, and where, it deems appropriate e.g. if a role changes substantially or a new incumbent is being moved to a target salary over time.</li> </ul>	<ul style="list-style-type: none"> <li>Reflects the role and the Director's skills, performance and experience, referenced to a level at or moderately below the comparator group's median.</li> </ul>	<ul style="list-style-type: none"> <li>No material changes.</li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>Drives short-term financial performance that flows through to long-term shareholder value.</li> <li>Incentivises Executives to achieve specific pre-determined stretching objectives relating to the Group's strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Bonus based on annual performance targets.</li> <li>50% of any bonus is paid in cash, with the remaining 50% deferred into Spectris shares. Any deferred element will vest after 3 years from the date of grant.</li> <li>Clawback and Malus provisions enable variable remuneration to be reclaimed under the following exceptional circumstances:               <ul style="list-style-type: none"> <li>Material misstatement of results or accounts;</li> <li>Gross misconduct or fraud;</li> <li>Award calculated in error;</li> <li>Material failure of risk management; and</li> <li>A material breach of our Code of Business Ethics.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Maximum opportunity is based on base salary:               <ul style="list-style-type: none"> <li>150% – Chief Executive</li> <li>125% – Chief Financial Officer</li> </ul> </li> <li>Bonus starts accruing from threshold levels of performance.</li> <li>Notional re-investment of dividends will apply from the date of grant to deferred shares when the shares vest.</li> </ul>	<ul style="list-style-type: none"> <li>The performance measures to be applied will be assessed annually and may be financial or non-financial and in such proportions as the Committee considers appropriate. However, the weighting of financial measures will not be reduced below 70% of total annual bonus potential for the duration of this policy.</li> <li>For the 2020 annual bonus, the financial performance measures will be Adjusted Operating Profit and Cash Conversion.</li> <li>A minimum (threshold) level of performance will result in a bonus of 1% of total bonus opportunity. At target, the bonus level for each Executive Director is 50% of total bonus opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of compulsory bonus deferral of 50% of any bonus for 3 years.</li> <li>Introduction of malus and enhancement to clawback and malus provisions.</li> <li>Standardisation of target payout at 50% of the maximum opportunity.</li> </ul>

#### Notes

<sup>1</sup> See page 16.

## The Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics	Changes from previous policy <sup>1</sup>
<b>Spectris Long Term Incentive Plan ("LTIP")</b>	<ul style="list-style-type: none"> <li>• Drives the delivery of sustained annual growth in earnings per share ("EPS") and, Return On Gross Capital Employed ("ROGCE").</li> <li>• Drives outperformance in absolute and relative total shareholder return ("TSR").</li> </ul>	<ul style="list-style-type: none"> <li>• Awards made annually with performance conditions based over a three-year period.</li> <li>• Two-year holding period applies post performance period.</li> <li>• Clawback provisions enable the Committee to recoup the value of previously vested awards from an individual within two years of the end of the relevant performance period. Malus provisions also enable the Committee to reclaim any unvested LTIP award if it considers it appropriate. The Clawback and Malus provisions are as follows: <ul style="list-style-type: none"> <li>– Material misstatement of results or accounts;</li> <li>– Gross misconduct or fraud;</li> <li>– Award calculated in error;</li> <li>– Material failure of risk management; and</li> <li>– A material breach of our Code of Business Ethics.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Base award has a maximum of 200% of base salary.</li> <li>• Executive Directors will receive up to 1.4x their base award, subject to outperformance against stretch conditions.</li> <li>• The total maximum possible opportunity is therefore 280% of base salary (200% x 1.4).</li> <li>• Notional re-investment of dividends will apply from the date of grant to the date when the shares are first capable of release, including for any awards subject to a holding period.</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial).</li> <li>• A minimum (threshold) level of performance will result in vesting of 20% of the relevant element of a LTIP award.</li> <li>• The performance measures that will apply to 2019 LTIP base award will be based on growth in EPS and ROGCE.</li> <li>• The performance measures that will apply to 2019 LTIP multiplier will be absolute TSR with a relative TSR underpin.</li> <li>• Should the Committee materially change the current measures applied for the LTIP awards made to Executive Directors or the weightings between these measures then they would consult with major shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in maximum award potential to 280% of base salary through multiplier of 1.4x on base award with TSR performance conditions.</li> <li>• Removal of economic profit performance measures and introduction of ROGCE.</li> <li>• Introduction of malus and enhancement to malus and clawback provisions.</li> </ul>

### Notes

<sup>1</sup> See page 16.

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## The Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics	Changes from previous policy <sup>1</sup>
<b>Pensions</b>	<ul style="list-style-type: none"> <li>Market-competitive defined contribution pension, enabling Spectris to attract and retain key executives.</li> </ul>	<ul style="list-style-type: none"> <li>Pensions are benchmarked periodically.</li> </ul>	<ul style="list-style-type: none"> <li>Pension contributions and/or taxable cash allowance in lieu for new joiners will be aligned to the terms applicable to the majority of the UK workforce (currently set at 6% of base salary.) This value may change over time if the rate provided to the majority of the wider UK workforce changes.</li> <li>Existing Directors have a maximum 20% of base salary Company pension contribution and/or taxable cash allowance in lieu.</li> <li>Current CEO receives 20% of base salary and current CFO receives 15% of base salary.</li> </ul>	<ul style="list-style-type: none"> <li>None applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Pension levels for new joiners aligned to the majority of the wider UK workforce of 6% of salary.</li> </ul>
<b>Benefits in kind<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Market-competitive benefits in kind, enabling Spectris to attract and retain key executives.</li> </ul>	<ul style="list-style-type: none"> <li>Benefits in kind include company cars or allowances, medical insurance and life and disability insurance and are benchmarked periodically. The Committee may provide other benefits from time to time.</li> </ul>	<ul style="list-style-type: none"> <li>It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits and so a monetary limit of £30,000 p.a. post tax per Executive Director has been set for the duration of this policy although, clearly, the Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Committee considers to be appropriate in all circumstances.</li> <li>Where the requirements of the business involve a Director relocating, the Company may make a payment towards related expenses, as it considers appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>None applicable.</li> </ul>	<ul style="list-style-type: none"> <li>No material changes.</li> </ul>

**Notes**  
1 & 2 See page 16.

## The Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics	Changes from previous policy <sup>1</sup>
<b>All-employee share incentive plan</b>	<ul style="list-style-type: none"> <li>The Spectris Share Incentive Plan ("SIP") is operated to encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Individuals may purchase Spectris shares at market price, using gross salary up to a maximum of the level allowed by HMRC. For every five shares purchased by an employee under the SIP, the Company will award one free Matching share.</li> <li>Matching shares are subject to forfeiture if the employee leaves the SIP within 3 years.</li> <li>Dividends earned may be delivered in shares.</li> </ul>	<ul style="list-style-type: none"> <li>Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.</li> </ul>	<ul style="list-style-type: none"> <li>Consistent with normal practice, such awards are not subject to performance conditions.</li> </ul>	<ul style="list-style-type: none"> <li>The SIP replaced the Spectris Savings Related Share Option Scheme which has now been discontinued.</li> </ul>
<b>Shareholding ownership guidelines</b>	<ul style="list-style-type: none"> <li>To encourage share ownership by the Executive Directors and ensure that their interests are aligned with those of shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Each Executive Director is required to build a retained shareholding in Spectris of at least one times their maximum annual variable pay in value within five years of being appointed to the Board.</li> <li>Post-tax value of any outstanding LTIP awards post three-year performance period or/and deferred annual bonus awards will count towards the shareholding ownership guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>Each Executive Director is, subject to personal circumstances, required to build a retained shareholding in Spectris of their maximum annual variable pay (CEO: 430% of salary, CFO: 405% of salary) within a five-year period from appointment to the Board.</li> <li>Executive Directors will not be permitted to sell shares unless the requirement is met.</li> <li>In addition, a post-cessation holding period will apply for Executive Directors who leave the Company. Each Executive Director will have a requirement to retain the lower of their actual shareholding or two times their final base salary in shares for two years post-cessation.</li> </ul>	<ul style="list-style-type: none"> <li>None applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Shareholding requirement increased from 300% of salary to equal maximum annual variable pay (CEO: 430% of salary, CFO: 405% of salary).</li> <li>Introduction of post-cessation shareholding requirement.</li> </ul>

**Notes**  
1 & 2 See page 16.

# Directors' Remuneration Policy continued

## Notes

1 Where the Company's pay policy for the Executive Directors differs from its pay policies for groups of employees, this reflects the appropriate market rate positions for the relevant roles.

2 While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by Spectris or another) and business travel (including any related tax liabilities settled by the Company) for the Directors (and exceptionally their family members) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

The Committee reserves the right to make any remuneration payments notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company.

In-flight awards made before the adoption of this Policy will continue in line with the approved Policy under which they were granted. Further details of these awards can be found within the Remuneration Policy approved at the 2017 AGM and included within the 2016 Annual Report and Accounts.

In the event of a change in control, deferred share awards will vest in full, and LTIP awards will vest subject to performance conditions and be reduced on a time pro-rated basis, unless the Committee determines otherwise.

## Performance measures

The table below sets out the relevant performance measures for 2019 and the link to strategy. Note that the Policy includes the flexibility for the Committee to select appropriate measures each year.

### Performance measures

#### Annual bonus

The performance conditions used to determine bonus achievement are selected by the Committee with the emphasis on driving performance in annual adjusted operating profit and cash conversion and aspiring to meet or exceed stretching targets to the benefit of shareholders.

Performance measure	Link to strategy	Definition
<b>Adjusted Operating Profit</b>	<ul style="list-style-type: none"><li>Adjusted Operating Profit is a key financial metric which the Board considers when assessing the Group's financial performance. It is a key performance measure for management, investors and the analyst community.</li></ul>	<ul style="list-style-type: none"><li>Adjusted Operating Profit is defined as Statutory Operating Profit excluding: restructuring costs; net acquisition-related costs and fair value adjustments; depreciation of acquisition-related fair value adjustments to property; plant and equipment; and, amortisation and impairment of acquisition-related intangible assets.</li></ul>
<b>Cash Conversion</b>	<ul style="list-style-type: none"><li>Cash Conversion ensures a focus on generating quality earnings that can be reinvested into the business and distributed to our shareholders through dividends. The business aims to deliver high Cash Conversion of operating profit each financial year.</li></ul>	<ul style="list-style-type: none"><li>Cash Conversion is defined as adjusted operating cash flow as a percentage of adjusted operating profit.</li></ul>
<b>Strategic and operational objectives</b>	<ul style="list-style-type: none"><li>The remaining bonus components aims to reward the achievement of significant and demanding strategic and operational objectives that support sustainable growth.</li></ul>	<ul style="list-style-type: none"><li>N/A</li></ul>

## Performance measures

### Long term incentive plan

The measures proposed are intended to provide an appropriate balance between absolute financial performance and strong relative performance.

Performance measure	Link to strategy	Definition
<b>Adjusted EPS growth</b>	<ul style="list-style-type: none"> <li>Adjusted EPS growth is a key performance measure for investors and indicates how profitable the business is for shareholders. The Group's aim is to achieve year-on-year growth in adjusted EPS as this is a key value driver for shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted earnings per share is the ratio of adjusted earnings for the year to the number of ordinary shares outstanding during the year, excluding certain items.</li> </ul>
<b>ROGCE</b>	<ul style="list-style-type: none"> <li>The Group's strategy is to grow highly cash generative operations and deploy the cash in a structured and considered way. ROGCE is a pure measure of the effectiveness of all capital deployed by the Group.</li> </ul>	<ul style="list-style-type: none"> <li>The ratio of the Group's Adjusted Operating Profit to the average year-end shareholders equity, net debt and accumulated amortisation and impairment of goodwill and acquired intangible assets.</li> </ul>
<b>Absolute TSR</b>	<ul style="list-style-type: none"> <li>Measure strongly aligns participants with growth in shareholder returns over the performance period and aligns payouts directly to the value created for our shareholders over the performance period.</li> </ul>	<ul style="list-style-type: none"> <li>The growth in Total Shareholder Return for Spectris over the performance period.</li> </ul>
<b>Relative TSR</b>	<ul style="list-style-type: none"> <li>To ensure that any payouts under the multiplier are only generated if outperformance is strong relative to peers. The FTSE 250 (excluding investment trusts) index has been chosen because it is a widely-recognised performance benchmark for large companies in the UK.</li> </ul>	<ul style="list-style-type: none"> <li>The Total Shareholder Return of Spectris over the TSR performance period compared to the FTSE 250 (excluding Investment Trusts).</li> </ul>

## Target setting

Long term and short term target ranges are set with reference to the internal business plan, external consensus forecasts and market norms where appropriate and are calibrated to generate sustainable value for our shareholders. Annual bonus targets are not disclosed in advance as the Committee considers them to be commercially sensitive, but they will be disclosed retrospectively following the end of the performance period.

### Approach to adjusting performance measures in the event of acquisitions, disposals and a return of capital to shareholders

Targets for each cycle will be set excluding any acquisition or disposal activity (unless known when they are set). Any such activity during the measurement period will be considered by the Committee and, if material, adjusted for at the end of the performance period. This ensures that measurement focuses on the underlying business contribution during the performance period, whilst allowing for the execution of strategic actions as agreed by the Board. Such adjustments are intended to neither benefit nor penalise participants and concentrate the assessment of the incentive on the underlying performance of the business during the period to ensure alignment with shareholder interests. Targets set for the next cycle will build in the impact of any transactions that have been made.

The Company currently does not intend to make significant returns to shareholders during the Policy period through share buybacks or special dividends. However, there may be circumstances where a cash return to shareholders is appropriate and in the best interests of shareholders, if at that point in time there are no desirable business investments to be made. If a capital return is made to shareholders, the Committee's normal course of action would be not to adjust performance measures for this on the principle that the value delivered to shareholders should be reflected in the incentive outcomes, in particular for the long-term metrics of adjusted EPS growth and ROGCE.

### Discretion

Discretion is reserved for incentive plans that are operative. The Committee will operate the Annual Bonus Plan and LTIP according to their respective rules and the above Directors' Remuneration Policy table.

The Committee reserves certain discretions, consistent with market practice, in relation to the operation and administration of these plans including:

- The determination of performance measures and targets and resultant vesting and payout levels;
- The ability to adjust performance measures and targets to reflect material events and/or to ensure that the performance measures and targets operate as originally intended;

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- To vary the terms of performance conditions under the incentives after the start of the performance period have been made to take account of technical changes, for example changes in accounting standards or the takeover of a company in a TSR comparator group, or if an event occurs that causes the Committee to consider that the performance condition can no longer achieve its original purpose. However, the amended performance condition will have to be, in the Committee's view, no less challenging in the circumstances as a result of the change;
- To vary performance measures under the incentives in events such as corporate acquisition or other major transitions;
- The ability to override formulaic outcomes should this be appropriate, determination of the treatment of individuals who leave employment (as described in the Termination arrangements section on page 19), based on the rules of the incentive plans, and the application of the incentive plans under exceptional events, such as a change of control of the Company; and
- The ability to make adjustments to existing awards made under the incentive plans in certain circumstances (e.g. right issues, corporate restructurings or special dividends).

Any adjustment made using this discretion will be explained in the following Annual Report.

## UK Corporate Governance Code 2018 – remuneration principles

To ensure compliance with the UK Corporate Governance Code 2018, we set out below the remuneration principles and how each principle was addressed when setting the Remuneration Policy. The Committee has taken feedback from shareholders on matters relating to remuneration and governance when determining, reviewing and implementing the Policy, as well as taking into consideration any conflicts of interest. Extensive shareholder consultations have been carried out in advance of putting the Policy out to shareholders for approval.

Principle	How principle was addressed when setting the remuneration policy
<b>Clarity</b>	The Committee has ensured that the Policy is transparent and that there is strong alignment between the interest of stakeholders and reward e.g. by using performance-based reward and specific performance measures such as TSR.
<b>Simplicity</b>	The policy was set in a simple and transparent way to ensure it is clearly understood.
<b>Risk</b>	The Committee has identified and mitigated risks through the introduction of malus on the Deferred Bonus Plan and Long Term Incentive Plan. In addition, the malus and clawback provisions have been updated and refined. All elements of the policy are compatible with our risk policies.
<b>Predictability</b>	Maximum opportunities are clearly set out in the Policy table and shown in the scenario charts on page 21.
<b>Proportionality</b>	The Policy is focused on creating long term sustainable shareholder value. Remuneration is designed to be competitive but not excessive compared to peers.
<b>Alignment to culture</b>	The Policy drives strong performance and achievement of business goals. The total compensation package is competitive to ensure we can retain and attract key talent.

## Non-Executive Directors

The table below describes the remuneration package applicable to the Chairman and the Non-executive Directors under the Directors' Remuneration Policy.

Element of remuneration package	Relevance to the Company's short and long-term strategic objectives	Operation	Maximum potential value	Performance metrics	Changes from previous policy
Fees	Competitive fees that enable Spectris to attract able and experienced Directors.	<p>Normally reviewed biennially and determined by reference to market practice (although the Board may review at other times).</p> <p>Base fee is supplemented by fees for Chairmanship of the Audit and Risk and Remuneration Committees, the Workforce Engagement Director and for the Senior Independent Director. Travel allowances are paid, where applicable.</p> <p>The Board reserves the right to vary the basis for setting fees (such as introducing Committee membership fees) should it consider that to be appropriate.</p> <p>There is no participation in bonus, share plan or pension arrangements.</p> <p>The Company reserves the ability to provide the Company Chairman with certain benefits in kind and/or a contribution towards the provision of office facilities where appropriate, although the current Chairman does not presently receive such benefits.</p>	The aggregate fees of the Non-Executive Directors will not exceed the limit provided within the Company's Articles of Association (currently £650,000 per annum). Additional fees may be payable to any Director who does not hold executive office for any additional role that they take on the Board (including Chairman, Senior Independent Director, Committee Chairman or Workforce Engagement Director) or for serving on any Committee of the Board.	Not applicable to this element.	No material changes.

It is not the policy of the Company to provide benefits to the Chairman or the Non-executive Directors. However, while the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by Spectris or another) and business travel (including any related tax liabilities settled by the Company) for the Directors (and, exceptionally, their family members) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policy.

## Recruitment remuneration

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver the Company's strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to look to the general policy for Executive Directors as set out above and structure a package in accordance with that policy.

Remuneration element	Recruitment policy
<b>Base salary, benefits and pension</b>	<ul style="list-style-type: none"> <li>Salary and benefits will be set in line with the remuneration policy for existing Directors.</li> <li>Pension levels will be set in line with the remuneration policy and wider workforce (currently 6% of salary)</li> <li>Consistent with the regulations, the caps contained within the general policy for fixed pay technically do not apply to a recruit, although the Committee would not envisage exceeding such cap in practice.</li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>The annual bonus will operate (including the maximum award levels) as detailed in the remuneration policy for existing Directors for any newly-appointed Executive Director.</li> <li>For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate</li> </ul>
<b>Long term incentive plan ("LTIP")</b>	<ul style="list-style-type: none"> <li>The LTIP will operate (including the maximum award levels) as detailed in the remuneration policy for existing Directors for any newly-appointed Executive Director.</li> <li>For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.</li> </ul>
<b>Buy out of incentive forfeited on cessation of employment</b>	<ul style="list-style-type: none"> <li>All buy-out awards for external appointments made to compensate for awards forfeited on leaving the previous employer will be designed to replace the commercial value of the amount forfeited and will take account of the nature, time horizons and performance requirements of those awards.</li> <li>In particular, the Committee's starting point will be to ensure that any awards being forfeited which remain subject to outstanding performance requirements (other than where substantially complete) and/or service requirements are bought out with Spectris awards subject to similar terms, unless an alternative approach is considered appropriate.</li> <li>Buy-outs may be made under the annual bonus or LTIP on varied terms (in reliance on Listing Rule 9.4.2). Buy-outs will only include guaranteed amounts where the Committee considers that it is necessary to secure the recruitment and to replace forfeited pay. For the avoidance of doubt, buy-out awards to compensate for awards forfeited are not subject to a formal cap.</li> </ul>
<b>Relocation policy</b>	<ul style="list-style-type: none"> <li>For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate. Relocation support will not exceed two years from appointment.</li> </ul>

## Recruitment remuneration for Non-executive Directors

A new Chairman or Non-executive Director would be recruited on terms consistent with the main policy for such Directors.

## Termination arrangements

It is the practice of the Committee to consider the treatment on termination having regard to the relevant facts and circumstances. The contracts permit the Committee to make payment on a monthly basis with payments reducing or ceasing if the individual finds another position during the notice period, and termination arrangements will normally follow this approach. However, the Committee reserves the power to negotiate a single lump sum payment on termination if it considers that to be in the interests of the Company and will have full regard to the duty to mitigate if it does so.

Remuneration element	Good leaver	Bad leaver
<b>Annual bonus</b>	Under certain circumstances, for example good leaver provisions covering retirement and ill health, bonus entitlements may be payable, calculated to the date of termination only. Bonuses will be paid in line with normal policies.	Bonus for the year in which the individual left the business would be forfeited.
<b>Deferred annual bonus</b>	Under certain circumstances, for example good leaver provisions covering retirement and ill health, the deferred annual bonus awards will normally continue to vest at the vesting date. Alternatively, the Committee may determine that awards will vest on cessation of employment.  On a change of control, deferred bonus awards will vest in full in accordance with the rules of the plan.	Unvested deferred bonus awards would lapse on termination.



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Remuneration element	Good leaver	Bad leaver
<b>Long term incentive plan ("LTIP")</b>	<p>Under certain circumstances, for example good leaver provisions covering retirement and ill health, awards made under the LTIP will remain exercisable subject to time pro-rating and the application of the performance conditions at the performance vesting date. Awards will continue to vest at the vesting date.</p> <p>The Committee also retains a standard ability to vary or disapply time pro-rating for LTIP awards for good leavers where it considers it fair and reasonable to do so or to allow good leavers' LTIP awards to vest at the date of termination (subject to time pro-rating and the application of performance conditions) in exceptional cases.</p> <p>Likewise, on a change of control, LTIP awards may vest in accordance with the rules of the plan (performance conditions and time pro-rating apply, subject to a standard ability for the Committee to vary or disapply time pro-rating).</p> <p>After the performance vesting date, any outstanding LTIP awards which are subject to a holding period will not normally be forfeited on a termination and the holding period will continue to apply to such awards (although the Committee may release awards early from the holding period in appropriate cases).</p>	<p>Prior to the performance vesting date, all share awards would lapse following termination.</p> <p>Post the performance vesting date, LTIP awards will normally only be forfeited if the reason for termination is misconduct.</p>
<b>Post cessation holding period</b>	Upon departure, Executive Directors will be required to retain the lower of actual shares held on departure or 200% of final base salary in Spectris shares for two years post-cessation.	
<b>Legal fees</b>	<p>Consistent with market practice, in the event of termination of an Executive Director, the Company may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of the termination arrangements. Should it become necessary to make additional payments in respect of such professional fees that were not ascertained at the time of reporting, the Company may do so up to a level of £10,000. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.</p> <p>The Committee may also, after taking appropriate legal advice, sanction the payment of additional sums in settlement of potential legal claims.</p>	

## Service Contracts

The Executive Directors have rolling contracts subject to 12 months' notice of termination by either party, or to summary notice in the event by the Director of a serious breach of obligations, dishonesty, serious misconduct or other conduct bringing the Company into disrepute.

The contracts of employment in respect of Andrew Heath and Derek Harding provide for payment in lieu of notice on termination equivalent to base salary, pension and benefits but exclude any compensation for loss of bonus and is in full and final settlement of all employment-related claims. Such payment may be paid in monthly instalments for the duration of the notice period or as a lump sum and is subject to mitigation if alternative employment is found during the notice period.

The Committee is aware of the best practice expectations set out in the 2008 ABI/Pensions and Lifetime Savings Association (formerly NAPF) joint statement on executive contracts and severance and has noted the subsequent updates to the Pensions and Lifetime Savings Association policy. This guidance, and any future revisions, will be taken into account before agreeing any future service contracts. The Committee is committed to continuous review of its policies in the best interests of shareholders. The following table sets out a summary of the Directors' service contracts or terms of appointment:

	Date of contract	Expiry date	Notice period	Length of service at 4 November 2019
<b>Executive Directors</b>				
Andrew Heath	3 Sept 2018	rolling contract with no fixed expiry date	12 months	1 year 2 months
Derek Harding	1 Mar 2019	rolling contract with no fixed expiry date	12 months	8 months
<b>Non-executive Directors</b>				
Mark Williamson	26 May 2017	renewable at each AGM	6 months	2 years 5 months
Russell King	12 Oct 2010	renewable at each AGM	6 months	9 years
Karim Bitar	1 July 2017	renewable at each AGM	6 months	2 years 4 months
Ulf Quellmann	1 Jan 2015	renewable at each AGM	6 months	4 years 10 months
Bill Seeger	1 Jan 2015	renewable at each AGM	6 months	4 years 10 months
Cathy Turner	1 Sept 2019	renewable at each AGM	6 months	2 months
Kjersti Wiklund	19 Jan 2017	renewable at each AGM	6 months	2 years 9 months
Martha Wyrsh	1 Jun 2012	renewable at each AGM	6 months	7 years 5 months

## Non-executive Directors

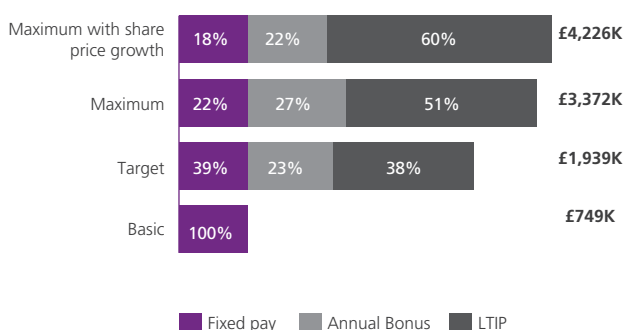
All Non-executive Directors' conditions of appointment provide for a six-month period of notice and are renewable at each AGM, subject to review prior to proposal for re-election. Ordinarily, appointments do not continue beyond nine years after the first election, at which time Non-executive Directors cease to be presumed independent under the UK Corporate Governance Code.

## Range of remuneration expectations

The following graphs show the remuneration each of the Executive Directors is expected to receive if their performance fails to meet threshold (basic), attains target or achieves maximum under the proposals for variable remuneration to be approved at the 2020 AGM. Additionally, the maximum performance graph shows the remuneration each Executive Director is expected to receive should the share price increase by 50% for the LTIP element over the life of the policy:

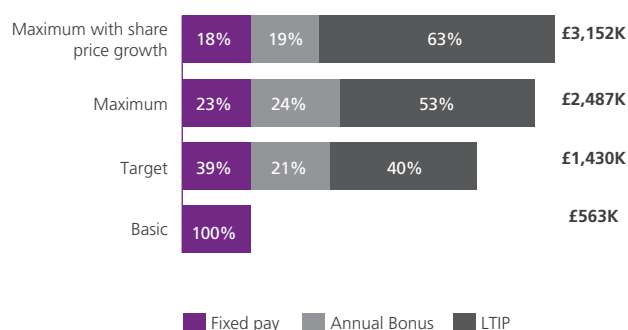
### Chief Executive's Remuneration

(£'000s)



### Chief Financial Officer's Remuneration

(£'000s)



#### Notes

<sup>1</sup> Fixed pay includes: base salary, car allowance, pension salary supplement, and benefits in kind.

<sup>2</sup> Annual bonuses are based on a percentage of base salary: at target level this is 50% of maximum potential bonus; at maximum level this is 150% of base salary for the CEO and 125% for the CFO.

<sup>3</sup> LTIP is based on a percentage of base salary: at target level this is 120% of base salary (60% of base award); at maximum level this is 280%.

Each bar shows the percentage of the total comprised by each of the parts.

## Consideration of conditions elsewhere in the Group

The Committee is sensitive to the need to set Directors' remuneration having regard to pay and employment conditions in the Group as a whole and is satisfied that the approach taken by the Company is fair and reasonable in light of current market practice and the best interests of shareholders. The levels of remuneration and annual increase awarded to the Presidents of each of the Group's operating businesses are taken into consideration, notwithstanding that these reflect such businesses' particular trading position and the geographical and technical employment markets in which they operate.

Remuneration for the Executive Committee is structured the same as for the Executive Directors with the exception of bonus deferral which does not apply to members of the Executive Committee. The Executive Committee pay levels are set at competitive levels to reflect the size, complexity and geographic locations of these businesses. Additionally, the Executive Committee participate in share awards under the LTIP, albeit at lower levels than the Executive Directors, and in profit-related bonus arrangements linked to base salary and payable according to their business's achievement of annual adjusted operating profit and cash conversion targets. On-target plan performance delivers 50% of the maximum potential bonus opportunity, with the upper limit being 125% of base salary.

Below this level, a range of different incentive arrangements apply as appropriate to the business, geography and level. The Company did not consult with employees in drawing up this report and no remuneration comparison measures were used.

## Consideration of shareholders' views

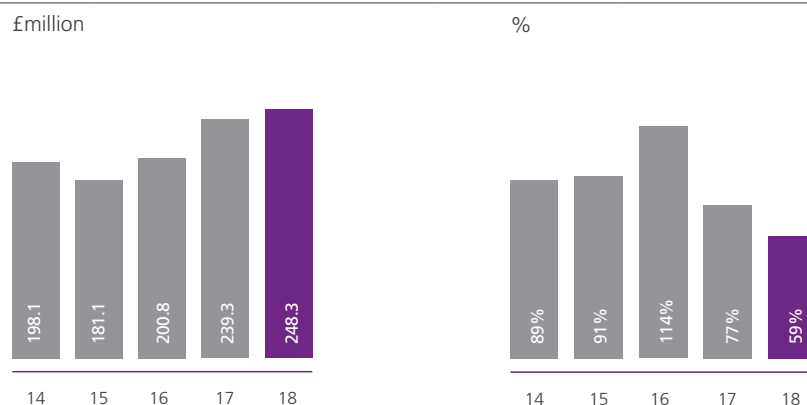
The proposals for the Policy were the subject of consultation with the Company's Top 15 shareholders and with ISS, the Investment Association, Glass Lewis and the Pensions and Lifetime Savings Association. The feedback received from this process was considered and incorporated in the proposals for the Directors' Remuneration Policy.

# LTIP Financial Performance Conditions

## Financial Performance Conditions Summary Terms

	Adjusted Operating Profit	Cash Conversion												
<b>Performance condition</b>	This measure is defined in full in note 2 of the 2018 Annual Report and Accounts. In summary, it is the Operating Profit adjusted to “add back” the following: restructuring costs; net acquisition-related fair value adjustments; depreciation of acquisition-related fair value adjustments to property, plant and equipment; amortisation and impairment of acquisition-related intangible assets and bargain purchase on acquisition.	Defined as adjusted operating cashflow as a percentage of adjusted operating profit.												
<b>Link to strategy</b>	Adjusted Operating Profit is a key financial metric which the Board considers when assessing the Group’s financial performance. It is a key performance measure for management, investors and the analyst community.	Cash Conversion ensures a focus on generating quality earnings that can be reinvested into the business and distributed to our shareholders through dividends. The business aims to deliver high Cash Conversion of operating profit each financial year.												
<b>Proposed use</b>	<b>Annual Bonus</b>	<b>Annual Bonus</b>												
<b>Proposed weighting</b>	<b>60%</b>	<b>20%</b>												
<b>Proposed 2020 target range</b>	<table border="1"> <thead> <tr> <th>Threshold (1%)</th> <th>Target (50%)</th> <th>Max (100%)</th> </tr> </thead> <tbody> <tr> <td colspan="3">Adjusted operating profit targets are not disclosed in advance as the Committee considers them to be commercially sensitive, but they will be disclosed retrospectively following the end of the performance period.</td> </tr> </tbody> </table>	Threshold (1%)	Target (50%)	Max (100%)	Adjusted operating profit targets are not disclosed in advance as the Committee considers them to be commercially sensitive, but they will be disclosed retrospectively following the end of the performance period.			<table border="1"> <thead> <tr> <th>Threshold (1%)</th> <th>Target (50%)</th> <th>Max (100%)</th> </tr> </thead> <tbody> <tr> <td><b>70%</b></td> <td><b>80%</b></td> <td><b>90%</b></td> </tr> </tbody> </table>	Threshold (1%)	Target (50%)	Max (100%)	<b>70%</b>	<b>80%</b>	<b>90%</b>
Threshold (1%)	Target (50%)	Max (100%)												
Adjusted operating profit targets are not disclosed in advance as the Committee considers them to be commercially sensitive, but they will be disclosed retrospectively following the end of the performance period.														
Threshold (1%)	Target (50%)	Max (100%)												
<b>70%</b>	<b>80%</b>	<b>90%</b>												
<b>Target setting conditions</b>	<p>Target will be set annually at consensus with threshold and maximum set at a +/-5% range against target.</p> <p><b>Note 1</b> – Targets will be set without any assumed acquisition or disposal activity incorporated (unless it is known when they are set). Therefore, the impact of such activity will be adjusted out of the targets/outcome as appropriate at the end of the performance period. This means that the performance assessment focuses on the underlying business during the performance period.</p>	<p>It is proposed that the range of target, threshold and maximum is a static percentage measure and does not necessarily increase year-on-year as it is a percentage measure and therefore the absolute cash will increase as profit increases.</p> <ul style="list-style-type: none"> <li>• Targets will be set with reference to: <ul style="list-style-type: none"> <li>– The Annual Budget; and</li> <li>– Adjusted operating profit targets set for the annual bonus (so that the level of stretch in the cash conversion measure equates to the stretch in the adjusted operating profit targets).</li> </ul> </li> <li>• Targets will be set without any assumed acquisition or disposal activity incorporated (unless it is known when they are set), as set out in <b>Note 1</b>.</li> </ul>												

## Five Year Performance History



Adjusted EPS Growth	Return on Gross Capital Employed ("ROGCE")	Total Shareholder Return ("TSR")																		
Adjusted earnings per share is the ratio of adjusted earnings for the year to the number of ordinary shares outstanding during the year, excluding certain items.	The ratio of the Group's adjusted operating profit to the average year-end shareholders equity, net debt and accumulated amortisation and impairment of goodwill and acquired intangible assets.	<p><b>Absolute TSR</b> – The growth in Total Shareholder Return for Spectris over the performance period.</p> <p><b>Relative TSR</b> – The Total Shareholder Return of Spectris over the TSR performance period compared to the FTSE 250 (excluding Investment Trusts).</p> <p><b>Total Shareholder Return definition</b> The change in the Net Return Index over the TSR Performance Period calculated as (TSR2-TSR1)/TSR1 where: TSR1 is its average Net Return Index over each weekday during the three-month period ending on the date before the start of the TSR Performance Period; TSR2 is its average Net Return Index over each weekday during the three-month period ending on the last day of the TSR performance period.</p>																		
Adjusted EPS growth is a key performance measure for investors and indicates how profitable the business is for shareholders. The Group's aim is to achieve year-on-year growth in adjusted EPS as this is a key value driver for shareholders.	The Group's strategy is to grow highly cash generative operations and deploy the cash in a structured and considered way. ROGCE is a pure measure of the effectiveness of all capital deployed by the Group.	Absolute TSR aligns payouts directly to the value created for our shareholders over the performance period. The Relative TSR underpin aims to ensure that any payouts under the TSR performance condition are only generated if outperformance is strong relative to peers. The FTSE 250 (excluding investment trusts) index has been chosen because it is widely-recognised.																		
<b>Spectris LTIP</b> <b>50%</b>	<b>Spectris LTIP</b> <b>50%</b>	<b>Spectris LTIP</b> <b>Up to 1.4x base LTIP award</b>																		
<table border="1"> <thead> <tr> <th>Threshold (20%)</th> <th>Target (60%)</th> <th>Max (100%)</th> </tr> </thead> <tbody> <tr> <td>4% p.a.</td> <td>7% p.a.</td> <td>10% p.a.</td> </tr> </tbody> </table>	Threshold (20%)	Target (60%)	Max (100%)	4% p.a.	7% p.a.	10% p.a.	<p>To be set annually based on prior year performance and the five-year business plan</p> <table border="1"> <thead> <tr> <th>Threshold (20%)</th> <th>Target (60%)</th> <th>Max (100%)</th> </tr> </thead> <tbody> <tr> <td>2019 ROGCE +1%</td> <td>2019 ROGCE +2%</td> <td>ROGCE +3%</td> </tr> </tbody> </table>	Threshold (20%)	Target (60%)	Max (100%)	2019 ROGCE +1%	2019 ROGCE +2%	ROGCE +3%	<p><b>Absolute TSR</b></p> <table border="1"> <thead> <tr> <th>Threshold (x1.2)</th> <th>Target (x1.4)</th> <th>Max (x1.6)</th> </tr> </thead> <tbody> <tr> <td>8% p.a.</td> <td>10% p.a.</td> <td>15% p.a.</td> </tr> </tbody> </table>	Threshold (x1.2)	Target (x1.4)	Max (x1.6)	8% p.a.	10% p.a.	15% p.a.
Threshold (20%)	Target (60%)	Max (100%)																		
4% p.a.	7% p.a.	10% p.a.																		
Threshold (20%)	Target (60%)	Max (100%)																		
2019 ROGCE +1%	2019 ROGCE +2%	ROGCE +3%																		
Threshold (x1.2)	Target (x1.4)	Max (x1.6)																		
8% p.a.	10% p.a.	15% p.a.																		

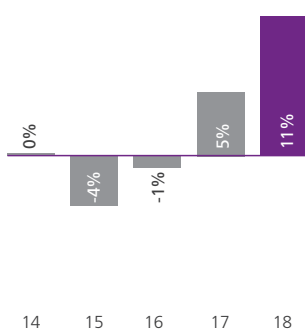
- Targets will be set with reference to brokers' consensus forecasts, internal business plans and market norms.
- Targets will be set without any assumed acquisition or disposal activity incorporated (unless it is known when they are set), as set out in Note 1 on page 22.

- Targets will be set with reference to:
  - The Group's Strategic Plan;
  - Investor and analyst expectations; and
  - The Group's cost of capital
- Targets will be set without any assumed acquisition or disposal activity incorporated (unless it is known when they are set), as set out in Note 1 on page 22.

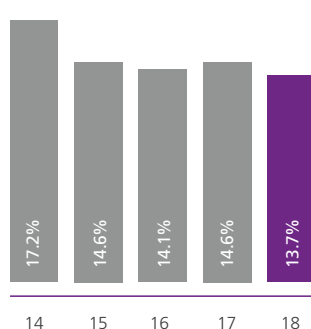
#### Relative TSR Gateway

Relative TSR gateway vs FTSE 250 (two step gateway at threshold and target) At least median relative TSR for any award under the absolute TSR performance condition to pay out between threshold and target performance. At least upper quartile relative TSR for payout at target or above under the absolute TSR performance condition.

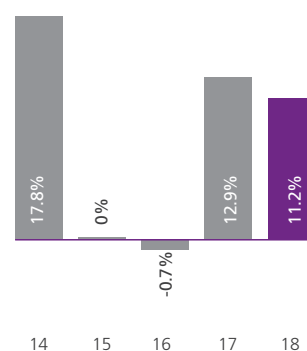
% growth over 3 years<sup>1</sup>



%



% growth over 3 years<sup>1</sup>



<sup>1</sup> 3 years represent the LTIP performance period

# Appendices

## Appendix 1 – Summary Key Terms of the Spectris Deferred Bonus Plan (“DBP”)

**IMPORTANT NOTE: This summary does not form part of the rules of the DBP. In the event of any discrepancy between this summary and the rules of the DBP, the rules will prevail.**

### 1. General

The DBP provides the mechanism for the deferral of bonus earned in respect of performance in the previous financial year into awards over ordinary shares of Spectris plc (the “Shares”). Awards granted under the DBP are personal to the relevant participant; are not normally transferable (except in the event of death of the award holder); and are not pensionable. The operation of the DBP will be overseen by the Board of directors of Spectris plc (the “Company”) or by a duly authorised committee, normally the Remuneration Committee, (the “Board”). The Board has absolute discretion to decide whether the DBP shall be operated for any particular financial year, the identity of any Award Holder and the terms of their participation. Decisions of the Board are final and conclusive in all respects.

### 2. Eligibility

Any employee or executive director of the Group at the date of grant are eligible for selection to participate in the DBP at the discretion of the Board. Former employees or executive directors may also be eligible if they were awarded a bonus for the relevant bonus year.

### 3. Grants of Awards

DBP awards may only be granted during the 42 days beginning on: (i) the date of shareholder approval of the DBP; (ii) the day after the announcement of the Company's results; (iii) any day on which the Board determines that circumstances are sufficiently exceptional to justify the grant of the DBP award at that time; or (iv) the day after the lifting of any dealing restrictions.

Awards may be granted for up to 10 years from the date of approval by shareholders and can be in the form of options over Shares (the “Options”), a conditional right to acquire Shares (the “Conditional Share Awards”), or Shares which are subject to restrictions and the risk of forfeiture (the “Restricted Shares”). No consideration is payable by participants to receive a DBP award and participants will make either a nominal or nil payment for the release of Shares or exercise of an Option under the award, as determined by the Board.

No awards may be granted more than 10 years from the date when the DBP was approved by shareholders.

### 4. Individual Limits

After the beginning of the performance period to which the bonus relates, but before the amount of bonus has been determined, the Board may determine the percentage of the individual's bonus which will be paid in cash and the percentage which will be delivered in the form of an award within the limits of the prevailing Remuneration Policy.

The maximum value of a DBP award is 50% of a participant's annual bonus (unless a participant requests a higher percentage and to the extent the Board permits). The number of Shares over which awards are granted is based on the average market value of the Shares over the five dealing days (or if the Board determines, three dealing days) immediately before the date of grant.

### 5. Dilution Limits

The DBP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the DBP provide that, in any rolling 10 year period (i) not more than 10% of the Company's issued ordinary share capital may be issued under the DBP and under any other employees' share scheme operated by the Company; and (ii) not more than 5% of the Company's issued ordinary share capital may be issued under the DBP and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the DBP will count towards these limits for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced or lapse shall be disregarded for the purposes of these limits.

### 6. Vesting Conditions

Vesting of DBP awards is subject to continued employment. No performance conditions or post-vesting holding period apply. All DBP awards are subject to malus and clawback provisions.

The release and exercise of DBP awards is conditional upon the award holder paying any applicable employment taxes, NIC or social security due.

### 7. Vesting and Exercise

DBP awards will normally vest, and DBP Options will normally become exercisable, on the third anniversary of the date of grant subject to continued employment and to the extent permitted following any operation of malus and clawback. However, if there are any dealing restrictions in place at that time, normal vesting may be delayed until the dealing restrictions have been lifted. DBP Options will normally remain exercisable for a period determined by the Board at grant which cannot exceed 10 years from grant.

### 8. Dividend Equivalents

The Board may decide that DBP awards (with the exception of Restricted Shares) will include a payment (normally in additional Shares but may be cash) equal in value to any dividends that would have been paid on the Shares which vest under a DBP award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie, at the discretion of the Board. The Board has discretion to use a different method to calculate the value of dividends.

## 9. Cessation of Employment

DBP awards will normally lapse in the event that a participant ceases to be an employee of or holding office with the Group before the normal vesting date except in “good leaver” circumstances. Before the normal vesting date, the “good leaver” reasons include death, injury, ill-health, disability, redundancy, retirement with the agreement of the employer, sale or transfer of the participant’s employing company or business out of the Company’s Group, or in other circumstances at the discretion of the Board. After the normal vesting date, the “good leaver” reasons are extended to also include any other reason except dismissal for misconduct or resignation in circumstances where the employer would have been entitled to dismiss for misconduct.

In such circumstances, unvested awards will normally vest in full at the normal vesting date unless the Board exercises its discretion to permit immediate vesting and/or to pro rata vesting levels based on time served up to the leaving date.

## 10. Change in Control/Corporate Events

In the event of a takeover, scheme of arrangement or winding-up of the Company, the DBP awards will vest early in full. To the extent that DBP Options vest in such circumstances, the award holder will have 1 month from the date of the relevant event (or in the case of a takeover such longer period as the Board determines) within which to exercise his/her DBP Options otherwise they will lapse at the end of that period.

In the event of a demerger, distribution or any other corporate event, the Board may determine whether or not DBP awards vest and the extent of vesting which may take account of such factors as it considers relevant including, but not limited to, the period of time the DBP award has been held by the participant. The exercise period in respect of any DBP Options that vest in such circumstances will be determined by the Board and unexercised DBP Options held at the end of that period will lapse.

If there is a corporate event where the new person or company acquiring control of the Company is substantially the same as the shareholders of the Company immediately before the event, the Board may (with the consent of the acquiring company) decide that the DBP awards will not vest or lapse but will be exchanged for equivalent new awards over shares in the acquiring company.

Where DBP awards vest on a change of control, the rules also permit rollover of any part of an award which has not vested because of pro-rating.

## 11. Variation of Capital

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to DBP awards, including the number of Shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

## 12. Malus and Clawback

The malus provisions contained in the DBP rules provide that the Board may in certain defined circumstances (summarised below) reduce the number of Shares under a DBP award before it vests.

Under the Clawback provisions contained in the DBP rules, the Board may recover all or part of the amount vested or paid under a DBP award if a clawback event occurs under the defined circumstances (summarised below) in the two-year period following the determination of the annual bonus payment.

Full details of the defined circumstances are set out in the DBP rules. In summary, they are:

- material misstatements of accounts;
- material misstatements of financial results;
- assessment of any performance target or condition based on error, or inaccurate or misleading information;
- number of Shares subject to an award determined based on error, or inaccurate or misleading information;
- gross misconduct or fraud by the award holder;
- material failure of risk management; and/or
- material breach of the Company’s Code of Business Ethics.

## 13. Alternative Settlement

At its discretion, the Board may decide to satisfy DBP awards with a payment in cash or Shares equal to any gain that a participant would have made had the relevant award been satisfied with Shares.

## 14. Rights attaching to Shares

Shares issued and/or transferred under vested DBP awards (with the exception of Restricted Shares) will, as to voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the same class of shares in issue at the date of issue or transfer (except for rights arising by reference to a record date prior to the date of issue or transfer of Shares).

# Appendices

## **15. Amendments**

Amendment to the DBP rules may be made at the discretion of the Board at any time. Prior shareholder approval is generally required for amendments to the advantage of participants which are made to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards under the DBP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval except for amendments which are of a minor nature and benefits the administration of the DBP or is necessary or desirable in order to take account of a change in legislation or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Group company.

No change to the material disadvantage of a participant can normally be made except as a result of a legal or regulatory requirement or where participants are notified of such amendment and the majority of participants approve such amendment.

## **16. Overseas Plans**

The Board may, at any time, establish further plans based on the DBP for overseas territories. Any such plans shall be similar to the DBP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the DBP.

## **Appendix 2 – Summary of Key Terms of the Spectris Long Term Incentive Plan (“LTIP”)**

**IMPORTANT NOTE: This summary does not form part of the rules of the LTIP. In the event of any discrepancy between this summary and the rules of the LTIP, the rules will prevail.**

### **1. General**

The LTIP is a discretionary executive share plan and is intended to be operated for selected directors and senior employees of Spectris plc (the Company) and its subsidiaries (the Group).

Under the LTIP, awards are granted over ordinary shares of the Company (the “Shares”) and vesting is normally subject to the achievement of targeted performance conditions over three years and continued employment. An additional two-year holding period may apply to some or all of the awards post performance period. Awards granted under the LTIP are personal to the relevant participant; are not normally transferable (except in the event of death of the award holder); and are not pensionable. The operation of the LTIP will be overseen by the Board of directors of the Company or by a duly authorised committee, normally the Remuneration Committee, (the “Board”). The Board has absolute discretion to decide whether the LTIP shall be operated for any particular financial year, the identity of any Award Holder and the terms of their participation. Decisions of the Board are final and conclusive in all respects.

### **2. Eligibility**

Any employee or Executive Director of the Group at the date of grant is eligible for selection to participate in the LTIP at the discretion of the Board.

### **3. Grants of Awards**

LTIP awards may only be granted during the 42 days beginning on: (i) the date of shareholder approval of the LTIP; (ii) the day after the announcement of the Company’s results; (iii) any day on which the Board determines that circumstances are sufficiently exceptional to justify the grant of the LTIP award at that time; or (iv) the day after the lifting of any dealing restrictions.

Awards may be granted for up to 10 years from the date of approval by shareholders and can be in the form of options over Shares (the “Options”), a conditional right to acquire Shares (the “Conditional Share Awards”), or Shares which are subject to restrictions and the risk of forfeiture (the “Restricted Shares”). Cash awards may also be granted in certain circumstances such as to participants in jurisdictions where there are legal restrictions on the granting of share awards. No consideration is payable by participants to receive an LTIP award and participants will make either a nominal or nil payment for the release of Shares or exercise of an Option under the award, as determined by the Board.

The LTIP allows HMRC tax advantaged Company Share Option Plan (“CSOP”) Options to be granted in conjunction with the LTIP award to which they are linked. No additional gross value can be delivered from the exercise of any CSOP Options.

No awards may be granted more than 10 years from the date when the LTIP was approved by shareholders.

### **4. Individual Limits**

The Board may grant LTIP awards over Shares to eligible employees with a maximum total market value in any financial year of up to 280% of the relevant individual’s annual salary which may be the higher of (i) annual rate of basic salary in force at grant; or (ii) basic salary paid in the year up to grant. The number of Shares over which awards are granted is based on the average market value of the Shares over the five dealing days (or if the Board determines, three dealing days) immediately prior to the date of grant.

This limit does not apply to buy-out awards in respect of a new employee.

### **5. Dilution Limits**

The LTIP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the LTIP provide that, in any rolling 10 year period (i) not more than 10% of the Company’s issued ordinary share capital may be issued under the LTIP and under any other employees’ share scheme operated by the Company; and (ii) not more than 5% of the Company’s issued ordinary share capital may be issued under the LTIP and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the LTIP will count towards these limits for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced or lapse shall be disregarded for the purposes of these limits.

### **6. Performance Conditions**

The Board will normally only permit LTIP awards to vest if any applicable performance conditions set when the LTIP is granted have been satisfied on the relevant vesting date. Where performance conditions are specified for LTIP awards, the underlying measurement period for such conditions will ordinarily be three years. The Board may vary, waive or substitute any applicable performance conditions as it considers appropriate provided that the Board considers that the new performance conditions are reasonable and are not materially less difficult to satisfy than the original conditions (except in the case of waiver). The Board may also impose other conditions on the vesting of LTIP awards. Awards will (except in limited circumstances) lapse to the extent that an applicable performance condition is not satisfied at the end of the performance period.

### **7. Vesting Conditions**

The vesting of LTIP awards and the extent to which they vest is subject to the satisfaction of any applicable performance conditions, continued employment and any other condition imposed by the Board. The Board has discretion to adjust the level of vesting upwards or downwards from the level achieved under the performance conditions. All LTIP awards are subject malus and clawback provisions.

The release and exercise of LTIP awards is conditional upon the award holder paying any applicable employment taxes, NIC or social security due.



# Appendices

## 8. Vesting and Exercise

LTIP awards will normally vest, and LTIP Options will normally become exercisable, on the third anniversary of the date of grant subject to continued employment, the satisfaction of applicable performance conditions and to the extent permitted following any operation of malus and clawback. However, if there are any dealing restrictions in place at that time, normal vesting may be delayed until the dealing restrictions have been lifted. LTIP Options will normally remain exercisable for a period determined by the Board at grant which cannot exceed 10 years from grant.

LTIP awards will vest on dates set by the Board. Any applicable performance condition will be measured over the three-year performance period and the rules allow flexibility to set either (i) a five-year vesting period (effectively including a two-year holding period) or (ii) a three-year vesting period with a two-year holding period following vesting.

## 9. Dividend Equivalents

The Board may decide that LTIP awards (with the exception of Restricted Shares) will include a payment (normally in additional Shares but may be cash) equal in value to any dividends that would have been paid on the Shares which vest under an LTIP award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie, at the discretion of the Board. The Board has discretion to use a different method to calculate the value of dividends.

## 10. Holding Period

The Board can determine at grant to apply a two-year holding period to some or all of the vested LTIP awards post the three-year performance period. The holding period will run for two years from the performance vesting date which is normally three years from the date of grant. If the vesting period is extended to five years, the two-year holding period is effectively included in the extended vesting period.

The holding period continues after employment ceases and malus/clawback can still affect awards but can end early in the case of certain corporate events; death of a participant; or at the discretion of the Board.

## 11. Cessation of Employment

LTIP awards will normally lapse in the event that a participant ceases to be an employee of or holding office with the Group before the performance vesting date except in "good leaver" circumstances. Before the performance vesting date the "good leaver" reasons include death, injury, ill-health, disability, redundancy, retirement with the agreement of the employer, sale or transfer of the participant's employing company or business out of the Company's Group, or in other circumstances at the discretion of the Board. After the performance vesting date, the "good leaver" reasons are extended to also include any other reason except dismissal for misconduct or resignation in circumstances where the employer would have been entitled to dismiss for misconduct.

For "good leavers", unvested awards will normally vest on the normal vesting date (unless the Board exercises its discretion to determine otherwise) subject to time pro-rating up to the performance vesting date (unless the Board determines otherwise) and any performance targets and/or other conditions imposed.

## 12. Change in Control/Corporate Events

All unvested LTIP awards will vest in the event of a takeover, scheme of arrangement or winding-up of the Company, the level of vesting will be determined by the Board which may take account of such factors as it considers relevant including, but not limited to, how long the award has been held by the participant and the performance target outcomes. To the extent that LTIP Options vest in such circumstances, the award holder will have 1 month from the date of the relevant event (or in the case of a takeover such longer period as the Board determines) within which to exercise his/her LTIP Options otherwise they will lapse at the end of that period.

In the event of a demerger, distribution or any other corporate event, the Board may determine whether or not LTIP awards vest and the extent of vesting which may take account of such factors as it considers relevant including, but not limited to, the period of time the LTIP award has been held by the participant and the performance target outcomes. The exercise period in respect of any LTIP Options that vest in such circumstances will be determined by the Board and unexercised LTIP Options held at the end of that period will lapse.

If there is a corporate event where the new person or company acquiring control of the Company is substantially the same as the shareholders of the Company immediately before the event, the Board may (with the consent of the acquiring company) decide that the LTIP awards will not vest or lapse but will be exchanged for equivalent new awards over shares in the acquiring company.

Where LTIP awards vest on a change of control, the rules also permit rollover of any part of an award which has not vested because of pro-rating.

## 13. Variation of Capital

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to LTIP awards, including the number of Shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

## 14. Malus and Clawback

The malus provisions contained in the LTIP rules provide that the Board may in certain defined circumstances (summarised below) reduce the number of Shares under a LTIP award before it vests.

Under the Clawback provisions contained in the LTIP rules, the Board may recover all or part of the amount vested or paid under a LTIP award if a clawback event occurs under the defined circumstances (summarised below) in the period commencing on the earlier of the vesting of a LTIP award and the performance vesting date of the LTIP award and ending two years following the performance vesting date of the LTIP award.

Full details of the defined circumstances are set out in the rules of the LTIP. In summary, they are:

- material misstatements of accounts;
- material misstatements of financial results;
- assessment of any performance target or condition based on error, or inaccurate or misleading information;
- number of Shares subject to an award determined based on error, or inaccurate or misleading information;
- gross misconduct or fraud by the award holder;
- material failure of risk management; and/or
- material breach of the Company's Code of Business Ethics.

## 15. Alternative Settlement

At its discretion, the Board may decide to satisfy LTIP awards with a payment in cash or Shares equal to any gain that a participant would have made had the relevant award been satisfied with Shares.

## 16. Rights attaching to Shares

Shares issued and/or transferred under vested LTIP awards (with the exception of Restricted Shares) will, as to voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the same class of shares in issue at the date of issue or transfer (except for rights arising by reference to a record date prior to the date of issue or transfer of Shares).

## 17. Amendments

Amendment to the rules of the LTIP may be made at the discretion of the Board at any time. Prior shareholder approval is generally required for amendments to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards under the LTIP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, except for amendments which are of a minor nature and benefits the administration of the LTIP or is necessary or desirable in order to take account of a change in legislation or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Group company.

No change to the material disadvantage of a participant can normally be made except as a result of a legal or regulatory requirement or where participants are notified of such amendment and the majority of participants approve such amendment.

## 18. Overseas Plans

The Board may, at any time, establish further plans based on the LTIP for overseas territories. Any such plans shall be similar to the LTIP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the LTIP.

# Appendices

## Appendix 3 – Summary of Key Terms of the Spectris Reward Plan (“SRP”)

**IMPORTANT NOTE: This summary does not form part of the rules of the SRP. In the event of any discrepancy between this summary and the rules of the SRP, the rules will prevail.**

### 1. General

The SRP is a discretionary incentive award which is intended to be operated for selected senior employees of Spectris plc (the “Company”) and its subsidiaries (the “Group”) but excluding the directors of the Company. Under the SRP, awards are granted over ordinary shares of the Company (the “Shares”) and vesting is normally subject to continued employment. Awards granted under the SRP are personal to the relevant participant; are not normally transferable (except in the event of death of the award holder); and are not pensionable. The operation of the SRP will be overseen by the Board of directors of the Company or by a duly authorised committee, normally the Remuneration Committee, (the “Board”). The Board has absolute discretion to decide whether the SRP shall be operated for any particular financial year, the identity of any award holder and the terms of their participation. Decisions of the Board are final and conclusive in all respects.

### 2. Eligibility

With the exception of executive directors of the Company, any employee of the Group at the date of grant is eligible for selection to participate in the SRP at the discretion of the Board.

### 3. Grants of Awards

SRP awards may only be granted during the 42 days beginning on: (i) the date of shareholder approval of the SRP; (ii) the day after the announcement of the Company's results; (iii) any day on which the Board determines that circumstances are sufficiently exceptional to justify the grant of the SRP award at that time; or (iv) the day after the lifting of any dealing restrictions.

Awards may be granted for up to 10 years from the date of approval by shareholders and can be in the form of options over Shares (the “Options”), a conditional right to acquire Shares (the “Conditional Share Awards”), or Shares which are subject to restrictions and the risk of forfeiture (the “Restricted Shares”). Cash awards may also be granted in certain circumstances such as to participants in jurisdictions where there are legal restrictions on the granting of share awards. No consideration is payable by participants to receive a SRP award and participants will make either a nominal or nil payment for the release of Shares or exercise of an Option under the award, as determined by the Board.

No awards may be granted more than 10 years from the date when the SRP was approved by shareholders.

### 4. Individual Limits

The Board may grant SRP awards over Shares to eligible employees with a maximum total market value in any financial year of up to 200% of the relevant individual's annual salary which may be the higher of (i) annual rate of basic salary in force at grant; or (ii) basic salary paid in the year up to grant. The number of Shares over which awards are granted is based on the average market value of the Shares over the five dealing days (or if the Board determines, three dealing days) immediately prior to the date of grant.

### 5. Dilution Limits

The SRP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the SRP provide that, in any rolling 10 year period (i) not more than 10% of the Company's issued ordinary share capital may be issued under the SRP and under any other employees' share scheme operated by the Company; and (ii) not more than 5% of the Company's issued ordinary share capital may be issued under the SRP and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the SRP will count towards these limits for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced or lapse shall be disregarded for the purposes of these limits.

### 6. Vesting Conditions

Vesting of SRP awards is subject to continued employment. No performance conditions or post-vesting holding period apply. All SRP awards are subject to malus and clawback provisions.

The release and exercise of SRP awards is conditional upon the award holder paying any applicable employment taxes, NIC or social security due.

### 7. Vesting and Exercise

SRP awards will normally vest, and SRP Options will normally become exercisable, on the third anniversary of the date of grant subject to continued employment and to the extent permitted following any operation of malus and clawback. However, if there are any dealing restrictions in place at that time, normal vesting may be delayed until the dealing restrictions have been lifted. SRP Options will normally remain exercisable for a period determined by the Board at grant which cannot exceed 10 years from grant.

### 8. Dividend Equivalents

The Board may decide that SRP awards (with the exception of Restricted Shares) will include a payment (normally in additional Shares but may be cash) equal in value to any dividends that would have been paid on the Shares which vest under a SRP award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie, at the discretion of the Board. The Board has discretion to use a different method to calculate the value of dividends.

### 9. Cessation of Employment

SRP awards will normally lapse in the event that a participant ceases to be an employee of or holding office with the Group before the normal vesting date except in “good leaver” circumstances. Before the normal vesting date the “good leaver” reasons include death, injury, ill-health, disability, redundancy, retirement with the agreement of the employer, sale or transfer of the participant's employing company or business out

of the Company's Group, or in other circumstances at the discretion of the Board. After the normal vesting date, the "good leaver" reasons are extended to also include any other reason except dismissal for misconduct or resignation in circumstances where the employer would have been entitled to dismiss for misconduct. For "good leavers", unvested awards will normally vest on the normal vesting date (unless the Board exercises its discretion to determine otherwise) subject to time pro-rating up to the normal vesting date (unless the Board determines otherwise) and any other conditions imposed.

## 10. Change in Control/Corporate Events

All unvested SRP awards will vest in the event of a takeover, scheme of arrangement or winding-up of the Company, the level of vesting will be determined by the Board which may take account of such factors as it considers relevant including, but not limited to, how long the award has been held by the participant. To the extent that SRP Options vest in such circumstances, the award holder will have 1 month from the date of the relevant event (or in the case of a takeover such longer period as the Board determines) within which to exercise his/her SRP Options otherwise they will lapse at the end of that period.

In the event of a demerger, distribution or any other corporate event, the Board may determine whether or not SRP awards vest and the extent of vesting which may take account of such factors as it considers relevant including, but not limited to, the period of time the SRP award has been held by the participant. The exercise period in respect of any SRP Options that vest in such circumstances will be determined by the Board and unexercised SRP Options held at the end of that period will lapse. If there is a corporate event where the new person or company acquiring control of the Company is substantially the same as the shareholders of the Company immediately before the event, the Board may (with the consent of the acquiring company) decide that the SRP awards will not vest or lapse but will be exchanged for equivalent new awards over shares in the acquiring company.

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Under the Clawback provisions contained in the SRP rules, the Board may recover all or part of the amount vested or paid under a SRP award if a clawback event occurs under the defined circumstances (summarised below) in the period commencing on the vesting of a SRP award and ending two years following the normal vesting date.

Full details of the defined circumstances are set out in the SRP rules. In summary, they are:

- material misstatements of accounts;
- material misstatements of financial results;
- assessment of any performance target or condition based on error, or inaccurate or misleading information;
- number of Shares subject to an award determined based on error, or inaccurate or misleading information;
- gross misconduct or fraud by the award holder;
- material failure of risk management; and/or
- material breach of the Company's Code of Business Ethics.

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## 15. Amendments

Amendment to the SRP rules may be made at the discretion of the Board at any time. Prior shareholder approval is generally required for amendments to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards under the SRP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval except for amendments which are of a minor nature and benefits the administration of the SRP or is necessary or desirable in order to take account of a change in legislation or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Group company.

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