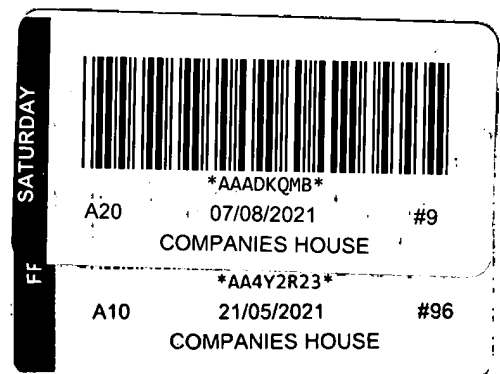


**spectris**

Spectris plc  
Annual Report and Accounts 2020

Cleaner.  
Healthier.  
More  
productive.





# Spectris harnesses the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive.



## **Our purpose**

**Our purpose is to deliver value beyond measure—going beyond just the measurement.**

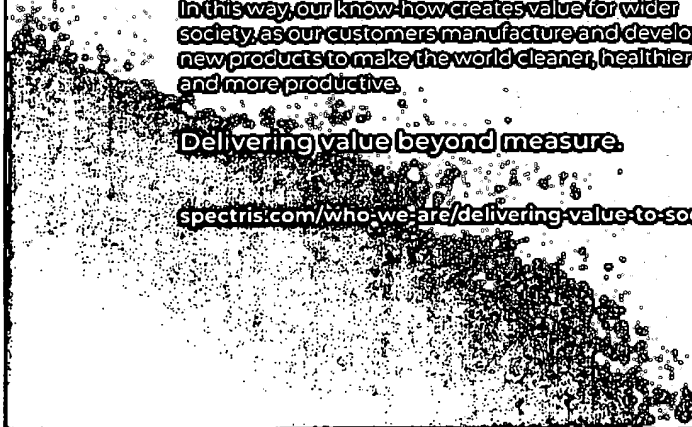
**Precision is at the heart of what we do. Spectris provides customers with specialist insight through our high-tech instruments and test equipment, augmented by the power of our software.**

**Through a combination of our hardware, analytical and simulation software, we provide our customers with superior data and invaluable insights that enable them to work faster, smarter and more efficiently. This equips them with the ability to reduce time to market, improve processes, quality and yield.**

**In this way, our know-how creates value for wider society, as our customers manufacture and develop new products to make the world cleaner, healthier and more productive.**

**Delivering value beyond measure.**

**[spectris.com/who-we-are/delivering-value-to-society](http://spectris.com/who-we-are/delivering-value-to-society)**



# 2020 performance

## Sales

£1,336.2m

(2019: £1,632.0m)  
Change yoy (18%)  
LFL<sup>1</sup> change yoy (11%)

## Adjusted operating profit<sup>1</sup>

£173.6m

(2019: £258.1m)  
Change yoy (33%)  
LFL change yoy (26%)

## Adjusted operating margin<sup>1</sup>

13.0%

(2019: 15.8%)  
Change yoy (280bps)  
LFL change yoy (270bps)

## Adjusted earnings per share<sup>1</sup>

112.1p

(2019: 168.0p)  
Change yoy (33%)

## Dividend per share

68.4p

(2019: 65.1p)<sup>2</sup>  
Change yoy +5%

## Statutory operating (loss)/profit

(£23.3m)

(2019: £84.3m profit)  
n/a

## Statutory operating margin

(1.7%)

(2019: 5.2%)  
Change yoy (690bps)

## Statutory (loss)/earnings per share

(14.6p)

(2019: 202.2p)  
n/a

## Adjusted cash flow conversion<sup>1</sup>

141%

(2019: 91%)  
Change yoy +50pp

<sup>1</sup> Alternative performance measures ('APMs') are used consistently throughout this Annual Report and are referred to as 'adjusted' or 'like-for-like' ('LFL'). These are defined in full and reconciled to the statutory measures in Note 2 to the Financial Statements.

<sup>2</sup> The 2019 dividend of 65.1p includes the 43.2p 2019 final dividend that was declared on 20 February 2020 and subsequently postponed in response to COVID-19. An additional interim dividend of 43.2p was paid in October 2020.

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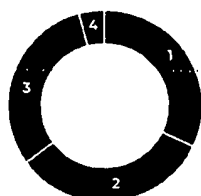
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# Spectris in focus

Spectris harnesses the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive.

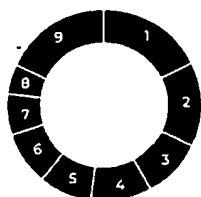
We are focusing on where we have competitive and differentiated offerings, and where we can maintain and build defensible positions, in attractive technology-driven end markets.

## Group sales by location (%)



|                     |    |
|---------------------|----|
| 1 North America     | 32 |
| 2 Europe            | 33 |
| 3 Asia              | 31 |
| 4 Rest of the world | 4  |

## Group sales by end-user market (%)



|                                          |    |
|------------------------------------------|----|
| 1 Pharmaceutical                         | 18 |
| 2 Automotive                             | 14 |
| 3 Electronics, semiconductors & telecoms | 10 |
| 4 Machine manufacturing                  | 10 |
| 5 Metals, minerals & mining              | 9  |
| 6 Energy & utilities                     | 9  |
| 7 Academic research                      | 7  |
| 8 Aerospace & defence                    | 5  |
| 9 Other                                  | 18 |

## Our operating companies

### What we do

We provide high-tech instruments, test equipment and software for many of the world's most technically demanding industrial applications.

Our technical expertise and deep domain knowledge enables us to provide the data and insights customers need to solve their challenges.

### How we equip customers

We provide customers with our leading instrument and sensor technology, along with complementary software and services. Through a combination of our hardware and analytical and simulation software, we provide superior data and invaluable insights that enable customers to work faster, smarter and more efficiently. This also enables them to reduce their time to market, improve processes, quality and yield. In this way, our know-how creates value for our wider society, as our customers manufacture and develop new products to make the world a cleaner, healthier and more productive place.

We also provide a broad range of support services, such as training, technical support, spare parts, calibration and maintenance.

### Where we are

We have a predominantly direct sales model through a worldwide network of sales, marketing and support offices enabling us to be close to customers and gain a deeper understanding of the challenges they are seeking to address.

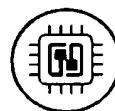
## Our key markets



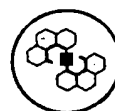
Pharmaceutical



Automotive



Electronics and semiconductors



Primary and advanced materials

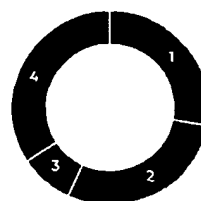


Technology-led industrials

## Our organisational structure

Our organisational structure and financial reporting reflects the three platform businesses – Malvern Panalytical, HBK and Omega – and the Industrial Solutions division which consists of the remaining operating companies.

Group sales by business (%)



|   |                      |    |
|---|----------------------|----|
| 1 | Malvern Panalytical  | 28 |
| 2 | HBK                  | 29 |
| 3 | Omega                | 9  |
| 4 | Industrial Solutions | 34 |



Malvern Panalytical is a leader in the advanced measurement and characterisation of materials. The company provides best-in-class sensor technologies, insightful data science and domain knowledge. They create superior solutions to accelerate innovation and deliver greater efficiency in R&D and manufacturing.

Read more:  
Pages 30 to 31



HBK provides a strongly differentiated and integrated physical sensing, testing, modelling and simulation solution which helps customers create leading products and accelerate product development.

Read more:  
Pages 32 to 33



Omega is a market-leading, specialist, omni-channel sensor provider to process engineers. They provide a curated and differentiated product offering via a class-leading e-commerce platform.

Read more:  
Pages 34 to 35

### Industrial Solutions

The Industrial Solutions division ('ISD') comprises a portfolio of high-value, niche businesses. A number of ISD companies have platform potential, with strong market positions, growth prospects and margins while others are run for value.

Read more:  
Pages 36 to 37

#### % Group sales

28%

#### % LFL sales growth/ (decline)

(13%)

#### Adjusted operating margin

14.7%

#### Employees

2,250

#### % Group sales

29%

#### % LFL sales growth/ (decline)

(9%)

#### Adjusted operating margin

12.5%

#### Employees

2,900

#### % Group sales

9%

#### % LFL sales growth/ (decline)

(13%)

#### Adjusted operating margin

7.3%

#### Employees

600

#### % Group sales

34%

#### % LFL sales growth/ (decline)

(9%)

#### Adjusted operating margin

13.5%

#### Employees

2,600



Mark Williamson  
Chairman

# A sustainable future

## Sales

£1,336.2m

(2019: £1,632.0m)

## Dividend per share

68.4p

(2019: 65.1p)

## Performance

2020 has been a demanding year and we have all faced many challenges both within the workplace and in our personal lives. Our priority throughout the year has been to safeguard the health, safety and wellbeing of our employees, their families and the communities in which we operate, as well as continuing to manufacture and deliver our excellent equipment and services to our customers as safely and efficiently as possible. We took a balanced approach to looking out for the interests of all of our stakeholders and I am extremely proud of the way in which we, as a company and as a team, have adapted quickly and flexibly to meet these challenges. Given this difficult backdrop, I am pleased with the operational and financial

performance that has been achieved in 2020. Although our like-for-like sales decreased 11% to £1,336.2 million and adjusted operating profit reduced by 26% to £173.6 million, the Group's swift action to control costs through a number of temporary measures limited the impact on cashflow and profitability. This resulted in a strong cash conversion of 141% and allowed the Group to finish the year with net cash of £106.1 million. Whilst 2021 is likely to hold further challenges, we have proved the resilience of the business and this allows us to meet the opportunities and challenges ahead with renewed confidence.

The Board is proposing a final dividend of 46.5 pence per share which, when combined with the interim dividend of 21.9 pence, gives a total of 68.4 pence per share for the year. The Board is grateful to our shareholders for their support early in the year, when the special dividend was withdrawn and the 2019 final dividend was postponed to protect the Company in the face of the pandemic. However, due to the strong cash generation, the Board was pleased to be able to subsequently reinstate dividend payments. There is no change to our policy of making progressive dividend payments based on affordability and sustainability. In the light of our strong cash generation in 2020 and robust balance sheet, the Board has also proposed a £200 million share buyback to be executed during 2021.

## Strategy update

The Board confirmed that the strategy and business model of the Group remains highly relevant. Despite the challenges faced during 2020, we continued to successfully execute our Strategy for Profitable Growth, while maintaining our investment in R&D and protecting as many jobs as possible. We completed the profit improvement programme and continued our portfolio optimisation with the announced divestments of Brüel & Kjær Vibro ('B&K Vibro') and Millbrook. I would like to thank all of our B&K Vibro and Millbrook employees for their contribution to Spectris over the years.

## Building a sustainable business

Despite the unique challenges presented by COVID-19, I was delighted to see the continued focus on developing and strengthening the culture across the Group. In particular, we clarified our Purpose and Values during the year, and it has been encouraging to see how quickly they have been adopted across the Group. We also refreshed our Code of Business Ethics and the supporting training programme emphasised that being an ethical business remains critical to the long-term success of the business. All Board members undertook the training programme alongside employees.

The continued health and geopolitical risks across the world make a resilient business critical to the delivery of sustainable long-term growth, strong

cash generation and robust shareholder value creation. As a Board, a key element of our role is to safeguard the long-term success of the Group. With this overarching responsibility in mind, the Board has been pleased to support management's focus on developing the Sustainability Agenda of the Group that underpins our Strategy for Profitable Growth.

The Board has worked closely with the new Head of Sustainability to define the Group's materiality framework and to establish key targets for our operations, the environment and our people. To support and clearly define our sustainability ambition, the Group has adopted three of the UN Sustainable Development Goals (Goal 7 – Affordable and clean energy; Goal 8 – Decent work and economic growth and Goal 9 – Industry, innovation and infrastructure).

Early progress has been made in improving diversity and inclusion across the Group and in managing our environmental impact, which has been recognised with an improved CDP rating of B. I look forward to working with the management team during 2021 to set our net zero target and to deliver on our commitment to scenario testing under the Task Force on Climate-Related Financial Disclosure recommendations. More detail is set out in the Sustainability Report on page 50.

The Group has a clear purpose – we harness the power of precision measurement to enable our customers to make the world cleaner, healthier and more productive. A number of our companies have helped support the fight against COVID-19 and some examples can be found on page 15. To further support our communities, I am also delighted to announce that we will be establishing the Spectris Foundation, a £15 million fund to support STEM projects and other charitable causes that are nominated by our employees.

#### Stakeholder engagement

During 2020, the Board has continued to embed its approach to stakeholder engagement. Our section 172 statement is set out in full on page 67 of the Governance Report and explains in more detail how the Board considers stakeholders in the decisions it makes. The pandemic sharpened our focus on how to best meet the needs of all our stakeholders. As a Board, we created a balanced scorecard to assess the quality of our decisions through the

lens of each of our stakeholder groups, such as ensuring we returned our employees to full salary before paying the shareholders the dividend. While this approach was developed to ensure we adopted a balanced response to COVID-19 challenges, we will continue to use it beyond the pandemic to judge the quality of our future decisions. (See the Chief Executive's review on page 8 for more detail.)

Regular engagement with our employees has also been critical to keep them abreast of events and remain connected with the business, and each other whilst working remotely. It has been reassuring to see the increased flow of internal communication and an increased focus on mental health.

In relation to shareholders, the Board is regularly updated on their views and it has been particularly important during 2020 to understand their perception of how we have reacted to the COVID-19 challenges. Given the restrictions imposed by the pandemic, our shareholder engagement has become entirely virtual and our AGM in 2020 was a closed meeting. We will continue to keep in mind the health and safety of our employees and shareholders as we plan for the 2021 AGM, which will be held on 14 May 2021.

#### Summary

The Board would like to express its thanks to the management for handling the ongoing COVID-19 pandemic in such a proactive manner and to all of our employees for their dedication and effort this year. The Board would also like to express its gratitude to Russell King who retired from the Board in May and who made a pivotal contribution to the Board over the past nine years.

Whilst 2021 will continue to have its COVID-19 related challenges, Spectris demonstrated in 2020 that it is a resilient business that responded and adapted to the crisis and is well placed to benefit from a return to economic growth. Our focus will continue to be the health and wellbeing of our employees and ensuring a safe environment for them to work in, as well as supporting our customers. The Board is confident that the Group can continue to deliver a resilient performance near term, and is well placed to create long-term sustainable value for all our stakeholders.

**Mark Williamson**  
Chairman  
24 February 2021

## Our Values

With a change in strategic direction, a new operating model and a revised purpose, it also made sense to revisit our values. The new values were launched during 2020.

Our Values define our shared beliefs and how we behave as leaders and employees. They describe the high standards that we hold ourselves to and the standards that we expect from others.

These values will define and act as the inspiration for a common company culture aligned to our aspiration to be a bold, high-performing business made great by our people. People who work together to perform at their best, deliver success, and do it all in the right way.

## Be true

We believe in absolute integrity. It is how we win for stakeholders, the environment and each other.

- We do the right things in the right way
- We speak up when something isn't right
- We show care and respect for each other

## Own it

We believe in teamwork and keeping our promises. It is how we build our brands and businesses.

- We are decisive and take responsibility
- We prize diversity and play to everybody's strengths
- We put customers at the heart of our business

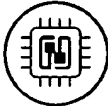
## Aim high

We believe in being bold and positive. It is how we perform at our best and achieve greater success.

- We continuously strive to improve
- We keep an open mind and try new things
- We help each other succeed

# A focus on our markets

Our key addressable markets have attractive, structural demand drivers underpinning long-term growth.

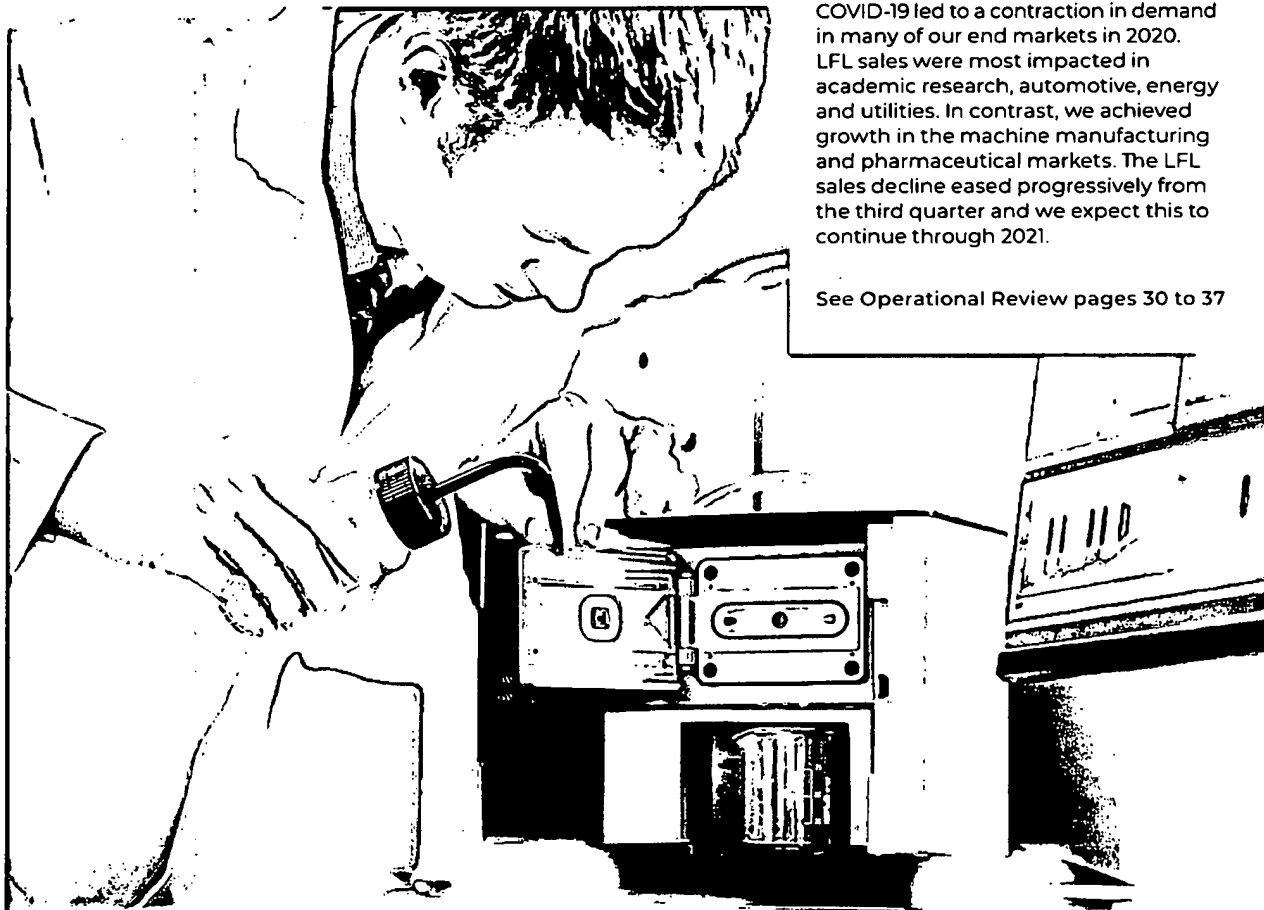
| Industry                                                                                                              | Market trends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Key trends shaping our offer                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br>Pharmaceutical                   | <p>COVID-19 has stimulated investment in R&amp;D and manufacture of novel drug delivery systems and biologics-based therapies. Additionally, COVID-19 has highlighted the need for the fast development of new drugs, especially vaccines. Despite COVID-19 causing near-term challenges, industry demand for innovative and effective therapies continues to drive long-term growth. The traditional small molecule market remains attractive and demand is expected to be underpinned by potential onshoring of development and manufacturing capability to ensure a robust supply chain.</p>                                          | <ul style="list-style-type: none"> <li>• Continued growth in drug delivery systems and therapies</li> <li>• Increasing drug complexity</li> <li>• Reducing drug development time and cost</li> <li>• Onshoring of development and manufacturing capability</li> </ul>                                           |
| <br>Automotive                      | <p>Global auto sales and production have fallen during the COVID-19 crisis, but electric vehicles ('EV') sales have remained more resilient in many countries. Governments have been supportive in stimulating EVs, with incentives, such as subsidies and tax rebates, alongside growing investments in electric charging infrastructure. Despite the greater complexity and proliferation of new technologies, reducing the time and cost of getting new models to market is ever critical and automotive manufacturers are increasing their use of simulation and software to aid this.</p>                                           | <ul style="list-style-type: none"> <li>• Increasing government regulation of internal combustion engines</li> <li>• Investment into EV charging infrastructure</li> <li>• Rate of new product launches</li> <li>• Connected and autonomous vehicles</li> <li>• Rising use of simulation and software</li> </ul> |
| <br>Electronics and semiconductors | <p>One of the factors powering growth and investment in semiconductor technology is the rising demand for cloud servers, laptops and healthcare technology. Fast evolving technologies, such as 5G, internet of things and machine learning is fuelling demand for greater computing power. Continuous investment by the electronics industry in R&amp;D for the development of new consumer products will also help drive market growth.</p>                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>• Cloud computing</li> <li>• Internet of things</li> <li>• Big data</li> <li>• Processing power and speed</li> <li>• Miniaturisation</li> <li>• 5G</li> </ul>                                                                                                            |
| <br>Primary and advanced materials | <p>Primary materials – COVID-19 resulted in some mines being closed or placed on restricted operations which led to lower demand. In response, companies are adopting greater use of automation and digitisation, fuelling demand for connected instruments and remote monitoring and analytics.</p> <p>Advanced materials – Innovation and developments in technology are underpinning demand for advanced materials testing. New battery technologies, environmental technologies such as hydrogen storage and fuel cells and the wider adoption of additive layer manufacturing all represent growth opportunities in this space.</p> | <ul style="list-style-type: none"> <li>• Environmental and sustainability concerns</li> <li>• Energy efficiency</li> <li>• Autonomous operations</li> <li>• Predictive analytics</li> <li>• Cost management, lean principles and just-in-time techniques</li> </ul>                                             |

| Industry                                                                                                                   | Market trends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Key trends shaping our offer                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Technology-led industrials</b></p> | <p>The adoption of the industrial internet of things ('IIoT') continues apace, enabling operational intelligence at the point of use, remote servicing, monitoring and predictive maintenance to enhance operational efficiency, flexibility and conformance with regulations. This is increasing demand for smart sensors, testing hardware, control systems and software solutions. As customers increase R&amp;D and develop these next-generation products, machine building demand also remains robust in support of these products.</p> | <ul style="list-style-type: none"> <li>• Remote servicing and monitoring</li> <li>• Predictive processes</li> <li>• 5G</li> <li>• IIoT</li> <li>• Process automation</li> <li>• Additive manufacturing</li> </ul> |

## COVID-19 impact

COVID-19 led to a contraction in demand in many of our end markets in 2020. LFL sales were most impacted in academic research, automotive, energy and utilities. In contrast, we achieved growth in the machine manufacturing and pharmaceutical markets. The LFL sales decline eased progressively from the third quarter and we expect this to continue through 2021.

See Operational Review pages 30 to 37





Andrew Heath  
Chief Executive

# A resilient business

## Adjusted operating profit

£173.6m

(2019: £258.1m)

## Adjusted operating margin

13.0%

(2019: 15.8%)

### Balanced and socially responsible approach to 2020

With the onset of the COVID-19 pandemic, we consciously and purposefully took a balanced, socially responsible approach to managing our business, relying on the strengths of our culture and values, to ensure that we emerged from the crisis a stronger and even more resilient business. The approach is working. We delivered a resilient and sustainable financial performance in 2020, despite the drop in market demand. We were able to protect jobs and the core capabilities of our businesses, as we continued to execute our strategy.

Whilst we worked to deliver as strong a financial performance as possible, we also acted to address the needs of all our stakeholders; safeguarding and

supporting our people, working more closely and in new ways with customers and suppliers, whilst helping the communities in which we operate, as the way to deliver long-term sustainable value to our shareholders. One example of this is the establishment of the Spectris Foundation, a benevolent fund that will be used for community and charitable projects such as the promotion of STEM education. By taking these steps, we have built stronger relationships with our employees, customers and suppliers, better positioning us to respond positively to the new business environment that has emerged.

Against a challenging market backdrop, we delivered highly resilient results, ahead of our revised expectations, reflecting the quality of our businesses, and the tremendous support and engagement of our employees. Although sales were down notably, I am pleased with our underlying margin performance in the circumstances, which was helped by the swift actions taken and the continued execution of our profit improvement programme. We acted quickly to conserve cash and contain costs, by implementing a number of temporary mitigating actions, including salary cuts and part-time working. This enabled us to protect jobs and core capabilities while continuing to maintain investment in R&D, key capex projects and deploying the Spectris Business System ('SBS').

Cash generation was extremely strong, exceeding 2019, and the balance sheet was further strengthened. This meant we were able to reverse the temporary cost measures, returning staff to full pay and reinstating full-time working for the majority of employees in the third quarter. Additionally, we were able to repay the salary sacrifice in December. This also enabled us to increase the dividend, and announce a £200 million share buyback programme.

Although uncertainty remains as we enter 2021, the sales decline slowed in the fourth quarter and strong order intake in the last three months of 2020 provides momentum coming into the new year. The actions taken last year position the Group well for the expected market recovery in 2021. The cost base has been reduced and capability retained, creating a strong operating leverage opportunity and balance sheet optionality. We will maintain our approach, acting with purpose, being values led, to deliver long-term, sustainable financial health.

### Trading performance

On an organic, constant currency (like-for-like, 'LFL') basis, sales decreased 11%. There was an 8% impact from disposals, primarily related to BTC, and a limited impact from foreign currency exchange movements, resulting in reported sales decreasing by 18% to £1,336.2 million (2019: £1,632.0 million). Order intake was impacted to a lesser degree, with a 7% LFL decline in the year, and slight growth in the fourth quarter providing momentum as we entered 2021.

LFL sales declined across all businesses, albeit with different profiles, with recovery starting progressively from the third quarter.

Malvern Analytical was experiencing weakness in a number of its end markets coming into 2020 and was

## Our investment case

1

**Leading technologies, strong brands and talented employees**

Spectris provides leading instrument and sensor technology alongside complementary software and services. Our technologies reflect strong intellectual property, underpinned by investment in R&D and highly recognised, award-winning brands. Our people have strong domain knowledge and expertise and combined with our direct-selling model, this helps create long-term customer relationships.

2

**Attractive technology-driven end markets**

We are positioned in attractive markets with favourable growth trends. Our businesses are leaders in defensible markets that have high barriers to entry. Our broad global presence and diversity of end market exposure helps ensure we are cyclically durable.

3

**Clear goals**

Our businesses are focused on clear goals, both financial and non-financial. Our financial goals centre around growth, improved margins, enhanced cash flow and return on capital whilst non-financial goals, such as on-time delivery and net promoter scores, reflect our customer focus. This is supported by a strong ethics and health and safety agenda.

4

**Strong cash conversion**

Our businesses have an asset-light manufacturing model, resulting in low capital requirements. Combined with high gross margins, this results in strong operating cash flow conversion.

5

**Robust balance sheet and capital discipline**

We have a strong balance sheet which supports investment, both organically in our businesses and through acquisition, as well as a progressive dividend policy with a 40-year track record of dividend growth. We have a disciplined and rigorous capital allocation approach with a focus on returns.

subsequently further impacted by a reduction in demand, in particular from metals, minerals and mining and from universities and research institutes being closed during the first lockdown. However, they were able to deliver a much-improved performance in the second half, with a strong recovery in pharmaceuticals, in particular.

Being later cycle, the market impact to HBK was delayed and, consequently, has been more muted, with the decline easing in the fourth quarter. A buoyant machine manufacturing sector saw strong growth in the second half, along with strong sales in North America.

Omega saw a similar performance in both halves of the year, impacted by lower US industrial production. However, sales started to recover in the fourth quarter.

The Industrial Solutions division ('ISD') posted 9% lower LFL sales, with a stronger second half performance, particularly in the pharmaceutical and electronics markets.

LFL sales decreased in all regions, with North America down less markedly, and all territories improved in the second half. By end market, the fall in LFL sales was highest in academic research, automotive, energy and utilities. In contrast, the pharmaceutical and machine manufacturing sectors both posted LFL sales growth for the year.

### Financial performance

In reaction to the sales decline, we took immediate and decisive action on costs, alongside the activities already underway through the profit improvement programme. Consequently, LFL overheads declined 8%, resulting in a highly resilient operating margin of 13.0% (2019: 15.8%), 270bps lower on a LFL basis. This limited the full year drop-through to only 38% on a LFL basis, ahead of the guidance of 40-50%. Group adjusted operating profit decreased by 33% to £173.6 million (2019: £258.1 million). On a LFL basis, the decrease was 26%, after adjusting for the impact of disposals of 9% and a 0.4% positive foreign currency impact.

The Group incurred restructuring costs of £19.5 million (2019: £52.2 million), and £19.4 million of transaction-related costs in relation to the divestments and the pursuit of acquisition opportunities. £58.4 million was recognised as an impairment of goodwill (2019: £35.1 million) and £98.9 million was recognised as impairment and amortisation of acquisition-related intangible assets and property, plant and equipment (2019: £84.6 million), with impairments primarily in relation to Millbrook. As a result, the Group booked a statutory operating loss of £23.3 million (2019: £84.3 million profit).

The Group recorded a return on gross capital employed of 9.8% (2019: 13.5%), primarily reflecting the decrease in adjusted operating profit.

### Cash flow and capital allocation

Our adjusted cashflow generation of £244.5 million was very strong, and ahead of 2019 (£234.2 million). Adjusted cash flow conversion was 141% (2019: 91%).

We have continued to invest to support our core businesses, spending £92.0 million (6.9% of sales) in R&D (2019: £100.9 million, 6.2% of sales) and £42.9 million in capex, net of grants (2019: £81.6 million). In line with the strategy, we reduced capex at Millbrook to a total of £11.2 million in the year (2019: £37.1 million).

Our balance sheet has been strengthened further. The Group ended the year with net cash of £106.1 million (2019: £33.5 million). During the year, there was a net cash inflow from proceeds of disposals of £20.6 million and a further £223 million is expected from the divestments of Millbrook and B&K Vibro in the first quarter of 2021. Our leverage is outside the target range of our long-term policy. Reflecting this, and in order to make the balance sheet more efficient, the Board has approved a share buyback programme of £200 million to take place during 2021 and this will commence as soon as possible. This is in alignment with our capital allocation policy. The Group still has considerable financial flexibility and will continue to target acquisitions in support of its strategy.

The Board is proposing to pay a final dividend of 46.5 pence per share. This would represent a 7.6% increase on the declared 2019 final dividend, which was postponed. The Group paid an additional interim dividend of 43.2 pence in October and the 2020 interim dividend of 21.9 pence in November. Although the Group took a short-term decision to defer the 2019 final dividend in response to the uncertainty caused by COVID-19, there is no change to our underlying policy of making progressive dividend payments based upon affordability and sustainability. The dividend will be paid on 30 June to shareholders on the register at the close of business on 14 May. The ex-dividend date is 13 May.

#### **Taking a balanced approach to managing the business**

2020 delivered challenges on many fronts as a result of COVID-19. However, the Group delivered a highly resilient performance. I would again like to acknowledge and thank all our people for their outstanding commitment and for their patience, understanding and personal sacrifice as we pulled together, supported one another and delivered for our customers. I would also like to thank our shareholders for their support during this time.

Throughout, we have endeavoured to address the needs of all our

# Stepping up in challenging times

## Our response to COVID-19

### **Supporting our people**

The health, safety and wellbeing of our people is our key priority. We moved quickly to enable working from home arrangements where possible, and this continues for the majority of our office-based people.

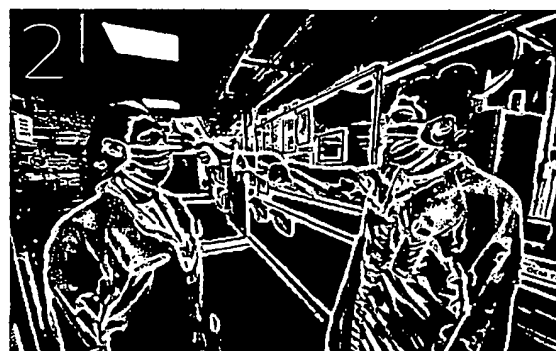
To protect employees still deployed at our sites, we implemented revised working practices and heightened safety standards, including social distancing and split shifts within our facilities, PPE provision, enhanced cleaning and disinfection processes.

In addition, we have enhanced our mental health support, provided practical guidance and focused on staying connected with those people who are working remotely.

### **Working with our customers and suppliers**

We innovated how we engage with our customers, many of whom have been working remotely themselves. We increased our use of digital engagement, including virtual training and webinars, online demonstrations and product introductions and expanded our online marketing campaigns and programmes. We accelerated self-installation and remote support tools to keep customers operational.

We have also been working more closely with our suppliers to mitigate any potential impact to customers, maintaining our payment terms and offering to provide early payment to any small business suffering hardship.





4

5

"An immense thank you to all of our people for their selfless dedication, flexibility and outstanding support in what was a most challenging year.

We looked after each other and supported our customers, suppliers and our local communities; really living by our values and demonstrating the strength of our culture. I couldn't be prouder of the entire Spectris team."

Andrew Heath

1. Sue Pickup, Servomex

2. Amber Hazelden and Lauren Butler, Servomex

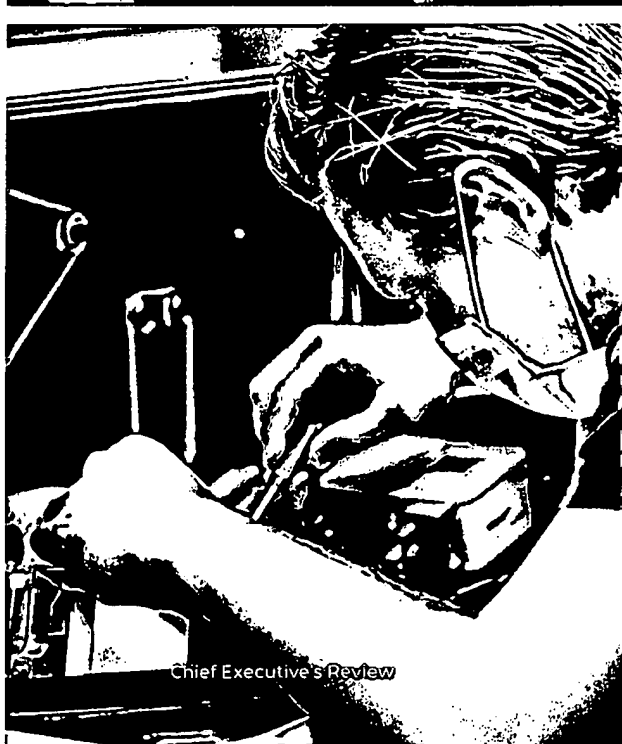
3. Dodo-Leonie Husmann-Pegher, HBK

4. Korri Colon and Meredith Beecher, Red Lion Controls

5. Pierre-Etienne Petit, NDC Technologies

6. Les Meijers, Malvern Panalytical

6



Chief Executive's Review

stakeholders. I believe we have been successful on that front and as a result, the Company is well positioned for the recovery in 2021, and beyond.

In response to COVID-19, we managed the crisis in three phases: React; Respond; Reset.

#### **React – supporting employees, customers and suppliers**

The health, safety and wellbeing of our people has been and remains our key priority. We moved quickly to enable working from home arrangements where possible, and implemented revised working practices and heightened safety standards in our facilities to ensure they remained safe and operational. We worked more closely with our suppliers to mitigate any potential supply chain impacts and innovated how we engaged with customers to help keep them operational. As a result, disruption to our manufacturing activities and supply chains has been very limited, enabling us to support our customers, with customer satisfaction scores improving through the year.

#### **Respond – reducing costs and preserving cash to protect the business**

As the extent of the impact of COVID-19 started to become apparent, we enacted our business continuity plans and took swift action to protect the Company, while retaining capabilities and protecting jobs for as long as possible.

We prioritised short-term costs savings over structural long-term cost reduction; for example reducing discretionary spend, withdrawing the annual pay award and asking employees to take a salary reduction or working reduced hours, to support our financial performance and mitigate the impact on our capability. These were difficult but necessary actions to protect the Company, and as many jobs as possible, in the face of an unprecedented, emerging crisis.

We also withdrew the special dividend and deferred the 2019 final dividend, in order to conserve cash.

The reduction in discretionary expenditure undertaken through 2020 helped underpin our profit generation and the strong cash flow performance, further strengthening our already robust balance sheet and liquidity position. This also supported continued investment in the business with R&D expenditure similar to prior year levels and capex on key projects upheld.

### Reset – preparing for the recovery

As we progressed through the year, it became evident that we were facing an extended recovery. While we continue to believe in the long-term growth prospects for our end markets, it was clear that there would be continued disruptions in the short term.

Consequently, in anticipation that a recovery would extend through 2021, we took the decision to transition away from temporary measures to implementing sustainable reductions in our cost base. In the third quarter, we extended our restructuring programme to further reduce our cost base such that we entered 2021 sized for an extended recovery and able to deliver strong operating leverage. As a result, the permanent cost benefits achieved in 2020 were ahead of expectations at £30 million.

Many of the cost actions being taken revolve around lessons learned from the new ways of working under

COVID-19. For example, our people wish to work more flexibly and consequently, a number of physical facilities will be closed or reduced in size. We have also expanded the use of virtual engagement with our customers and this will continue, reducing the need to physically meet and therefore we do not expect to fully reinstate our travel and entertainment spend in 2021. In addition, we have been implementing a targeted headcount reduction programme by business. Headcount reduced by 4% of which the majority was through natural attrition and voluntary means. Of the £20 million of temporary costs saved achieved in 2020, £10 million will be sustained by these actions. We no longer expect additional material restructuring costs to achieve this, given the achievements in 2020.

I am delighted that, due to our financial performance and cash generation, we were able to reverse most of the temporary measures. During the third quarter, we reinstated dividend

payments, returned employees to full salary and, wherever possible, full-time working. Executive Director salaries and Board fees were only reinstated in October, after this was completed. And in the December payroll, it was equally pleasing that we were able to recompense our people for the salary sacrifice they had foregone earlier in the year.

### We continue to execute our Strategy for Profitable Growth

We have reviewed both our strategy and business model in light of the events of 2020 and are confident that they remain appropriate and highly relevant. Although our financial performance has been impacted by COVID-19 in 2020, we have continued to be successful in executing our strategy since it was launched in 2019. With significant achievements in terms of improving the Group's cost structure, maintaining investment in R&D and carrying out divestments, the Group is now much better positioned in terms of end market focus, operating leverage and portfolio structure.

## Keeping employees engaged

With employees working from home or socially distanced in our facilities, it has been important to ensure we remain connected and maintain our sense of community and culture. Our internal communication has increased with virtual town halls, wellbeing workshops and social events to bring us together.

Melissa Piner, Anna-Lisa Miller, Emma McAdam, Sulaja Sharma, Angela Mills, Karen Kresonja, Spectris



We made further progress in successfully implementing our portfolio optimisation strategy in 2020. We will continue to optimise our assets and review the portfolio at both the Group and business level. Further businesses are expected to be sold, along with lower profitability business activities; for example, we sold the CLS food testing business early in 2021.

As markets recover, we turn again to a focus on driving growth and further improving our operating leverage to enhance margins and deliver long-term value to our shareholders. Although we have participated in several buy-side M&A processes last year, we did not consummate any acquisitions, while remaining disciplined to our capital allocation framework. Compounding growth through M&A remains a core part of the strategy.

### Delivering value beyond measure for our customers, to drive growth

Driving organic growth remains a key priority. Being close to our customers in 2020 was often difficult to achieve physically. Consequently, we quickly innovated our sales and marketing approach to meet our customers 'where they are', virtually. Order intake held up well in the circumstances, being only 7% down on a LFL basis, underlining the strength of the online support we were able to offer, and the importance and relevance of our products and services.

Our purpose is to harness the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. In a number of our end markets, the significance of our purpose was heightened in 2020; not more so than in pharmaceuticals and life sciences. Last year, our Servomex business rose to the challenge of supporting the rapid rise in ventilator demand to treat COVID-19 with a significant increase in the production of its Paracube oxygen sensors, supporting six of the world's ten largest ventilator manufacturers. Malvern Panalytical's systems and applications expertise also helped with the rapid development and production of the COVID-19 antigen test and the vital research and development of vaccines.

We maintained our level of spend on R&D in 2020 to ensure we are developing the next generation of products and services that our customers demand and in order to drive growth. As technologies and customers' needs evolve, we are innovating and extending our offering to continue to meet their requirements and provide the valuable insights they need to develop and manufacture their own products and services.

For example, Malvern Panalytical launched OmniTrust and Amplify Analytics, which in combination provide a powerful partnership of instrumentation and analytics know-how, enabling pharmaceutical customers to accelerate successful drug development.

In automotive, to support the proliferation of electric propulsion and simulation, HBK extended its eDrive offering to provide more complete e-powertrain testing and optimisation, including eGrid testing; launched the DiM@400, the first of its new line of high-performance, scalable, cable-driven simulators and expanded its capability with the acquisition of IMTEC Engineering, which provides vehicle driving simulators and machine automation systems.

Omega launched 94 new product lines during 2020, including broadening its temperature offering in response to greater COVID-19-related demand in this segment. And PMS released the IsoAir® Pro-E Remote Particle Counter, the next-generation remote particle counter used to streamline cleanroom monitoring while meeting global manufacturing practice regulations.

These are examples, from a wide range of initiatives, designed to enhance our product proposition for customers, ensuring they get the insights and analysis they need to meet their own challenges. Being positioned in attractive end markets and with products our customers highly value means we are better placed to drive future growth and profitability for our shareholders.

#### **Driving operating leverage with restructuring and deploying the Spectris Business System**

Improving operating leverage also remains a key focus, with the aim of returning our margin to at least previous highs. The performance on this front at HBK, resulting from the merger, has been particularly pleasing. Although overheads benefited from £20 million of short-term cost measures in 2020, we remain focused on turning £10 million of these savings into sustainable benefits in 2021 through footprint rationalisation, a reduction in discretionary costs, including more productive ways of working digitally, as well as the headcount reduction in 2020.

In addition, we continued to invest in strengthening and deploying our SBS. While it was more challenging to deliver improvements with remote working and social distancing in our facilities, good progress continued to be made last year. Cross functional teams delivered virtual or socially distanced kaizens, training and improvements in health and safety. As ever, improvements addressed a broad range of activities, including enhancing productivity, working capital efficiency, sales forecasting, order accuracy, inventory and production planning, lead time reductions and removal of waste. For example, notable improvements were made in inventory management at Malvern Panalytical and on-time delivery at HBK. We further deepened our focus on use of the Hoshin Kanri strategic planning system for effective strategy deployment entering 2021 with clear alignment to our business strategy and competitive process capability.

#### **Portfolio optimisation**

In December, in line with our strategy to simplify and focus the portfolio, we announced the divestment of B&K Vibro and Millbrook for headline values of €180 million (£163 million) and £133 million, respectively. The Millbrook transaction completed in

February with B&K Vibro expected to complete in March. Although both are good businesses, they did not have the attributes of a 'Spectris' company and we were pleased to find highly-complementary owners for both businesses. Further portfolio management is planned in 2021.

On the acquisition side, the Group participated in a number of processes during 2020. Of particular note, the Group made an approach to acquire a US publicly-listed company. Following our approach, they conducted a competitive process for the potential sale of the business. Although the Group believes it would have been a value creating opportunity for shareholders, ultimately, we maintained our capital discipline and were unsuccessful in the transaction. If successful, the transaction would have been in line with the Group's strategy to make synergistic acquisitions focused on its existing and potential platforms.

To support the approach and demonstrate our intent, we acquired a minority holding in the company for a total consideration of \$19.8 million. At the year end, our holding was valued at \$52.3 million (£38.3 million), resulting in a mark-to-market gain of \$32.5 million (£23.2 million). It is proposed that £15 million of this gain is used to establish the Spectris Foundation, a benevolent fund that will be used for community and charitable projects.

Our balance sheet gives us good optionality, and during 2021, we will continue to review and renew our opportunity pipeline in order to seek suitable acquisition targets. Delivering long-term, sustainable value creation for shareholders, in a capably-disciplined manner, will remain the priority.

#### **Our Values and Code of Business Ethics underpin how we behave**

Each of our businesses has unique traits and company cultures, yet certain characteristics connect all of us that work at Spectris. How we conduct our business matters to all of us and to our many stakeholders. During 2020, we refreshed the Group's Values and Code of Business Ethics.

Our Values – Be true, Own it, Aim high – underpin our behaviour. They represent Spectris at its best and reflect what we want to see every day: integrity, accountability and ambition.

Our Code of Business Ethics was also revised, in line with our new Values,

and rolled out to help us perform and do business the right way. Doing this during the pandemic was seen by employees as a testament to our commitment in conducting business ethically.

#### **New sustainability strategy being implemented**

In October, the Board approved a Group-wide sustainability strategy to ensure that we remain a sustainable employer, partner, supplier and investment proposition. The strategy emanates from the Group's business model and builds on our wider purpose – supporting our customers to make the world cleaner, healthier and more productive. The strategy focuses on further embedding sustainable thinking in our operations and business aims. It also works on mitigating the risks arising from changing regulation and evolving stakeholder expectations, while also capturing opportunities from an increasing focus on sustainability across many of our customers, suppliers, communities and our employees.

Following a detailed and externally facilitated materiality assessment process, we identified three areas of focus which form the basis of our strategy over the next two years: environment, people and operations. In line with these focus areas, three UN Sustainability Development Goals (Goal 7 – Affordable and clean energy; Goal 8 – Decent work and economic growth and Goal 9 – Industry, innovation and infrastructure) were identified to inform our strategy, enable prioritisation and planning. During the year, initiatives to support these goals were undertaken. These included: work on diversity and inclusion and the provision of wellbeing and resilience support for our people; the development of Group-wide health and safety reporting in line with OSHA standards; the approval of a five-point plan to accelerate the Group's management of the environmental impact of our operations, including the setting of our Group Net Zero target; and compliance with the Task Force on Climate-Related Financial Disclosures recommendations during 2021. On our environmental performance, we were pleased to see an improved CDP B rating during the year.

Our sustainability strategy is deliberately set over the short term to agree a base position. During 2021, we will set stretching and meaningful

targets that are relevant to our business for the long term. It will provide a clear line of sight to the key commitments around our people, the environment and our operations to ensure that we are true to our purpose.

We are also committed to creating a positive legacy in the communities in which we live and work and we aim to be industry leading in our approach to social responsibility. To add focus and momentum to our aims, we are launching the Spectris Foundation. The Foundation will receive a one-off investment of £15 million from Spectris and the ongoing costs of the Foundation will be met by Spectris. The Foundation will adopt a general charitable purpose, which means that it is able to donate to a wide variety of charities within the UK and overseas. The intention is to focus on making donations that promote STEM education. The Foundation will enhance and improve our charitable giving at a global level and will also support our operating companies and individual employees in their fundraising efforts. We recognise that the economic impact of COVID-19 may lead to barriers being raised for some young people to enter the field of science. To tackle this challenge, a key aim of the Foundation will be to improve access to a quality STEM education, to enable a cleaner, healthier and more productive world.

#### **Executive Committee changes**

There were a number of changes during the year that have further strengthened both the calibre and the diversity of the Executive leadership team. Mark Fleiner, Business Group Director, ISD, was appointed to succeed Paolo Carmassi as President of Malvern Panalytical. Andy Cowan took over as interim Business Group Director, ISD. Rebecca Dunn was appointed to the new role of Head of Sustainability to promote our commitment to environmental, social and governance matters. Judith Wettach joined Spectris as Group Head of Corporate Development and Amit Agarwal joined Omega in October as its President following the departure of Greg Wright. In February 2021, Mary Beth Siddons joined Spectris as the Business Group Director, ISD, replacing Andy Cowan who returned to his role as Finance Director, ISD.

#### **Summary and outlook**

2020 delivered challenges on many fronts as a result of COVID-19. I would again like to acknowledge and thank

all our people for their outstanding commitment and for their patience, understanding and self-sacrifice as we pulled together, supported one another and delivered for our customers. I would also like to thank our shareholders for their support during this time.

Throughout 2020, we consciously and purposefully took a balanced, socially responsible approach to managing our business, consistent with our culture and values, ensuring we addressed the needs of all our stakeholders. I believe we have been successful on that front and as a result, the Group delivered a highly resilient performance, reflecting both the quality of our businesses and our people. Although sales were down notably, I am pleased with our underlying margin performance in the circumstances, which was helped by the swift actions taken and the continued execution of our profit improvement programme. At the same time, we were able to protect jobs and the core capabilities of our businesses, while also continuing to execute our strategy, with the divestment of B&K Vibro and Millbrook being notable achievements.

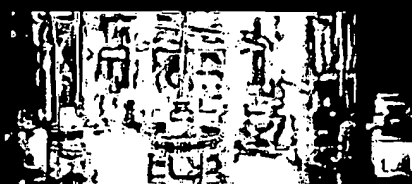
Cash generation was extremely strong and the balance sheet was further strengthened. This enabled us to reverse the temporary cost measures, returning staff to full pay, reinstating full-time working for the majority of employees and repaying the salary sacrifice. It also meant we were able to increase the final dividend and announce a £200 million share buyback programme.

The stronger order intake in the last three months of 2020 provides momentum for the first quarter of 2021 although, clearly, much uncertainty remains and we expect the immediate economic backdrop to remain challenging. However, the actions taken last year position the Group well for any market recovery in 2021. The cost base has been reduced and capability retained, creating a strong operating leverage opportunity and balance sheet optionality. We will maintain our approach, acting with purpose, and being values-led, to deliver long-term, sustainable financial health.

**Andrew Heath**  
Chief Executive  
24 February 2021

## Supporting our customers and communities

Throughout the COVID-19 pandemic, we supported our customers by providing them with the products, services and expertise they needed, some of which directly helped in the fight against the virus. We also supported our communities with the provision of PPE.

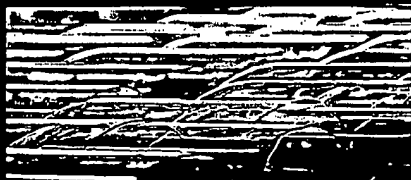


## Helping in the development of treatments and vaccines

Malvern Panalytical is helping companies in the global effort to develop treatments and vaccines, providing analytical instruments and expert support to labs around the world.

Malvern Panalytical provided the equipment and expertise to aid rapid vaccine development. A Zetasizer Ultra was used to generate the critical vaccine size and concentration data required to support rapid development of the manufacturing process for the COVID-19 vaccines.

Malvern Panalytical systems and applications expertise were also used in the development and production of a COVID-19 antigen test.



## Providing PPE

Like many of our businesses, a cross-functional team from Malvern Panalytical worked around the clock using their own 3D printers, spending their own time and money to print and assemble face shield parts. They also worked with other businesses in the supply chain who donated 3D printing materials, mask straps and visors. More than 500 shields were manufactured and distributed to local hospitals, doctors surgeries, hospices and care homes.

Similarly, the R&D team at HBK's FiberSensing plant in Portugal, responded to a call from the national health service asking for donations of face shields and other PPE. They used the 3D printer they have in the plant to produce face shields, supporting three local hospitals around the Porto area. The HBK team also collaborated with other local partners to help supply PPE to healthcare workers.



## Temperature monitoring products

As businesses across the USA prepared for re-opening post lockdown, Omega launched and increased the supply of its temperature measurement products and expertise to help customers tackle the new challenge of implementing remote temperature sensing. Omega's infra-red cameras include face detection technology that allows for fast group temperature screening at a social distance, while hand-held infra-red thermometers offer a simple solution for easy screening. These products can also be utilised in medical-related situations, such as hospital room pressure and temperature monitoring.

## Supporting the manufacture of medical hose

ONYX Hose & Tube Inc. ('ONYX') is a Canadian manufacturer of medical hose for oxygen supply and ventilators, equipment which is vitally needed in the fight against COVID-19. ONYX uses several of NDC Technologies' AccuScan and BenchMike gauges in their production process to measure and control the diameter and ovality of medical hose products. With the help of NDC Technologies' in-process and off-line gauging products, ONYX confidently produces life-critical products to support the demands of healthcare operations on the front line in the treatment of COVID-19 patients.

## Supporting the supply of medical equipment

On short notice, one aerospace company converted its production to medical technology in order to support the national health system. For fatigue testing of new components, HBK's nCode Premium Materials Database was used free of charge, reducing test and development time to a minimum.

Various companies worldwide switched their production to respirators on short notice. HBK provided a wide range of test equipment for this purpose. For example, its QuantumX data acquisition system and catman software has been used for testing ventilator equipment. For another company, HBK provided an LDS vibration controller as a free loan. This helped the company to identify and solve potential problems with the energy supply of its new ventilators.

# Our strategy is driven by our purpose

Our purpose to deliver value beyond measure defines our Strategy for Profitable Growth.

Our Values underpin how we deliver for our stakeholders.

## Driving our strategy

### Our purpose

Our purpose is to deliver value beyond measure - going beyond just the measurement.

Precision is at the heart of what we do. Spectris provides customers with specialist insight through our high-tech instruments and test equipment, augmented by the power of our software.

Through a combination of our hardware, analytical and simulation software, we provide our customers with superior data and invaluable insights that enable them to work faster, smarter and more efficiently. This equips them with the ability to reduce time to market, improve processes, quality and yield.

In this way, our know-how creates value for wider society, as our customers manufacture and develop new products to make the world cleaner, healthier and more productive.

**Delivering value beyond measure**

### Our Values

**Be true**  
We believe in absolute integrity.

It's how we win for stakeholders, the environment and each other.

**Own it**  
We believe in teamwork and keeping our promises.

It's how we build our brands and businesses.

**Aim high**  
We believe in being bold and positive.

It's how we perform at our best and achieve greater success.

Our Values  
Page 5

### Our stakeholders

 **People**  
The welfare of our people comes first. They are highly-skilled, many of whom are qualified engineers, technicians and professionals.

 **Customers**  
Customers are at the heart of what we do and we strive to meet their current and future needs every day and develop long-term relationships with them.

 **Suppliers**  
Relationships with our suppliers are integral to the delivery of our quality products to customers.

 **Shareholders**  
We act to work in the long-term interests of shareholders.

 **Communities**  
We are committed to driving positive impacts within our communities.

Section 172 statement  
Page 67

# How we will achieve our strategy

## What are the goals

Our philosophy, characteristics and focus

## Where to play

Our position and influence

## How to win

Leveraging our unique attributes

## How to configure

Our capability

### Group philosophy

- Small number of scale platforms
- Tight financial control
- Drive increasing shareholder value
- Cyclically durable

### Clear platform characteristics

- Scalable
- Attractive end markets
- High gross margins
- Asset light
- Strong capabilities and performance

### Clear financial goals to create enhanced shareholder value

- Sales growth
- Operating margin expansion
- Cash conversion
- Free cash flow growth
- Return on gross capital employed

### Group non-financial goals

- On-time delivery
- Quality
- Net promoter score
- Ethics and compliance
- Employee engagement
- Health, safety and environment
- Sustainability

KPIs: Pages 28 to 29  
Operational review: Pages 30 to 37

### Precision instrument-focused businesses

- High-tech instruments and test equipment
- Associated aftermarket service
- Synergistic software and service, where Spectris has the right to play and win

### Focusing on sustainable attractive technology-driven end markets

- Defendable markets with barriers to entry
- Favourable growth trends in end markets:
  - pharmaceutical
  - automotive
  - electronics and semiconductors
  - primary and advanced materials
  - technology-led industrials

### Global reach

- Optimising presence in each key region where relevant

### Ensuring a beneficial social and environmental impact of our operations and the downstream value chain

Market overview: Pages 6 to 7

### Clear, compelling customer value proposition

- Leading instrument/sensor technology
- Strong domain knowledge and customer intimacy
- Complementary software and service
- Generating superior insights

### Digitally-enabled

### Innovation focused on growth and maintaining leadership positions and driving sustainable portfolio management

### Group-wide focus on continuous performance improvement through:

- Spectris Business System
- Talent management
- Performance management
- Ethics and safety

### Ethical leadership

### M&A strategy

- Synergistic acquisitions focused on existing and potential platforms

### Core capabilities reside in the operating companies

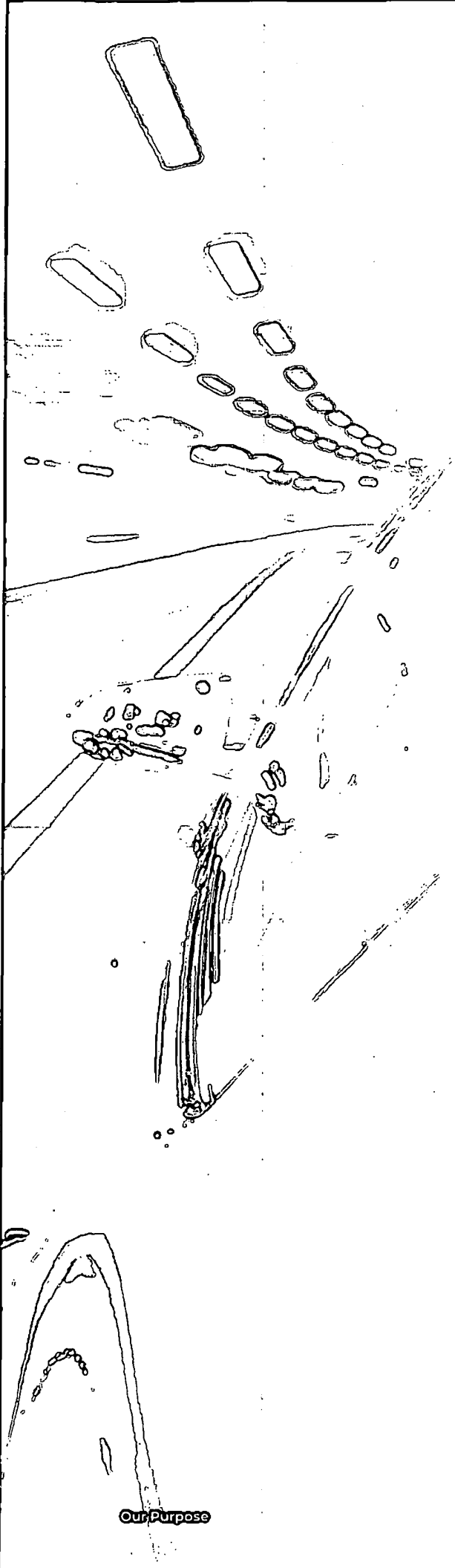
- Customer intimacy and value selling
- Go-to-market
- Strong domain knowledge
- Application and technical expertise
- Commercial excellence
- R&D effectiveness
- G&A efficiency
- Acquisition integration
- ESG

### Lean head office

- Group strategy
- Financial performance
- Target setting
- Capital allocation
- Portfolio transition
- Corporate governance and services

Operational review: Pages 30 to 37

# Cleaner.



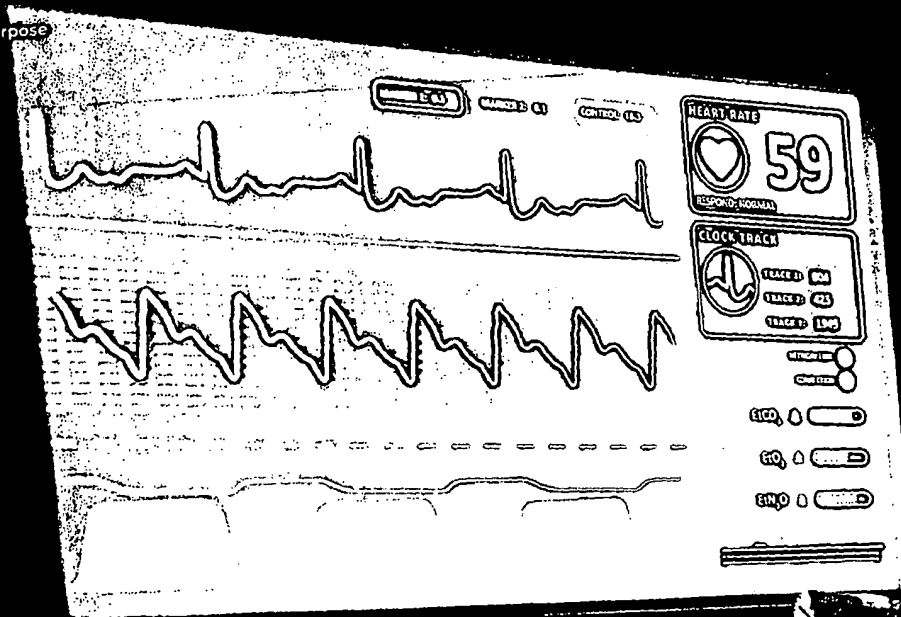
## Future-proofing hybrid and electric powertrain testing Customer: Loccioni

### Challenge

The automotive industry has evolved rapidly and sales of hybrid and electric cars have risen continuously. Loccioni has been a leader in this technological evolution, producing everything from end of line and laboratory test benches to measurement instruments, as well as offering out-sourced testing services, for hybrid and electric powertrains. To keep up with such fast-paced evolution in technology, there must be an equally rapid development in the analytical methodology used. Due to the industry's frequently changing testing requirements, Loccioni needed a measurement solution with a high amount of expandability and flexibility.

### Benefit to customer

HBK's eDrive system provides that future-proof test and measurement system. The acquisition system is easily integrated with Loccioni's existing equipment, plus the expandability and flexibility of the hardware means that it can be readily upgraded in response to future measurement requirements. In addition, unlike other electrical power analysers, the eDrive testing solution is capable of measuring in both stationary and transient states of the system. During the development of new hybrid and electric systems, the ability to record and save data relative to transient states is of crucial importance to assess its efficiency, helping in the development of ever more efficient and durable powertrains.



# Healthier.



## Supporting GE Healthcare in ventilator production Customer: GE Healthcare

### Challenge

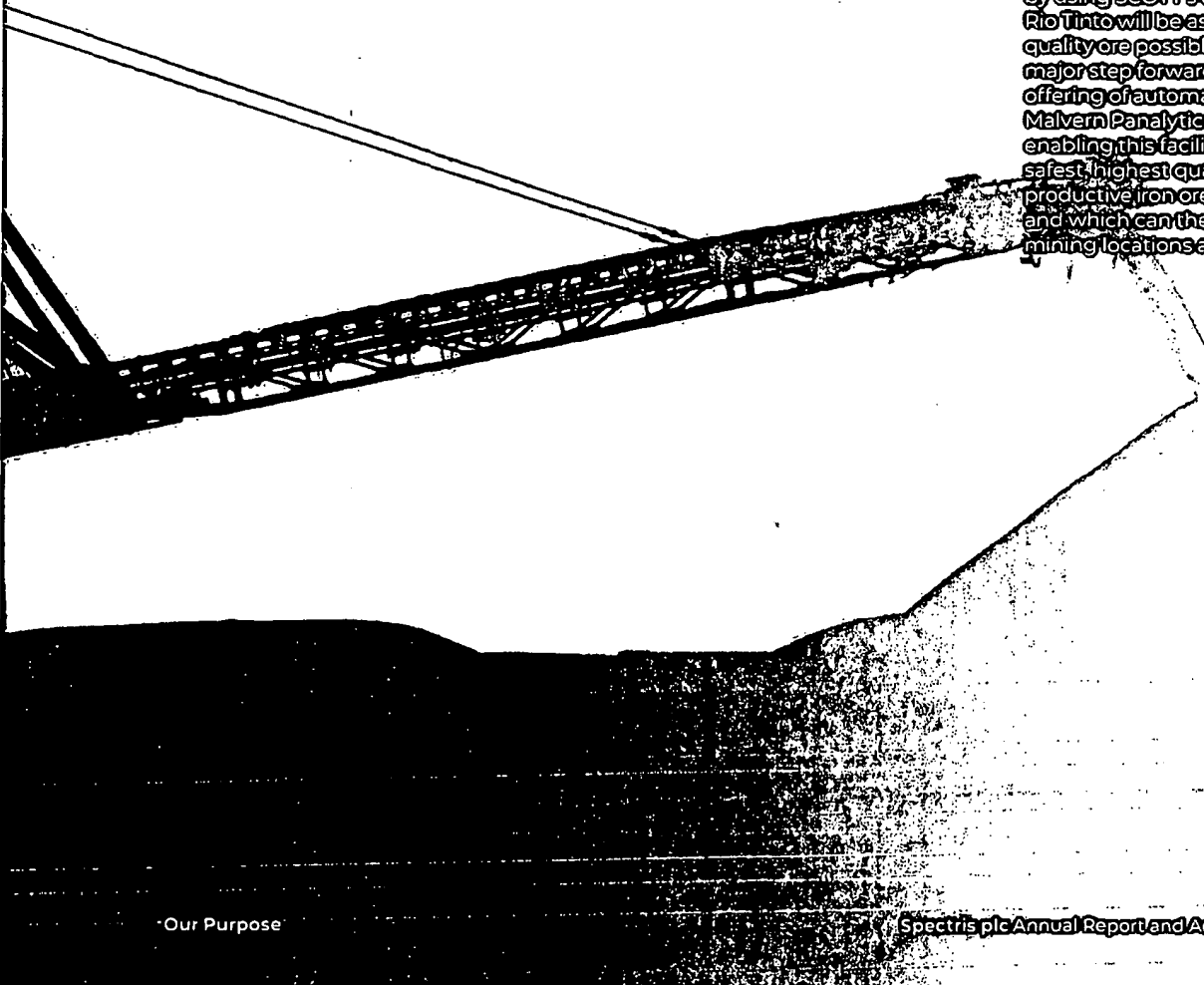
Hummingbird Sensing Technology produces high-performance, paramagnetic oxygen sensors that are used in critical care ventilators to monitor the amount of oxygen administered to a patient. The COVID-19 pandemic required the whole supply chain to increase the supply of respiratory care and patient monitoring technology. GE Healthcare provide critical care ventilation solutions and worked with Servomex to rapidly ramp up the supply of sensors.

### Benefit to customer

Servomex swiftly expanded its production to meet the new increase in demand for oxygen sensors. This included a large increase in the size of the clean room operation where they are produced. Servomex also launched a new variant of the Paracube that meets GE Healthcare's specific requirements, yet is much faster to manufacture, at much greater volumes. This rapid development project, which saw 18 months of development work being condensed into under three months was only made possible by the determination of the Servomex team, as well as a strong partnership with its key customers and with certified bodies.

# More productive.





## Improving mining productivity, quality and safety

Customer: Rio Tinto

### Challenge

Mining companies need to ensure the safe and efficient operation of their mining facilities. Additionally, they are actively working on reducing the cost of mineral extraction and energy consumption. Milling the product to the correct grade size, with frequent monitoring of the mineralogical and elemental composition during ore processing helps mining companies improve efficiency by enabling constant and optimal mineral processing conditions.

### Benefit to customer

Malvern Panalytical was selected by SCOTT Technology Ltd, for the engineering, design, equipment supply and the provision of a fully automated robotic analytical system at Rio Tinto's Koodaideri iron ore project in Australia. Malvern Panalytical offers analytical X-ray instrumentation for sample preparation to complete analysis, and by using SCOTT's automated solutions, Rio Tinto will be assured of the highest quality ore possible. This project is a major step forward in the combined offering of automated solutions from Malvern Panalytical and SCOTT, enabling this facility to be one of the safest, highest quality and most productive iron ore laboratories globally, and which can then be deployed in mining locations around the world.

# Harnessing the power of precision.



## Remote monitoring in extreme environments

### Challenge

Ski resort operators, nature observatories and other high-altitude, difficult-to-reach facilities need to store perishable foods year-round in mountain-top facilities. To maintain freshness and ensure food safety, food storage areas are required to operate continuously under minus 14 degrees Celsius. Given their extreme locations, these companies need to be able to continuously monitor and control temperatures remotely.

### Benefit to customer

Omega developed an IIoT-based solution for the customer with Omega's new Layer N eco-system of smart sensors and gateways, connecting multiple sensors to the chillers and providing the ability for remote temperature measurement and monitoring, with critical alarm events from any connected device. The continuous monitoring improves efficiency and cost by reducing the risk of spoilage, waste and costly re-supply efforts. It also helps minimise the risk of lost revenue and poor customer experiences due to supply disruptions.

# Continued focus on creating value

## Our purpose

Spectris harnesses the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive

## Our strategy

### We are customer focused

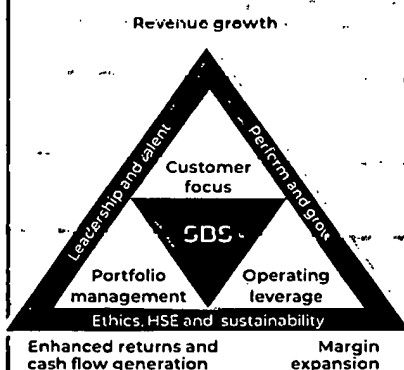
Targeting attractive end markets where we are best placed to drive growth and profitability with compelling and differentiated offerings.

**We create operational leverage**  
Improving profitability as we grow.

### We have active portfolio management

Optimising our assets, supported by active portfolio management and synergistic acquisitions.

**We are focused on delivering value beyond measure for all our stakeholders.**



## Our resources

### Winning technology and brands

Our products use high-quality, innovative technologies which are award-winning, increasingly focused on helping our clients achieve their sustainability objectives, and have strong, recognisable brands.

### In-depth expertise

We have a highly-qualified team of people who have in-depth product, application and industry expertise in their sectors.

### Strong customer relationships

We build strong, collaborative customer relationships, underpinned by a deep understanding of our customers' businesses.

### Financial strength

Spectris is a highly cash-generative, asset-light business with a strong balance sheet and a disciplined and rigorous approach to capital allocation.

### Valued suppliers and partners

Our global supply chain and partners are an essential and integral part of our business.

### Clear values and culture

Our Values underpin the way we work, guide our decision making and shape our culture.

## Our operating model

We have a devolved operating model, with core capabilities embedded in our operating companies and a lean head office.

### Lean head office

At a Group level, we drive a consistent approach to:

- Developing our talent and leadership
- Performance management
- Underpinned by a strong ethics and safety culture.

### Our business divisions

- Malvern Panalytical
- HBK
- Omega
- Industrial Solutions

### Our core capabilities:

- Customer knowledge
- Sales expertise
- Strong domain knowledge
- Application and technical expertise
- Commercial excellence
- R&D effectiveness
- G&A efficiency
- Acquisition integration

### Spectris Business System

The Spectris Business System has been put in place to drive continuous performance improvement and increase profitability, following Lean principles.

Our purpose is driven by our commitment to being a sustainable business partner, investment proposition and employer



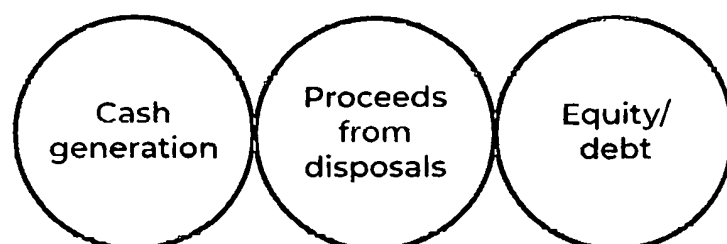
Our sustainability strategy sets a clear line of sight to key commitments around our people, the environment and our operations, to ensure that our strategy and operations align with our Values.

- Reflecting our Values in how we do business, taking a balanced, socially responsible approach
- Providing long-term, rewarding careers in a safe and inclusive working environment
- Taking our environmental responsibilities seriously

## Our financial model

We are an asset-light, highly cash-generative business. We operate a rigorous and disciplined capital allocation process.

### Sources of capital



### How we use this capital

#### 1. Maintaining the business

- Maintenance capex
- Maintenance R&D (product refresh)

#### 2. Growing the business organically

- Growth capex
- Growth R&D (new products and technology)
- Working capital

#### Appropriate capital structure

- Our target balance sheet leverage will be 1-2x EBITDA

#### 3. Growing the business inorganically

- Acquisitions

#### 4. Returning surplus capital to shareholders

- Special dividends
- Share repurchases

## Benefits to our stakeholders

### People

We ensure that our culture openly reflects our values and meets the expectations of our people. We are committed to creating the best possible working environment and culture where our employees can thrive.

### Customers

Our hardware, software, services and solutions allow our customers to manufacture and develop new products that make the world cleaner, healthier and more productive.

### Suppliers

We believe that our suppliers should have the opportunity to benefit from their relationship with us, working together with shared purpose and values.

### Shareholders

We work to ensure the long-term success of the Group to deliver enhanced shareholder value through our financial performance and capital distributions.

### Communities

We are committed to creating a positive legacy in our communities. The Spectris Foundation will enhance and improve our charitable giving to support them.

For our Section 172 statement, see page 67

Our focus is underpinned by a detailed materiality assessment that defines and prioritises the issues that matter most to our stakeholders. To support our focus, the Board has adopted three UN Sustainability Development Goals to inform our strategy, enable prioritisation and planning.



For more information on our approach to sustainable growth, see the Sustainability Report on page 50

# Measuring our performance

We monitor progress against the delivery of our strategic goals using both financial and non-financial key performance indicators ('KPIs').

The aim of our Strategy for Profitable Growth is to maintain growth over the medium to long term and therefore we show the KPIs for the last five years.

A number of the KPIs are adjusted operating metrics, as we believe these provide a view of our underlying performance because they exclude foreign exchange movements and the impact of acquisitions and disposals. See Note 2 to the Financial Statements, for a reconciliation between adjusted and statutory items.

In 2020, we introduced a new remuneration policy with a new Long Term Incentive Plan ('LTIP') replacing the prior Performance Share Plan ('PSP'). As a result, the economic profit KPI was withdrawn.

For further details, see the Directors' Remuneration Report page 78.

The Directors' Report (page 98) contains the statement on non-financial information and provides an index for where information relating to non-financial matters can be found.

## Link to strategy

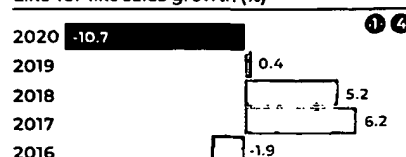
|                                |   |
|--------------------------------|---|
| Customer focus                 | ① |
| Operating leverage             | ② |
| Portfolio management           | ③ |
| Perform and grow               | ④ |
| Ethics, HSE and sustainability | ⑤ |
| Leadership and talent          | ⑥ |

## Financial

### Like-for-like ('LFL') sales growth

LFL sales growth is a measure of how our R&D and other investments help to grow our business organically, i.e. excluding the effects of currency translation and acquisitions or divestments.

#### Like-for-like sales growth (%)



### Performance

In 2020, sales were £1,336.2 million, a 10.7% decrease on a LFL basis compared with 2019, as a result of the COVID-19 impact on our end markets. All businesses saw a decline in LFL sales, with HBK and Industrial Solutions less impacted, and a better performance across the Group in the second half.

Regionally, LFL sales decreased in all regions, with North America faring better than Europe and Asia, although all improved in the second half.

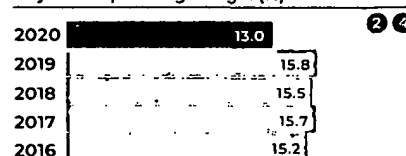
### Objective

Our aim is to achieve year-on-year growth in LFL sales.

### Adjusted operating margin

Adjusted operating margin is a measure of improving profitability in our business and is defined as adjusted operating profit as a percentage of sales.

#### Adjusted operating margin (%)



### Performance

The 2020 adjusted operating margin was 13.0%, a decrease of 280 basis points ('bps') from 15.8% in 2019.

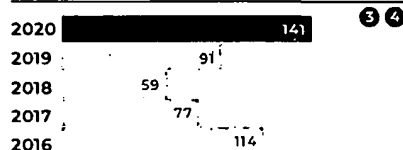
On a LFL basis, the adjusted operating margin declined by 270bps, reflecting the decline in sales partially offset by a flat gross margin year-on-year and a decrease in overhead costs. To offset the impact of the decline in sales, the Group took decisive action on costs and also benefited from costs savings under its restructuring programme.

### Objective

Our aim is to improve gross margin and constrain overheads to drive future operating margin expansion, and return our operating margin to at least our previous highs of around 18%.

**Cash conversion**

Cash conversion represents an effective measure of the quality of our earnings. Cash conversion is defined as adjusted cash flow as a percentage of adjusted operating profit.

**Cash conversion (%)****Performance**

Cash conversion was 141%, an increase from 91% in 2019. Despite the lower profitability, the improvement principally resulted from a favourable working capital movement, mainly attributable to a reduction in inventories and trade receivables, and lower capital expenditure.

**Objective**

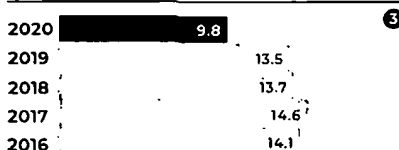
Our aim is to deliver a high level of cash conversion consistently every year.

**Link to remuneration**

Cash conversion is one of the criteria for the annual bonus. See page 81 for more information.

**Return on gross capital employed ('ROGCE')**

ROGCE is calculated as adjusted operating profit divided by the average of opening and closing gross capital employed. Gross capital employed is net assets excluding net (cash)/debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

**Return on gross capital employed (%)****Performance**

ROGCE was 9.8% in 2020, with the decline from 13.5% primarily reflecting the fall in adjusted operating profit, with a small reduction in the Group's capital base.

**Objective**

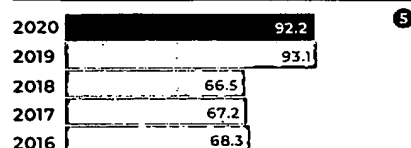
Our aim is to improve ROGCE year-on-year.

**Link to remuneration**

ROGCE is one of the criteria for the LTIP. See page 81 for more information.

**Non-financial****Energy efficiency**

Energy efficiency makes a significant contribution to environmental sustainability and helps us to reduce our operating costs.

**Energy efficiency (MWh per £m revenue)****Performance**

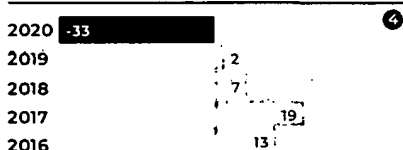
Energy efficiency, measured in MWh per £m revenue, was 92.2 in 2020, compared with 93.1 the prior year. The 1% decrease is primarily attributable to changes in working patterns as a result of COVID-19. We have restated 2019 data to remove BTG, following its divestment in December 2019, to support a fair comparison of the Group's in-year environmental performance.

**Objective**

We monitor our use of key sources of energy (electricity, gas, oil and steam) with the aim of reducing our carbon emissions and improving energy efficiency.

**Adjusted earnings per share growth**

Adjusted earnings per share ('EPS') is the ratio of adjusted earnings for the year to the weighted average number of ordinary shares outstanding during the year, excluding certain items.

**Growth in adjusted EPS (%)****Performance**

Adjusted EPS decreased 33% to 1171p, reflecting a 33% decline in adjusted profit before tax, partly offset by a higher effective tax rate.

**Objective**

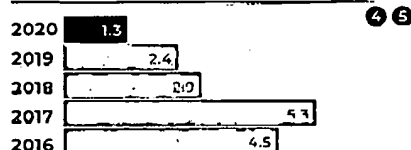
Our aim is to achieve year-on-year growth in adjusted EPS.

**Link to remuneration**

EPS performance is one of the criteria for the LTIP and the prior PSP award. See page 81 for more information.

**Accident incidence rate**

We are committed to ensuring the health, safety and wellbeing of our people and monitor how we are performing by measuring work-related accidents or ill health resulting in lost time in excess of one day (years prior to 2017, three days).

**Reportable accidents per 1,000 employees****Performance**

There were 1.31 reportable accidents per 1,000 employees in 2020. This is a further improvement over prior years which demonstrates our increased focus on health and safety and has been further enhanced by remote working arrangements during the COVID-19 pandemic.

**Objective**

Our aim is to reduce accidents and injuries at our sites to as low a level as reasonably practical.



# Malvern Panalytical

Mark Fleiner  
President, Malvern Panalytical

## Sales (£m)

|      |       |
|------|-------|
| 2020 | 372.5 |
| 2019 | 448.2 |
| 2018 | 436.7 |

## Adjusted operating profit (£m)

|      |      |
|------|------|
| 2020 | 54.9 |
| 2019 | 76.2 |
| 2018 | 73.0 |

## Adjusted operating margin (%)

|      |      |
|------|------|
| 2020 | 14.7 |
| 2019 | 17.0 |
| 2018 | 16.7 |



Malvern  
Panalytical

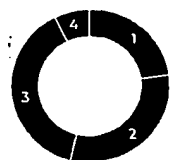
## Statutory operating profit (£m)

|      |       |
|------|-------|
| 2020 | 44.6  |
| 2019 | -17.7 |
| 2018 | 52.9  |

## Statutory operating margin (%)

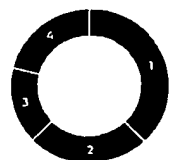
|      |      |
|------|------|
| 2020 | 12.0 |
| 2019 | -3.9 |
| 2018 | 12.1 |

## Sales by location (%)



|                     |    |
|---------------------|----|
| 1 North America     | 23 |
| 2 Europe            | 31 |
| 3 Asia              | 39 |
| 4 Rest of the world | 7  |

## Sales by end-user market (%)



|                                    |    |
|------------------------------------|----|
| 1 Pharmaceuticals & fine chemicals | 38 |
| 2 Metals, minerals & mining        | 25 |
| 3 Academic research                | 16 |
| 4 Other                            | 21 |

## Financial performance

Sales decreased 17% to £372.5 million, reflecting a 13% decrease in LFL sales, a minimal negative impact from foreign currency exchange movements and a 4% impact from disposals (the rheology and environmental consultancy and testing businesses). All regions saw lower LFL sales with North America faring slightly better than Asia and Europe. All geographies saw an improved performance in the second half, with China posting 7% growth in this period. Orders, similarly, had an improved performance in the second half. Our order book is stronger than in prior years and with customers having adapted to COVID-19-related restrictions and our now extended experience in remote working, we have a positive outlook for 2021.

On a LFL basis, adjusted operating profit decreased 27% and adjusted operating margins declined 280bps. Despite an adverse volume and mix impact, gross margin improved. Overheads were lower, reflecting favourable production overheads, receipt of government subsidies, employee costs savings, a reduction in discretionary spend, including travel and entertainment, and lower selling costs.

## Strategic initiatives and product launches

During 2020, Malvern Panalytical launched a number of new products to enhance its customer offering, with

software, services and analytics being a key focus area. In June, Amplify Analytics was launched, combining Malvern Panalytical's instruments, analytical expertise, and pharmaceutical discovery and development services. Amplify Analytics focuses on accelerating and de-risking drug development by helping customers rapidly identify those drug candidates that meet bio-availability and processability requirements.

OmniTrust was launched in October, offering a new, comprehensive suite of data integrity and compliance software solutions for regulated environments, such as pharmaceutical development and manufacture. In combination, OmniTrust and Amplify Analytics services and software provide a powerful partnership of instruments, analytics know-how and validation support. The combination enables customers to ensure accelerated and successful development, whilst easing the regulatory burden associated with data integrity and compliance.

In July, a new and expanded Zetasizer range was unveiled. The Zetasizer Advance gives greater flexibility for customers, including the ability to upgrade the instrument remotely, to both match and future-proof customer requirements across a wide variety of applications. In August, Malvern Panalytical launched its new 1Der ('Wonder') detector for its Empyrean

X-ray diffractometer ('XRD') platform. This new addition has improved processing sensitivity that excludes unwanted fluorescence background from the final data, providing significant increases in XRD system capability and a step-change in data quality.

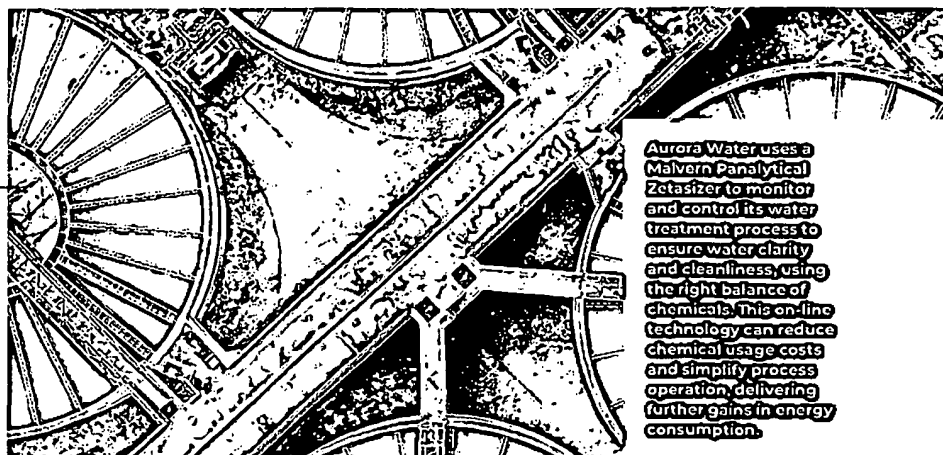
In January 2021, the legacy Concept Life Sciences' food testing business was sold. It is based in a single site laboratory and serves UK-based food retailers, food processors and manufacturers. The sale was undertaken given the lack of synergy with the food instrumentation business of Malvern Panalytical.

#### Market trends and outlook Pharmaceutical and food

LFL sales to the pharmaceutical sector were slightly up in 2020, with a decline in the first half of the year offset by good growth in the second half. LFL sales into Europe were flat, with Asia lower year-on-year, although China recorded good growth. North America saw a notable recovery with a strong second half, leading to good growth for the full year. We see opportunities in both North America and China returning to pre-COVID levels in 2021. This is supported by an increase in onshoring in the traditional small molecule areas in these two markets, prompting investment in pharmaceutical facilities as healthcare providers look to increase the robustness of supply chains. We see good opportunities for our new Amplify Analytics solutions, as customers seek to access additional expertise, to de-risk and accelerate their development pipelines.

Although COVID-19 led to an initial pause in activity in the first half of 2020, due to laboratory closures and social distancing requirements, there has been a significant uplift across the industry in support of vaccine and viral vector manufacturing. The growth rate for the vaccine market is projected to double as a result, with the largest markets being North America, Europe, China and India. Malvern Panalytical has supported the global effort to develop treatments and new vaccines, providing analytical instruments and expert support to vaccine labs around the world. We are also seeing accelerated investment in the research, development and manufacture of novel drug delivery systems and biologics-based therapies.

Demand at academic research institutes was also impacted earlier in the year by closures. Although activity levels have



Aurora Water uses a Malvern Panalytical Zetasizer to monitor and control its water treatment process to ensure water clarity and cleanliness, using the right balance of chemicals. This on-line technology can reduce chemical usage costs and simplify process operation, delivering further gains in energy consumption.

risen, new lockdowns, such as those announced in Europe, will continue to have an impact. Revenue in this particular segment is therefore not expected to return to 2019 levels this year. We will continue to look for opportunities within industry, for example from pharmaceutical companies, as this is where government funding is focused in response to COVID-19.

LFL sales to the food sector were lower and although more resilient within manufacturing and quality control, we saw customers dedicating less time to food development projects. However, the continued focus on sustainable sourcing and manufacture, food quality and safety, represent opportunities relevant to our solution portfolio moving forward.

#### Primary materials

LFL sales were notably lower year-on-year, with all regions impacted by COVID-19 installation delays. Sales into Europe were down more markedly than other regions and have remained slow.

Within mining, social distancing requirements earlier in the year meant some sites were closed or placed on restricted operations, leading to lower demand. An economic recovery will drive demand, which is already increasing in certain countries, with India, south-east Asia and Australia seeing a revival in mining and building materials. A key contract win in this area was with Hyundai Steel to develop the world's first XRD on-line system to monitor the galvanized coating of steel.

Amongst oil and chemicals customers, we have seen a material decline in requests from petrochemical companies. Recovery is expected to be slow as companies close sites and rationalise their businesses to focus on value over volume.

In the metals market, the second half performance was significantly better, but with many metal suppliers dependent on customers significantly

impacted by COVID-19 (e.g. automotive), we expect this market to be uncertain in the near-term, and potentially recovering in the second half of 2021.

Against this backdrop, customers will need to further focus on delivering improved yields, productivity, product quality and lowering cost. This is a helpful trend towards greater automation and digital solutions, as well as a focus on sustainability. Malvern Panalytical is well placed to help customers deliver on these fronts and will look to provide customer specific products, services and specialised solutions to its extensive installed base to generate additional revenues.

#### Advanced materials

LFL sales to advanced materials customers were also lower year-on-year. With research institutes being closed, demand reduced in the first half of 2020, although we saw a strong return in the second half. Lower demand from the automotive and aerospace sectors has been a negative factor in additive manufacturing. However, we expect this softening to be temporary and for investment to expand. COVID-19 demonstrated with PPE and medical devices how this versatile technology can help with shorter production runs, on-demand solutions and more resilient supply chains.

Demand within the battery segment also declined. However, given the prevalence of emerging battery technologies and growth in electric vehicles and new applications, we expect demand to recover in 2021. This is especially the case in R&D where our instruments help customers control both the quality and function of battery materials, enhancing both performance and cycle life.

We expect growth in this sector overall to recover in the second half of 2021, with Asia being the key driver. Other trends, such as a greater environmental focus and a shift to digital solutions, will support the research, development and manufacturing of these new materials.



# HBK

Joe Vorih  
President, HBK

## Sales (£m)

|      |       |
|------|-------|
| 2020 | 392.6 |
| 2019 | 429.0 |
| 2018 | 426.5 |

## Adjusted operating profit (£m)

|      |      |
|------|------|
| 2020 | 49.1 |
| 2019 | 60.4 |
| 2018 | 56.6 |

## Adjusted operating margin (%)

|      |      |
|------|------|
| 2020 | 12.5 |
| 2019 | 14.1 |
| 2018 | 13.3 |



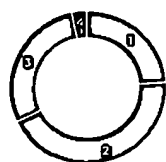
## Statutory operating profit (£m)

|      |      |
|------|------|
| 2020 | 14.2 |
| 2019 | 18.1 |
| 2018 | 43.1 |

## Statutory operating margin (%)

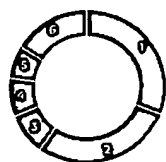
|      |      |
|------|------|
| 2020 | 3.6  |
| 2019 | 4.2  |
| 2018 | 10.1 |

## Sales by location (%)



|                     |    |
|---------------------|----|
| 1 North America     | 24 |
| 2 Europe            | 44 |
| 3 Asia              | 29 |
| 4 Rest of the world | 3  |

## Sales by end-user market (%)



|                                          |    |
|------------------------------------------|----|
| 1 Machine manufacturing                  | 31 |
| 2 Automotive                             | 29 |
| 3 Aerospace & defence                    | 9  |
| 4 Academic research                      | 8  |
| 5 Electronics, semiconductors & telecoms | 7  |
| 6 Other                                  | 16 |

## Financial performance

HBK delivered a resilient performance in 2020. For the year, LFL sales only decreased 9%, with a robust machine manufacturing sector, offset by broader weakness in the automotive sector. There was a 1% positive impact from foreign currency exchange movements leading to an overall 8% sales decline.

In North America, growth in aerospace, defence and machine manufacturing offset lower sales to automotive customers, such that LFL sales were flat. Europe and Asia both recorded a notable decrease in LFL sales, although there was very strong growth to machine manufacturers in Europe.

Adjusted operating profit decreased 20% on a LFL basis, while LFL adjusted operating margin decreased 170bps. The restructuring activities through the merger and other measures taken in 2020 have better positioned HBK. The impact of lower volume and adverse mix was partly mitigated by improved pricing, labour cost reductions and resilient software sales. Net overheads, a key focus area of the merger activities, were also lower, with operational improvements arising from the profit improvement programme and temporary COVID-19-related cost saving measures.

## Strategic initiatives and product launches

As part of its ongoing merger initiatives, HBK has been building a global standardised operating model for sales covering organisational structure, processes and tools. In support of this, a new singular customer engagement platform has been selected and will be deployed in 2021. Alongside this, a digital marketing transformation project has been initiated. Both of these programmes will enhance the sales and marketing effort in order to further drive growth and better serve customers.

Following the launch last year of HBK's new eDrive testing system for electrical inverters and machines, new products have been launched to extend the offering to a more complete e-powertrain testing and optimisation offering, as well as expanding into eGrid (energy distribution systems) testing. The new package for eDrive and eGrid consists of measurement hardware, intuitive software packages and accessories, designed to optimise costs.

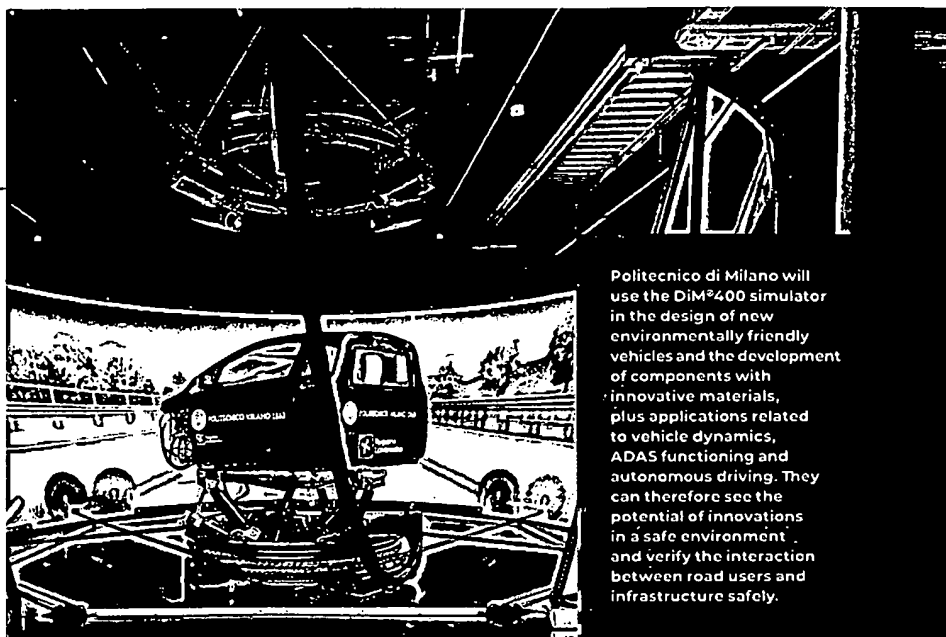
Simulation in product design and development is becoming more prevalent and more important. To tap into this trend, HBK's existing noise and vibration simulation technology was consolidated into VI-grade in the

first half of 2020, with a new suite of simulator and simulation tools made available. The combination provides a unique set of tools to simulate noise, vibration and harshness, driving dynamics and advanced driver assistance systems ('ADAS'). New products included the initial release of WorldSim, a rich and immersive simulation software environment for testing ADAS and autonomous driving scenarios. With the release of the DiM®400 platform, VI-grade also launched a new line of high-performance and highly scalable, cable-driven driver-in-motion simulators. It brings a host of new technologies to advance driving – including a longer exposure to steady state acceleration and better immersion through improved motion. A key customer order for VI-grade's products was from Goodyear in the USA for its DiM®250 simulators.

During the year, VI-grade acquired IMTEC Engineering ('IMTEC'), a provider of larger vehicle driving simulators and machine automation systems. With this new addition, VI-grade augments its offering, blending the software pedigree and expertise of VI-grade with the mechatronic hardware expertise of IMTEC, to help customers reduce time-to-market for new products, while lowering risk and cost. Prior to acquisition, IMTEC was awarded a project by a major automotive OEM to build a full-scale vehicle vibration simulator.

With several new launches in 2020, HBK has further advanced its leadership in force measurement technology. New ultra-miniature transducers, highly robust strain gauge-based force washers and miniature force sensors, with in-line amplifiers, have been added to the portfolio. The latest addition is a further step in building a portfolio of smart sensors.

During the year, HBK also launched B&K Tescia, a new software solution targeting high channel count vibration, acoustics testing and monitoring of rotating machinery. The system incorporates unique capabilities and a user-centric workflow to reduce set-up time, safeguard the equipment under test, and improve data quality and test-result validation. The system is structured to address the needs of users for each stage in the testing process.



Politecnico di Milano will use the DiM®400 simulator in the design of new environmentally friendly vehicles and the development of components with innovative materials, plus applications related to vehicle dynamics, ADAS functioning and autonomous driving. They can therefore see the potential of innovations in a safe environment and verify the interaction between road users and infrastructure safely.

#### Market trends and outlook Automotive

Within automotive, a material reduction in sales reflected the impact of a continued slowdown in the overall sector where the OEMs have faced lower cash flows. LFL sales fell in all regions, with a more marked decline in Europe and after LFL sales growth in the first half of 2020 in North America, sales were down notably in the second half.

The electric vehicle market continues to remain a bright spot as OEMs maintain spend on R&D budgets in this area. Manufacturers are competing to release newer electric and hybrid models to capture market share. HBK secured a large order for its QuantumX and Somat XR data acquisition systems from a major European automotive OEM to be used for powertrain, battery and component part testing.

#### Machine manufacturing

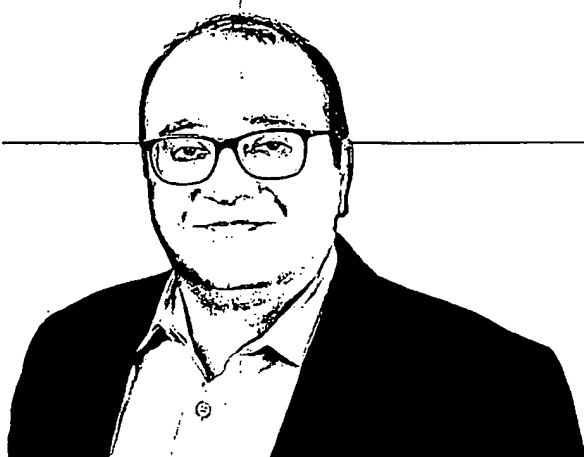
LFL sales to the machine manufacturing sector rose strongly during the year. Sales into North America were particularly strong due to the exposure to the automotive supply chain, which rebounded quickly, and good onward demand for weighing technologies from the process and medical markets. LFL sales also rose very strongly in Europe reflecting similar trends, but were lower in Asia.

#### Aerospace and defence

LFL sales to this sector declined sharply, driven by Europe and Asia. In contrast, North America posted very strong growth, with a particularly robust performance in the second half. Although the commercial aerospace sector has been heavily impacted by COVID-19 and disruption is expected

to continue in 2021, HBK's exposure to commercial aviation is limited and aerospace firms have kept large investment programmes running. Investment in new carbon-neutral propulsion concepts using hybrid or full electric concepts, as well as hydrogen or synthetic fuels, is expected to support demand going forward. HBK is more exposed to defence and satellite/space markets where there has been less of an impact on spending, and this has underpinned the growth in North America within the software and services area. Key wins in analysis software, vibration testing and data acquisition underpinned continued growth in the sector.

**Consumer electronics and telecoms**  
LFL sales to electronics and telecoms customers were notably lower in the year, with both Europe and Asia much weaker, whilst sales were flat in North America. Underlying demand in the consumer electronics and telecoms markets was impacted by the continued weaker macro-economic backdrop and the resulting lower levels of customer spending. We would expect demand to improve as we go through 2021. A notable order received in the year was from a virtual reality equipment manufacturer for HBK's high-frequency head and torso simulators ('HATS') to assess acoustical performance during development. Building on the success of HATS since its launch in 2017, a new tabletop version was launched in 2020 to support customers looking to test headphones on their desk or in small anechoic chambers.



# Omega

Amit Agarwal  
President, Omega

## Sales (£m)

|      |       |
|------|-------|
| 2020 | 119.2 |
| 2019 | 138.3 |
| 2018 | 147.2 |

## Adjusted operating profit (£m)

|      |      |
|------|------|
| 2020 | 8.7  |
| 2019 | 16.9 |
| 2018 | 26.8 |

## Adjusted operating margin (%)

|      |      |
|------|------|
| 2020 | 7.3  |
| 2019 | 12.2 |
| 2018 | 18.2 |



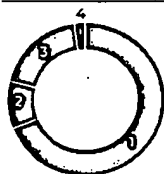
## Statutory operating profit (£m)

|      |      |
|------|------|
| 2020 | 1.2  |
| 2019 | 12.0 |
| 2018 | 18.0 |

## Statutory operating margin (%)

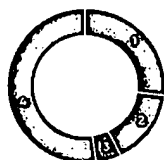
|      |      |
|------|------|
| 2020 | 1.0  |
| 2019 | 8.7  |
| 2018 | 12.2 |

## Sales by location (%)



|                     |    |
|---------------------|----|
| 1 North America     | 69 |
| 2 Europe            | 10 |
| 3 Asia              | 19 |
| 4 Rest of the world | 2  |

## Sales by end-user market (%)



|                                          |    |
|------------------------------------------|----|
| 1 Electronics, semiconductors & telecoms | 27 |
| 2 Distribution                           | 16 |
| 3 Metals, minerals & mining              | 5  |
| 4 Other                                  | 52 |

## Financial performance

LFL sales decreased 13%. There was a 1% negative impact from foreign currency exchange movements, resulting in reported sales being 14% lower year-on-year. Omega has a high exposure to North America (69%), where it recorded a notable decline in LFL sales, the majority of which was driven by the temporary closure of many US businesses during COVID-19 lockdowns. Similarly, LFL sales growth was notably lower in Europe. In contrast, Asia experienced growth, driven by a very strong performance in South Korea reflecting high electronics and semiconductor demand and market share gains.

LFL adjusted operating profit declined 49% and LFL operating margins fell 500bps. This resulted from the lower LFL sales and headwinds in overheads, due to higher licence and depreciation costs in relation to the new digital platform, partially offset by other cost reductions.

## Strategic initiatives and product launches

The performance of Omega remains unsatisfactory. In October, Amit Agarwal was appointed as the new President. Amit has spent over 20 years with Thermo Fisher Scientific, including a three-year period leading

Cole-Parmer Instrument Company; the scientific, laboratory, industrial equipment and supplies distribution business. He started his career in finance, before spending the last 14 years managing global businesses based in the USA, Australia and India, where he led several turnarounds and delivered growth. He brings significant and relevant experience to lead the required turnaround in performance.

Achieving greater scale through organic sales growth is a key requirement for the recovery in performance at Omega. Four focused initiatives have been enacted to drive above market growth and in turn, recover lost margin: enhancing the digital experience; expanding the sales channels; accelerating product development and improving operational performance.

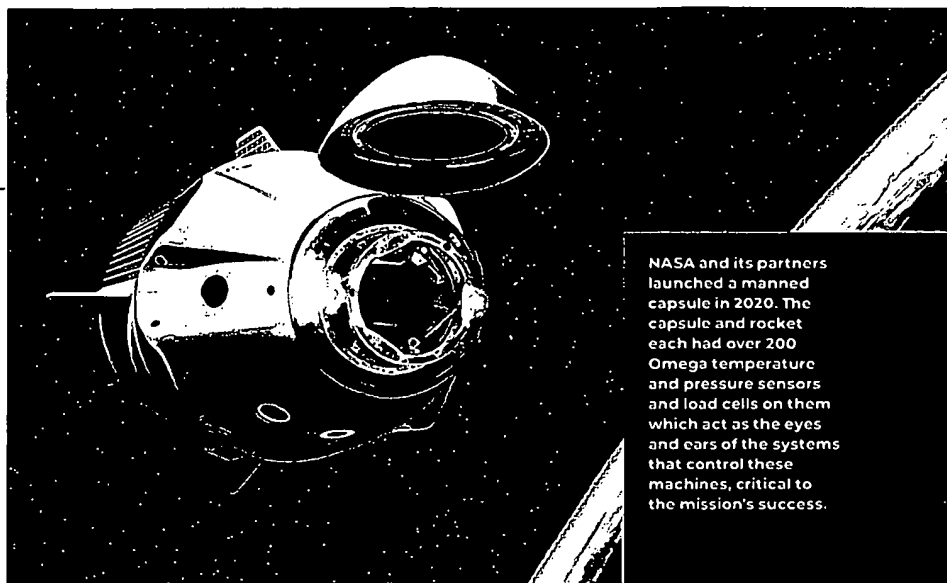
Omega made progress in all four focus areas last year, despite the COVID-19-related disruption. Further refinements to the digital platform were implemented through 2020, completing in November, to simplify the user experience and improve search functionality. Additional enhancements are planned for 2021 to improve functionality and enhance product content.

Efforts to increase sales growth through focusing on key accounts and under-penetrated channels started to bear fruit. Omega has been expanding its distribution channels both in North America, and globally, by developing new partnerships to complement its omni-channel go-to-market strategy. For example, in 2020, it notably increased the revenue through its partnership with Newark (part of Avnet group) in the USA and is now looking to expand this partnership into Europe and Asia. Its efforts to develop strategic accounts also made progress, with a key win in 2020 to supply temperature sensors, pressure sensors and load cells to a major space exploration customer.

Investment was maintained in R&D and Omega launched 94 new products in key growth areas. The temperature offering was broadened in response to greater demand. To enable customers to achieve excellent repeatability or eliminate point measurement errors in high-speed processes, Omega launched several new infra-red sensors. These are used to measure objects in motion across a wide range of applications from food processing, automotive and asphalt. Omega also introduced a new range of resistance temperature detectors ('RTD's). The new PR RTD Series now offers higher accuracy, extreme temperature measurements for semiconductor, food and beverage and R&D applications.

As a result of COVID-19, Omega significantly increased the supply of its hand-held temperature products, such as the OS820-series digital display forehead thermometer, used as a non-contact screening device to measure body temperature. This is suitable for initial screening in areas such as large gatherings, buildings, factories, schools and universities.

In pressure, Omega released the first wave of the DPG509 series, a digital pressure gauge designed to offer a broad range of configurations with its modular design. A new, user-friendly interface has been incorporated alongside an engineered thermoplastic housing to provide greater durability in harsh environments and a longer-lasting power supply.



NASA and its partners launched a manned capsule in 2020. The capsule and rocket each had over 200 Omega temperature and pressure sensors and load cells on them which act as the eyes and ears of the systems that control these machines, critical to the mission's success.

In flow, Omega added a compact, Bluetooth-compatible, electromagnetic flow meter to its portfolio. This product is compatible with most established industrial networking systems and captures the growing demand for lower-cost electromagnetic flow meters for non-hazardous location use, providing reliable monitoring of industrial, cooling, heating or rinsing water.

We expect the trend towards greater connectivity and wireless sensing to continue to grow. Through the course of 2020, Omega expanded its IIoT solution range to provide customers with an eco-system of smart devices that provides more insight and control, allowing access to process data remotely and on demand. This helps Omega's customers accurately measure environmental conditions for a wide range of applications and connect and display the information in one place via Omega's cloud-based solution.

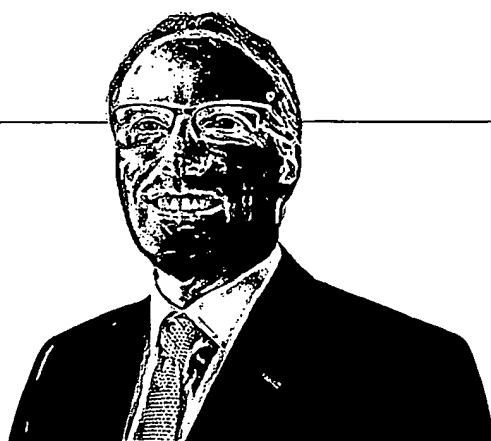
Significant progress was also made in improving operational performance and customer satisfaction, with 35 kaizen events undertaken in 2020. The kaizen events focused on material flow, production cell layout optimisation and the creation of more flexible assembly capabilities to support Omega's configurable product offering.

#### Market trends and outlook

Industrial production was negatively impacted globally by COVID-19. Consequently, LFL sales growth was down in North America, with the main driver being the temporary closure of

many US businesses during the various lockdowns. Growth is expected to be modest in the first six months of 2021, with the recovery gaining pace in the second half. US industrial production is expected to grow, rising through 2023.

In Europe, LFL sales decreased, also impacted by nationwide lockdowns and customers not being able to access premises. In contrast, LFL sales in Asia increased, led by strong performance in South Korea, due to high demand from customers in the semiconductor market and continued share gains. The global semiconductor market is on track for further growth in 2021 with global wafer shipments expected to reach a record high in 2022, despite geopolitical tensions and the COVID-19 pandemic.



## Industrial Solutions

Andy Cowan  
Interim Business Group Director, ISD

### Sales (£m)

|      |       |
|------|-------|
| 2020 | 451.9 |
| 2019 | 616.5 |
| 2018 | 593.8 |

Brüel & Kjær Vibro  
(being divested, expected to complete March 2021)  
ESG Solutions  
Millbrook (divested February 2021)  
NDC Technologies  
Particle Measuring Systems  
Red Lion Controls  
Servomex

### Adjusted operating profit (£m)

|      |       |
|------|-------|
| 2020 | 60.9  |
| 2019 | 104.6 |
| 2018 | 91.9  |

### Statutory operating profit (£m)

|      |       |
|------|-------|
| 2020 | -83.3 |
| 2019 | 71.9  |
| 2018 | 62.4  |

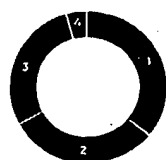
### Adjusted operating margin (%)

|      |      |
|------|------|
| 2020 | 13.5 |
| 2019 | 17.0 |
| 2018 | 15.5 |

### Statutory operating margin (%)

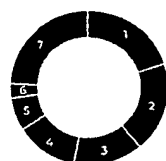
|      |       |
|------|-------|
| 2020 | -18.4 |
| 2019 | 11.7  |
| 2018 | 10.5  |

### Sales by location (%)



|                     |    |
|---------------------|----|
| 1 North America     | 36 |
| 2 Europe            | 31 |
| 3 Asia              | 29 |
| 4 Rest of the world | 4  |

### Sales by end-user market (%)



|                                          |    |
|------------------------------------------|----|
| 1 Energy & utilities                     | 20 |
| 2 Pharmaceutical                         | 19 |
| 3 Automotive                             | 14 |
| 4 Electronics, semiconductors & telecoms | 13 |
| 5 Web, print, converting, packaging      | 7  |
| 6 Metals, minerals & mining              | 3  |
| 7 Other                                  | 24 |

### Financial performance

In 2020, LFL sales only decreased 9%. There was a minimal impact from foreign currency exchange movements and an 19% negative impact from the disposal of BTC, resulting in reported sales falling 27% to £451.9 million. On a regional basis, LFL sales fell in all regions, more so in Asia although orders in this region grew. For the division overall, orders only declined 3% for the year, setting up a stronger 2021. Key order highlights included significant growth to key electronics and semiconductor customers at Particle Measuring Systems ('PMS'), food and drink customers at NDC Technologies and healthcare at Servomex. LFL adjusted operating profit decreased 25% and LFL adjusted operating margins decreased 290bps. This primarily resulted from the decrease in LFL sales. Notably, Servomex and PMS, which are higher margin, were particularly resilient, with only a 6% and 4% sales decline, respectively. Overheads were lower from the successful implementation of the profit improvement programme and temporary cost measures across the operating companies.

### Divisional strategy

In February 2021, Mary Beth Siddons joined Spectris as the Business Group Director, ISD, replacing Andy Cowan

who returned to his role as Finance Director, ISD. Mary Beth brings extensive experience in leading and successfully developing global industrial businesses, optimising operations and driving profitability. She was previously Sector President at Marmon Group, a Berkshire Hathaway Company, responsible for the strategic direction of 15 global businesses and prior to that, was CEO of Spatz Laboratories and spent more than seven years at Illinois Tool Works.

Good progress has been made in executing the strategy in 2020, improving the performance of the businesses, as well as executing on the divestment strategy. In December, the divestments of B&K Vibro and Millbrook were announced for headline values of £163 million (23x EBITDA) and £133 million (23x EBITDA), respectively. Both businesses were dilutive to the Division's and Group's profitability, and the sale of Millbrook significantly reduces the future capital expenditure profile for the Group. The Millbrook divestment completed in February with that of B&K Vibro expected in March 2021. The divestment of these businesses enhances the margin for the Industrial Solutions Division. On a pro-forma basis, the adjusted operating margin in 2020, excluding

B&K Vibro and Millbrook, would have been 18.1%, with only a 51bps reduction compared with 2019.

#### Market trends and outlook

##### Semiconductor and electronics

Sales to the semiconductor industry declined notably due to a strong comparator in 2019, with much lower sales in Asia, in particular South Korea and China. In contrast, orders have grown very well, including expansion in North America and China. PMS continue to benefit from the growth drivers in the semiconductor industry, with rising demand for chips expected to drive an increase in global fabricated equipment spending in 2021. In particular, it has seen strong order growth in particle measuring counters and cleanroom monitors coming from chip manufacturers.

Sales in electronics recovered in 2020, recording strong growth, driven by a recovery in North America and Asia. The pipeline for sales into the electronics industry continues to strengthen supported by LED demand in consumer products, cloud computing and 5G infrastructure roll-out, as well as the development of new consumer 'smart' electronic products.

##### Pharmaceutical and life sciences

The pharmaceutical and life sciences industries saw strong LFL sales growth in 2020, particularly so in North America, and good growth in Asia. Demand from pharmaceutical customers is increasing due to the large investment in vaccine production taking place across many countries, including nearshoring of production, which should benefit PMS. In 2020, PMS released the next generation IsoAir® Pro-E Remote Particle Counter to streamline cleanroom monitoring while meeting good manufacturing practice regulations. Additionally, PMS helped Walwax Biotechnology build a world-class environmental monitoring data management system, through the customer deploying its PharmaIntegrity contamination monitoring solution. This integrated solution helps identify contamination in production processes before it occurs. With the ability to pre-emptively correct a problem, it is easier to achieve and maintain a state of control. This helps maintain consistent product quality, improving yield and reducing the costly risk associated with product recalls.



Red Lion provided a child safety product manufacturer with a monitoring and display system to record assembly line data, providing a detailed analysis of set-up times and downtime. This helped identify the reasons, consequences and production losses caused as a result and ensure a continuous improvement of processes.

In response to COVID-19, we have supported manufacturers in increasing the production of ventilators. The Paracube oxygen sensors, manufactured by Servomex's sensor technology brand Hummingbird, are used in ventilators to monitor the amount of oxygen administered. Servomex swiftly expanded its production to meet the new increase in demand. It also launched a new variant of the Paracube that meets the specific requirements of its customers, yet is much faster to manufacture, at much greater volumes. This rapid development project saw 18 months of development work being done in under three months. NDC Technologies is also aiding in the effort, supplying a manufacturer of medical hose for oxygen supply and ventilators with its AccuScan and BenchMike gauges, providing high-accuracy, off-line diameter and ovality measurement of the hose products.

##### Energy and utilities

In energy, the COVID-19 demand shock and supply-side actions have led to lower sales at Servomex year-on-year. However, the drive to reduce emissions, driven by climate change concerns, is expected to create demand for Servomex's products which deliver effective solutions for process control, safety and quality in a wide range of midstream and downstream applications.

B&K Vibro saw LFL sales to this end market fall in all regions. This was largely driven by declines in sales to industrial customers only partially offset by a strong performance in wind. There were a number of large project orders in 2020 which helped grow the backlog compared to the prior year.

At ESC, LFL sales were lower to both energy and mining customers, with induced-seismic monitoring and hydraulic fracture monitoring sales both lower. Activity is expected

to increase as the recent rise in energy prices will potentially improve capex demand.

##### Automotive

LFL sales into automotive fell notably, reflecting a wider slowdown in the automotive industry and reduced capex spending by Millbrook's customers. To counter this, Millbrook continues to push into the EV testing market. In October, Millbrook opened a battery turnover facility to simulate rollover crash scenarios, continually improving the safety of EVs. The new facility will particularly help customers looking to test battery coolants and is a result of the growing demand for safer batteries as well as longer battery life and higher power output. In August, Millbrook secured funding for an additional electrical feed to its proving ground, allowing it to continue to expand its test facilities.

##### Industrial and other markets

In our other end markets, Red Lion saw notably lower LFL sales with industrial production slowdown in its main market, North America, and the weaker oil and gas market impacting demand. Orders fared slightly better, with Ethernet product orders showing growth year-on-year. A key achievement in 2020 was the launch of its FlexEdge™ Intelligent Edge Automation Platform which allows industrial customers to effortlessly connect systems and process data, and is available with advanced automation features. Its ease of use helps customers make productivity gains as they digitise their factories.

NDC Technologies experienced a decline in sales in the converting and film extrusion industries and in cable and tubing. However, LFL sales into food and beverage increased, with a strong order performance in Europe and Asia, with the snack products market showing good demand.



Derek Harding  
Chief Financial Officer

# A resilient performance

## Financial performance

Sales decreased by 18% or £295.8 million to £1,336.2 million on a reported basis (2019: £1,632.0 million). LFL sales decreased by £159.2 million (-11%) and the impact of disposals, net of acquisitions, reduced sales by £136.5 million (-8%), whilst favourable foreign exchange movements contributed £0.1 million.

Adjusted operating profit decreased by 33% or £84.5 million to £173.6 million on a reported basis (2019: £258.1 million). LFL adjusted operating profit decreased by £61.0 million (-26%) and the impact of disposals, net of acquisitions was £24.3 million (-9%), whilst favourable foreign exchange movements contributed £0.8 million.

Adjusted operating margins reduced by 280bps, with LFL adjusted operating margins down 270bps compared to 2019. The reduction in the LFL operating margin was due to a 160bps decrease in LFL gross margin to 55.0% (2019: 56.6%), reflecting the high drop-through on the adverse sales volume partially offset by favourable pricing, procurement and production overhead cost savings. This was partially offset by an 8% reduction in LFL overheads. Savings were generated from the cost reduction initiatives put in place across the Group, including hiring freezes, furloughs, part-time working, lower incentive-related accruals and

restructuring. These initiatives, as well as significantly lower travel costs, more than offset overhead cost inflation and an increase in depreciation and bad debt provisions.

Investment in our R&D programmes amounted to £92.0 million or 6.9% of sales (including £7.3 million of capitalised development costs) (2019: £100.9 million or 6.2% of sales, including £7.3 million of capitalised cost). R&D investment costs decreased by 1.1% on a like-for-like basis in the year to 31 December 2020.

The statutory operating loss was £23.3 million, a decrease in profit of £107.6 million compared to the 2019 statutory operating profit of £84.3 million. This decrease results from a £177.8 million volume-driven gross profit reduction, offset by a £70.2 million reduction in SG&A expenses. Restructuring costs in the period were £19.5 million. Net transaction costs of £19.4 million were incurred relating to the disposals of Millbrook and B&K Vibro and a number of potential acquisition opportunities, including the costs associated with the pursuit of a US-listed business, which resulted in the £23.2 million investment gain discussed below. Impairment of goodwill in 2020 relates entirely to the Millbrook business, as does £67.5 million of the amortisation and impairment of intangible assets and other property, plant and equipment,

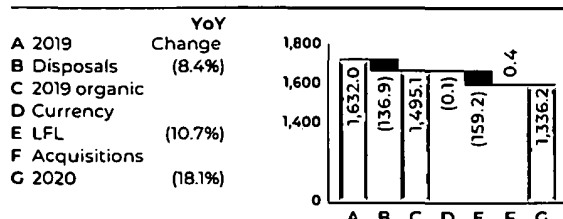
with the remaining £31.4 million mainly due to the amortisation and impairment of ongoing activities. Statutory operating margins of -1.7% were 690bps lower than 2019 (5.2%).

Statutory loss before tax of £4.1 million (2019: £259.3 million profit before tax) is calculated after charging net finance costs of £8.4 million (2019: £3.5 million), lower predominantly as a result of foreign exchange gains in 2019, and benefits from a £23.2 million gain on fair value on equity investments, and £4.4 million predominantly in relation to a net profit on disposal from the sale of the Malvern Analytical rheology range and the EMS B&K joint venture. Adjusted profit before tax decreased by 33% to £166.4 million (2019: £247.4 million).

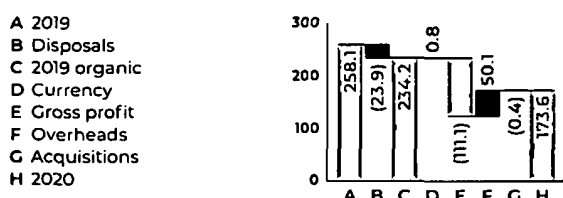
The effective tax rate on adjusted profit before tax was 21.8% (2019: 21.4%), an increase of 40bps. On a statutory basis, there is a tax charge on the loss before tax (effective tax rate: -314.6%, 2019: 9.7%), primarily resulting from impairment charges which do not give rise to tax relief. In 2021, the Group expects its effective tax rate on adjusted profit before tax to be broadly in line with the rate in 2020. The Group's approach to tax matters is set out in its tax strategy which, in compliance with the Finance Act 2017, has been made available on our website at [www.spectris.com/sustainability/tax-strategy](http://www.spectris.com/sustainability/tax-strategy).

## Financial highlights

### Sales (£m)



### Adjusted operating profit (£m)



### Operating performance

|                              | 2020    | 2019    | Change   | Like-for-like change |
|------------------------------|---------|---------|----------|----------------------|
| <b>Adjusted</b>              |         |         |          |                      |
| Sales (£m)                   | 1,336.2 | 1,632.0 | (18%)    | (11%)                |
| Operating profit (£m)        | 173.6   | 258.1   | (33%)    | (26%)                |
| Operating margin (%)         | 13.0%   | 15.8%   | (280bps) | (270bps)             |
| <b>Statutory</b>             |         |         |          |                      |
| Sales (£m)                   | 1,336.2 | 1,632.0 | (18%)    |                      |
| Operating (loss)/profit (£m) | (23.3)  | 84.3    | n/a      |                      |
| Operating margin (%)         | (1.7%)  | 5.2%    | (690bps) |                      |

### Restructuring costs

The Group has incurred costs of £19.5 million relating to restructuring in 2020 (2019: £52.2 million). These restructuring costs include £8.2 million related to impairments and disposal of owned and right of use property, plant and equipment, £7.8 million of staff-related costs including redundancy and related costs and £3.5 million of other costs.

### Acquisitions, disposals and other investments

The Group completed one acquisition during the year with a net cash cost of £2.6 million. £8.3 million was paid in respect of prior year acquisitions, making the net cash outflow in the year £10.9 million. Furthermore, the Group incurred a £19.4 million expense on transaction-related costs, of which £13.6 million was a cash outflow during the year, which makes the total transaction-related cash outflow for the year £24.5 million.

In support of a potential acquisition opportunity, the Group acquired a minority holding in a US-listed entity for a total consideration of £15.2 million. At the year end, our holding was valued at £38.3 million, resulting in a mark-to-market gain of £23.2 million.

On 31 January 2020, the Group sold its interest in the Malvern Panalytical rheology product range to Netzsch Group for consideration of £8.8 million in cash, generating a profit on disposal

of £5.9 million. The net assets disposed were £2.1 million, and transaction costs were £0.8 million. The Consolidated Statement of Cash Flows includes £6.9 million of net proceeds from this disposal, which consists of £8.8 million of sales proceeds offset by £1.1 million of tax payments on the disposal and £0.8 million of transaction cost-related payments.

On 28 February 2020, the Group sold its interest in the EMS B&K joint venture for total consideration of £17.7 million, consisting of £16.8 million in cash received in 2020 and £0.9 million in shares in Envirosuite Limited. The net assets disposed were £18.1 million and transaction costs incurred in 2020 were £0.1 million, resulting in a loss on disposal of £0.5 million. The Consolidated Statement of Cash Flows includes £14.0 million of net proceeds related to the EMS B&K joint venture, consisting of £16.8 million in cash proceeds from the sale of the interest offset by £2.6 million payment of deferred consideration relating to the 2018 disposal and £0.2 million of transaction cost-related payments.

Also included in profit on disposal of business, is £1.0 million of transactions costs on the sale of BTG. The Consolidated Statement of Cash Flows includes £0.3 million of net payments from the sale of BTG. This consists of £1.2 million of tax payments on the disposals and £0.9 million of

transaction fees, offset by £1.8 million of deferred consideration received in cash.

On 10 December 2020, the Group announced that agreement had been reached for the sale of the Group's B&K Vibro and Millbrook businesses, which form part of the Industrial Solutions division. The transactions were subject to customary completion conditions and regulatory approvals. The Millbrook sale completed on 1 February 2021. Completion of the sale of B&K Vibro is expected to take place on 1 March 2021.

During 2020, the Group entered into preliminary discussions for the disposal of Concept Life Sciences' legacy food testing business based in Cambridge, and the sale was completed on 5 January 2021 for sales proceeds of approximately £6 million. This business forms part of the Malvern Panalytical Platform operating segment.

The above operations have been classified as disposal groups held for sale and presented separately in the Consolidated Statement of Financial Position.

The proceeds from the B&K Vibro and the Concept Life Sciences' food testing businesses are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

**Reconciliation of statutory to adjusted measures**

|                                                                    | 2020            |                   |                | 2019            |                   |                |
|--------------------------------------------------------------------|-----------------|-------------------|----------------|-----------------|-------------------|----------------|
|                                                                    | Statutory<br>£m | Adjustments<br>£m | Adjusted<br>£m | Statutory<br>£m | Adjustments<br>£m | Adjusted<br>£m |
| Sales                                                              | 1,336.2         | -                 | 1,336.2        | 1,632.0         | -                 | 1,632.0        |
| Gross profit                                                       | 736.4           | 0.3               | 736.7          | 914.2           | 7.0               | 921.2          |
| Overheads and other operating costs                                | (759.7)         | 196.6             | (563.1)        | (829.9)         | 166.8             | (663.1)        |
| Operating (loss)/profit <sup>1</sup>                               | (23.3)          | 196.9             | 173.6          | 84.3            | 173.8             | 258.1          |
| Fair value through profit and loss movements on equity investments | 23.2            | (23.2)            | -              | -               | -                 | -              |
| Share of post-tax results of joint venture                         | -               | -                 | -              | (4.9)           | 1.0               | (3.9)          |
| Impairment of non-current receivable from joint venture            | -               | -                 | -              | (21.3)          | 21.3              | -              |
| Profit on disposal of businesses                                   | 4.4             | (4.4)             | -              | 204.7           | (204.7)           | -              |
| Financial income                                                   | 1.8             | -                 | 1.8            | 7.9             | (4.0)             | 3.9            |
| Finance costs                                                      | (10.2)          | 1.2               | (9.0)          | (11.4)          | 0.7               | (10.7)         |
| (Loss)/profit before tax <sup>1</sup>                              | (4.1)           | 170.5             | 166.4          | 259.3           | (11.9)            | 247.4          |
| Taxation charge                                                    | (12.9)          | (23.4)            | (36.3)         | (25.2)          | (27.7)            | (52.9)         |
| (Loss)/profit after tax <sup>1</sup>                               | (17.0)          | 147.1             | 130.1          | 234.1           | (39.6)            | 194.5          |

1 Further detail on the reconciliation of statutory operating (loss)/profit, (loss)/profit before tax and (loss)/profit after tax to their related adjusted measures is provided in Note 2 to the Consolidated Financial Statements

Details of the impairment recognised on classification of the Millbrook business as held for sale are provided below.

**Impairment of goodwill, acquisition-related intangible assets and other property, plant and equipment**

During the year, £58.4 million was recognised as an impairment of goodwill (2019: £35.1 million) and £70.9 million impairment recognised in the amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment line of the Consolidated Income Statement (2019: £47.1 million).

An impairment of the whole of Millbrook's goodwill balance of £58.4 million, £11.0 million of other intangibles and £6.4 million of other property, plant and equipment was charged to the Consolidated Income Statement during the first half of 2020, reflecting the recoverable amount at that time.

During the second half of 2020, a comprehensive sale process relating to Millbrook was concluded resulting in the announcement on 10 December 2020, that agreement had been reached for the sale of the Millbrook business. The structure of the transaction provided an immediate cash inflow plus the chance to participate in the future performance of the combined group, which will now be able to provide a more extensive and comprehensive range of services to its clients. The commercial valuation

achieved resulted in a further impairment of £44.8 million of property, plant and equipment and £5.3 million of other intangible assets.

**Cash flow**

Adjusted cash flow improved by £10.3 million to £244.5 million during the year, resulting in an adjusted cash flow conversion rate of 141% (2019: 91%). The improvement was driven by proactive working capital management resulting in a reduction in inventories and trade receivables. Capital expenditure was lower throughout the Group as a result of prudence in spending commitments earlier in the year. Given the momentum in the fourth quarter, we expect capital expenditure to be higher in 2021 at circa £50 million.

Capital expenditure (net of grants related to capital expenditure) on property, plant and equipment and intangible assets during the year of £42.9 million (2019: £81.6 million) equated to 3.2% of sales (2019: 5.0%) and was 71% of adjusted depreciation and software amortisation (2019: 140%).

**Financing, treasury and going concern**

The Group finances its operations from both retained earnings and third-party borrowings. The 31 December 2020 gross debt balance consists of fixed rate borrowings of £104.5 million plus bank overdrafts of £15.3 million.

In determining the basis of preparation for the Consolidated Financial Statements, the Directors have

considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

As at 31 December 2020, the Group had £690.5 million of committed facilities denominated in different currencies, consisting of an \$800.0 million (£586.0 million) revolving credit facility maturing in July 2025 and a seven-year €116.2 million (£104.5 million) term loan maturing in September 2022. From these facilities, the Group had total gross borrowings of £104.5 million at 31 December 2020. The revolving credit facility ('RCF') was undrawn at 31 December 2020. During the year, the Group requested a further one-year extension of its \$800 million RCF, as permitted under the agreement. The extension was approved by all ten banks in the syndicate, ensuring the Group continues to have access to the full amount under the facility until July 2025.

These facilities have a leverage (net debt/EBITDA) covenant of up to 3x for the term loan and up to 3.5x for the RCF. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2020, interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net finance charges) was more than 40 times,

**Operating (loss)/profit**

|                                                                                                                            | 2020<br>£m    | 2019<br>£m  |
|----------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| Adjusted operating profit                                                                                                  | 173.6         | 258.1       |
| Restructuring costs                                                                                                        | (19.5)        | (52.2)      |
| Net transaction-related costs and fair value adjustments                                                                   | (19.4)        | (6.1)       |
| Depreciation of acquisition-related fair value adjustments to property, plant and equipment                                | (0.7)         | (1.0)       |
| Profit on disposal of property                                                                                             | -             | 5.2         |
| Impairment of goodwill                                                                                                     | (58.4)        | (35.1)      |
| Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment | (98.9)        | (84.6)      |
| <b>Statutory operating (loss)/profit</b>                                                                                   | <b>(23.3)</b> | <b>84.3</b> |

**Adjusted cash flow**

|                                                              | 2020<br>£m   | 2019<br>£m   |
|--------------------------------------------------------------|--------------|--------------|
| Adjusted operating profit                                    | 173.6        | 258.1        |
| Adjusted depreciation and software amortisation <sup>1</sup> | 60.7         | 58.3         |
| Working capital and other non-cash movements                 | 53.1         | (0.6)        |
| Capital expenditure, net of government grants                | (42.9)       | (81.6)       |
| <b>Adjusted cash flow</b>                                    | <b>244.5</b> | <b>234.2</b> |
| <b>Adjusted cash flow conversion</b>                         | <b>141%</b>  | <b>91%</b>   |

**Other cash flows**

|                                                                                            | 2020<br>£m     | 2019<br>£m   |
|--------------------------------------------------------------------------------------------|----------------|--------------|
| Tax paid                                                                                   | (28.6)         | (37.0)       |
| Net interest paid                                                                          | (4.5)          | (6.3)        |
| Dividends paid                                                                             | (75.7)         | (72.3)       |
| Acquisition of businesses, net of cash acquired                                            | (10.9)         | (9.7)        |
| Transaction-related costs paid                                                             | (13.6)         | (1.6)        |
| Purchase of equity investments                                                             | (15.2)         | -            |
| Proceeds from disposal of businesses, net of tax paid of £2.3 million (2019: £1.9 million) | 20.6           | 260.1        |
| Loan repaid by/(made to) joint venture                                                     | 3.0            | (2.2)        |
| Lease payments and associated interest                                                     | (21.6)         | (20.5)       |
| Adjusting proceeds from disposal of property                                               | -              | 9.1          |
| Restructuring costs paid                                                                   | (15.1)         | (34.3)       |
| Exercise of share options                                                                  | 0.3            | 1.0          |
| Foreign exchange                                                                           | (10.6)         | 10.1         |
| <b>Total other cash flows and foreign exchange</b>                                         | <b>(171.9)</b> | <b>96.4</b>  |
| <b>Adjusted cash flow</b>                                                                  | <b>244.5</b>   | <b>234.2</b> |
| <b>Increase in net cash</b>                                                                | <b>72.6</b>    | <b>330.6</b> |

<sup>1</sup> Adjusted depreciation and software amortisation represents depreciation of property, plant and equipment, software and internal development amortisation, adjusted for depreciation of acquisition-related fair value adjustments to property, plant and equipment.

Further detail on the reconciliation of net cash inflow from operating activities to adjusted cash flow are provided in Note 2 to the Financial Statements

against a minimum requirement of 3.75 times, and leverage (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net cash/(debt)) was less than zero due to the Group's net cash position, against a maximum permitted leverage of 3 times.

In addition to the above, after adjusting for £3.7 million of cash and cash equivalents reported under Assets held for sale, at 31 December 2020, the Group had a cash and cash equivalents balance of £225.9 million and various uncommitted facilities and bank overdraft facilities available, resulting in a net cash position of £106.1 million, an increase of £72.6 million from £33.5 million at 31 December 2019.

In April 2020, Spectris successfully applied for access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), resulting in the ability to raise up to £600 million of additional short-term funding, if required, before 23 March 2021 by issuing commercial paper for purchase by the Bank under the programme. The Group is under no obligation to utilise the facility and, in view of the Group's other undrawn facilities and current financial position, we do not anticipate accessing the programme before its expiry.

The Group has prepared and reviewed cash flow forecasts, which reflect forecasted changes in revenue across its business as set out and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as experienced in recent months since the outbreak of COVID-19 occurred, a monthly decline of revenue well in excess of that experienced in any month during 2020 would need to persist throughout the entire going concern period for a covenant breach to occur, which is considered very unlikely. In addition, the reverse stress test does not take in account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future,

a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements.

Net bank interest costs for the last 12 months were covered by adjusted operating profit 42 times (2019: 35 times).

#### Currency

The Group has both translational and transactional currency exposures. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each company prepares its local accounts. The transactional exposures include situations where foreign currency denominated trade receivables, trade payables and cash balances are held.

After matching the currency of revenue with the currency of costs wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction flows where there is reasonable certainty of an exposure. At 31 December 2020, approximately 66% of the estimated transactional exposures for 2021 were hedged using forward exchange contracts, mainly against Sterling, the Euro, the US Dollar and the Danish Krone.

The largest translational exposures during the period were to the US Dollar, Euro and Chinese Yuan Renminbi. Translational exposures are not hedged. The table above shows the average and closing key exchange rates compared to Sterling.

During the year, currency translation effects resulted in operating profit being £0.8 million higher (2019: £3.0 million higher) than it would have been if calculated using prior year exchange rates. Transactional foreign exchange losses of £1.1 million (2019: £3.5 million loss) were included in administrative expenses, whilst sales include a gain of £0.2 million (2019: £2.9 million loss) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

#### Brexit

The Group operates in a range of end markets that remain exposed to Brexit developments. Mitigating actions have been put in place following enhanced

|                             | 2020<br>(average) | 2019<br>(average) | Change |
|-----------------------------|-------------------|-------------------|--------|
| US Dollar (USD)             | 1.28              | 1.28              | -%     |
| Euro (EUR)                  | 1.12              | 1.14              | (2%)   |
| Chinese Yuan Renminbi (CNY) | 8.85              | 8.82              | -%     |

|                             | 2020<br>(closing) | 2019<br>(closing) | Change |
|-----------------------------|-------------------|-------------------|--------|
| US Dollar (USD)             | 1.37              | 1.32              | 4%     |
| Euro (EUR)                  | 1.11              | 1.17              | (5%)   |
| Chinese Yuan Renminbi (CNY) | 8.92              | 9.18              | (3%)   |

analysis, including stress testing to determine severe but plausible potential scenarios, and the Group is continuously monitoring events. As part of this analysis, management have considered the measurement impact on the Group's balance sheet. Now that the UK has officially left the EU, close attention is being paid to potential trade deals and their associated impact, both positive and negative, on the Group. Although the longer term outcome of Brexit remains difficult to quantify, we do not expect the direct consequences of Brexit to have a material impact to the Group.

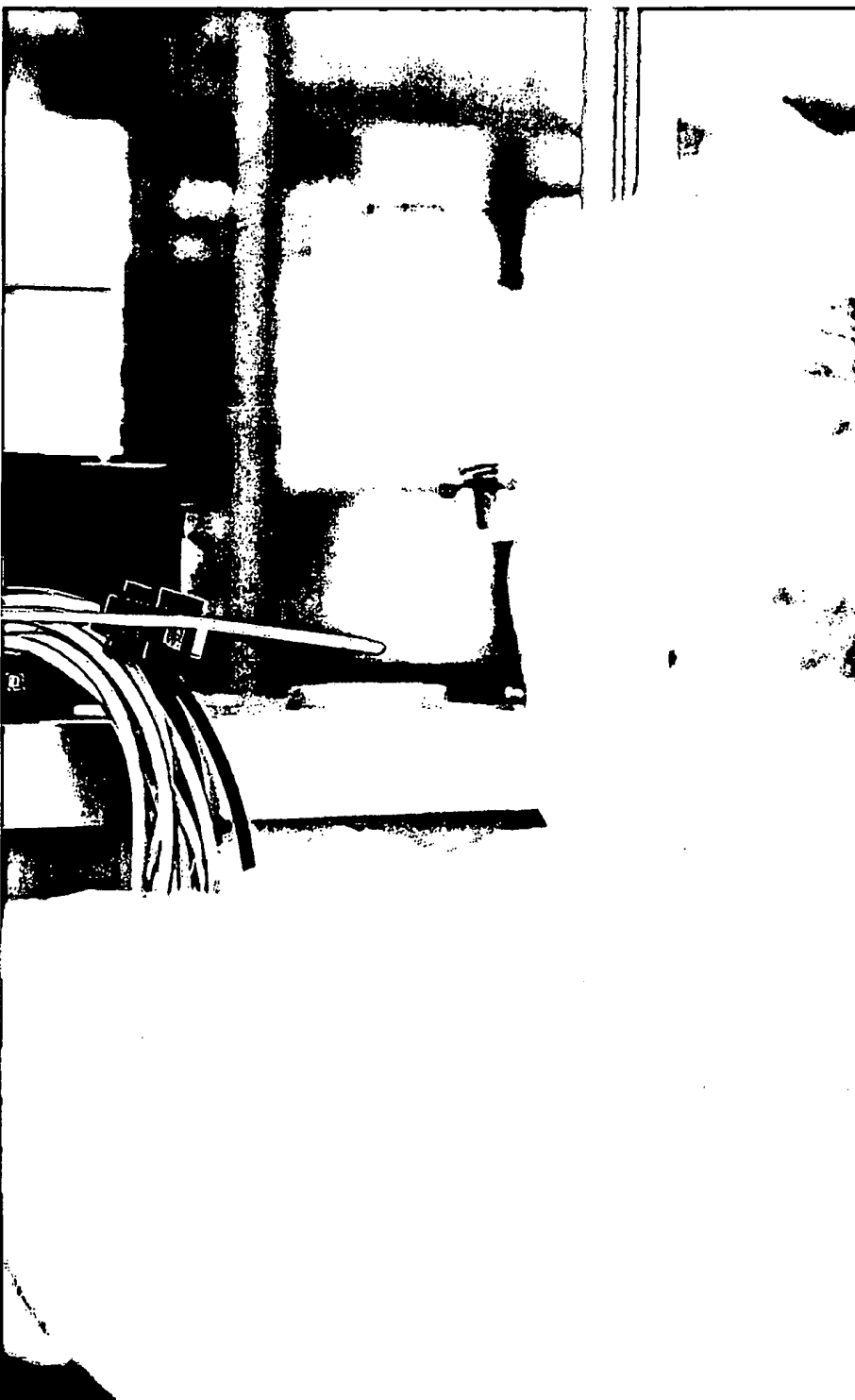
#### Dividends and share buyback

The Board is proposing to pay a final dividend of 46.5 pence per share (2019: 43.2 pence) which, combined with the interim dividend of 21.9 pence per share (2019: 21.9 pence) paid in November, gives a total dividend of 68.4 pence per share for the year (2019: 65.1 pence), an increase of 5%.

The Board has reviewed the balance sheet in light of the better than expected performance at the end of the year and the outlook for 2021. Given the net cash position and highly cash generative nature of the business, it has approved a £200 million share buyback programme. This still allows adequate bandwidth for M&A opportunities whilst maintaining the Group's leverage discipline.

**Derek Harding**  
Chief Financial Officer  
24 February 2021





## Good cost control and cashflow generation

In response to the impact of COVID-19 on our end markets, the Group took swift action on costs with a number of temporary actions initiated, including a reduction in discretionary spend, reduced hours/furloughs and restructuring. As a result of these, the benefits of the Group's profit improvement programme as well as the receipt of government COVID-19-related subsidies, there was an 8% LFL reduction in overheads.

In combination with good cost control, which limited the impact on adjusted operating profit, there was proactive working capital management, resulting in a reduction in inventories and trade receivables. Key investments were maintained, however capital expenditure was lower throughout the Group as a result of prudence in spending commitments. This all resulted in strong cashflow generation with our adjusted cash flow conversion improving 50pp to 141%.

Photo: Jan Hallink,  
Malvern Panalytical

# Our approach

We recognise that effective management of risk is essential to the successful delivery of our strategic objectives. As such, risk management is built into our day-to-day activities and forms an integral part of how we operate.

The Group has a well-established process, which delivers visibility and accountability for risk management across our businesses. This process forms part of the Group's overall internal control framework, as described on page 76.

## Risk management process

Our approach to risk management combines a granular bottom-up assessment of day-to-day operational risk (managed by the platforms) with a top-down assessment of those risks that are most significant at the Group level (managed by the Executive/Audit and Risk Committee).

## Platform risk management

Each business unit undertakes a detailed assessment of risk across their markets, processes and operations, including a consolidation of any emerging risks that should be formally evaluated. In 2020, we established Audit and Risk Committees for each of our platform businesses and the Industrial Solutions Division. These Committees represent a further strengthening of the second line (see page 45) in respect of Internal and External Audit matters, internal control, risk management, and other areas of compliance.

A formal risk register is reviewed and finalised in each respective Platform Audit and Risk Committee and submitted to the Group, with each risk assessed in terms of gross and net impact and likelihood. Key mitigations, both planned and existing, have formal owners and are subject to regular operational review as well as independent assurance where appropriate.

## Group risk management

The above approach informs a continuous top-down assessment of risk, undertaken by the Executive Committee and Audit and Risk Committee throughout the year. The aim of this process is to identify those Group Principal Risks that represent a significant severity in terms of the achievement of the Group's performance against its strategic objectives and/or those risks that are more suitably assessed, monitored and mitigated centrally.

An Executive owner is assigned to each Group Principal Risk, which is formally assessed in terms of its gross and net severity, an appetite is defined, and mitigations are identified within the four lines of defence framework. Each risk is subject to a formal assessment by the Executive Committee during the year and the suite of Group Principal Risks is reviewed twice yearly by the Audit and Risk Committee.

Our risk management approach includes the consideration of emerging risks, whether they be operation-specific or broader in scope, such as climate change and environmental matters.

In recognition of the importance of climate change in global political and economic agendas, as well as our increased understanding of climate impacts on the Group's operations, the Executive Committee has identified climate change as an emerging risk. The risk will be considered as part of our existing risk management process. This consideration will also support alignment with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. Further detail on the Group's sustainability strategy and the 2021 work plan to develop our alignment with TCFD is set out on pages 50 to 59.

During 2020, the Executive Committee and Audit and Risk Committee have agreed that Intellectual Property will be removed as a Group Principal Risk. This risk continues to be managed at the operating company level. With the platform Audit and Risk Committees monitoring this risk and its related mitigations, it has been agreed that this risk does not require specific management at the Group level.

## The COVID-19 pandemic

The COVID-19 pandemic has driven a near-term increase in business disruption risk and a medium/long-term increase in market/financial shock risk. Both risks are existing Group Principal Risks, and therefore have been subject to Executive oversight and formal assessment prior to and during the pandemic. Consequently, many of the mitigations already in place have proven to be effective from the outset or have informed a refined/enhanced approach to risk mitigation throughout 2020 such that the economic/disruption impact has been limited to an appropriately managed net exposure. Since March 2020, the Group has had in place and continues to operate a consistent Crisis Management framework, with weekly reports summarising key developments, metrics, and mitigations.

## Four lines of risk management

The Group has in place a four lines risk management model.

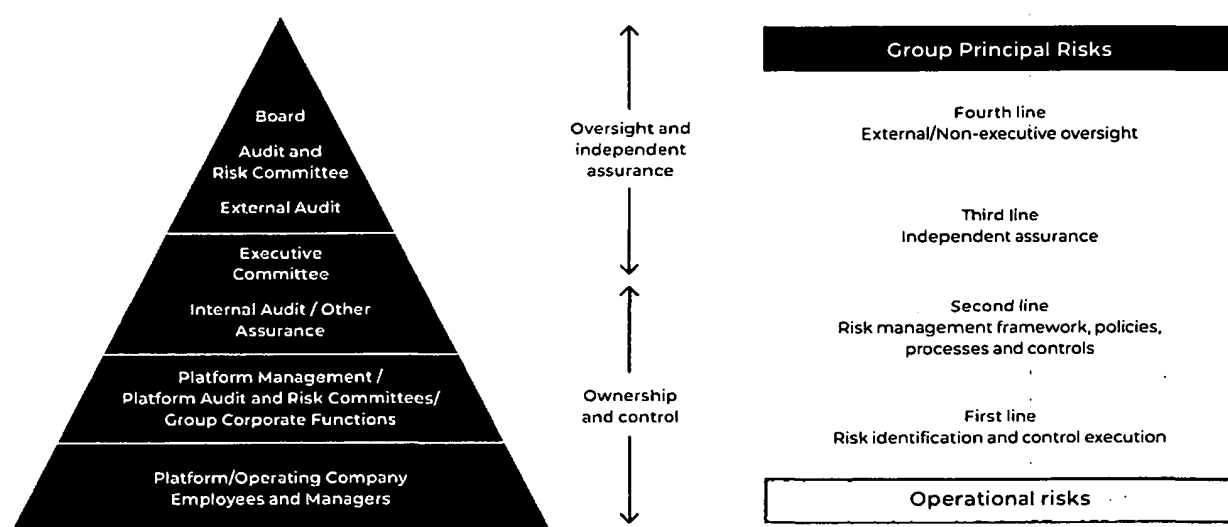
The first line is responsible for the identification of all risks in the 'risk universe' of each business unit. This risk awareness informs the control environment (the first line is primarily responsible for the execution of key controls), specific mitigations and is a key consideration driving any business decision.

The second line is responsible for the risk management framework that the first line operates within. This includes the development of a standardised approach to identifying and reporting risk, an internal control framework

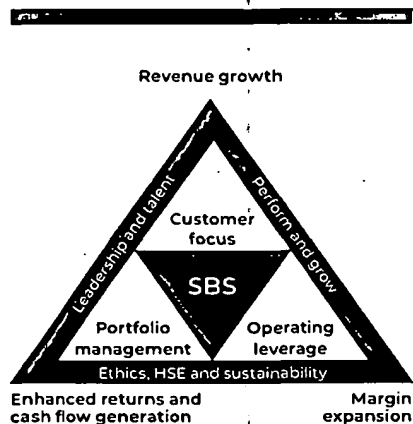
aligned to those risks, and a suite of policies to ensure the consistent application of business processes and controls. The second line is also responsible for monitoring the performance of first line activities and for taking a holistic view of risk, to determine which risks are of principal importance to the Group.

The third line is responsible for providing assurance over the effectiveness of the Group's risk management and internal control framework. This is most commonly undertaken by Internal Audit on behalf of the Audit and Risk Committee and Board of Directors.

The fourth line is the Audit and Risk Committee, Board of Directors and External Audit, providing independent, external, and/or non-executive oversight across the entire risk management framework, holding accountable those responsible for all activities within the three lines of defence.



# Managing our principal risks



## Strategic transformation

### Definition

Failure to successfully deliver the Group strategy, including business transformation and key mergers, acquisitions and divestments activity.

### Link to strategy

- Customer focus
- Operating leverage
- Portfolio management
- Spectris Business System ('SBS')
- Perform and grow

### Risk assessment

High

### Change in rating



### Risk appetite

Balanced

## Cyber threat

### Definition

Failure to appropriately protect critical information/physical assets from cyber threats, including external hacking, cyber fraud, and inadvertent/intentional electronic leakage of critical data.

### Link to strategy

- Customer focus
- Operating leverage
- Ethics, HSE and sustainability

### Risk assessment

High

### Change in rating



### Risk appetite

Cautious

### Risk assessment scale\*

Very low

Low

Moderate

High

Very high

\* The combined impact and likelihood of a risk occurring, net of mitigation activities

### Change in rating

Increase

No change

Decrease

New risk



### Risk appetite

Highly cautious

Cautious

Balanced

Opportunistic

Highly opportunistic

## Impact

Our day-to-day activities are inherently aligned to the successful achievement of the Group's strategic objectives. Nevertheless, we recognise the importance of specifically managing some of the more transformative elements of strategic execution as a Principal Risk. These elements include mergers, divestments and acquisitions, growth initiatives including capital investment, R&D, technology and digitising our offering.

Our businesses face both internal and external information security risks, the nature and complexity of which are constantly changing, becoming more sophisticated and unpredictable. With the introduction of data privacy regulatory requirements, and a continuing trend of high-profile information security breaches occurring across a wide range of businesses, the Group takes a necessarily proactive and cautious approach to safeguarding its information assets.

## Mitigation

- Remuneration policy aligned to incentivise delivery of the strategy
- Deployment of the SBS
- Continued review of acquisition/merger integration processes and capability
- Regular reviews to track strategy execution
- Platform Audit and Risk Committees
- Restructuring and cost saving activities as required
- Information security and data privacy policies and controls
- Cyber risk assurance undertaken by Internal Audit
- Online and face-to-face awareness and 'cyber fitness' training
- Regular Board and Audit and Risk Committee sessions on cyber threat
- Continued strengthening of IT systems

## Compliance

### Definition

Failure to comply with laws and regulations, leading to reputational damage, substantial fines and potential market exclusion.

### Link to strategy

- Ethics, HSE and sustainability
- Customer focus

**Risk assessment**  
High

### Change in rating



**Risk appetite**  
Highly cautious

### Impact

We operate in many jurisdictions and, consequently, are subject to wide-ranging laws and regulations, including export controls, data privacy, fair competition and anti-bribery and corruption. Any compliance failure by the Group or its representatives could result in civil or criminal liabilities, leading to significant fines and penalties or the disqualification of the Group from participation in government-related contracts or entire markets.

## Political

### Definition

Material adverse changes in the geopolitical environment putting at risk our ability to execute our strategy. Includes trade protectionism, punitive tax/regulatory regimes, and general heightened tension between trading parties or blocs.

### Link to strategy

- Customer focus
- Operating leverage
- Perform and grow

**Risk assessment**  
Moderate

### Change in rating



**Risk appetite**  
Balanced

We operate in a range of end markets around the world and may be affected by political or regulatory developments in any of these countries. Material adverse changes in the political environment in the countries in which we operate have the potential to put at risk our ability to execute our strategy. We continually monitor the geopolitical landscape and develop response plans accordingly.

## Market/financial shock

### Definition

Material adverse changes in market conditions, such as economic recession, sudden negative investor sentiment and currency fluctuation.

### Link to strategy

- Customer focus
- Operating leverage

**Risk assessment**  
High

### Change in rating



**Risk appetite**  
Balanced

As a public company, and one that conducts business in a large number of markets, we recognise the global or local impact that a recession or period of instability could have on the Group. As with political risk, we are limited in our ability to reduce the likelihood of such events, but with careful monitoring and response planning we can ensure that the potential impact is restricted.

### Mitigation

- Strong cultural alignment to the Spectris value of 'Be true'
- Formal compliance programme including policies, procedures and training
- Contract review and approval processes
- Roll-out of new Code of Business Ethics
- Investment in experienced compliance professionals

- Event monitoring and horizon scanning
- Working groups and sub-committees to limit the impact of materialising risks
- Operate in a broad spread of geographical markets and end users
- Response planning
- Maintain a strong balance sheet

- Market monitoring and horizon scanning
- Maintain a strong balance sheet
- Operate in a broad spread of geographical markets and end users
- Response planning
- Temporary / permanent restructuring and cost saving activities

## Talent and capabilities

### Definition

Failure to attract, retain, and deploy the necessary talent to deliver Group strategy.

### Link to strategy

- Leadership and talent
- SBS

### Risk assessment

Moderate

### Change in rating



### Risk appetite

Balanced

### Impact

The Group needs to attract, develop, motivate and retain the right people to achieve our operational and strategic targets. Effective talent management is essential to successfully delivering our current business requirements and strategic goals, and to realising the full potential of our businesses. Therefore, failure to leverage talent and capabilities could significantly impact the successful execution of our strategy.

## Business disruption

### Definition

Failure to appropriately prepare for and respond to a crisis or major disruption to key operations either across the Group, in a key region/location, or via a critical supplier.

### Link to strategy

- Customer focus
- Operating leverage
- Perform and grow

### Risk assessment

Low

### Change in rating



### Risk appetite

Cautious

The nature of our geographically diverse and segmented businesses provides a degree of natural hedging from Group-wide disruption arising from a major event, be it a physical disaster at a major site, or a global external event, such as the COVID-19 pandemic. However, we acknowledge the importance of proactively ensuring a consistent and effective business continuity management process across the Group.

### Mitigation

- Structured recruitment and succession processes for senior Group talent
- Phase 1 of Global HR information systems complete and phase 2 underway
- Annual organisation capability review process
- Appropriate incentives
- Business continuity plans
- IT disaster recovery plans
- Testing plans
- Risk identification and monitoring
- Crisis management processes, forum and reporting
- Effective internal and external communications

# Viability Statement

## Longer-term viability of the Group

In accordance with section 4, provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period, taking into account the Group's current position and the assessment of the Principal Risks and Uncertainties as set out on pages 46 to 48. The assessment considers both the Company's long-term prospects and also the viability of the Company over a three-year period.

## Analysis of business prospects

The Board has considered the long-term prospects of the Company based on the strategy, markets and business model as outlined previously within this report. In the Strategic review of the Company, the Board highlights a number of factors that underpin its long-term prospects and viability. These include:

- Key addressable markets which have attractive, structural demand drivers underpinning long-term growth;
- Leading technologies and continued investment in R&D;
- The implementation of our new sustainability strategy; and
- Our financial model which is asset light, highly cash generative with a clear capital allocation process.

## Assessment of viability

In determining the appropriate period over which to assess viability the Board has considered budgeting, forecasting and strategic planning cycles, the timeframe within which we assess our risks, the maturation of the Group's credit facilities and the approach taken by our peers. Subsequently the Board is of the view that a three-year period allows the Group to perform a reliable assessment; the value of extending that assessment beyond three years would be outweighed by a decline in the reliability of data as well as the predictability of each event.

The Directors carried out a robust assessment of the Principal Risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity. In assessing the viability of the Group, the Board has set out the future prospects of the business as outlined by the Group's strategy and considered the financial/liquidity impact that a number of scenarios might have on those prospects.

| Scenario modelled                                                                                                                                                                                                                                                                                                                                                                                                             | Link to Principal Risks                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Scenario 1:</b><br><b>Reduction in sales</b><br><p>The Board considered a number of events that could notably impact planned sales performance, either in a specific operating company, country, or across the entire Group. This included global disruption events similar to but more severe than the impact of the COVID-19 pandemic in 2020; as well as more specific events such as the failure of a key product.</p> | <ul style="list-style-type: none"> <li>• Strategic transformation</li> <li>• Political</li> <li>• Market/financial shock</li> <li>• Compliance</li> <li>• Cyber threat</li> </ul> |
| <b>Scenario 2:</b><br><b>Significant operational expenses</b><br><p>Large, one-time or recurring fines and other notable expenses were considered, including those arising from a breach of export control or data privacy laws and regulations.</p>                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Political</li> <li>• Market/financial shock</li> <li>• Cyber threat</li> </ul>                                     |
| <b>Scenario 3:</b><br><b>Trading disruption/exclusion from market</b><br><p>The Board considered certain instances in which the Group or its operating companies might be debarred from or otherwise excluded from a particular market, as well as a major disruption in a critical operation caused by, for example, a critical system outage.</p>                                                                           | <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Cyber threat</li> <li>• Political</li> </ul>                                                                       |

In assessing the viability of the Group, the Directors have modelled over a three-year period the impact that these scenarios would have on the financial performance of the Group. As part of this assessment, the Directors have considered the natural hedging that occurs across the broad spread of markets, products and customers maintained by the Group. Assumptions have also been made in terms of the Group's ongoing ability to raise finance, deploy capital, and re-finance debt in order to maintain sufficient headroom. In certain instances, the Directors have included necessary mitigation actions as part of the assessment, including cost reduction, reduced capital expenditure, and tactical recovery processes following from a major disruption.

## Viability Statement

Based on the outcomes of the viability assessment, the Board has a reasonable expectation that the Group would be able to withstand the impact of each of these scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the three-year assessment period. In each event the Group would continue to operate and meet its obligations and liabilities as they fall due over the period to 31 December 2023.

# Global sustainable growth

"Sustainability sits at the heart of our Purpose. As a Group, our services and solutions allow our customers to manufacture and develop new products that make the world cleaner, healthier and more productive. In designing our first formal Group-wide sustainability strategy, our initial focus has been to capture the great work that already exists within our businesses. We are now building on this work with the intention of creating a constant and clear line of sight to key commitments around our People, the Environment and our Operations to ensure that we live our Values every day."

Rebecca Dunn  
Head of Sustainability

## Setting our sustainability strategy

In 2020, we set our first formal sustainability strategy as a Group. Sustainability is at the heart of our Purpose and we are supporting our customers to make the world more sustainable by developing new innovations and technology to create a cleaner, healthier and more productive world.

To bring our purpose to life and to become even more relevant to all our stakeholders, we recognise that we must demonstrate clear commitment to our own sustainability as a business and we must ensure that our strategy and the way we do business clearly reflects our values.

## Sustainability strategy

### Our focus

An initial two-year strategy approved by the Board in October 2020. This strategy establishes our base position, ambition and a commitment to set stretching but achievable targets to ensure that our strategy and operations align with our Values. This strategy is anchored in a detailed materiality assessment which will ensure that our ambition is fully aligned with our stakeholders and our Strategy for Profitable Growth.

Our approach is underpinned by our Values:



### Our ambition

Through the execution of this strategy we will ensure that we continue to deliver value beyond measure for all our stakeholders.

## Alignment to the UN Sustainable Development Goals

Our materiality assessment defined and prioritised the issues that matter most to our stakeholders. To support our focus, the Sustainability Steering Group identified three UN Sustainability Development Goals to inform our strategy, enable prioritisation and planning and these Goals have been adopted by the Board.



In setting our sustainability strategy, we considered what the Group will need to do to become more successful over a 10–15-year time horizon and we have sought to answer the question, 'What does it mean for Spectris to be a sustainable business partner, employer, supplier and investment proposition?'

To meet this challenge, the Board has approved a sustainability strategy that dovetails with our business model and wider Strategy for Profitable Growth. This strategy will focus on embedding sustainable thinking in our operations and in our business aims.

Success will allow the Group to capture the opportunities arising from changing regulation and evolving stakeholder expectations. By listening to our stakeholders and partnering with them to prioritise sustainability, we will further support the Group's Strategy for Profitable Growth. By so doing, the Group will attract and retain world-class talent, secure investment and build on existing and new partnerships with our customers.

This strategy is initially set over the short term with an initial two-year time frame to establish our base position and to set stretching and meaningful targets that are relevant to our business.

#### Underpinned by materiality

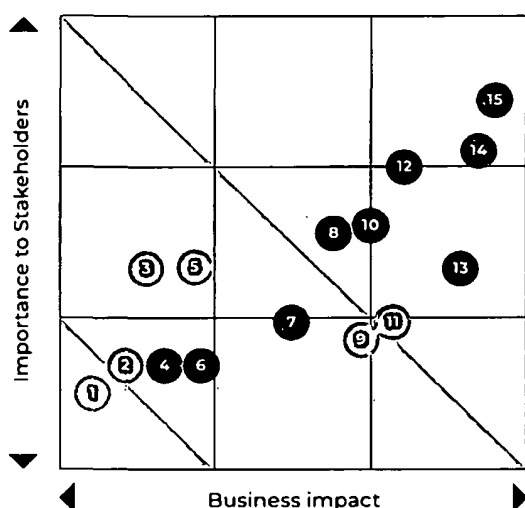
Our first step was to undertake a detailed and externally facilitated materiality assessment process which was supported by Finch and Beak. This process included workshops with over 40 employees from different businesses and with different responsibilities and individual interviews with senior leaders. The outcomes of this work were supplemented by a review of the position and supplier guidelines of our top ten customers for each Platform and ISD operating company and the published views of our top 20 investors.

The resulting materiality assessment was subject to review and approval by the Executive and the Board and defines and prioritises the issues that *matter most to our stakeholders*. From this, we identified three areas of focus which form the basis of our strategy over the next two years: Environment, Operations and People.

#### Governed by our businesses

The setting and implementation of the strategy is managed by our Sustainability Steering Group which is formed of leaders from each of our operating businesses. Chaired by the Head of Sustainability, the steering group meets monthly and has a direct reporting line to the Group Executive. The steering group's remit is to ensure that the strategy and its implementation remains coordinated and reflects business need as well as wider stakeholder requirements. By collaborating to develop ideas, the steering group has direct access to experts from across the business and clear line of sight of new risks and opportunities as they emerge.

## Our materiality matrix



#### Categories

● Operations ● People ○ Environment

#### Materiality issues

- |                                       |                                   |
|---------------------------------------|-----------------------------------|
| ① Responsible Water Consumption       | ⑩ Human Rights & Labour Practices |
| ② Waste Management                    | ⑪ Sustainable Markets             |
| ③ Greenhouse Gas Emissions            | ⑫ Health & Safety                 |
| ④ Responsible Material Selection      | ⑬ Talent Attraction & Development |
| ⑤ Energy Efficiency                   | ⑭ Data Privacy & Security         |
| ⑥ Local Community Impact & Engagement | ⑮ Business Ethics & Governance    |
| ⑦ Supply Chain Risk Management        |                                   |
| ⑧ Employee Diversity & Inclusion      |                                   |
| ⑨ Sustainable Products and Solutions  |                                   |

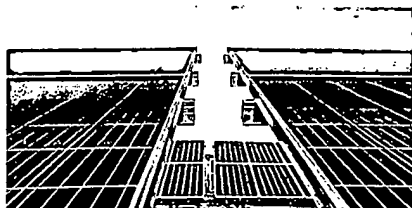
Read more on  
pages 54 to 59

We believe that our sustainability, business continuity and long-term success are closely tied to the health of all our stakeholders. In addition to supporting our customers to develop long-term sustainable solutions, we are also committed to being a positive contributor to the welfare of our people, our suppliers, our communities and the environment.



#### Omega's history of supporting women in STEM

Omega was founded by Betty Ruth Hollander, back in 1962. A time when women in STEM, let alone women owned businesses were incredibly rare. Omega maintains a strong legacy in supporting women in STEM and for their 2020 global day of giving campaign, they supported the Girls Science Technology Engineering Art and Maths ('S.T.E.A.M.') Institute. The Institute's goal is to provide a framework and platform that informs, inspires and empowers young girls to explore entrepreneurial opportunities that can change the world through S.T.E.A.M.



#### Expanding our use of solar energy

As part of our commitment to renewable energy, in 2020 Malvern Panalytical expanded their use of solar energy by opening a new solar park in Eindhoven. The solar park consists of 1,800 panels and will yield approximately 500 Mwh per year, which is a third of their need in Eindhoven and 147 times the annual requirement of an average family. This supplements the existing solar capability at Malvern Panalytical's site in Malvern UK where solar panels currently provide 20% of the total electricity usage.



#### Malvern Panalytical – Business Hero Award 2020

Having gone the extra mile to support local communities during the COVID-19 pandemic, Malvern Panalytical was identified as a UK Chamber of Commerce Business Hero of 2020. The award recognised the adaptability and determination of the Malvern Panalytical team, who continued to operate throughout the pandemic as an essential business to support the food and pharmaceutical industries, as well as producing PPE to support local care providers.



#### Keeping our employees cyberfit

Launched in 2020, the cyberfit campaign is supporting employees to face one of the biggest personal and commercial risks of this decade – cybercrime. Through a series of engaging short videos and ethical phishing simulations, employees are building an understanding of our adversaries, the kinds of attack we face, the types of data we handle, how our behaviour impacts cyber security and what to do in the event of an attack to help keep them safe at work and at home.



#### Supporting women to join or return to data science

Malvern Panalytical's data science team were used to hearing: 'My daughter is thinking of a career in data science, how will she know if it's a good fit', or 'My wife used to be a software engineer and is now returning to the workplace, she's intrigued by data science, but doesn't know if it's right for her'. To help answer these questions, the team gave a glimpse into a day in the life of a data scientist at Malvern Panalytical via an interactive workshop.

At the inaugural Data Science Experience Workshop, attendees spent time learning about the kinds of precision instruments being developed by Malvern Panalytical and the Group's digital transformation. Rowena Innocent, VP of R&D, joined the session to help put the data science journey into context and to explain how Malvern Panalytical are trying to support more women to enter engineering. Despite the need for the workshop to be virtual, the team included interactive elements to give participants a hands-on experience of several data science techniques, to see how they might be used in practice and encouraged participants to think critically about the results.

Overall, the participants rated the workshop 4.5 out of 5 stars and all said it had helped them to decide whether to pursue a career in data science. Malvern Panalytical will be using the feedback to help improve the workshop further, and will hold more events like this in 2021.

# Global sustainable growth continued

## Focus on our people

The long-term success of the Group relies on the engagement, ambition and expertise of our people. We are committed to creating the best possible working environment and culture, where employees can thrive. This year, we have focused on our approach to mental health, wellbeing, and diversity and inclusion and we renewed our commitment to ensuring that our culture openly reflects our Values.

### Diversity, equality and inclusion

We believe that people should be recruited, developed and promoted based on their talent, commitment and experience. We endeavour to ensure that everyone is treated equally and fairly, irrespective of race, colour, religion, national origin, gender, sexual orientation, age, background or disability. There is a zero-tolerance policy in place for any form of discrimination or harassment.

Wherever possible, we offer flexible working options both through part-time roles and job-share opportunities to support inclusion. If an employee became disabled, we would make every effort to retain them, offering retraining or adjustments to the working environment where necessary. During 2020, we focused on the development of our approach to diversity and inclusion across the Group. Our leadership community undertook unconscious bias training and took a privilege walk to develop awareness of themselves and how they relate to others. With Board and Executive endorsement, we established three working groups in the USA, Asia, the UK and Europe to develop geographically appropriate systemic interventions to support diversity and inclusion across the Group. These groups will hold their initial design workshops in early 2021.

Our full employment policy is set out at [www.spectris.com](http://www.spectris.com). The Board's diversity policy is also set out at [www.spectris.com](http://www.spectris.com) and commits to further promoting all types of diversity and inclusiveness throughout the Group.

### Employees by gender and role as at 31 December 2020

|                                                 | Male   | Female | Total |
|-------------------------------------------------|--------|--------|-------|
| Board                                           | 6      | 3      | 9     |
| Executive Committee (excl. Executive Directors) | 6      | 2      | 8     |
| Leadership community                            | 101    | 27     | 128   |
| Total employee population                       | 5,700  | 2,529  | 8,229 |
| Total                                           | 5,813  | 2,561  | 8,374 |
| % of total                                      | 69.42% | 30.58% |       |

### Employee turnover

| 2020                | 2019  | 2018  | 2017 | 2016 |
|---------------------|-------|-------|------|------|
| 13.57% <sup>1</sup> | 11.4% | 14.2% | 7.6% | 7.2% |

<sup>1</sup> Of this total, 3.29% were compulsory redundancies and 0.3% were voluntary redundancies. In total, 8.95% were regretted leavers.

### Leadership engagement survey on the Group's response to the COVID-19 pandemic

|                                                                                                                  | Favourable | Unfavourable |
|------------------------------------------------------------------------------------------------------------------|------------|--------------|
| Communications from the business have been very effective and helpful since the crisis began                     | 87.20%     | 0.61%        |
| I have been able to lead my team and manage them effectively during this time                                    | 78.96%     | 0.91%        |
| The expectations from senior management of what I can deliver during the crisis are reasonable                   | 77.68%     | 10.09%       |
| When working from home, I have everything I need to maintain contact with colleagues and deliver work objectives | 86.89%     | 2.13%        |
| Overall, I feel the company's response to COVID-19 has been very well handled                                    | 92.31%     | 0.62%        |

### Gender Pay Gap Reporting

For the year ended 31 December 2020

#### Gender Pay Gap – MEAN

21.6%

#### Gender Pay Gap – MEDIAN

22.1%

#### Men receiving a bonus in 2020

55.0%

#### Bonus Pay Gap – MEAN

40.9%

#### Bonus Pay Gap – MEDIAN

13.5%

#### Women receiving a bonus in 2020

56.6%

Further detail is set out in the Remuneration Report on page 96

The Executive team has also agreed that the leadership community will review and address one key element of diversity each year. This will improve our leaders' understanding of the challenge and support them in addressing any challenges within their own area of responsibility. In 2021, the focus will be racial diversity.

We are confident that across the Group, men and women are paid equally for doing equivalent jobs. To underline our commitment to equal pay, we voluntarily comply with the UK gender pay gap reporting requirements. A summary of our gender pay gap reporting for the year ended 31 December 2020 is set out on the opposite page, with a detailed note included on page 96 of the Remuneration Report.

#### Talent management

During 2020, a considered focus has been placed on the refreshment of the Group's talent pipeline which has included succession planning for leadership roles across the Group. Through this process we have identified high-potential talent within the Group, and we have used this knowledge to prepare and promote high-potential individuals. The Group supports individual employees to progress their career through tailored technical and management training. In 2021 we will launch a global mentoring programme to offer further opportunities for employees to develop their careers within the Group.

#### Employee engagement

Employee engagement has historically been owned and assessed individually by each business within the Group. In 2019, the Group committed to periodic surveys of the leadership population. During 2020, three leadership engagement surveys were undertaken, with additional questions posed to monitor the Group's handling of the COVID-19 pandemic. A summary of the survey results is set out on the opposite page. To support a more consistent approach to measuring employee engagement at a Group level, we will launch an annual Group-wide engagement survey in the first quarter of 2021.

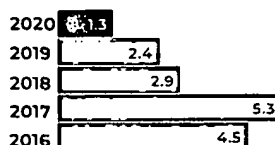
#### Health, safety and wellbeing

As a responsible employer, we take the health and safety of our employees very seriously and we are proud to have a strong track record of safety in our workplaces. There were no work-

related fatalities in 2020 and details of recorded injuries during the year and the prior four years are set out below.

#### Accident incidence rate reports received in 2020

Number of reportable accidents per 1,000 employees



The Spectris Health and Safety Committee provides a Group-wide community for the consideration of ongoing safety best practice, with representatives from each operating company. The Committee meets monthly to discuss key themes, policies and challenges that have arisen and considers whether these are best managed at a Group or local level. During 2020, the Group led a recommendation to develop consistent safety metrics across the Group which will be implemented during 2021 and will follow the reporting standards set by the US Occupational Safety and Health Administration ('OSHA'). The Group will oversee the implementation of the standards and the development of the necessary reporting mechanisms.

During 2020, our businesses have focused on supporting the mental health and resilience of employees. This provision has been managed by each business, with close collaboration across the Group in recognition of the most appropriate approach in different countries. In China we held our first ever mental health workshops. In the USA, we expanded our employee assistance programme to offer personalised coaching and online mental health support. Head Office and Malvern Panalytical in the UK and US, worked with The Wellbeing Project to pilot a resilience programme centred around their '5 Pillars of Resilience' methodology and more details are set out on the right.

As we move into a new working environment following the pandemic, we will maintain our focus on the mental health and wellbeing of our employees with the aim of continuing to build on a culture of values-based high performance.

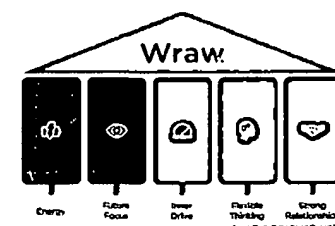
## Focus for 2021

Continuing our culture of values-based high performance through local mental health and wellbeing programmes.

Developing our health and safety reporting Group-wide in line with OSHA standards.

Developing our approach to diversity and inclusion through systematic local interventions and leadership training on racial diversity.

Launching our first global employee engagement survey.



#### Supporting healthy high performance with the Wellbeing Project

During 2020, many employees faced new challenges at home and at work due to the COVID-19 pandemic, and were often facing these without many of their usual support structures in place. To provide additional support and to develop our culture of healthy high performance, Head Office and Malvern Panalytical worked with The Wellbeing Project to deliver a resilience programme centred around their '5 Pillars of Resilience' methodology. Employees were offered the opportunity to take part in individual coaching sessions and team workshops, to help address the challenges they faced in managing their own resilience. In 2021 this work will be bolstered by optional lunch and learn sessions on each Pillar.

## Global sustainable growth continued

### Operations

We are committed to holding ourselves to the highest standards of responsible conduct throughout our operations, including reflecting our Values in our products and solutions and across our supply chain.

#### Human rights

We believe human rights to be of the upmost importance. Our human rights policy is consistent with the Core Conventions of the International Labour Organization and requires that we comply with internationally recognised human rights standards. It sets out our position on non-discrimination, harassment and forced labour. Training on modern slavery and human trafficking is available to all employees. Human rights considerations are also a key element of our M&A due diligence processes.

#### Ethics

We recognise that the way we conduct business and how we treat all our stakeholders is determined by the culture of the Group. We demand the highest ethical standards from our employees, partners and suppliers. The Board and Executive set the tone for the Group's ethics and compliance programme and undertake regular reviews of the efficacy of the Group's approach. Further details are set out on page 66.

In 2020, the Group rolled-out a refreshed Code of Business Ethics and supporting behavioural-based training. The revised Code is available in 12 languages and has been communicated using both digital and traditional programmes. Our Code and supporting training were rolled out to every employee and the Board, to ensure that every person understands and meets our high expectations.

In 2020, the Group also completed a review of all of its third-party distributors and sales representatives. As part of this review, the Chief Executive, the General Counsel and Company Secretary and the Group Chief Ethics and Compliance Officer reviewed all sales channel relationships and met with each business to understand the justification for continuing these relationships. As a result of the review, 204 relationships were cancelled or suspended pending further review. The learnings from this review will be built into a revised policy and processes for the management of third parties, including sales channel partners. To affect this, work has been undertaken to configure and test a software-based compliance workflow tool to help manage the Company's third-party process and this will be implemented in 2021.

#### Speak Up

We are committed to encouraging an open 'speak up' culture. Members of the workforce are encouraged to raise any issues that arise in the course of their work with their managers. We recognise the importance of making sure employees feel supported and comfortable to report wrongdoing or concerns in good faith with the knowledge that managers and ethics officers are trained and confident in discussing such issues. We also have a confidential, independent helpline that employees and stakeholders can use to raise questions and concerns, anonymously if they wish. Our helpline reporting processes are regularly reviewed to ensure they remain effective. Reports are assessed and investigated fully. There is a commitment to address all concerns made in good faith.

The Audit and Risk Committee receives regular updates on cases with the Board undertaking an annual review.

### Focus for 2021

Updating our policy and procedures for the management of third parties, including sales channel partners and implementing a compliance workflow tool to manage the Company's third-party processes relating to ethics and compliance risks.

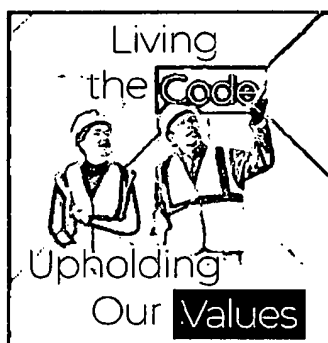
Establishing a new supplier code of conduct building on our commitment to ensuring that our supply chain reflects our Values.

Continually refreshing our ethics and compliance training, ensuring staff regularly receive appropriate and impactful training suitable for their roles.

Following the conclusion of any investigation process, additional guidance, training or disciplinary action may be taken as appropriate, and the impact of any actions is closely monitored by senior management. Root causes are identified and addressed. During 2020, the total number of reports received by the Spectris Helpline was 37 (2019: 54). This was lower than 2019 due to low case submissions in the initial phases of the pandemic. Case rates increased in the second half of the year.

#### Number of helpline reports received

| 2020 | 2019 | 2018 | 2017 | 2016 |
|------|------|------|------|------|
| 37   | 54   | 25   | 24   | 19   |



#### Embedding our ethical culture

At times we all face decisions where the 'right' answer is not clear or where finding the courage to act is difficult. The Ethics and Compliance team recognised that discussing ethical dilemmas is an important way to avoid becoming isolated in our decision making, which can lead to poor choices.

To support employee discussion around ethical decision making, we created a support guide that has been rolled out across the Group as part of the refresh of the Code of Business Ethics. Employees have used the dilemma cards in the guide to 'practice' making decisions on the different topics covered in Our Code. Among the many topics highlighted, the dilemma cards remind employees of our commitment to preventing modern slavery, child labour and human trafficking and the role of employees in ensuring that our supply chains are free from these practices.

## Environment

As a responsible business, we recognise that we have a role to play in tackling environmental degradation and climate change. We do this in two ways. First, through providing products and services that reduce our customers' environmental impact and, secondly, through the active management and mitigation of the environmental impact of our own operations.

In October 2020, the Board approved a five-point plan to accelerate the Group's management of the environmental impact of our own operations as part of our wider sustainability strategy. This plan is set out below. Updates on our progress will be provided in the 2021 Half Year results and the 2021 Annual Report.

### 2020 Performance and actions

In 2020, the Group's operations and usual business practices were impacted by the COVID-19 pandemic. We kept our manufacturing sites open throughout the year, but wherever it was possible to do so, we asked our employees to work from home. Business travel was also significantly reduced as we moved to support our customers and employees remotely.

Energy efficiency (energy use per £m revenue) remains one of our KPIs and is key to our operational excellence as set out on page 29. In 2020 energy use per £m revenue decreased by 1% compared to 2019. This is primarily attributable to changes in working patterns as a result of the COVID-19 pandemic.

We are confident in the systems we have in place to measure, monitor and report our energy use. The tables below and on page 58 detail our performance. The transition to a new energy management platform in 2020 has been fundamental to the enhancement of our understanding of the environmental impact of our business. Through access to real-time energy data in 2021 we will be able to create targets and action plans for the improvement in our emissions during 2021 and beyond. As part of our commitment to Scope 3 reporting we have also increased coverage to include our global logistics suppliers.

We are committed to reducing our waste profile and to support this we are reporting waste data for the first time in 2020. During 2021, we intend to increase the reporting coverage to cover at least 70% of full time employees.

### Performance summary

| Indicator                                                        | 2020      | 2019      | Change |
|------------------------------------------------------------------|-----------|-----------|--------|
| Energy consumption (absolute) (MWh)                              | 123,205   | 151,789   | -19% ♥ |
| Energy efficiency (MWh per £m revenue)                           | 92.2057   | 93.077    | -1% ♥  |
| Greenhouse gas emissions (tonnes CO <sub>2</sub> e)              | 60,160.69 | 77,212.11 | -22% ♥ |
| Total carbon emissions (tonnes CO <sub>2</sub> e per £m revenue) | 45.04     | 47.31     | -5% ♥  |

### Change in emissions key

|          |   |          |   |
|----------|---|----------|---|
| Increase | ▲ | Decrease | ♥ |
|----------|---|----------|---|

## What we achieved in 2020

Improved our CDP rating to 'Management B' from 'Awareness C' demonstrating our coordinated action on climate change.

Maintained our long-standing status as a constituent of the FTSE4Good Index.

Undertook a readiness assessment and designed a strategy to support alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) by February 2022.

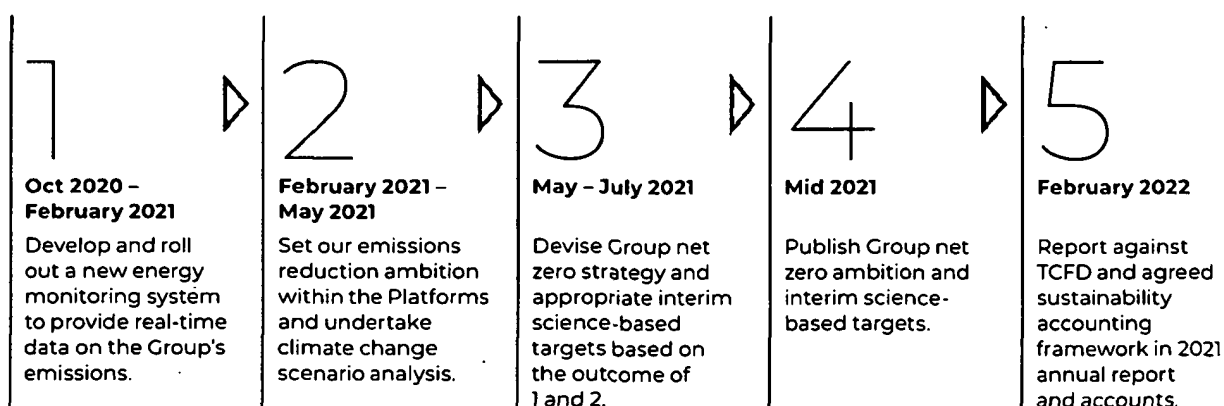
Developed and launched a new energy management system to support the development of our Net Zero ambition.

Ensured compliance with Streamlined Energy and Carbon Reporting regulations (SECR).

Extended our scope 3 reporting to include third-party global logistics.

Developed our waste reporting capability, leading to our first public disclosure of waste management in 2020 covering 45% of the Group.

## Our five-point plan



# Global sustainable growth continued

## Restatement of 2019 environmental data

The 2019 comparative data disclosed in this report has been restated to reflect the following changes:

- Removal of data relating to BTG (following disposal in December 2019) to support a fair comparison of the Group's in-year environmental performance. This consistent approach, which is in line with GHG protocol guidelines, will be followed for all future material acquisitions and divestments;
- The expansion of reporting to include additional fossil fuels, not previously captured in the data;
- Energy and subsequent efficiency intensity has been restated to include the impact of vehicle energy.

### Scope 1 emissions

Scope 1 emissions have decreased in 2020 by 21%. This is primarily due to the impact of the COVID-19 pandemic on working patterns. Natural Gas use also decreased by 7% during 2020 which was due to diminished site operations during 2020.

### Scope 2 emissions

Scope 2 emissions have decreased by 11% due to reduced activity as a result of the COVID-19 pandemic. However the reduction is lower than Scope 1 due to the improvement in the collation of electricity data for smaller sites in 2020, including the estimation of data for certain sites which had previously not been calculated.

### Scope 3 emissions

Scope 3 emissions decreased by 69%, predominantly as a result of reduced travel during the COVID-19 pandemic. Air travel emissions accounted for approximately 4,200 tCO<sub>2</sub>e in 2020 (2019: 20,000 tCO<sub>2</sub>e) with remaining reductions tied to energy reductions achieved in scope 1 and scope 2. While it is anticipated that some travel will recommence from late 2021, the Group is working to embed new business processes to retain both the cost and environmental benefits of working remotely into the future.

### Streamlined Energy and Carbon Reporting (SECR)

This is our first report in compliance with the new SECR regulations, designed to increase awareness of energy costs within organisations, and provide data to inform the adoption of energy efficiency measures. In 2020, 21.6% of our CO<sub>2</sub>e emissions were generated in the UK.

## Energy Consumption

| Unit of measurement – MWh       | 2020       | 2019       | Change |
|---------------------------------|------------|------------|--------|
| Electricity                     | 65,338.86  | 75,406.54  | -13%   |
| Natural gas                     | 12,136.93  | 12,991.04  | -7%    |
| Fuel oil                        | 2,449.73   | 2,834.68   | -14%   |
| Steam and other imported energy | 15,318.84  | 16,879.72  | -9%    |
| Other fuels                     | 55.58      | 50.63      | 10%    |
| Vehicle energy                  | 27,905.26  | 43,625.99  | -36%   |
| Total energy                    | 151,110.46 | 195,414.60 | -23%   |
| – of which UK                   | 33,863.59  | 50,622.25  | -34%   |

## Greenhouse gas emissions (tonnes CO<sub>2</sub>e)

| Unit of measurement – tonnes CO <sub>2</sub> equivalent | 2020      | 2019      | Change |
|---------------------------------------------------------|-----------|-----------|--------|
| Scope 1                                                 | 12,189.51 | 15,335.91 | -21%   |
| Scope 2                                                 | 30,921.80 | 34,635.48 | -11%   |
| Scope 3 (Like-for-Like)                                 | 8,318.45  | 27,240.73 | -69%   |
| Scope 3 (including 2020 global logistics)               | 17,049.39 | 27,240.73 | -37%   |
| Scope 1 & 2 total                                       | 43,111.31 | 49,971.38 | -14%   |
| – of which UK                                           | 9,306.46  | 13,656.02 | -32%   |
| Total gross emissions                                   | 60,160.69 | 77,212.11 | -22%   |
| Total carbon emissions per £m revenue                   | 45.04     | 47.31     | -5%    |

## Waste data

|                                   | 2020      |
|-----------------------------------|-----------|
| Total Waste Captured (tonnes)     | 10,352.57 |
| Waste recycling rate <sup>1</sup> | 53.7%     |
| Waste diversion rate <sup>2</sup> | 69.2%     |
| Waste data coverage (by FTE)      | 45.7%     |

1 Recycling Rate refers to total waste recycled into alternative materials.

2 Waste Diversion Rate refers to the proportion of waste diverted from landfill through recycling, energy recovery (through incineration), composting or anaerobic digestion.

### Energy saving opportunities

All Group companies are responsible for identifying energy saving opportunities and in 2020 we have formalised this process through the sustainability steering group which includes representatives from each business. A range of initiatives were undertaken during 2020. Malvern Panalytical opened a new solar park which will yield approximately 500 Mwh per year, which is a third of their overall energy requirement. Elsewhere Particle Measuring Systems have replaced standard fluorescent lamps

with a LED lighting system throughout their facility in Colorado, creating a significant energy and cost saving. As part of our environment five-point plan, each platform will be tasked with creating their net zero ambition during early 2021. This work will be supported by EcoAct through the use of their Carbon Reduction & Feasibility Tool. Through the use of this tool at a Platform level, we will engender buy-in for climate initiatives that will allow us to set our Group net zero target with confidence.

### Data verification and methodology

EcoAct has independently verified selected activity data and the calculation of our carbon footprint to a limited level of assurance under the ISO14064-3 standard. The carbon footprint data collection and calculation methodology covers the period from 1 January to 31 December 2020 and was conducted in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and the UK Government Conversion Factors for Company Reporting 2020. A copy of both the collation methodology and verification statement are available at [www.spectris.com](http://www.spectris.com)

## Building our TCFD framework

We are committed to reporting in alignment with the Task Force on Climate-related Financial Disclosures in our 2021 annual report. This year we undertook a readiness assessment, built our governance structure and agreed the workplan that will support the development of a framework to accelerate the Group's understanding of our climate change risk and opportunity profile and assess the materiality of that risk.

| Pillar                | Governance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Strategy                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Risk Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Metrics and Targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key questions?</b> | What is our governance structure around climate-related risks and opportunities?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | What are the actual and potential impacts of climate-related risks and opportunities on our businesses, strategy and financial planning?                                                                                                                                                                                                                                                                                                                        | How does the Group identify, assess and manage climate-related risks and opportunities?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | What are the metrics and targets used to assess and manage material and relevant climate-related risks and opportunities?                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Our progress</b>   | <p>An Executive working group has been formed to oversee the development of the Group's TCFD framework. This working group consists of the Chief Executive, the CFO, the Head of Sustainability and the Head of Risk.</p> <p>The Board will receive regular updates on the development of the framework with the Group's approach to compliance with each pillar being subject to Board approval.</p> <p>The Board will then review the risks and opportunities identified as part of their regular oversight of both the Group's sustainability programme and the Group's risk management processes.</p> | <p>In 2021, we will undertake climate-scenario analysis workshops within each Platform and at a Group level. This will support the broadening of knowledge and understanding of climate-related risks and opportunities and the thorough assessment of the materiality of the risks and opportunities identified.</p> <p>The resilience of the Group will be tested against two climate change scenarios, these scenarios will be a 2°C and a 4°C scenario.</p> | <p>The Group's risk management processes are set out in detail on pages 44 to 48. These processes are subject to annual review by the Executive and the Audit &amp; Risk Committee. At present, climate-related risks are not deemed to have a short to medium term material impact on the Group, due to both the Group's decentralised business model and supply chain and the end markets supported by the Group. However, climate change has been recognised as an emerging Group risk and will be monitored by the Group Executive accordingly.</p> <p>A thorough review of both the risks and opportunities posed by climate change will be undertaken as part of the Platform climate scenario analysis workstreams and the outcome of this process will include the agreement of a mechanism for the ongoing review of risks and opportunities relating to climate change.</p> | <p>If the climate-related risk discovery processes undertaken during 2021 lead to the agreement of material risks or opportunities around climate change, suitable metrics will be developed to manage those risks and opportunities.</p> <p>Independent to this exercise, the Group remains focused on the continual improvement of its reporting against Scope 1, 2 and 3 GHG emissions and during 2021 appropriate science based interim targets will be set to support an overall net zero ambition for the Group.</p> |

The Strategic Report was approved by the Board on 24 February 2021.

By order of the Board

**Mark Serfözö**  
General Counsel and Company Secretary  
24 February 2021

# Board of Directors



**Mark Williamson (63)**  
Chairman

Appointed: May 2017  
Nationality: British

#### Skills and expertise

Mark Williamson is a qualified accountant with a strong financial background combined with considerable managerial experience. He was chief financial officer of International Power plc until 2012 and is experienced in managing relationships with the investor and financial communities. He is a former senior independent non-executive director and chairman of the audit committee of Alent plc. Mark was chairman of Imperial Brands plc until 1 January 2020.

#### External appointments

Mark is currently senior independent non-executive director and chairman of the audit committee of National Grid plc.



**Andrew Heath (57)**  
Chief Executive

Appointed: September 2018  
Nationality: British

#### Skills and expertise

Andrew brings a wide range of executive and leadership expertise to Spectris, with proven experience in technology-enabled businesses and a track record of delivering shareholder value. He previously served as CEO of Imagination Technologies Group plc from 2016 to 2018 and before that was CEO of Alent plc.

Prior to this, Andrew had a 30-year career with Rolls-Royce where he held a number of international and senior management roles, latterly serving as the President of Energy from 2010 to 2015.

Andrew has a BSc in engineering from Imperial College London and an MBA from Loughborough University.

#### External appointments

None.



**Derek Harding (47)**  
Chief Financial Officer

Appointed: March 2019  
Nationality: British

#### Skills and expertise

Derek brings a wide range of financial leadership and industrial expertise to Spectris. In addition to his responsibility for Group finance operations worldwide, he also leads the operational management of Spectris Asia; Group Risk Management; Investor Relations; Group IT; Supply Chain and the Group's Capital Allocation process.

He most recently served as group finance director at Shop Direct. Derek was CFO at Senior plc from 2013 to 2017 and before that, he was at Wolseley plc for 11 years in a number of financial leadership roles, most recently as finance director of Wolseley UK. He previously held a number of group roles, including group financial controller, director of group strategy and investor relations, and head of mergers and acquisitions. Derek qualified as a chartered accountant with PwC.

#### External appointments

None.

## Committee membership key<sup>1</sup>

|                         |   |
|-------------------------|---|
| Audit and Risk          | A |
| Nomination              | N |
| Remuneration            | R |
| Disclosure              | D |
| Executive               | E |
| Chairman of a committee | ● |

<sup>1</sup> As at 1 January 2021



**Bill Seeger (69)**  
Non-executive Director, Senior Independent Director and Audit and Risk Committee Chairman

Appointed: January 2015  
Nationality: American

#### Skills and expertise

Bill Seeger has significant corporate finance and accounting experience. Bill was group finance director of GKN plc and, prior to that, president and CEO of the propulsion systems and special products division and CFO in the aerospace division of GKN. He spent most of his career at TRW, latterly in senior finance roles, including as vice-president, financial planning and analysis, and vice-president, finance, of TRW Automotive.

#### External appointments

Bill is senior independent non-executive director and chair of the remuneration committee of Smiths Group plc and lecturer at UCLA Anderson School of Management.



**Ulf Quellmann (55)**  
Non-executive Director

Appointed: January 2015  
Nationality: German

#### Skills and expertise

Ulf Quellmann has broad general management experience and considerable knowledge of the metals, minerals and mining industry, having worked in the sector for more than 16 years. He was vice president, strategic projects of the copper and diamonds product group at Rio Tinto plc and, before that, chief financial officer of the copper and diamonds product group. He was also group treasurer from 2008 to 2016. He has held senior positions at Alcan Inc, including vice president, investor relations and media relations, and chief pension investment officer and assistant treasurer, and senior management positions at General Motors, in both the USA and the UK.

#### External appointments

Ulf is currently chief executive officer of Turquoise Hill Resources Limited, (a company listed on the Toronto and New York Stock Exchanges).



R N

**Karim Bitar (56)**  
Non-executive Director

Appointed: July 2017  
Nationality: American

**Skills and expertise**

Karim Bitar has extensive experience of leading international, technology-focused organisations. He was appointed as chief executive officer of ConvaTec Group plc, a leading global medical technology company, in September 2019. Prior to this, he was the chief executive of Genus plc, an agricultural biotechnology company. Before joining Genus, Karim worked for more than 15 years for Eli Lilly and Company, where he was president of Lilly Europe, Canada and Australia.

An ex-McKinsey and Company consultant, he also held management roles at Johnson and Johnson and the Dow Chemical Company.

**External appointments**

Karim is chief executive of ConvaTec Group plc and a member of the University of Michigan Ross School of Business Advisory Board.



R N

**Cathy Turner (57)**  
Non-executive Director and Chairman of the Remuneration Committee

Appointed: September 2019  
Nationality: British

**Skills and expertise**

Cathy Turner is an experienced non-executive director with significant industry knowledge of HR and remuneration matters, having served as group HR director at Barclays plc where she was also a member of the group executive committee. At various times, her responsibilities also included group strategy and investor relations. Her most recent executive role was as chief administration officer at Lloyds Banking Group plc where she was responsible for a number of corporate functions. Cathy previously served as a non-executive director and chair of the remuneration committee at Countrywide for six years.

**External appointments**

Cathy is a non-executive director and chair of the remuneration committee at Aldermore Bank plc. She is also a non-executive director at Rentokil Initial plc and a partner at the senior advisory organisation, Manchester Square Partners.



A R N

**Kjersti Wiklund (58)**  
Non-executive Director and Workforce Engagement Director

Appointed: January 2017  
Nationality: Norwegian

**Skills and expertise**

Kjersti Wiklund brings significant knowledge of the international telecommunications sector. Kjersti has held a series of senior global roles, including: director, group technology operations at Vodafone; chief operating officer of VimpelCom Russia; deputy chief executive officer and chief technology officer of Kyivstar in Ukraine; executive vice-president and chief technology officer of Digi Telecommunications in Malaysia; and executive vice-president and chief information officer at Telenor in Norway. Kjersti was previously a non-executive director of Laird plc in the UK, Cxense ASA and Fast Search & Transfer ASA in Norway and Telescience Inc in the USA.

**External appointments**

Kjersti is a non-executive director and chair of the remuneration committee at Babcock International Group plc and a non-executive director and chair of the remuneration committee at Trainline plc. She is also a non-executive director at Zegona Communications plc.



A N

**Martha Wyrsh (63)**  
Non-executive Director

Appointed: June 2012  
Nationality: American

**Skills and expertise**

Martha Wyrsh has held a number of senior executive positions in the energy industry and has significant experience in North American markets. Until March 2019, Martha was executive vice-president and general counsel of Sempra Energy, a company quoted on the New York Stock Exchange. Previously, she was president of Vestas Americas, a subsidiary of Vestas Wind Systems A/S, and prior to that she was president and CEO of Spectra Energy Transmission. She was previously an executive director of Spectra Energy Corp, and a non-executive director of SPX Corporation and Noble Energy, Inc.

Martha will retire from the Spectris Board in May 2021.

**External appointments**

Martha is a director of the Cristo Rey Network (a US non-profit educational foundation), a non-executive director of Quanta Services, Inc., and a non-executive director of First American Financial Corporation.



E D

**Mark Serfözö**  
General Counsel and Company Secretary

Appointed: October 2017

Mark joined Spectris from Rolls-Royce where he served as director of risk for four years and before that he spent 18 years at BAE Systems plc where he held a number of senior legal positions including, latterly, the role of group chief counsel compliance and regulation.

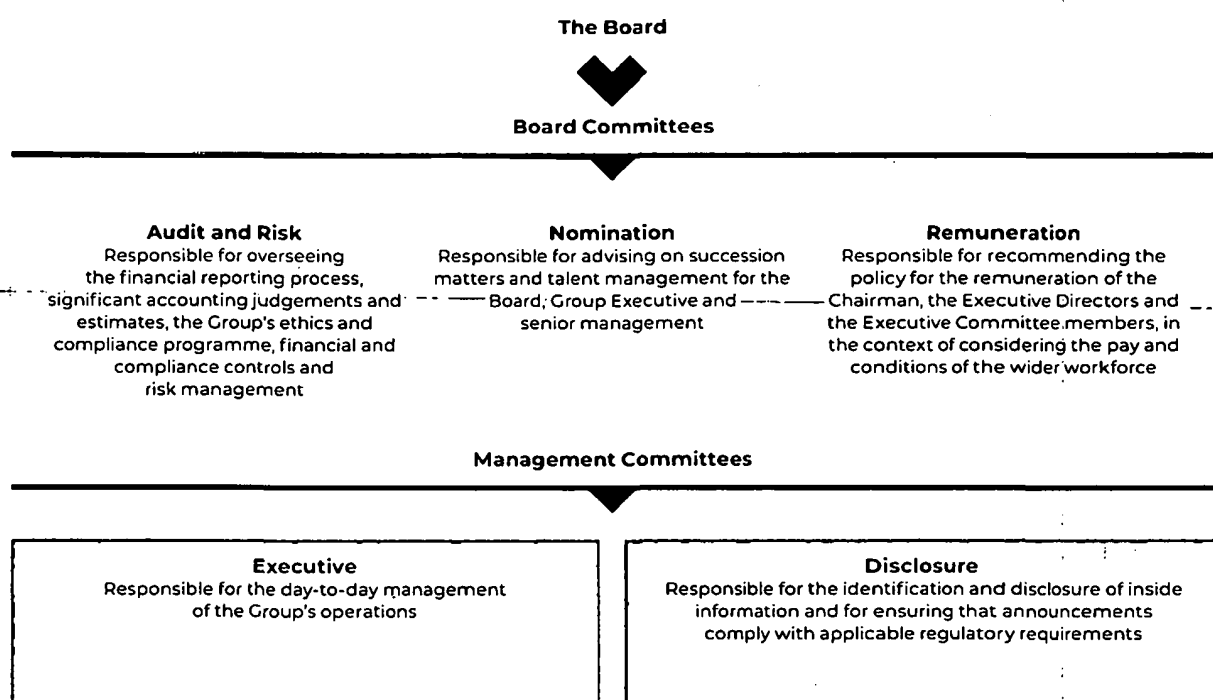
Mark qualified as a solicitor in 1990 and is a member of the University College London Centre for Ethics and Law Advisory Board.

# Board and Executive Committee structure

## Board and Executive Committee structure

The governance of the Group is structured through the Board and a series of committees that approve, review, challenge and monitor the strategies and policies under which the Group operates. The Matters Reserved to the Board, the Committees terms of reference and the role profiles for the Chairman, Chief Executive, Senior Independent Director and Workforce Engagement Director can all be found at [www.spectris.com](http://www.spectris.com)

The structure and responsibilities of these Board and management committees, and a summary of their responsibilities, are illustrated in the diagram below:



### Board and Committee Attendance

|                           | Board<br>(scheduled) | Board<br>(ad hoc) <sup>1</sup> | Audit and Risk<br>Committee <sup>2</sup> | Remuneration<br>Committee | Nomination<br>Committee | AGM <sup>3</sup> |
|---------------------------|----------------------|--------------------------------|------------------------------------------|---------------------------|-------------------------|------------------|
| Mark Williamson           | 7/7                  | 7/7                            | n/a                                      | n/a                       | 3/3                     | n/a              |
| Andrew Heath              | 7/7                  | 7/7                            | n/a                                      | n/a                       | 3/3                     | n/a              |
| Derek Harding             | 7/7                  | 7/7                            | n/a                                      | n/a                       | n/a                     | n/a              |
| Martha Wyrsh              | 7/7                  | 7/7                            | 3/3                                      | n/a                       | 3/3                     | n/a              |
| Bill Seeger               | 7/7                  | 7/7                            | 3/3                                      | n/a                       | 3/3                     | n/a              |
| Ulf Quellmann             | 7/7                  | 7/7                            | 3/3                                      | 4/4                       | 3/3                     | n/a              |
| Kjersti Wiklund           | 7/7                  | 7/7                            | 3/3                                      | 4/4                       | 3/3                     | n/a              |
| Karim Bitar               | 7/7                  | 7/7                            | n/a                                      | 4/4                       | 3/3                     | n/a              |
| Cathy Turner              | 7/7                  | 7/7                            | n/a                                      | 4/4                       | 3/3                     | n/a              |
| Russell King <sup>4</sup> | 3/3                  | 3/3                            | n/a                                      | 1/1                       | 1/1                     | n/a              |

1 A number of ad hoc meetings were also held throughout 2020 in order to discuss the Group's response to the COVID-19 pandemic and certain M&A transactions.

2 The Audit and Risk Committee also held one informal discussion. All members of the Committee were in attendance.

3 Due to the restrictions put in place by the UK government in response to COVID-19, the AGM was held as a closed meeting, and therefore none of the Board members were required to attend. Mark Williamson, Andrew Heath and Derek Harding joined the AGM as attendees. The Board intends, once it can be considered safe to do so, to hold a separate meeting with shareholders to discuss their views.

4 Russell King retired as a Director on 22 May 2020.

# Executive Committee

## Executive Committee

The diagram on page 62 sets out the working relationship between the Board and the Executive Committee. The full biographies of the Executive Committee can be found at [www.spectris.com](http://www.spectris.com)



During 2020, it has been more important than ever to ensure that there are clear channels of communication between management and the Board. More details as to how the Board and Executive Committee have worked together are set out below.

### React, Respond and Reset

At the beginning of the pandemic, the Executive Committee met with more frequency than normal to monitor and discuss how the Group could respond to the challenges it was facing and established a three-phase approach – react, respond and reset.

Detailed business continuity plans were developed as our businesses developed new ways of working to continue to meet our customers' needs. Robust scenario planning was used to assess how each business might be impacted by the pandemic, which was particularly helpful given the broad range of industries and geographies our Group operates in.

The Executive Committee focused on introducing measures to ensure the safety and wellbeing of employees and their families. These included social distancing, split shift working, enhanced cleaning and disinfection processes, as well as a

work-from-home policy for those who could safely do so. In addition, new initiatives to support the mental health and resilience of our employees were introduced. Regular 'all-hands' calls were held to keep employees connected and provide the opportunity for open discussion. Additional leadership calls were also introduced to ensure clear communications across the leadership of the different businesses and functions within the Group.

Our support for customers was also adapted to increase digital engagement, virtual training, webinars and online demonstrations. Crisis management teams across the business were focused on supporting both our people and our customers and ensuring regular communication with all stakeholders.

### Executive sub-committees

There are four key sub-committees covering Health & Safety, Sustainability, the Spectris Business System ('SBS') and Export Controls. These sub-committees support the work of the Executive Committee, create the opportunity for feedback from the operating and platform companies and embed the Group's approach in these key areas.

# Chairman's introduction

"During 2020, the Board, its Committees and the wider Spectris Group have effectively adapted to new ways of working remotely, whilst continuing to place the creation of long-term sustainable value for shareholders and other stakeholders at the centre of its work."

**Mark Williamson**  
Chairman

I am pleased to present the Corporate Governance Report to shareholders for 2020. During 2020, the Board, its Committees and the wider Spectris Group have effectively adapted to new ways of working remotely, whilst continuing to place the creation of long-term sustainable value for shareholders and other stakeholders at the centre of its work.

The business has adapted well to the challenges it has faced in 2020 as a result of the COVID-19 pandemic, developing innovative solutions to continue to meet the needs of our customers, placing the wellbeing of employees at the heart of the organisation, as well as paying two dividends to our shareholders.

The Board has worked closely with management throughout the year to ensure our responsibilities and duties are considered and adequately addressed, in particular to our key stakeholders. Examples of particular instances in 2020, that highlight how the Board has considered some of its key stakeholders, are set out below:

## Our shareholders

At the beginning of the COVID-19 pandemic, the Board and management gave particular consideration to the proposed payment of a special dividend to shareholders as well as the usual payment of a final dividend. Despite the Group's strong balance sheet, it was agreed that conserving cash was a key priority for the Group during a period of significant uncertainty. The Board and management therefore concluded that it was in the Company's best interests, having regard to all its stakeholders, and that it would be responsible, to withdraw the special dividend and postpone the final dividend. In making this decision, we recognised the importance of our dividend to our shareholders and agreed to reassess the position later in the year.

As the impact of the pandemic on the Group became clearer, along with the Group's half year results, it was announced that dividend payments would be reinstated for shareholders. An additional interim dividend of 43.2 pence per share was paid in October, and the interim dividend of 21.9 pence per share was paid in November. Before making this decision, the Board was comfortable that the Group had adequately strengthened its balance sheet and liquidity position, and, in particular, had been able to restore salaries to employees and bring people back to work where appropriate.

## Our people

Protecting our people remained a key priority during the pandemic. The Board supported management with the steps that they put in place to ensure the health, safety and wellbeing of its employees, including following the advice of the World Health Organisation and relevant regional and national governments and health authorities. Through regular updates from the Chief Executive, CFO and our

Workforce Engagement Director, the Board was reassured of the steps that were taken to balance the needs of our people against our other stakeholders. More details on workforce engagement can be found later in this report.

In addition to the work carried out in response to the COVID-19 pandemic, the new Spectris Values were also launched in the first half of 2020 and a revised Code of Business Ethics launched in the second half. More details on how the Board has considered these values and the revised Code of Business Ethics alongside the Group's culture can be found below.

## Our customers

Supporting our customers through the challenges from the COVID-19 pandemic was a key focus for the Board and for the Executive. We remained committed to meeting production demand, whilst ensuring that our people were protected and as our businesses adapted to new ways of working to provide customers with the products, services and assistance that they needed. The Board received a regular communication on the impact of the pandemic on each of the businesses and was impressed how colleagues worked together to find innovative solutions to meet customer needs. Changes included extending the Group's digital offering, operational changes to ensure manufacturing sites remained open, remote installation of products, new product launches and adaptations to meet changing customer requirements. Customers will remain an important part of the Board's agenda in 2021.

The Board recognises the importance of all of its stakeholders and is committed to ensuring the Group continues to deliver value beyond measure to these stakeholders. Throughout the year, the Board was committed to taking a balanced, socially responsible approach and a "balanced scorecard" was established to ensure progress was measured and to inform decisions whilst balancing the needs of all stakeholders. Our section 172 statement can be found on page 67.

## Divestments of Brüel & Kjær Vibro and Millbrook

The Board was pleased to announce the divestment of Brüel & Kjær Vibro and Millbrook in December. Both transactions are in line with the Spectris strategy to simplify and focus its portfolio. The Board carefully considered its stakeholders in respect of the divestments, in particular the impact on employees and customers and was pleased to conclude that it did not foresee an adverse impact on any of these stakeholder groups. In addition, it is expected that both divestments will deliver compelling value for our own shareholders and capital allocation capabilities.

## Culture

The Board continues to monitor the Group's culture and the impact of the revised Code of Business Ethics and the Spectris Values - Be true, Own it and Aim high. The new Spectris Values work hand-in-hand with the revised Code, and set out the way we are all expected to operate and behave every day, inspiring a high-performing business culture and delivering value beyond measure.

As the Spectris Values continue to be embedded across the Group, a culture indicator is being developed to clearly set out measurements of engagement and behaviours, values adoption and the employee experience. Rate of change metrics will also be included as well as progress on diversity and inclusion.

In addition, as part of annual performance reviews, employees are now encouraged to consider their performance in the framework of the Spectris Values. This reinforces the commitment of everyone living the values day to day and building an open and ethical culture.

These metrics will continue to support the Board's monitoring of culture. In addition, the Board will continue to engage in informal engagement with employees on site visits and, to gain some external perspective on the Group's culture from customers, the net promoter scores of each platform and business will be reviewed and customers will be invited to attend periodic Board sessions.

#### Workforce Engagement

This is the second year that the Company has had a Workforce Engagement Director and the role is currently held by Kjersti Wiklund. During 2020, Kjersti's work has remained an important link between the Board and the workforce and has become even more important given the challenges and restrictions around site visits.

The planned schedule for workforce engagement activities was significantly adapted as a result of these restrictions and I would like to thank Kjersti for her efforts to meet remotely with management, provide regular guidance and an external perspective on the actions being taken to support the safety and wellbeing of employees. More details of the work that Kjersti has carried out can be found on page 68.

#### Board composition and succession planning

Ahead of achieving nine years of service to the Spectris plc Board, Martha Wyrsh has made the decision to retire in May 2021 and will not stand for re-election at the Annual General Meeting ('AGM') in May 2021.

On behalf of the Board, I would like to thank Martha for the significant contributions she has made over the past nine years. Her experience in the US market and years spent as a general counsel to a number of large US companies has provided the Spectris Board with a wealth of knowledge and sage advice. We will miss Martha's presence in our meetings and wish her the best for her next venture.

More details on succession planning can be found in the Nomination Committee Report on page 71.

#### Board effectiveness review

As set out in the 2019 Annual Report, the Board commenced an externally-conducted annual effectiveness review at the end of 2019. This review concluded in early 2020 and the Board has spent time considering the feedback received and developing a comprehensive action plan to address these outcomes. Further details on the process the Board and its Committees went through, as well as some of the areas of focus for 2021 are set out on page 69.

#### Director re-election

With the exception of Martha Wyrsh, all Directors will be standing for re-election at the 2021 AGM and we look forward to the continued support from our shareholders.

I welcome your comments on this Corporate Governance Report and the 2020 Annual Report and Accounts as a whole, and I hope to be able to meet with you during 2021.

Mark Williamson  
Chairman  
24 February 2021

## Reporting in accordance with the 2018 UK Corporate Governance Code

The 2018 UK Corporate Governance Code (the 'Code') sets out a new approach to governance. This table shows where shareholders can evaluate how the Company has applied the principles of the Code and where key content can be found in this report.

### Board leadership and company purpose

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| Chairman's introduction to the Corporate Governance Report | 64-65    |
| Providing oversight of culture                             | 66       |
| Board engagement with stakeholders                         | 5, 67-69 |
| Section 172 statement                                      | 67       |
| Oversight of strategy                                      | 16-17    |
| Assessing opportunities                                    | 6-7      |
| Assessing risks and viability                              | 44-49    |
| Measurement of strategy (KPIs)                             | 28-29    |

### Division of responsibilities

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| Board attendance | 62 |

### Composition, succession and evaluation

|                              |       |
|------------------------------|-------|
| Board biographies            | 60-61 |
| Board evaluation             | 69    |
| Board composition and tenure | 70    |
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### Audit, risk and internal control

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| Audit and Risk Committee Report   | 72-77 |
| Principal risks and risk appetite | 46-48 |
| Monitoring of emerging risks      | 44    |

### Remuneration

|                                                        |       |
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| Letter from the Chairman of the Remuneration Committee | 78-79 |
| Overview of Remuneration Policy                        | 80    |
| 2020 Implementation report                             | 81-97 |

### Corporate Governance Code Statement of Compliance

As a UK premium listed company, Spectris plc is expected to comply or explain any non-compliance with the 2018 UK Corporate Governance Code, published by the FRC and available on its website, [www.frc.org.uk](http://www.frc.org.uk). The Board considers that the Company complied fully with the Code throughout the year ended 31 December 2020.

# Board activity

## Other key areas of focus

| Topic                        | 2020 Activities                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                        | Stakeholders considered                                                                                                                                                                               |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Operations and risk</b>   | <ul style="list-style-type: none"> <li>Received presentations from members of the leadership team on business continuity planning, crisis management, health and safety, cyber security and the ethics and compliance programme</li> <li>Undertook a considered review of each principal risk to ensure continued alignment with the strategy</li> <li>Takeover defence update</li> </ul> | <ul style="list-style-type: none"> <li>Considered sustainable, long-term value for our stakeholders through oversight of the Group's strategy, including close monitoring of investor and employee feedback and developing and implementing sustainability strategy</li> </ul>                         |  <ul style="list-style-type: none"> <li>People</li> <li>Customers</li> <li>Shareholders</li> </ul>                 |
| <b>Leadership and people</b> | <ul style="list-style-type: none"> <li>Carefully considered how best to safeguard employees during COVID-19</li> <li>Reviewed the results of employee engagement surveys and continued to develop the role of the Workforce Engagement Director</li> </ul>                                                                                                                                | <ul style="list-style-type: none"> <li>Supported management with the development of a Group-wide diversity and inclusion programme</li> <li>Succession planning for the Board, the Executive and the senior management population</li> </ul>                                                           |  <ul style="list-style-type: none"> <li>People</li> <li>Shareholders</li> </ul>                                    |
| <b>Finance</b>               | <ul style="list-style-type: none"> <li>Considered and approved the 2021 budget following review of progress against the 2020 budget</li> <li>Approved the Annual Report, interim results and full/half year results presentation</li> <li>Considered and approved the Group's going concern and viability statements</li> </ul>                                                           | <ul style="list-style-type: none"> <li>Considered and assessed the efficacy of the Group's capital allocation model</li> <li>Discussed in detail the impact of COVID-19 on the Group's corporate financing</li> <li>Dividend considerations</li> <li>Scenario planning and 2020 forecasting</li> </ul> |  <ul style="list-style-type: none"> <li>Suppliers and partners</li> <li>Shareholders</li> <li>Community</li> </ul> |
| <b>Governance and ethics</b> | <ul style="list-style-type: none"> <li>Monitored progress against the evaluation actions from the 2019 external Board evaluation</li> <li>Reviewed the outcomes from the internally conducted 2020 Board evaluation and agreed a suitable action plan</li> <li>Received updates on the revised Code of Business Ethics, associated training module and monitoring tools</li> </ul>        | <ul style="list-style-type: none"> <li>Reviewed and approved the terms of reference for the Board Committees, the Matters Reserved to the Board and Board role profiles</li> <li>Received updates on ongoing litigation matters, corporate governance and key legal and regulatory topics</li> </ul>   |  <ul style="list-style-type: none"> <li>Community</li> <li>Shareholders</li> <li>People</li> </ul>               |

## Monitoring the cultural health of the business

The Board is committed to maintaining an open and ethical culture and believes this is of significant importance to the success of the Group. During 2020, work has continued to develop the ways in which culture is monitored across the Group, with a view to developing a consistent measure of engagement across all of the companies that make up the Spectris Group.

During 2021, Kjersti Wiklund, as the Board's Workforce Engagement Director, will support management in developing more commonality across the types of questions that employees are asked in engagement surveys. These will also be linked to the adoption of the Spectris Values - Be true, Own it and Aim high.

In addition to the development of the existing employee engagement surveys, time will also be spent developing a culture dashboard, which will be reviewed regularly by the Nomination Committee and set out metrics on:

- engagement, values adoption and the employee experience of business culture;
- progress on diversity and inclusion;

- ethical business management and behaviours through reporting from the confidential Spectris Helpline and ethics training; and
- rate of change metrics for the workforce, which will reflect the objective of developing the Group's leadership model in line with the Spectris Values.

The Board will continue to receive regular updates from the Workforce Engagement Director, and through the Audit and Risk Committee, will receive a detailed annual review of the confidential Spectris Helpline cases and how root causes of these cases are addressed and remediated.

A further element of the Group's culture is the effective collaboration with other key stakeholders. Throughout 2021, further consideration will be given to how customer feedback can be used to monitor culture. The Board already considers the net promoter scores of each platform as part of the deep dive business reviews. In addition to this, at its December meeting, the Board had the opportunity to meet with a key customer of the Malvern Panalytical business. This allowed the Board a unique insight into why customers value the Spectris Group and discuss the areas in which it could improve the services it offers. Key customers of other businesses will be invited to future Board meetings to build upon this understanding.

# Section 172(1) statement

## Section 172 statement

The Board of Directors confirm that during the year ended 31 December 2020, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) of the Companies Act 2006, being:

- (a) the likely consequences of any decision in the long term
- (b) the interests of the Company's employees
- (c) the need to foster the Company's business relationships with suppliers, customers and others
- (d) the impact of the Company's operations on the community and the environment
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct
- (f) the need to act fairly between members of the Company

### Our stakeholders and material issues

The Board has identified the following groups as the key stakeholders of Spectris and their key areas of concern.

- People: culture, values, diversity and inclusion, operating in an open and ethical environment, progression and personal development opportunities, remuneration and workforce engagement.
- Customers: operational strength, ability to meet customer needs, remaining competitive with a strong differentiated value proposition, high-quality instruments and technical expertise and advice, ensuring service levels meet expectations and ensuring that our business practices and supply chain accord with their values.
- Suppliers and partners: ensuring that our supply chain reflects the Group's Values, potential supply chain disruption, competitiveness, financial performance, research and development investment.
- Community: economic and operational impact of Group businesses on local communities, environmental impact of operations (direct and indirect), demonstrate clear and sustainable policies which support our Values and how these are measured.
- Shareholders: financial performance of the Group, capital distributions, our Strategy for Profitable Growth, long-term viability and ensuring that the Group is a sustainable investment proposition. Each factor highlighted in section 172 is included below, along with page references to the relevant information within this report:

| s172 Factor                                      | Relevant disclosure                   |                                                            |
|--------------------------------------------------|---------------------------------------|------------------------------------------------------------|
| The long term                                    | page 16<br>pages 26-27<br>pages 28-29 | Our purpose<br>Business model<br>Measuring our performance |
| Employees                                        | pages 54-55<br>page 99                | Sustainability Report<br>Non-financial reporting           |
| Business relationships – suppliers and customers | pages 10, 11, and 15                  | Chief Executive's Review                                   |
| Community and environment                        | page 15<br>page 57                    | Chief Executive's Review<br>Sustainability Report          |
| High standards of business conduct               | page 56<br>page 66                    | Sustainability Report<br>Governance                        |
| Shareholders                                     | page 67                               | Section 172(1) statement                                   |

### Developing the Board's understanding of stakeholders

Some of the ways in which the Board continues to develop its understanding of the Group's stakeholders include:

- good communication with shareholders, including through our results statements, trading updates and press releases. When possible, we will return to having face-to-face Annual General Meetings, Capital Markets

Days and investor meetings. The Executive Directors have continued to have regular interaction with shareholders and non-holders and the Board receives updates on investor relations at each meeting.

- annual strategy reviews offer the Board the chance to consider the long-term sustainable success of the Group.
- the further development and delivery of the Group's sustainability strategy (more details on page 50-51) will aid the Board's understanding of its impact on all stakeholders, including the communities and environments the Group interacts with.
- role of the Workforce Engagement Director and recommending site visits to engage with employees directly (more details on page 68).
- development of a new balanced scorecard to assess the quality of the Board's decisions through the lens of the Group's stakeholders (more details on page 5).
- bringing the voice of the stakeholders into the Boardroom (more details on page 69).

### Considering stakeholders in our principal decisions

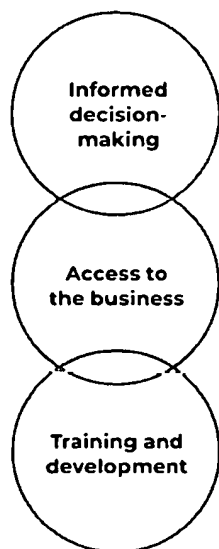
Some of the ways in which the Board considered stakeholders in principal decisions it made in 2020 are set out below.

- Divestment of Millbrook and Brüel & Kjær Vibro: The Board considered the impact of the divestments on employees, customers and shareholders. Consideration was given to: security of employment, service for customers and value to shareholders.
- The actions taken by management and the Board in relation to the COVID-19 pandemic placed the health and wellbeing of our people at the centre of our decision-making processes. Difficult decisions were made that impacted our stakeholders significantly, such as reducing pay and working hours for our people and postponing the final dividend and cancelling the proposed special dividend. The decision to postpone the final dividend and cancel the special dividend was made with full consideration of our shareholders. The reason was to mitigate the economic impact of the pandemic on the Group, which if damaged, would have adversely affected all of our stakeholders and the long-term health of the business. At our half year results, as a result of the strength of our balance sheet, the Board was delighted to be able to unwind these temporary measures. The dividend was reinstated, paying the 2020 interim dividend and an additional interim dividend. This was only considered after we had decided to reinstate salaries and bring people back to work where possible.

We will continue to take a balanced, socially responsible approach, including all our stakeholders in our discussions and decisions in 2021 and beyond.

# Board effectiveness

The effectiveness of the Board is monitored through annual Board evaluation



## Informed decision-making

The Chairman is supported by the General Counsel and Company Secretary in ensuring the dissemination of accurate, timely and clear information to the Board, allowing it to function effectively and efficiently. The General Counsel and Company Secretary is responsible for ensuring compliance with appropriate laws and regulations and is available to support all of the Directors. Directors may solicit independent, professional advice at the Company's expense where specific expertise may be required to effectively discharge their duties.

## Access to the business

The Board undertakes a deep-dive review with the leadership of each platform and the Industrial Solutions division at least annually. Instead of the usual on-site visits during 2020, which were not possible due to the various travel restrictions in place, the Board met remotely with various management teams and also took part

in a remote strategy review and considered the global strategic initiatives which introduced the new Sustainability strategy. Our Workforce Engagement Director has provided an important informal link to the wider business and the Board as a whole and more details on this work can be found below. During 2021, the Board hopes to restart its on-site visits, but will also continue to build in remote engagement with the business.

## Training and development

New Directors receive a formal, tailored and comprehensive induction programme on joining the Board and further training and development needs are reviewed by the Chairman and agreed at least annually. Detailed technical updates in relation to corporate governance and other legal and regulatory topics from internal and external specialists also form part of the Board papers. External speakers are regularly invited to present to the Board on a variety of emerging topics.

## Annual Board effectiveness review

## Workforce engagement activities

The Board highly values the role of the Workforce Engagement Director. Although the 2020 schedule for workforce engagement was limited by not being able to conduct site visits, the Board is reassured by the level of interaction that took place remotely.

Kjersti Wiklund met regularly with Andrew Harvey, Group Head of HR, and Rebecca Dunn, Head of Sustainability, to discuss the Group's response to the pandemic and consider the action being taken to support the safety and wellbeing of employees.

In addition to these regular meetings, Kjersti also met with senior Group employees to allow the review of different aspects of the Group's employee provisions around ethics, compliance and technology.

Further meetings were also held with the functional heads of the Group's Asia operations to explore their experience of the pandemic, including the employee provision in Brazil and India.

Through these meetings, Kjersti has been able to provide the Board with further context to support the view that the Company was undertaking the appropriate workforce-related activities that she had witnessed elsewhere, and to also provide feedback to the Board as a whole on the quantum of change taking place throughout the Group.

During 2021, it is proposed to hold broader and more in-depth meetings across the organisation. Engagement activities will include discussions with leaders in each platform business and if possible, and safe to do so, the intention is to return to site visits in the second half of 2021.

It is also intended that Kjersti will take part in the training being rolled out to the leadership community on diversity and inclusion. She will provide an external perspective of the effectiveness of the programme and will report back to the Board on the ongoing culture of the Group as the programme embeds.

In addition, a series of interactive discussions will be set up between the Non-executive Directors and the workforce on pertinent topics, such as careers in leadership, career development for women in business, amongst other areas. It is hoped that this will broaden the channels of communication between the Board and the workforce and provide further understanding for the Board of employee interests and better inform its decision-making processes.

# Board evaluation

## Our 2019 evaluation process and outcomes

### 1. Scope of evaluation

In December 2019, the Board and its Committees were subject to an externally conducted effectiveness review, which built on the outcomes from the internally facilitated review in 2018. The evaluation concluded in February 2020 and took into consideration the Board as a whole and its Committees.

### 2. The evaluation process

The process involved observations of Board and Committee meetings and interviews of all members of the Board, some members of senior management, the auditor and the remuneration advisors.

### 3. Responses analysed

The reports on the evaluation process were reviewed and considered by the Board at its meeting in February 2020. The outcomes were discussed and used to develop a comprehensive action plan for the areas that were identified as needing further exploration or development.

### 4. Findings and recommendations

It was concluded by the Board, that based on the findings of the evaluation process, the Board, its Committees, the Chairman and the other Directors continued to operate effectively. Areas that were identified for future focus and built into the Board's forward agenda are set out in more detail below.

## 2019 evaluation process and outcomes

In line with our requirements in the UK Corporate Governance Code, the 2019 evaluation was externally conducted by Lisa Thomas from Independent Board Evaluation. Lisa Thomas did not have any other connection with either the Company or the individual Directors at the time of the evaluation.

### Recommendations and action plan

The report from Independent Board Evaluation was used by the Board to develop a comprehensive action plan to address during 2020. Three key areas that were identified included:

- increased consideration of stakeholders (other than shareholders), such as customers and employees;
- further discussion on people issues, such as culture, talent planning, succession and diversity; and
- increased focus on risk.

The action plan built in dedicated sessions to address these topics throughout the forward agenda and was approved by the Board at its meeting in May.

Examples of the ways in which the Board addressed some of these actions from the evaluation are set out below.

- **Bring the voice of other stakeholders into the Boardroom**  
Received regular reports from the Workforce Engagement Director; reviewed the Spectris Helpline to ensure it operated effectively as a forum for our people to raise issues and concerns; reviewed the results of the employee engagement surveys; and scheduled discussions with key customers for the platform companies, starting with a key customer of Malvern Panalytical who attended the Board meeting in December.
- **Increased consideration of people issues**  
Detailed reports on the internal talent pipeline and executive and senior management succession planning; updates from management on culture and diversity initiatives, including the introduction of a Group-wide diversity and inclusion programme (more details of which can be found on page 54); training, run by an external provider, on unconscious bias was also introduced.
- **Further focus on risk throughout the business**  
Established Platform Risk Committees throughout the business, the chairmen of which will be invited to attend the Audit and Risk Committee at various points and will also provide regular written reports to them; carried out an external review on the internal audit function.

## 2020 evaluation process

The 2020 evaluation process commenced in December 2020 and has been internally conducted. The evaluation has involved the Board and its Committees completing questionnaires in respect of their effectiveness during the year.

The outcomes and responses were collated and discussed by the Board at its December and February meetings, and it was concluded that the Board and its Committees continue to operate effectively. The Senior Independent Director also led the Non-executive Directors in review of the performance of the Chairman. Some of the key areas identified for improvement during 2021 are set out below.

Any actions outstanding from the 2020 evaluation will be considered at future Board meetings to ensure that progress against the comments made remains on track.

## Actions for 2021

- **Strategy** – continue to prioritise strategy in the Board's agenda, with particular consideration of strategy execution, the resources required to do this effectively and effective portfolio management.
- **People** – build upon the actions taken in 2020 and support management through its development of the diversity and inclusion programme and increase the Board's understanding of talent development and broader people challenges across the Group.
- **Products** – spend more time discussing product vitality, research and development pipelines and how the Group's products can be developed to meet customer needs in the best way.

# Board composition

As at 31 December 2020, the Board comprised six Non-executive Directors in addition to the Chairman and two Executive Directors. The tenure of each of the Directors is set out in the graphic below, as well some information on the gender and nationality split of the Board.

## Board changes

Martha Wyrsh will complete her nine-year tenure on the Board in June 2021 and she will retire from the Board with effect from May 2021 and will not stand for re-election at the 2021 AGM.

The Nomination Committee Report opposite details the succession planning process that has been undertaken during 2020. This has included a full analysis of the Board's current skills and capabilities, as well as consideration of the Hampton-Alexander and Parker Reviews.

## Director re-election

In considering the recommendation of the election and re-election of Directors, the Nomination Committee considered a number of factors. These included: the results of the individual evaluation process; the tenure and independence of each of the Directors; and the other external appointments held by the Directors. Any potential conflicts of interest were also considered. This review allowed the Board to consider any circumstances that are likely to, or could, impair a Non-executive Director's independence. With the support of the Nomination Committee's recommendation the Board has concluded that all Non-executive Directors being recommended for re-election are considered to be independent.

## External appointments and time commitments

External directorships and conflicts of interest are declared by Directors on appointment and are reviewed at least annually by the Nomination Committee. A record of conflicts of interest is maintained, evidencing any situational or transactional conflicts, as well as each Director's shareholding in the Company. This helps to ensure that the judgement of the Board remains uncompromised and independent.

Any external appointments are considered and approved by the Board following careful consideration of the impact on the individual Director's ability to meet the necessary time commitments. A diagram detailing the current commitments

of the Board set against the overboarding criteria included in the ISS United Kingdom and Ireland Proxy Voting Guidelines is set out below. The Board considers all Directors have sufficient time to meet their Board responsibilities.

Details of the Directors external appointments are included in their biographies on pages 60 to 61.

## Diversity

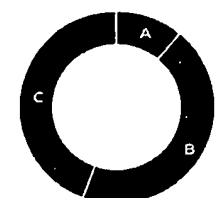
The Board's Diversity and Inclusion Policy was adopted in December 2019 and refreshed in February 2021. The policy supports the Group's position on diversity and inclusion and sets out the Board's commitment to further promoting diversity and inclusiveness of all kinds throughout the Group, regardless of geography or position. The policy can be found in full on the website: [www.spectris.com](http://www.spectris.com)

The Board remains committed to promoting diversity and inclusiveness of all kinds throughout the Group, regardless of geography or position. Work has continued to improve diversity at senior management levels and significant progress has been made in 2020. The Executive Committee now comprises 30% women, with a broad range of nationalities and experience. More details on the work being carried out across the Group in respect of diversity and inclusion can be found within the Sustainability Report on page 54.

The Board intends to continue its focus on diversity and inclusion within the Group during 2021 and to reflect this, the role profile for the Workforce Engagement Director has also been adapted to specify that the role will include overseeing management's approach to how diversity and inclusion is considered across the Group.

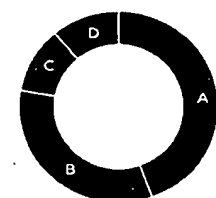
During 2020, the Board also considered its own approach to the promotion of diversity in respect of succession planning. The Board is pleased to confirm that during 2020, female representation on the Board remained at 33%. Following Martha Wyrsh's retirement from the Board in May 2021, the Board renews its commitment to maintaining this level of representation, as recommended by the Hampton-Alexander Review. Further, the Board will ensure that any new appointments broaden the Board's skills and capabilities as well as ensuring that diversity in the broadest sense is central to any future appointments made.

### Overboarding scores<sup>1,2</sup>



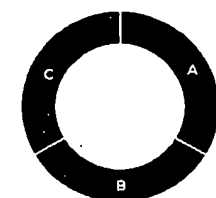
|   |            |   |
|---|------------|---|
| A | 2 mandates | 1 |
| B | 3 mandates | 4 |
| C | 4 mandates | 4 |

### Nationality of Directors<sup>1</sup>



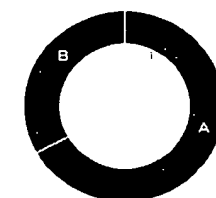
|   |           |   |
|---|-----------|---|
| A | British   | 4 |
| B | American  | 3 |
| C | German    | 1 |
| D | Norwegian | 1 |

### Board tenure<sup>1</sup>



|   |           |   |
|---|-----------|---|
| A | 1-3 years | 3 |
| B | 3-6 years | 3 |
| C | 6 years + | 3 |

### Gender (%)<sup>1</sup>



|   |        |     |
|---|--------|-----|
| A | Male   | 67% |
| B | Female | 33% |

<sup>1</sup> As at 1 January 2021.

<sup>2</sup> Based on the 2020 ISS Guidance, which classifies any person with more than five mandates at a listed company as being overboarded.

A non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates and a position as executive director (or comparable role) counts as three mandates.

# Nomination Committee Report

During 2020, the work of the Nomination Committee has focused on refreshing the Board's succession plans and has continued to develop the senior management succession pipeline below Board and Executive level. We are committed to strengthening this pipeline to ensure that appropriate opportunities are in place to develop high-performing individuals and to build diversity in senior roles across the Group.

A significant amount of work has also been carried out in respect of developing a diverse and inclusive leadership community and the introduction of core diversity and inclusion activity across the Group. The Committee will continue to support management with the development of this programme during 2021.

The Committee also spent time during 2020 considering the succession plans in place for Martha Wyrsh, who will step down from the Board before the AGM in May 2021. This has included reviewing in detail the current skills and composition of the Board, to identify areas in which we could benefit from deeper expertise.

**Mark Williamson**  
Chairman of the Nomination Committee  
24 February 2021

## Role of the Committee

The Committee leads the process for Board appointments and makes recommendations to the Board in this regard. In fulfilling this role, the Committee evaluates the balance of skills, experience, independence and knowledge on the Board. The Board values diversity and considers the importance of diversity, in all its forms, when recruiting new Board members. More information on the work being carried out across the Group in respect of diversity and inclusion can be found on page 54. The gender balance of those on the Executive and in senior management roles is set out on page 54.

The key responsibilities of the Committee are:

- reviewing the size, structure and composition of the Board;
- recommending membership of Board Committees;
- undertaking succession planning for the Chairman, Executive Directors and senior management;
- searching for candidates for the Board and recommending Directors for appointment;
- determining the independence of Directors;
- assessing whether Directors are able to commit enough time to discharge their responsibilities; and
- reviewing the induction and training needs of Directors.

Full terms of reference for the Committee can be found at [www.spectris.com](http://www.spectris.com)

The Committee's performance was assessed as part of the Board's internally-conducted annual effectiveness review and is considered to be operating effectively. Further details on the evaluation process are set out on page 69.

## Membership and attendees

Throughout 2020, all Non-executive Directors were members of the Committee. Meetings are also usually attended by the Chief Executive, Group HR Director and Head of Sustainability. The biographies of the members of the Committee can be found on pages 60-61, and attendance at Committee meetings on page 62.

## Activities of the Committee during 2020

During the year, the Committee's key activities included:

- agreeing the succession plan for Martha's role and responsibilities ahead of her retirement from the Board in May 2021 and the commencement of the search and selection process for a new Non-executive Director, in line with our Board Diversity Policy (as set out on our website: [www.spectris.com](http://www.spectris.com)) as well as diversity of thought;
- continued focus on talent management and succession planning at a Group Executive and senior management level;
- regular updates from the Workforce Engagement Director;
- considering the independence of each Non-executive Director and their time commitments; and
- developing a 2021 training programme for the Non-executive Directors.

## Workforce Engagement Director

The Committee received regular updates from Kjersti Wiklund as the Workforce Engagement Director on the work that was carried out during 2020. The intended plan was adapted to adjust to the travel and meeting restrictions put in place in response to the COVID-19 pandemic. Regular calls were held with the Group HR Director and Head of Sustainability to discuss key workstreams around employee communication and welfare. Remote meetings were also held with a variety of individuals from across the business who were responsible for supporting employee safety and wellbeing. This included:

- meeting with the HR Director and Head of Finance for Spectris Asia to better understand how the mental health and physical wellbeing of employees was being managed;
- spending time with the Group's Chief Ethics and Compliance Officer to consider the volume and nature of calls to the Spectris Helpline during the pandemic; and
- a discussion with the Group's Chief Information Officer regarding the need to consider the impact on employees alongside the increased use of robotics and artificial intelligence in the Company's operations.

The Board recognises the importance of good links with the workforce and during 2021, the engagement plan will also include a series of arranged discussions and Q&A sessions between the workforce and the Non-executive Directors on key topics relating to careers and leadership experience.

## Board succession planning

In preparation for Martha's retirement in 2021, on behalf of the Board, the Committee considered the skills and capabilities of the current Board in order to inform its succession plans and for future appointments to the Board. Key areas that were highlighted that the Board could benefit from were in areas such as research and development, digital, big data and sales and marketing. Feedback from the Board evaluation process (more details on page 69) will also be used to inform the Committee's planning for any future appointments.

## 2021 Committee focus

During 2021, the Committee will focus on:

- the outcomes from the complete talent review, along with analytics and trends across the Group and developing talent internally;
- supporting management with the core diversity and inclusion programme; and
- Board diversity and succession planning.

# Audit and Risk Committee Report

The primary role of the Committee is to oversee the effectiveness of the internal and external audit functions, the risk management processes and to provide assurance to the Board on the integrity of the financial reporting.

I am pleased to present the Audit and Risk Committee report to shareholders, which sets out the key activities of the Committee throughout 2020. Our work has included:

- assessing the integrity of the Group's financial reporting processes;
- the assessment of the quality and effectiveness of internal audit and agreement of a new co-source arrangement;
- consideration of the Group's systems of risk management and internal control; and
- the quality and effectiveness of the external audit.

During 2020, as outlined in last year's report, the Committee has held three longer, formal meetings, and one informal topic-based discussion. Since March, due to the restrictions put in place to manage the COVID-19 pandemic, these meetings have been held over video-conference. I am pleased with the way in which the Committee continued to operate effectively remotely, and informal discussions in between our face-to-face meetings enabled more focus on key topics and in-depth discussions.

A significant proportion of business continuity planning involves considering the different risks facing a business and how these may cause an impact. Throughout the pandemic, management have continued to carefully consider these risks and respond accordingly including through specific topical discussions on key issues and maintaining regular contact with the operating companies. The Board as a whole has received regular updates and I have remained in close contact with management and the internal and external audit teams in between formal Committee meetings. Both audit functions have had to adapt to new ways of working to conduct effective audits remotely, including increased use of IT systems and technology. More detail on this is contained within the respective internal and external audit sections of this report.

During the year, an area of focus has been on the external quality assessment of the internal audit function, led by EY. In February 2020, I met with EY and the Head of Internal Audit to discuss the assessment and our plans to co-source the internal audit arrangements. I am pleased to confirm that PwC has been appointed as the co-source internal audit partner and I look forward to working with them in the coming months. More details on this appointment can be found on page 77.

In respect of external audit, I am pleased to confirm that following the Committee's assessment of the performance, independence and effectiveness of Deloitte (page 77), the Committee is satisfied that Deloitte continues to remain effective in its role as external auditor.

Due to the COVID-19 pandemic, it has not been possible to conduct any site visits during 2020. I look forward to the point in time when in-person visits are able to restart to continue to enhance the Committee's understanding of the businesses within the Group and the different risks they may face.

During 2021, in addition to our usual responsibilities, we will focus on embedding the new internal audit co-source arrangement and we will work with management and Deloitte in preparation for any changes being made to controls assessment and financial reporting processes as a result of the ongoing consultations on audit reform and enhanced internal controls regimes.

I hope that this report is useful to support the understanding of the work of the Committee during the year. We encourage shareholder feedback and can be reached remotely through the contact details available at [www.spectris.com](http://www.spectris.com). I look forward to meeting with shareholders at the next available opportunity.

**Bill Seeger**

**Chairman of the Audit and Risk Committee**

24 February 2021

## Key areas of focus

The UK Corporate Governance Code requires, on a comply or explain basis, the Committee to report on the significant matters considered during the year. In 2020, I consider that the most important matters were:

External quality assessment of the internal audit function and appointment of PwC as co-sourcing partner

Consideration and decisions around the impairment reviews ahead of the sale of Millbrook

Providing comfort to the Board that risk management and internal controls continued to operate effectively during the COVID-19 pandemic

## Membership and attendance

In line with the requirements of the Code, during 2020 the Committee was comprised solely of independent Non-executive Directors: Bill Seeger, Martha Wyrsh, Kjersti Wiklund and Ulf Quellmann. Bill Seeger is determined by the Committee to have 'recent and relevant financial experience' as required by the Code. All members of the Committee are considered to have competencies that the Board deems relevant to the sectors in which the Company operates. The full biographies of the members of the Committee can be found on pages 60 and 61.

Attendees at meetings normally include:

- the Chairman;
- the Chief Executive;
- the Chief Financial Officer;
- the Head of Internal Audit;
- the General Counsel and Company Secretary; and
- representatives of the external auditor.

The Committee retains time around each meeting to meet separately without management present and invites the Head of Internal Audit and the external auditor to attend for part of this session.

## Role of the Committee

The Committee supports the Board in fulfilling its responsibilities in respect of:

- overseeing the Company's financial and narrative reporting processes, including advising the Board where required on the fair, balanced and understandable assessment of the information provided;
- reviewing, challenging and approving significant accounting judgements proposed by management;
- reviewing and monitoring the way in which management ensures and oversees the adequacy of financial, risk management and compliance controls;
- the appointment, remuneration, independence and performance of the Group's external auditor; and
- the independence and performance of internal audit.

Details of the work carried out by the Committee in accordance with its terms of reference and in addressing significant issues are reported to the Board as a matter of course by the Chairman of the Committee and are described in this report. Details of the Committee meeting attendance in 2020 can be found on page 62 of the Annual Report.

The Committee's annual calendar of activities is regularly refreshed to ensure that all significant areas of risk management are addressed, as well as to allow time for the review of regulatory developments and emerging best practice. The annual forward agenda and terms of reference are reviewed annually to ensure they remain accurate and effective. The terms of reference for the Committee can be found at [www.spectris.com](http://www.spectris.com)

## Key areas of focus in relation to the Financial Statements

The Committee has reviewed the key judgements applied to the following significant issues in the preparation of the Financial Statements. The table below sets out the issue, its significance, how the Committee considered it and any comments and conclusions reached.

### Alternative performance measures

#### Issues and significance

The Group continued with restructuring throughout the year, building on the profit improvement programme launched in previous years. This was extended as part of the "Respond" phase of the Group's approach to the COVID-19 pandemic. This Group-wide programme included restructuring programmes in all of the platforms and across ISD. In 2020, restructuring costs of £19.5m were incurred. There is a risk that items included in restructuring could relate to underlying trading, rather than be linked to one-off restructuring activities.

#### The role of the Committee

The Committee received and considered a number of reports from management outlining the details of the nature and quantum of items included within the restructuring programme.

#### Comments and conclusions

The Committee concluded that the treatment of the restructuring costs and other one-off items as adjusting items was appropriate in providing a fair and balanced explanation of the underlying performance of the Group.

### Review of non-current assets for impairment

#### Issues and significance

Management assessed the carrying value of its cash generating units, including detailed value-in-use calculations, to ensure that the carrying values recognised were supported by future forecast discounted cash flows. At the half year, an impairment was recognised for the whole of Millbrook's goodwill balance of £58.4 million, £11.0 million of other intangibles and £6.4 million of other property, plant and equipment ('PPE'). During the second half of 2020, a comprehensive sale process relating to Millbrook was concluded. The commercial valuation received resulted in a further impairment of £44.8 million of PPE and £5.3 million of other intangible assets. Further detailed disclosures are set out in Notes 11 and 25 to the Financial Statements.

#### The role of the Committee

The Committee reviewed and challenged assumptions made by management in their assessment of the valuation of goodwill and intangible assets. They also considered the factors that impacted the Millbrook business throughout 2020, and the opinion of the external auditor on the assumptions underpinning management's estimates and conclusions.

#### Comments and conclusions

As part of the Group's half year results, the Group recognised Millbrook as an impaired asset and the Committee discussed and agreed with management the necessary level of disclosure to support the impairment assessment. The Committee updated this assessment following the completion of the Millbrook disposal.

# Audit and Risk Committee Report continued

## Key areas of focus in relation to the Financial Statements

### Estimation, uncertainty and judgement

#### Issues and significance

During the year, the Committee received reports and recommendations from management to consider the significant accounting issues, estimates and judgements applicable to the Group's Financial Statements and disclosures.

The key risks of estimation disclosed in the Group's 2020 Financial Statements are the assumptions applied in the calculation of retirement benefit plan liabilities; provisions for uncertain exposures and tax positions.

The critical accounting judgement discussed in the Group's 2020 Financial Statements is the classification and presentation of items as restructuring costs.

Further details are set out in Notes 8, 19 and 20 to the Financial Statements.

#### The role of the Committee

The Committee received confirmation from management that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation.

The Committee reviewed presentations by management and questioned Deloitte to understand whether the external auditor had, to the Committee's satisfaction, fulfilled its responsibilities with diligence and professional scepticism and in a sufficiently robust manner.

#### Comments and conclusions

Following detailed review, challenging the presentations and reports from management and where necessary, consulting with the external auditor, the Committee is satisfied that the Financial Statements appropriately address critical judgements and key estimates (both in respect of the amounts reported and the disclosures).

The Committee was satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust.

### M&A Activity

#### Issues and significance

At the year-end, there were a number of disposals in process. These included the divestment of Millbrook, Brüel & Kjær Vibro, as well as a portion of the CLS business. The accounting for such transactions was closely reviewed so that the Group consolidated accounts were prepared in accordance with IFRS 5.

#### The role of the Committee

The Committee reviewed the papers provided to the Board and considered the relevant accounting judgements for the transactions in question. Reports and discussions were also had with Deloitte.

#### Comments and conclusions

Following the Committee's review of the accounting treatments proposed by management for the disposals that took place over the year-end, the Committee was satisfied that the treatments used were appropriate for each transaction.

### Principal Risks and Uncertainties

#### Issues and significance

During 2020, management re-assessed the appropriateness of the Group's existing Principal Risks and considered any additional or emerging risks that might need to be included. This reassessment resulted in the proposal to remove Intellectual Property as a Group Principal Risk.

#### The role of the Committee

The Committee reviewed this process during its December and February meetings and considered the appropriate disclosure for the Principal Risks and Uncertainties section and Viability Statement within the Annual Report.

#### Comments and conclusions

The Committee endorsed the revised assessment of the Group's Principal Risks, including the removal of Intellectual Property risk, and the respective scenarios considered in the preparation of the Viability Statement.

## Activities of the Committee during 2020

The Committee has an annual forward agenda developed from its terms of reference. Standing items are considered at each meeting, in addition to any specific matters arising, and topical business or financial items on which the Committee has chosen to focus. The work of the Committee in 2020 principally fell into three main areas:

### 1. Accounting, tax and financial reporting

- reviewing the integrity of the half-year and annual Financial Statements and the associated significant financial reporting judgements, estimates and disclosures;
- considering the liquidity risk and the basis for preparing the half year and annual Financial Statements on a going concern basis, and reviewing the related disclosures in the Annual Report and Accounts;
- considering the provisions of the Code regarding going concern and viability statements and reviewing best practice and investor comment as well as the Group's Viability Statement;
- reviewing updates on pensions liabilities including the accounting standard on employee benefits (IAS 19);
- reviewing the processes to assure the integrity of the Annual Report and Accounts;
- reviewing the management representation letter to the external auditor and the findings and opinions of the external auditor;
- considering the process designed to ensure the external auditor is aware of all "relevant audit information", as required by Sections 418 and 419 of the Companies Act 2006;
- assessing the disclosures in relation to internal controls and the work of the Committee;
- recommending to the Board that the information presented in the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and contains all relevant information necessary for shareholders to assess the Company's position, performance, business model and strategy and the processes undertaken to support the disclosure of that information; and
- the effectiveness of the disclosure controls and procedures designed to ensure that the Annual Report and Accounts complies with all relevant legal and regulatory requirements.

### 2. Risk management and internal controls

- overseeing an external quality assessment conducted by EY and development of an action plan and future roadmap based on the findings;
- assessing the effectiveness of the internal audit function, the Group's risk management and internal control environment and making recommendations to the Board;
- reviewing risk management updates from the various operating companies;
- considering reports from internal audit;
- considering the level of alignment between the Company's principal risks and internal audit programme;
- reviewing the adequacy of resources of the internal audit function and considering and approving the scope of the internal audit programme;
- reviewing the Group's ongoing litigation matters and associated provisions;
- reviewing the control procedures in place to comply with the Group's policies on business ethics, anti-bribery, compliance and fraud, including the steps being taken to enhance the Group's ethics and compliance programme;
- reviewing matters reported to the independent and confidential helpline and the status of associated investigations (further details of the Group's Speak-Up policy on page 56); and
- considering reports from the external auditor on its assessment of the control environment.

### 3. External auditor

- considering the re-appointment of the external auditor;
- considering and approving the audit approach, the scope of the audit undertaken by Deloitte as external auditor and the fees for the same;
- agreeing reporting materiality thresholds;
- reviewing reports on audit findings;
- considering and approving letters of representation issued to Deloitte; and
- considering the independence of Deloitte and its effectiveness, taking into account:
  - the Deloitte Audit Quality Inspection Report;
  - non-audit work undertaken by the external auditor;
  - feedback from a survey targeted at various stakeholders; and
  - the Committee's own assessment.

# Audit and Risk Committee Report continued

## Internal control and risk management systems

To assist the Board with its responsibilities to effectively determine the nature and extent of the Group's significant risks, the Committee carries out a robust annual assessment of the principal risks and uncertainties facing the Group. The Board remains ultimately responsible for determining the nature and extent of the effectiveness of the risk management and internal controls system which mitigate potential impacts on shareholder investments and the Company's assets.

Before reporting its findings and recommendations to the Board, the Committee:

- evaluates and challenges the results and recommendations of audits undertaken by the internal audit team and the external auditor;
- reviews reports received on significant control issues to the Group and considers and challenges as necessary the adequacy of management's response to any matters raised;
- appraises the Group's response to information security and data protection risks;
- considers the Group's ethics programme and the anti-bribery and corruption audit programme;
- considers common control themes identified throughout the business, and where themes are identified, ensures that subsequent action has been taken to minimise the risk;
- assesses the Group's responsibilities relating to regulated exposures of the Group;
- reviews the annual Audit and Risk Committee agenda; and
- has oversight of the governance and risk management framework, including a definition of risk appetite by risk category and principal risk, put in place throughout the Group.

Internal control and risk management processes were adapted throughout 2020 to ensure that these continued to work effectively during the COVID-19 pandemic. There was increased communication between the Head of Internal Audit and the Audit and Risk Committee Chairman and adaptations were made to allow the 2020 internal audit plan to be executed effectively. The internal audit team used technology to conduct remote audits and this has allowed them to continue to provide effective assurance throughout the pandemic. It is expected that remote auditing will remain a key element of the approach used by the internal audit team in 2021. Some specific instances where technology replaced in-person visits were the use of screensharing to review documentation, video-conferencing with key employees replaced face-to-face meetings and repository sites have been developed to provide a single point of information for the internal auditor.

The Committee reviewed the results of an assessment of the internal control environment and was reassured that the control environment had withstood the impact of the pandemic. Technology was a key factor in this conclusion, with many controls already operating digitally and others being adapted accordingly. At its meeting in February, the Committee assessed the Group's internal control environment and concluded that nothing came to the Committee's attention to suggest that the internal control and risk management systems were not effective.

The effectiveness of risk management and mitigation is reviewed regularly by the Executive Committee and twice

yearly by the Audit and Risk Committee. The Board notes that, as with all such systems, the Group's risk management and internal control framework is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

## IT control environment

Throughout 2020, significant progress has been made to strengthen the Group's IT control environment. A dedicated IT assurance plan has focused on improving the technology and controls in place across the Group, implementing new technology and developing an IT risk universe to drive a more risk-focused approach for 2021.

In 2021, PwC, through the new co-source arrangement, will support this work by carrying out a maturity assessment of the IT systems landscape and assisting the Group with developing a framework to implement any necessary improvements. The Committee will receive regular updates on the work being carried out in this area.

## Viability Statement

Our approach to the 2020 Viability Statement built on the work carried out last year. The Committee reviewed the 2020 Viability Statement in light of factors affecting the duration over which the Viability Statement is made, including:

- budgeting, forecasting and strategic planning cycles;
- the time frame within which our risks are assessed; and
- the maturation of the Group's credit facilities and the approach taken by our peers.

The Committee remains of the view that the statement made regarding the Company's viability period continues to be an accurate assessment of the Company's viability as at the date of the report. The Viability Statement can be found in full on page 49.

## Independent assurance

### Internal audit

The Committee has oversight responsibilities for the internal audit function, which is led by the Head of Internal Audit. It is also responsible for monitoring the effectiveness of the internal audit function.

The purpose of the internal audit function is to provide independent, objective assurance to add value and improve the Group's operations. Its responsibilities include assessing the key risks of the organisation and examining, evaluating and reporting on the adequacy and effectiveness of the systems of internal control and risk management in place, and the governance processes in operation throughout the Group.

During 2020, a key focus for internal audit was supporting the conduct of an external quality assessment ('EQA') of internal audit, carried out by EY to independently assess the effectiveness of the internal audit function, in line with the International Standards for the Professional Practice of Internal Auditing ('IIA') (which recommends that such a review be performed at least every five years). The Spectris internal audit function was also assessed against the most recent IIA Code of Practice, issued in January 2020. Following the assessment, the EQA determined that the internal audit function was operating effectively and its recently implemented and planned future improvements were in line with best practice. A roadmap of activities to address the recommendations to the report was agreed by the Committee.

### Development of a strategic co-source relationship

The most significant recommendation of the EQA was to establish a strategic co-source relationship to help accelerate internal audit's transformation while ensuring access to capability and technology enablers.

In response, a competitive process was undertaken to identify and appoint the most of appropriate co-source partner for Spectris. Four accounting firms were invited to present. Management undertook a thorough review of the proposals and working with the Chairman of the Audit and Risk Committee concluded that PwC should be appointed as the co-source partner.

The co-source strategy sets out to guarantee the successful implementation of the EQA roadmap, as well as to make use of a more formal and consistent level of outside expertise, both in terms of ground-level subject matter expertise in the field, and in providing the Head of Internal Audit with additional strategic level support and challenge.

During 2021, the Committee will support the internal audit function as it embeds the co-source arrangement with PwC.

In addition, during the year, audit and risk committees were established within our platform businesses. These committees, chaired by the platform CFOs, will assist with developing a more focused, risk-based audit approach for 2021 and beyond. This will help to drive fewer, but more detailed, audits focused on the major areas of risk within the platform companies, as well as Group-wide risks. The chairmen of the platform audit and risk committees will be asked to periodically attend the Group Audit and Risk Committee and provide updates on the work being carried out.

During the year, the Committee also:

- considered the internal audit programme for the forthcoming year and reviewed the proposed audit approach, coverage and allocation of resources;
- reviewed the progress updates against the 2020 activity of internal audit, received reports on issues of significance to the Group and reported to the Board on its evaluation of these findings.

The Committee was reassured by the conclusions made during the EQA process and is pleased to confirm that it continues to view the internal audit function as operating effectively.

### External auditor

One of the Committee's responsibilities is to manage the relationship with the Group's external auditor on behalf of the Board.

Deloitte LLP was appointed as the Company's auditor in 2016 following a competitive tender process and has now completed its fourth year as auditor. Andrew Bond has held the role of lead audit partner since March 2019.

The external audit for the financial year ended 31 December 2020 has been carried out remotely. Document repository sites have been utilised in place of the review of hardcopy files, and where required, alternative arrangements were made for activities such as in-person stock counts. The Committee receives regular reports from Deloitte at its meetings and management and the Chairman of the

Committee maintain a close relationship with the external audit team outside of the usual meeting cycle. This has provided comfort to the Committee on the steps that have been put in place to ensure that the COVID-19 pandemic did not adversely affect the quality or the timescale for the completion of the audit of the financial statements.

During the year, the Committee carried out the annual effectiveness review of the external auditor which focused primarily on the 2019 audit. The findings of this review were reported in detail to the Board. There were no significant findings following the review and it was concluded that the audit process continued to be effective.

The engagement letter for the audit of the 2020 Financial Statements was reviewed by the Committee, and, in accordance with the authority given to the Committee at the 2020 AGM, the Committee reviewed the proposed remuneration of Deloitte. The Committee considered the proposed auditor's remuneration to be appropriate.

It is proposed that Deloitte be re-appointed as auditor of the Company at the next AGM in May 2021 and, if so re-appointed, that it will hold office until the conclusion of the next general meeting of the Company at which accounts are laid. Further details are set out in the Notice of Meeting, which is available at: [www.spectris.com](http://www.spectris.com)

The Group will continue the practice of the rotation of the key audit engagement partner at least every five years, with all other partners and senior management required to rotate at least every seven years. The independent external auditor's report to shareholders is set out on pages 103 to 110.

As detailed above, the Company complied with the Statutory Audit Services Order 2014 throughout 2020.

### Non-audit fees

The Committee believes that non-audit work may only be undertaken by the external auditor in limited circumstances. A cumulative annual cap is imposed for non-audit services provided by our external auditor (save for acquisition due diligence), above which all engagements are subject to the Committee's prior approval.

The Committee's non-audit services policy is available at [www.spectris.com](http://www.spectris.com) and is used to safeguard Deloitte's independence and objectivity. Non-audit fees for services provided by Deloitte for the year amounted to £0.6m (26.09% of the total audit fee). As in previous years, a proportion of these fees were in respect of the half-year review. In addition, non-audit services in the year included the reporting accountant role performed by Deloitte in respect of the unsuccessful acquisition of a US publicly-listed company. Deloitte was considered best placed to support the Company in this role as a result of its unique knowledge of the Group, having considered the threats to auditor independence including non-audit service fee caps for the Group and the UK. Further details are included in Note 5 to the Financial Statements.

### Performance review

The Committee's performance was assessed internally and led by the Committee Chairman. This review formed part of the wider internal Board evaluation process, led by the Chairman. Following this review and the feedback received, the Committee considered that it had operated effectively during the year. More details on the overall Board evaluation process can be found on page 69.

# Directors' Remuneration Report

## Remuneration Committee Chairman's statement

On behalf of the Board, I am pleased to present my first report as Chairman of the Remuneration Committee, for the year ended 31 December 2020. It has been anything but a normal year for our employees, customers and shareholders. The Committee has, as a result, had more discussions than typical with much time directed at ensuring that all employee reward has been managed responsibly and fairly.

This report provides a comprehensive picture of the structure and scale of our remuneration framework, its alignment with both the Group's strategy and the wider workforce framework. The report sets out the decisions made by the Committee for this year and the intended arrangements for 2021.

### 2020 Remuneration Policy

We appreciated the shareholder support and approval of the Group's Remuneration Policy (the 'Policy') at the General Meeting in December 2019. The Policy received over 94% of votes in favour and came into effect on 1 January 2020. Needless to say, the events of 2020 were not as anticipated or desired. That said, the Committee remains committed to the Policy and confident that it supports the Group's strategy. The Policy continues to provide a balance between motivating and challenging our Executive Directors and senior management to deliver our business priorities and to drive the long-term sustainable success of the Group. I am therefore pleased to confirm that the Policy remains relevant and unchanged.

### Response to COVID-19

During 2020, the Committee reviewed the Group's remuneration framework, structures, measures and targets in the context of the challenges posed by the ongoing COVID-19 pandemic. In particular, the Committee has focused on ensuring that the Policy continued to operate in a culture of strong governance and that the remuneration structure available to the Executive Directors and senior management reflected both the wider workforce and the stakeholder experience of the Group. We remain confident that the stretching performance conditions approved by shareholders as part of the 2020 Remuneration Policy should remain as they continue to reflect expected long term performance.

The key considerations and the decisions made by the Committee during 2020 are set out below. I can confirm that the Committee has not applied any discretion in determining the outcomes of remuneration for the Executive Directors.

### 2020 salary increases and temporary salary reductions

As the extent of the potential impact of COVID-19 started to become apparent, the Committee supported the enactment of temporary remuneration measures to protect the financial health of the Group. The Committee and I are grateful for the leadership shown by, and the support of the

Executive Directors, senior management and the wider workforce in their adoption of these temporary measures.

Two key actions on remuneration were taken and announced in early April 2020:

- 2020 Group-wide inflation-related salary increases confirmed in the 2019 Remuneration Report were cancelled. This salary and fee freeze was enacted across the Group, and impacted the Executive Directors, the Chairman and the Non-Executive Directors as well as the wider workforce; and
- Executive Directors took a temporary voluntary salary reduction of 25% of salary and the Chairman and the Non-Executive Directors fees were voluntarily reduced by the same amount. This reduction was cascaded through the Group with members of the Executive Committee taking a 20% reduction in salary. Amongst the wider workforce, a variety of temporary pay measures were introduced including temporary salary reductions, reductions in working hours and furlough arrangements. The Group did not take part in UK Government furlough arrangements.

In July 2020, the Committee reviewed the draft half-year results and the accompanying business forecast. The Committee agreed that the Group's better than expected performance, coupled with the payment of an interim dividend in lieu of the postponed 2019 final dividend and the announcement of the 2020 interim dividend, supported the reversal of the temporary salary reductions. In reaching this judgement, the Committee recognised the importance of retaining and motivating the workforce during this challenging period. Due to the variety of pay reduction methods utilised across the Group, the process to unwind the reductions was complex. Therefore, the reinstatement process took place between August and October, with senior management, the Executive Directors and the Board being the last population returned to full salary and fees from 1 October 2020.

As a Committee, we remained cognisant of not only the financial burden but also the exceptional workload and pressure being placed on both management and the workforce during 2020. In November 2020, the Committee reviewed trading for the first 10 months of the year and early November trading and noted that the Group continued to outperform expectations. The Committee agreed that the improved business performance and the contemplation of a 2020 final dividend made it appropriate to return pay foregone through the temporary salary reduction to the workforce, excluding the Board and Executive Committee at that time. Following the further review of the full year business performance in January 2021, it was agreed that it was appropriate to return pay foregone to the Board and the Executive Committee. Both Executive Directors have confirmed their intention to voluntarily purchase shares in Spectris plc with the post-tax pay returned.

## In this section

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- p.95 Remuneration Committee remit

The Committee also considered the appropriateness of the reinstatement of the inflation-related salary increases that were reversed in April 2020. It was agreed that in recognition of the challenging macro-economic environment, the salary increases would not be reinstated, and that the next salary review would be undertaken in line with the Group's annual review process in early 2021.

#### Long Term Incentive Plan – 2020 grant

In March 2020, the Committee proceeded as normal to grant awards under the Spectris Long Term Incentive Plan. No adjustments to targets were made to reflect the challenging economic environment as a result of COVID-19. The awards were made during a period of market turbulence due to COVID-19 that was not specific to the Company. Therefore, the Committee determined that using the share price immediately prior to the date of grant to calculate the number of shares awarded was appropriate and consistent with the Group's historic practice. However, the Committee will mitigate the risk of any unacceptable 'windfall gains' by reviewing the appropriateness of this approach as part of the assessment of all relevant factors at the point of vesting when all the relevant information is available to the Committee.

#### In-flight performance conditions

As a Committee, we, in principle, do not subscribe to modifying in-flight performance plans. As such, no adjustments have been made to either the 2020 bonus plan, the 2020 Long Term Incentive Plan, or any other in-flight long-term incentive award. The Committee will continue to monitor performance through the vesting period of current in-flight long term incentives and, in the unusual situation that the Committee believes it should exercise discretion, we will engage with shareholders.

#### 2020 remuneration outcomes

Despite the challenges presented by COVID-19, the Group has delivered a resilient and sustainable financial performance with strong cash generation. The Committee has been particularly pleased with the balanced and socially responsible approach taken by management in leading the Group during this period. As such, the Group ended 2020 with a strong balance sheet, with positive action taken to position the Group well for 2021 and beyond.

The Committee set stretching annual performance targets and against this backdrop Andrew Heath, Chief Executive, achieved a total annual bonus for 2020 of 40% of the maximum opportunity, which equated to 60% of base salary out of a maximum 150% of base salary (0% related to adjusted operating profit, 30% related to Group cash conversion and 30% to strategic objectives). Derek Harding, Chief Financial Officer, earned a total annual bonus for 2020 of 40% of the maximum opportunity. This equates to 50% of base salary out of a maximum 125% of base salary (0% related to adjusted operating profit, 25% related to

## Stakeholder alignment

- Additional interim dividend and 2020 interim dividend paid
- 2020 Final dividend declared
- No support received from UK Government
- Return of pay foregone through temporary pay reductions to employees
- Year-on-year share price increase of 2.7%\*

\* Calculated at the last practicable date before signature – 23 February 2021

Group cash conversion 25% to strategic objectives). Full details of the performance outcomes for the annual bonus are set out on pages 83-85. Both Executive Directors have confirmed their intention to purchase shares in Spectris plc with the post-tax cash component of any bonus received.

The Committee is satisfied that the total remuneration received by Executive Directors in respect of the year ended 31 December 2020 fairly reflects performance over the period as well as taking into account the current circumstances and the treatment of the wider workforce. In line with the Code, the Committee reviewed the outcomes of the individual incentive plans as well as the overall levels of remuneration to ensure that they remained consistent with the underlying performance of the business and our stakeholders experience over this period.

#### 2021 remuneration outlook

The Executive Directors' salaries were reviewed by the Committee in February 2021 with a 3.2% increase agreed with effect from 1 April 2021 in line with the average pay increase across the wider employee population. The fee structure for the Chairman and Non-executive Directors was also reviewed in February 2021 with increases taking effect from 1 April 2021, with further details set out on page 91.

Andrew Heath was granted a PSP award in 2018 which is due to vest on 3 September 2021. The threshold performance targets for both the EPS and Economic Profit conditions were not met and the part of his PSP award subject to these conditions will lapse in full. Based on interim results as at 31 December 2020, a partial vesting is predicted for the TSR performance-related final third of the award. Full details of the estimated 2018 PSP performance outcome is set out on page 86.

#### Stakeholders

The impact of the COVID-19 pandemic has tested our remuneration structure. The Committee has spent considerable time deliberating the right balance between policy, performance and fairness to all stakeholders. Our policy has withstood such scrutiny and the Committee therefore recommends this report to shareholders.

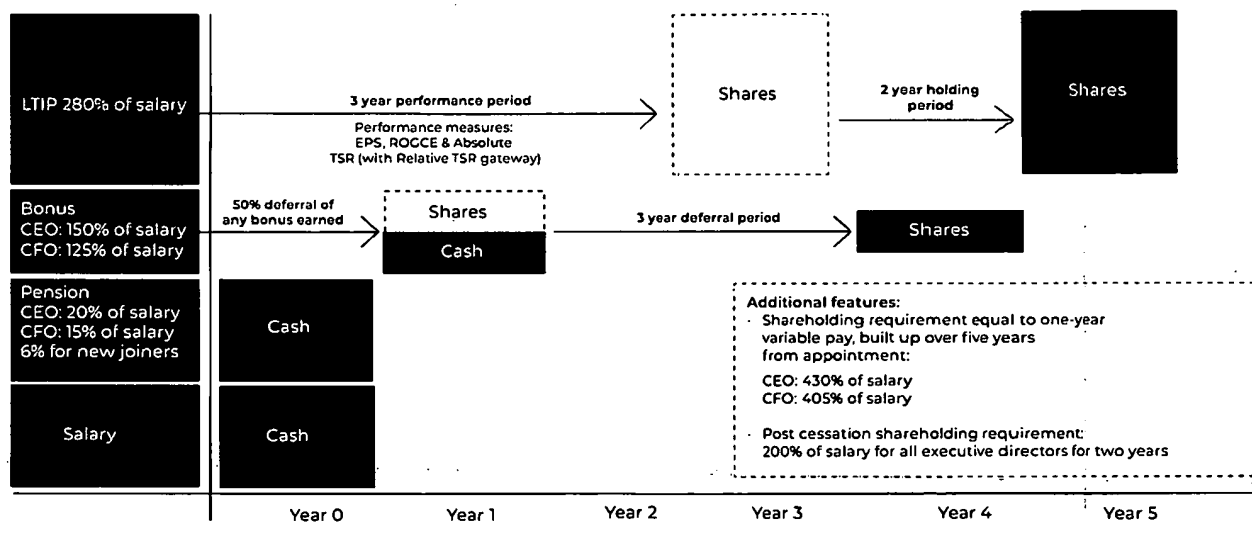
I hope that shareholders find this report helpful in its explanation of the reward structure in place and will agree that this structure supports strong and sustainable delivery for all our stakeholders and will support the judgements made by the Committee this year. If any shareholder requires clarification or wishes to explore any of the matters contained in the report, I would be happy to discuss them with you and I hope to meet with many of you in person once conditions allow.

**Cathy Turner**  
Chairman of the Remuneration Committee  
24 February 2021

# Overview of Remuneration Policy

## Spectris remuneration structure

Reflecting 2020 Remuneration Policy (effective 1 January 2020)



## Key features

### Alignment with Group strategy

The Policy drives strong performance and is aligned to the objectives of the Group's Strategy for Profitable Growth. The Annual Bonus Plan supports the balanced assessment of individual performance in support of the Group's culture and Values.

### Malus and clawback

Malus and clawback provisions enable variable remuneration to be reclaimed within two years of vesting under the following circumstances: material misstatements of results or accounts, gross misconduct or fraud, award calculated in error, or material breach of our Code of Business Ethics.

### Shareholding requirements

Shareholding requirement equal to one-year variable pay for each Executive Director to be built over five years:

CEO – 430% salary  
CFO – 405% salary

In support of this requirement, 50% of any bonus received under the Annual Bonus Plan is automatically deferred into shares.

### Post-cessation shareholding

Any Executive Director who leaves the Company is required to retain the lower of:

- Their actual shareholding on the date of departure; or
- 200% of their final salary for two-years post-cessation.

### Pension

Allowance for new joiners aligned to the majority of UK wider workforce (6% of salary). Approach under development to align incumbent directors' pension arrangements with the wider workforce by the end of 2022.

### Discretion

The Committee reserves certain discretions, consistent with market practice, in relation to the operation and administration of both the LTIP and Annual Bonus Plan.

To date, no discretion has been exercised by the Committee.

For full details on our Remuneration policy please visit:

[spectris.com/how-we-work/corporate-governance/remuneration-policy-and-information](https://spectris.com/how-we-work/corporate-governance/remuneration-policy-and-information)

# 2020 Remuneration at a Glance

## Business performance

We delivered a resilient and sustainable financial performance in 2020, despite the drop in market demand. We were able to protect jobs and the core capabilities of our businesses, while also continuing to execute our strategy.

### Key statistic highlights

- 11% LFL sales decrease
- 8% reduction in LFL overheads
- Adjusted operating profit decreased 26%, on a LFL basis, to £173.6 million
- Cashflow of £244.5 million
- Adjusted earnings per share of 112.1p
- Restructuring programmes delivered £30 million of ongoing benefit in 2020
- Continued focus on strategy execution: divestments of Brüel & Kjær Vibro and Millbrook

68.4p

2020 Dividend per share

£173.6m

Adjusted operating profit

141%

2020 cash conversion

## Performance outcomes

### 2020 Annual Bonus Plan

Performance dimensions (% weighting)

|                                 |       |
|---------------------------------|-------|
| Adjusted operating profit (60%) | 0/60  |
| Adjusted cash conversion (20%)  | 20/20 |
| Strategic and operational       |       |
| Andrew Heath (20%)              | 20/20 |
| Derek Harding (20%)             | 20/20 |

### 2018 Performance Share Plan ('PSP')

Performance dimensions (% weighting)

|                          |           |
|--------------------------|-----------|
| EPS (33.33%)             | 0/33.3    |
| Economic Profit (33.33%) | 0/33.3    |
| TSR (33.33%)             | 28.2/33.3 |

### Annual Bonus Plan outcome

Andrew Heath £366,000 (40.0% of maximum)

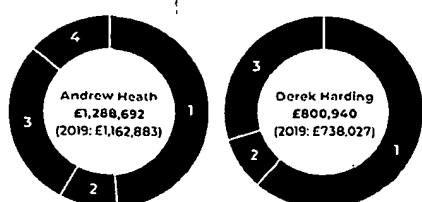
Derek Harding £237,500 (40.0% of maximum)

### PSP outcome (28.2% of maximum)

Andrew Heath £173,502

Derek Harding – not applicable

## Total remuneration



### Andrew Heath

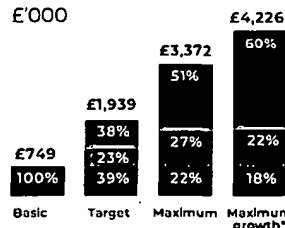
|                        |       |
|------------------------|-------|
| 1 Salary and benefits  | 48.7% |
| 2 Retirement benefits  | 9.5%  |
| 3 Annual bonus         | 28.4% |
| 4 Long Term Incentives | 13.4% |

### Derek Harding

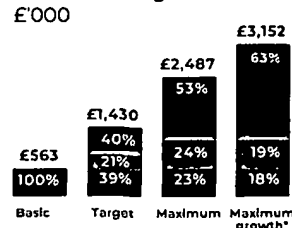
|                        |       |
|------------------------|-------|
| 1 Salary and benefits  | 61.4% |
| 2 Retirement benefits  | 8.9%  |
| 3 Annual bonus         | 29.7% |
| 4 Long Term Incentives | n/a   |

## Outcomes scenarios

### Andrew Heath £'000



### Derek Harding £'000



\* Maximum with 50% share price growth

- Total fixed pay
- Annual Bonus
- 2020 LTIP

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

# Remuneration for FY2020

This section of the Report sets out the details of the implementation of the 2020 Remuneration Policy during the 2020 financial year. Details of how the Remuneration Committee intends to implement the 2020 Remuneration Policy during 2021 are summarised on page 80. This part of the Report together with the Remuneration Committee Chairman's Statement, Overview of Remuneration Policy and its implementation, and the information on the Remuneration Committee form the Annual Report on Remuneration which is subject to an advisory shareholder vote at the 2021 Annual General Meeting and contains both unaudited and audited information. The audited sections of this Report are clearly identified.

## Executive Directors' remuneration

### Single total figure of remuneration (audited)

The single total figure of remuneration of each Executive Director who served during the year is as follows:

| £'000                      |      | A. Base salary | B. Taxable benefits | C. Pension-related benefits | Fixed Pay and benefits (sub-total) | D. Bonus <sup>2</sup> | E. PSP <sup>3</sup> | F. All-employee share plans | Variable remuneration (sub-total) | Total |
|----------------------------|------|----------------|---------------------|-----------------------------|------------------------------------|-----------------------|---------------------|-----------------------------|-----------------------------------|-------|
| Andrew Heath               | 2020 | 610            | 17                  | 122                         | 749                                | 366                   | 174                 | -                           | 540                               | 1,289 |
|                            | 2019 | 610            | 17                  | 122                         | 749                                | 414                   | -                   | -                           | 414                               | 1,163 |
| Derek Harding <sup>1</sup> | 2020 | 475            | 17                  | 71                          | 563                                | 238                   | -                   | -                           | 238                               | 801   |
|                            | 2019 | 396            | 14                  | 59                          | 469                                | 268                   | -                   | -                           | 268                               | 737   |

1 Derek Harding was appointed to the Board on 1 March 2019. His 2019 remuneration is pro-rated from that date.

2 Andrew Heath purchased 1,089 shares on 25 March 2020, at a price of 2,298 pence per share, in line with the requirement under the 2017 Remuneration Policy that any part of his 2019 bonus which is in excess of 60% of salary must be used to acquire shares in the Company until the minimum shareholding requirement is met. In line with the 2020 Remuneration Policy, 50% of the 2020 bonus paid to both Executive Directors will be deferred into shares for three years.

3 The PSP figure for 2020 relates to the 2018 award which is due to vest on 3 September 2021 and is based on estimated vesting levels as at 31 December 2020. The value attributed to share price appreciation in respect of the 2018 award (based on the three month average share price at 31 December 2020 of 2,671.84 pence per share) was £19,088, representing 11% of the total award vested.

### Notes to the single total figure of remuneration table

#### A. Salary (audited)

None of the serving Executive Directors received a salary increase during 2020. The average salary increase for employees of Spectris plc in 2020 was 1.2%.

As set out in the Chairman's Statement (page 78), the Executive Directors took a 25% temporary voluntary salary reduction between 1 April and 30 September 2020. The Committee agreed to return salary foregone to the Executive Directors in January 2021, but only after monies foregone through temporary salary reductions to the wider workforce had been refunded and the additional interim dividend (equal to the postponed 2019 final dividend) and the 2020 interim dividend had been paid to shareholders. The Group has not received any UK Government support during 2020. Both Executive Directors have confirmed their intention to purchase, voluntarily, Spectris plc shares with the post-tax cash component of any bonus payment and with pay returned following the temporary salary reduction.

#### B. Taxable benefits

Taxable benefits include allowances paid in lieu of company cars and private fuel, medical expenses insurance (including family cover) and life and disability cover.

Details of the taxable benefits paid in 2020 are set out in the table below:

| Executive Director | Car and fuel allowances £ | Medical/healthcare cover £ | Total £ |
|--------------------|---------------------------|----------------------------|---------|
| Andrew Heath       | 15,165                    | 2,025                      | 17,190  |
| Derek Harding      | 15,165                    | 2,025                      | 17,190  |

#### C. Retirement benefits (audited)

Executive Directors are entitled to a defined contribution pension contribution. Andrew Heath and Derek Harding receive 20% and 15% of base salary respectively. In light of the pension lifetime allowance of £1.073 million and the maximum annual pension contribution allowance of £40,000, the Executive Directors are entitled, at their option, to a taxable salary supplement in lieu of some or all of such pension contributions. Both Executive Directors have chosen this option and each receives a cash payment in lieu of participation in a Spectris pension scheme. No Executive Director participated in a defined benefit pension plan during the year, nor currently participates in a defined benefit plan. Under the 2020 Remuneration Policy, the pension entitlement for new Executive Directors will be aligned to the majority of the wider UK workforce, which is currently 6%. The Committee has agreed that an approach will be developed to bring incumbent Executive Director and senior management pension arrangements in line with the workforce by the end of 2022.

**D. 2020 Annual bonus outcome (audited)**

The maximum bonus opportunity for Andrew Heath, Chief Executive, remains unchanged at 150% of base salary, of which 90% is based on adjusted operating profit, 30% is based on adjusted cash conversion and the remaining 30% is based on operational and strategic objectives. The maximum bonus opportunity for Derek Harding, Chief Financial Officer, also remains at 125% of base salary, of which 75% is based on adjusted operating profit, 25% on cash conversion and the remaining 25% is based on operational and strategic objectives. The on-target bonus for each Executive Director is 50% of the maximum bonus opportunity. The table below sets out the annual bonus earned by the Executive Directors in respect of the 2020 financial year including the financial trigger points used in determining the level of bonus payable.

|               | Bonus opportunity (% of salary) | Elements of bonus opportunity | On-target (% of salary) | Maximum (% of salary) | Actual Group performance/ assessment of personal objective performance | Payout <sup>1</sup> of maximum bonus | Percentage of maximum bonus |
|---------------|---------------------------------|-------------------------------|-------------------------|-----------------------|------------------------------------------------------------------------|--------------------------------------|-----------------------------|
| Andrew Heath  | 150%                            | Adj Operating profit          | 45%                     | 90%                   | 0.0%                                                                   | –                                    | 0.0%                        |
|               |                                 | Cash conversion               | 15%                     | 30%                   | 30.0%                                                                  | 183,000                              | 20.0%                       |
|               |                                 | Strategic objectives          | 15%                     | 30%                   | 30.0%                                                                  | 183,000                              | 20.0%                       |
|               |                                 | <b>Total</b>                  |                         |                       | <b>60.0%</b>                                                           | <b>366,000</b>                       | <b>40.0%</b>                |
| Derek Harding | 125%                            | Adj operating profit          | 37.5%                   | 75%                   | 0.0%                                                                   | –                                    | 0.0%                        |
|               |                                 | Cash conversion               | 12.5%                   | 25%                   | 25.0%                                                                  | 118,750                              | 20.0%                       |
|               |                                 | Strategic objectives          | 12.5%                   | 25%                   | 25.0%                                                                  | 118,750                              | 20.0%                       |
|               |                                 | <b>Total</b>                  |                         |                       | <b>50.0%</b>                                                           | <b>237,500</b>                       | <b>40.0%</b>                |

1 50% of the Executive Directors' 2020 bonus will be deferred into shares for three years in line with the 2020 Remuneration Policy.

**Bonus performance measures**

The performance against the 2020 bonus financial metrics was as follows:

| Bonus level               | Threshold | Target  | Maximum | Actual  |
|---------------------------|-----------|---------|---------|---------|
| Adjusted operating profit | £237.0m   | £243.6m | £255.8m | £173.1m |
| Adjusted cash conversion  | 70%       | 80%     | 90%     | 115%    |

The Committee has not exercised any discretion in relation to the outcome of bonus awards to the Executive Directors.

When reviewing performance against the financial metrics, the Committee considers whether any items should be excluded because they would give a distorted view of performance. For 2020, no adjustments to adjusted operating profit were deemed necessary and the Committee agreed that no payment should be triggered from this bonus metric.

The Group's operating cash flow position was adjusted to strip out planned capital expenditure that did not take place due to COVID-19 as follows:

|                           | Reported | 2020 underspend | Adjusted |
|---------------------------|----------|-----------------|----------|
| 2020 Operating cash flow  | £244.9m  | (£45.4m)        | £199.5m  |
| Adjusted Operating Profit | £173.1m  |                 | £173.1m  |
| Adjusted cash conversion  | 141%     |                 | 115%     |

The adjusted cash conversion outcome was above the maximum bonus target triggering a full payout from this part of the bonus.

Under the terms of the Deferred Bonus Plan, 50% of any payment is automatically deferred into shares for a three-year period. Both Executive Directors have confirmed their intention to purchase shares in Spectris plc with any bonus payment received in cash following this automatic deferral.

## Remuneration for FY2020 continued

The 2020 operational and strategic objectives for the current Executive Directors, which were set at the beginning of the year and account for 20% of the 2020 bonus, cover a range of the Company's targeted strategic priorities. Each priority is assigned an individual weighting and performance against each of the defined targets was assessed by the Remuneration Committee with input from the Chairman. The objectives for both Executive Directors and performance against them are summarised in the table below.

Following the launch of the Group's Values in 2020, we have enhanced our performance management process to ensure that performance is also viewed through the lens of our Values: Be true, Own it and Aim high. In line with the treatment of the wider employee population, the Committee also reviewed the performance of the Executive Directors against the Values. From 2021, performance against the Group's Values will form part of the evaluation of the outcome of performance under the strategic and operational objectives.

| Andrew Heath                                                                     | % of salary target | Performance summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | % bonus awarded |
|----------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>Strategic:</b>                                                                |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                 |
| Develop organic growth plans across the Platforms and potential Platforms in ISD | 9%                 | Established clear action plan to deliver GDP+ organic growth in 2021. Capability protected in 2020 to maintain progress on growth initiatives (incl. sales and R&D). Strategy deployment process strengthened with organic growth initiatives aligned accordingly.                                                                                                                                                                                                                                                                                                                                                                             | 9%              |
| Execute the portfolio strategy                                                   | 7%                 | Continued to execute an orderly disposal programme, as agreed with the Board with the announcement of the disposals of Millbrook and Bruel & Kjaer Vibro.<br><br>Acquisition programme progressed as far as sensibly possible with significant acquisition pipeline development and sizeable acquisition progressed but not completed due to disciplined capital management.<br><br>Platform potential for both Servomex and PMS developed with strategies successfully presented to the Board.                                                                                                                                                | 7%              |
| Develop a Group ESG strategy                                                     | 5%                 | Group sustainability strategy approved by the Board with clear KPIs around Environment, People and Operations. Two-year implementation timeline underway.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 5%              |
| <b>Operational:</b>                                                              |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                 |
| Improve profitability during 2020                                                | 5%                 | Operating margin reduced due to market decline in 2020. However, overheads reduced by >£53m in the year with £30m of sustainable ongoing benefit. Significant focus on maintaining core capability (incl. Sales & R&D). Delivery for all stakeholders during the COVID-19 pandemic was managed equitably and in support of the long-term success of the Group. Therefore whilst profitability marginally reduced in 2020, the Committee is satisfied that actions were taken over the year that would a) have resulted in higher profitability in a normal year, and b) has set the foundation for sustainable improved profitability in 2021. | 5%              |
| Develop and implement a stronger diversity strategy                              | 4%                 | Demonstrable progress on diversity and inclusion strategy in 2020. Oversaw both a significant improvement in the diversity present in the Group's senior leadership team and Group-wide leadership training on unconscious bias and the development of a roadmap to develop the Group's culture of inclusion.                                                                                                                                                                                                                                                                                                                                  | 4%              |
| <b>Total</b>                                                                     | <b>30%</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>30%</b>      |

### Values

Strong development of the Group's purpose-led strategy and values-centred culture through 2020, including the continued prioritisation of the implementation of the new Values, Code of Business Ethics roll-out and the review of third-party distributors and sales representatives during the COVID-19 pandemic. Displayed exceptional proactivity in addressing the early issues raised by the pandemic and applying excellent judgement to understanding and balancing the impact of necessary measures on all stakeholders.

| Derek Harding                                                                                                                                                                                                        | % of salary target | Performance summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | % bonus awarded |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>Strategic:</b>                                                                                                                                                                                                    |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |
| Strengthen the Group's internal strategic planning framework; including the development and delivery of a strengthened process and output for the 2020 strategic plan and develop a refreshed 5-year financial plan. | 8%                 | Successfully led the review and improvement of the strategy process before the arrival of the new Head of Strategy and led the implementation of the process with the businesses through Q3.<br><br>Successfully refreshed the Group's 5-year financial plan to create a robust process which was significantly improved while limiting disruption to the business.                                                                                                                                                                           | 8%              |
| Strengthen M&A and post-acquisition integration capabilities.                                                                                                                                                        | 6%                 | Developed a clear M&A execution playbook and post-acquisition review procedure which was a clear step-change for the Group. Successfully utilised this process to support M&A activity during the course of 2020 and oversaw the full engagement of the finance function to ensure that the financial implications of potential M&A were fully understood and monitored.                                                                                                                                                                      | 6%              |
| <b>Operational:</b>                                                                                                                                                                                                  |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |
| Develop a finance model framework to be applied to each Operating Company and work with them to conduct an assessment to determine trends, strengths, opportunities for profit improvement.                          | 6%                 | The application of a permanent finance model framework was necessarily delayed due to the Group's need to respond to the COVID-19 pandemic. However, the timely deployment of a considered financial analysis of the strengths and weaknesses of the Group's operational model and scenario planning in the context of the pandemic, together with the creation of a balanced scorecard to allow the Group to balance profits against the needs of all stakeholders was a key underpin to the Group's strong performance during the pandemic. | 6%              |
| Strengthen reporting and forecasting and the allocation and prioritisation of capital.                                                                                                                               | 5%                 | Significant improvements made to the monthly performance process with a consistent approach to FX management implemented. Forecasting process significantly improved along with rigorous scenario planning. New processes stress-tested by response to COVID-19 pandemic. Successful groundwork delivered to ensure prioritisation of capital in 2021.                                                                                                                                                                                        | 5%              |
| <b>Total</b>                                                                                                                                                                                                         | <b>25%</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>25%</b>      |

#### Values

Strong and visible demonstration of the Group's Values with strong leadership demonstrated in leading the Group's response to the pandemic with the Chief Executive. Decisions were led and communicated with empathy and compassion – materially influencing and shaping the Group's response to the COVID-19 pandemic, both financially and operationally.

## Remuneration for FY2020 continued

### E. Performance Share Plan ('PSP') (audited)

PSP awards made under the Spectris Performance Share Plan ('PSP') to the Executive Directors are structured so that one-third of the award is subject to an EPS target, one-third is subject to a TSR target and one-third is subject to an Economic Profit ('EP') target. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the ESP and EP measures; and three years from the date of grant in respect of the TSR measure) with no opportunity for retesting. The TSR performance condition is measured independently by Aon Hewitt ('Aon'). A holding period of two years applies to all awards following vesting.

#### PSP awards vesting in September 2021 (audited)

Andrew Heath was granted a PSP award in 2018, which will mature in September 2021 and which is subject to EPS, TSR and EP performance conditions. Details of the EPS and EP outcomes and estimated TSR performance results based on Aon's interim report as at 31 December 2020 are set out in the table below.

| Performance condition | Weighting | Threshold       | Maximum                   | Actual/estimate                                             | Actual/estimated percentage weighted performance condition vested | Actual/estimated percentage of total award vested |
|-----------------------|-----------|-----------------|---------------------------|-------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------|
| EPS                   | One-third | CPI + 5% c.p.a. | CPI + 11% c.p.a. or above | CPI - 9.2% c.p.a. <sup>1</sup>                              | 0.0%                                                              | 0.0%                                              |
| TSR                   | One-third | Median          | Upper quintile or above   | 11.8%, Median: (13.5%) <sup>2</sup> , Upper quintile: 23.7% | 84.5%                                                             | 28.2%                                             |
| EP                    | One-third | £145.0 million  | £265.0 million or above   | £73.5 million <sup>3</sup>                                  | 0.0%                                                              | 0.0%                                              |
| Estimated total       |           |                 |                           |                                                             |                                                                   | 28.2%                                             |

1 The EPS outcome figure has been calculated on a consistent basis with the EPS calculation in place on grant. A full reconciliation of this outcome from the Adjusted EPS figure (set out in Note 2 to the Financial Statements on page 128) is provided below:

|                                               | As at<br>31 December 2017<br>pence | As at<br>31 December 2020<br>pence |
|-----------------------------------------------|------------------------------------|------------------------------------|
| Adjusted EPS (reported)                       | 154.6                              | 112.1                              |
| Adjustments relating to disposal of BTG       | (14.7)                             |                                    |
| Adjusted EPS (excluding BTG)                  | 139.9                              | 112.1                              |
| Net impact of Share buyback                   |                                    |                                    |
| Impact of Share buyback (finance charges)     |                                    | 0.9                                |
| Impact of Share buyback (reduction in shares) |                                    | (3.5)                              |
|                                               |                                    | (2.6)                              |
| Revised EPS (relevant to 2018 award vesting)  | 139.9p                             | 109.5p                             |

2 The TSR performance, relative to the FTSE 250 (excluding investment trusts), has been estimated based on the position as at 31 December 2020.

3 The EP outcome figure has been calculated on a consistent basis with the EP calculation in place on grant. A full reconciliation of this outcome from the Reported EP outcome is provided below:

|                                                    | Threshold<br>£m | Maximum<br>£m |
|----------------------------------------------------|-----------------|---------------|
| EP Target (cumulative 2018-2020)                   | 180.0           | 300.0         |
| Remove BTG & EMS from target                       | (35.0)          | (35.0)        |
| Adjusted target                                    | 145.0           | 265.0         |
| Cumulative 2018 - 2020 EP performance              | 89.8            |               |
| Remove actual EP of BTG & EMS B&K to disposal date | (16.3)          |               |
| Revised Economic Profit Outcome                    | 73.5            |               |
| Revised EP vesting                                 | 0%              |               |

The vesting estimates as at 31 December 2020 are detailed in the table below:

| Executive Director | Total number of shares subject to PSP option at date of grant | Face value at date of grant | Estimated vesting percentage of total award | Estimated vesting number of shares | Estimated reinvested dividend shares | Estimated total vesting number of shares | Three-month average share price at year end | Estimated vesting value |
|--------------------|---------------------------------------------------------------|-----------------------------|---------------------------------------------|------------------------------------|--------------------------------------|------------------------------------------|---------------------------------------------|-------------------------|
| Andrew Heath       | 21,372                                                        | £508,312 <sup>1</sup>       | 28.2%                                       | 6,021                              | 484 <sup>2</sup>                     | 6,505                                    | 2,671.84p                                   | £173,502                |

1 The face value is based on the average closing share price over the five days immediately prior to the date of grant of 2,378.4 pence.

2 The estimated dividend shares are based on dividends paid over the 3 year performance period. Dividend shares will accrue from date of grant to the end of the holding period which is the first opportunity the award can be exercised.

The estimated share price appreciation based on the three month average share price at 31 December 2020 of 2,671.84 pence per share, was £19,088, representing 11% of the total award vested. As these values are only estimates, no discretion has been exercised by the Committee in respect of the share price appreciation. The Committee will mitigate the risk of any unacceptable "windfall gains" by reviewing its appropriateness as part of the assessment of all relevant factors at the point of vesting when all relevant information is available to the Committee.

Vested awards are satisfied in shares (normally treasury shares) with sufficient shares being sold to meet income tax and national insurance contributions due on exercise, at the Director's discretion, and the net balance of shares transferred to the individual. Awards lapse if they do not vest on the third anniversary of their award.

#### F. All-employee share plans (audited)

None of the Executive Directors exercised options under the Spectris all-employee share plans during the year.

### Payments for loss of office

There were no payments for loss of office in 2020.

### Payments to past Directors

#### John O'Higgins

As set out in our 2018 Remuneration Report, John O'Higgins stepped down from the Board on 28 September 2018 and left the Company on 23 May 2019. The Committee determined John to be a good leaver in respect of his 2017 and 2018 PSP awards (in line with the PSP plan rules). The number of shares under each award have been reduced on a time pro-rated basis to reflect length of service up to cessation of employment. All awards are subject to the clawback provisions set out in the relevant rules of the Plan.

17,194 shares under John's 2017 PSP award remain outstanding, with an estimated value of £471,288, after applying the Committee approved vesting outturn at the end of the 3 year performance period. A further two-year holding period now applies to this award and therefore the award will become available to exercise from 6 June 2022 with any dividend accruals calculated at the end of the holding period and paid in shares. The vesting outcome for the 2018 PSP award will be finalised in 2021 and confirmed in next year's Remuneration Report.

#### Clive Watson

As set out in our 2019 Remuneration Report, Clive Watson stepped down from the Board on 25 March 2019 and subsequently retired from the Company on 31 March 2019. The Committee determined Clive to be a good leaver in respect of his 2017 and 2018 PSP awards (in line with the PSP plan rules). The number of shares under each award have been reduced on a time pro-rated basis to reflect length of service up to cessation of employment. All awards are subject to the clawback provisions set out in the relevant rules of the Plan.

11,847 shares under Clive's 2017 PSP award remain outstanding, with an estimated value of £324,726, after applying the Committee approved vesting outturn at the end of the 3 year performance period. A further two-year holding period now applies to this award and therefore the award will become available to exercise from 6 June 2022 with any dividend accruals calculated at the end of the holding period and paid in shares. The vesting outcome for the 2018 PSP award will be finalised in 2021 and confirmed in next year's Remuneration Report.

# Remuneration for FY2020 continued

## LTIP awards granted during 2020 (audited)

The table below details LTIP share options granted to Executive Directors, in line with the Remuneration Policy, during 2020. The base level of award remains at 200% of base salary, calculated according to the average of the closing share price over the five days immediately prior to the date of grant. As approved by shareholders, a multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving both absolute and relative Total Shareholder return (TSR) targets.

The 2020 PSP awards to Andrew Heath and Derek Harding were granted on 25 March 2020 and are subject to the performance conditions detailed below. A holding period of two years applies to all awards following vesting.

| Director      | Exercise price | Number of shares under Base award (% of salary) | Face value of Base award at date of grant <sup>1</sup> (£) | Maximum TSR Multiplier | TSR Multiplier 0.4x maximum additional share opportunity (shares) | Maximum Opportunity Base award + TSR Multiplier (shares) |
|---------------|----------------|-------------------------------------------------|------------------------------------------------------------|------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| Andrew Heath  | 5p             | 54,483 (200% of salary)                         | £1,219,983                                                 | 1.4 X                  | 21,793 (80% of salary)                                            | 76,276 (280% of salary)                                  |
| Derek Harding | 5p             | 42,425 (200% of salary)                         | £949,981                                                   | base award             | 16,970 (80% of salary)                                            | 59,395 (280% of salary)                                  |

### 2020 LTIP base award performance conditions

| Condition                                                    | % of base award that vests                | Performance Target                 | Performance Period        |
|--------------------------------------------------------------|-------------------------------------------|------------------------------------|---------------------------|
| Adjusted EPS Growth (50% of base award)                      | 0%                                        | Less than 4%                       | 1 Jan 2020 to 31 Dec 2022 |
|                                                              | 10%                                       | 4%                                 |                           |
|                                                              | 10% to 50% (straight line pro-rata basis) | Between 4% and 10%                 |                           |
|                                                              | 50%                                       | 10% or more                        |                           |
| Return on Gross Capital Employed (ROGCE) (50% of base award) | 0%                                        | Less than 1% above 2019 ROGCE      | 1 Jan 2020 to 31 Dec 2022 |
|                                                              | 10%                                       | 1% above 2019 ROGCE                |                           |
|                                                              | 10% to 50% (straight line pro-rata basis) | Between 1% and 3% above 2019 ROGCE |                           |
|                                                              | 50%                                       | 3% or more above 2019 ROGCE        |                           |

### 2020 LTIP TSR Multiplier performance conditions

| TSR Multiplier          | Absolute TSR Growth Targets | Relative TSR gateway – assessed against FTSE 250 index (excluding investment-trusts) |
|-------------------------|-----------------------------|--------------------------------------------------------------------------------------|
| 1.0 X                   | 8% p.a. or less             |                                                                                      |
| Between 1.0 X and 1.2 X | Between 8% and 10% p.a.     | Median or above                                                                      |
| 1.2 X                   | 10% p.a.                    |                                                                                      |
| Between 1.2 X and 1.4 X | Between 10% and 15% p.a.    |                                                                                      |
| 1.4 X                   | 15% p.a. or more            | Upper quartile or above                                                              |

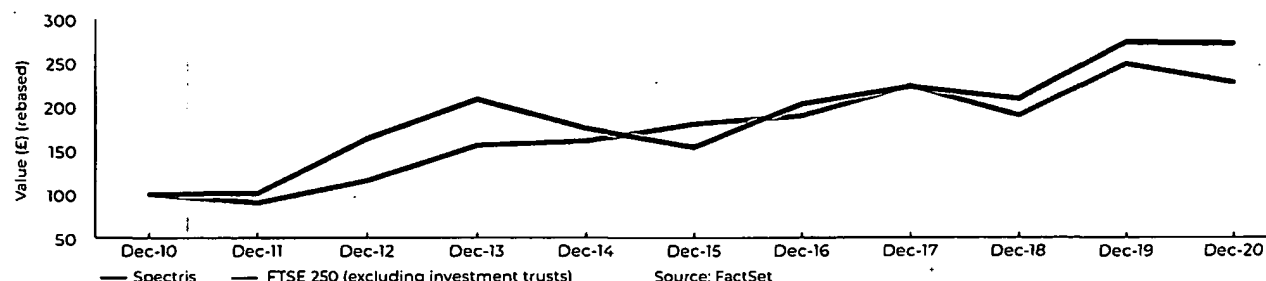
<sup>1</sup> Face value of base award calculated using the average of the closing share price over five days immediately prior to the date of grant (£22.392).

The EPS figure is obtained from the audited Financial Statements and the calculation of achievement against the growth condition is presented to and approved by the Committee. ROGCE is obtained from the audited Financial Statements and is a comprehensive measure of the effectiveness of all capital deployed by the Group and supports the Group's key strategic intention to improve its overall return on capital invested in the medium term. The Committee will monitor outcomes for the EPS and ROGCE measures to ensure that they achieve the original objectives and may adjust the vesting accordingly. Any exercise of discretion will be justified in the next Directors' Remuneration Report. The Multiplier condition requires the achievement of both relative and absolute TSR metrics which means that any additional pay-out from the Multiplier would only occur when shareholders benefit from a material increase in share value which outperforms the FTSE 250 comparator group.

### Threshold and Maximum Vesting (as a % of the 2020 LTIP base award)

| Performance Level | EPS Vesting | ROGCE Vesting | Base award Vesting | TSR Multiplier factor | Overall Vesting (as % of base award) |
|-------------------|-------------|---------------|--------------------|-----------------------|--------------------------------------|
| Threshold         | 10%         | +             | 10%                | x                     | 20%                                  |
| Maximum           | 50%         | +             | 50%                | x                     | 140%                                 |

## Total shareholder return performance



This graph shows the value, by 31 December 2020, of £100 invested in Spectris on 31 December 2010, compared with the value of £100 invested in the FTSE 250 (excluding investment trusts) Index on the same date. This index has been chosen because it is a widely-recognised performance benchmark for large UK companies and Spectris is a constituent of the FTSE 250. The other points plotted are the values at intervening financial year ends.

## Historical Chief Executive remuneration

The table below shows the total remuneration figure for the Chief Executive for the current year and over the previous nine years. The total remuneration figure includes the annual bonus and LTIP awards that vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the potential maximum.

|                                             | 2011           | 2012           | 2013           | 2014           | 2015            | 2016           | 2017           | 2018               | 2018             | 2019         | 2020               |
|---------------------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|--------------------|------------------|--------------|--------------------|
|                                             | John O'Higgins | John O'Higgins | John O'Higgins | John O'Higgins | John O'Higgins  | John O'Higgins | John O'Higgins | John O'Higgins     | Andrew Heath     | Andrew Heath | Andrew Heath       |
| Single total figure of remuneration (£'000) | 1,481          | 2,995          | 2,172          | 1,122          | 729             | 1,388          | 1,611          | 2,253 <sup>2</sup> | 324 <sup>2</sup> | 1,163        | 1,289 <sup>3</sup> |
| Annual bonus (% of maximum)                 | 100%           | 70%            | 20%            | 18%            | 0% <sup>1</sup> | 90%            | 80%            | 54%                | 60%              | 45%          | 40%                |
| PSP vesting (% of maximum)                  | 100%           | 100%           | 100%           | 28%            | 0%              | 0%             | 10%            | 68%                | N/A              | N/A          | 28% <sup>3</sup>   |

<sup>1</sup> Bonus entitlement waived.

<sup>2</sup> Pro-rated figures based on time served as Chief Executive during 2018 (nine months for John O'Higgins and three months for Andrew Heath).

<sup>3</sup> Based on estimated vesting for 2018 PSP award.

## Percentage change in remuneration of the Directors

The table below shows the percentage change in the salary/fees, and benefits of the each Executive Director, the Chairman and the Non-executive Directors compared with the change in the Group's UK-based employees between the year ended 31 December 2019 and 31 December 2020. The Group-wide 2020 annual bonus payments will be confirmed in March 2021 and therefore estimated figures for UK-based employees have been used in the comparison. The Committee has selected this comparator group on the basis that the Executive Directors are UK-based so it provides a local market reference to a sufficiently large comparator group on a similar incentive structure to the Executive Directors. This reduces any distortion arising from currency and cost of living differences in other geographies in which Spectris operates.

|                                             | % change 2019-2020       |          |                           |
|---------------------------------------------|--------------------------|----------|---------------------------|
|                                             | Salary/Fees <sup>1</sup> | Benefits | Annual bonus <sup>2</sup> |
| <b>Executive Directors</b>                  |                          |          |                           |
| Andrew Heath                                | 0.0%                     | (0.7%)   | (11.5%)                   |
| Derek Harding                               | 0.0%                     | (0.7%)   | (26.3%)                   |
| <b>Chairman and Non-executive Directors</b> |                          |          |                           |
| Mark Williamson                             | 0.0%                     | n/a      | n/a                       |
| Karim Bitar                                 | 0.0%                     | n/a      | n/a                       |
| Ulf Quellmann                               | (16.1%)                  | n/a      | n/a                       |
| Bill Seeger                                 | (3.6%)                   | n/a      | n/a                       |
| Cathy Turner                                | 15.2%                    | n/a      | n/a                       |
| Kjersti Wiklund                             | 14.5%                    | n/a      | n/a                       |
| Martha Wyrsh                                | (16.1%)                  | n/a      | n/a                       |
| <b>Spectris UK-based employees</b>          | 2.8%                     | 5.1%     | (17.2)%                   |

<sup>1</sup> There was no change in the salaries/fees for the Executive Directors and Chairman because 2020 inflation-related salary increases were cancelled across the Spectris Group. Changes in the Non-executive Directors' fees either relate to their annual travel supplement not being paid between April and December 2020 or taking on a new Committee Chairmanship in 2020. A small number of Spectris plc employees received a significant 2020 salary increase to reflect a change in role, a promotion or an increase in responsibilities. This has had a disproportionate impact on the percentage change figure for Spectris plc UK-based employees shown in the table. The remaining employees received no salary increase during 2020.

<sup>2</sup> 2020 bonus payments are down on its 2019 comparative. There is greater percentage change in the employees' annual bonus than Andrew Heath because a greater portion of the employees' 2019 bonus paid out from the 2019 financial performance than it did for the Chief Executive.

# Remuneration for FY2020 continued

## CEO pay ratios

In 2018, new regulations (The Companies (Miscellaneous Reporting) Regulations 2018) were introduced in the UK requiring quoted companies with more than 250 group-wide UK employees to disclose details of the pay ratio of the Chief Executive to UK employees. The Chief Executive's total remuneration is calculated on the same basis as his single total figure of remuneration ('STFR') reported in the table on page 82. The remuneration of the lower, median and upper quartile employees is calculated on full-time equivalent ('FTE') data for the full year, run on 30 November, with estimated figures for the annual bonus and LTIP vesting. Option A methodology was chosen as it is considered to be the most statistically accurate way to identify the best equivalents of the 25th, median and 75th percentile figures used to calculate the pay ratios each year, and it is aligned with best practice and investor expectations.

The table below sets out the 2019 and 2020 pay ratios of the Chief Executive's total remuneration to the 25th, median (50th), and 75th percentile full-time equivalent (FTE) remuneration of Group UK employees.

| Financial year   | Method   | 25th percentile pay ratio<br>(lower quartile) | 50th percentile pay ratio<br>(median) | 75th percentile pay ratio<br>(upper quartile) |
|------------------|----------|-----------------------------------------------|---------------------------------------|-----------------------------------------------|
| 31 December 2019 | Option A | 40:1                                          | 30:1                                  | 21:1                                          |
| 31 December 2020 | Option A | 43:1                                          | 33:1                                  | 23:1                                          |

The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees. Roles are regularly benchmarked against PricewaterhouseCoopers' benchmarking report of FTSE 100-150 companies.

There has been a small increase in the CEO pay ratio between 2019 and 2020. This is due to 2020 providing the first opportunity for any LTIP vesting for the Chief Executive. Overall the Chief Executive's total remuneration increased by 10.8% compared to 2019. The table below provides a like-for-life comparison, if the value of long term incentives is excluded:

| Financial year   | Method   | 25th percentile pay ratio<br>(lower quartile) | 50th percentile pay ratio<br>(median) | 75th percentile pay ratio<br>(upper quartile) |
|------------------|----------|-----------------------------------------------|---------------------------------------|-----------------------------------------------|
| 31 December 2019 | Option A | 40:1                                          | 30:1                                  | 21:1                                          |
| 31 December 2020 | Option A | 37:1                                          | 28:1                                  | 20:1                                          |

The Committee expects that there will be a degree of volatility in the CEO pay ratios over time which reflects the greater weighting in variable remuneration in the Chief Executive's remuneration structure so that it aligns with shareholder interests and long-term value creation. The Committee notes that, in assessing our CEO pay ratio outcomes against the wider market and our industry peers, these ratios are positioned towards the lower end of the range.

Further details on the 2020 total pay figures used for each quartile employee are set out in the table and notes below.

| Financial year   | No of UK employees | Remuneration                           | Chief Executive | 25th percentile employee<br>(lower quartile) | 50th percentile employee<br>(median) | 75th percentile employee<br>(upper quartile) |
|------------------|--------------------|----------------------------------------|-----------------|----------------------------------------------|--------------------------------------|----------------------------------------------|
| 31 December 2020 | 1,840              | Base salary                            | £610,000        | £27,000                                      | £35,108                              | £48,611                                      |
|                  |                    |                                        |                 | FTE base salary                              | FTE base salary                      | FTE base salary                              |
|                  |                    | Total remuneration<br>(excluding LTIs) | £1,115,190      | £29,885                                      | £39,453                              | £56,078                                      |
|                  |                    |                                        |                 | FTE                                          | FTE                                  | FTE                                          |
|                  |                    | Total remuneration                     | £1,288,692      | £29,909                                      | £39,531                              | £56,226                                      |
|                  |                    | STFR                                   |                 | total FTE                                    | total FTE                            | total FTE                                    |

- The components of the Chief Executive and UK employees' STFR figure comprises of base salary, taxable benefits, pension-related benefits, annual bonus and PSPs, where applicable.
- The total remuneration for UK employees is calculated on the same basis as the single total figure of remuneration for Executive Directors. The only exception to this is the personal element of the annual bonus for UK employees which is not known as at the date of report. This has been estimated as the same performance level as the Chief Executive. Given the complexity of the calculations, such estimated values will not be restated next year to reflect the actual outcomes, however they will be for the Chief Executive's STFR calculations.

## Relative importance of spend on pay

The table below shows the relative expenditure of the Group on the pay of its employees in comparison to adjusted profit before tax and distributions to shareholders by way of dividends payments between the years ended 31 December 2019 and 31 December 2020. Total employee pay is the total pay cost for all Group employees. Adjusted profit before tax is used as this is a key financial metric which the Board considers when assessing the Group's financial performance.

|                                         | 2020<br>£m | 2019<br>£m | % change |
|-----------------------------------------|------------|------------|----------|
| Total employee pay                      | 555.7      | 659.5      | (16%)    |
| Dividends paid during the year          | 75.7       | 72.3       | 5%       |
| Adjusted profit before tax <sup>1</sup> | 166.4      | 247.4      | (33%)    |

- Adjusted profit before tax is calculated as being statutory profit before tax as adjusted to exclude certain items defined in Note 2 to the Financial Statements on page 125.

## Non-executive Directors' remuneration

### Chairman and Non-executive Directors' fees

The fee structure for the Non-executive Directors remained broadly unchanged for 2020 as set out below:

|                                                                                            | 2021 <sup>1</sup><br>£'000 | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------------------------------------------------------------------|----------------------------|---------------|---------------|
| Chairman (all-inclusive fee)                                                               | 232                        | 220           | 220           |
| Non-executive Director basic fee                                                           | 58                         | 55            | 55            |
| Senior Independent Director ('SID') fee                                                    | 10                         | 10            | 10            |
| Chairman of the Audit and Risk Committee                                                   | 14                         | 10            | 10            |
| Chairman of the Remuneration Committee                                                     | 14                         | 10            | 10            |
| Workforce Engagement Director <sup>1</sup>                                                 | 12                         | 8             | –             |
| Annual travel supplement to be paid to overseas-based Non-executive Directors <sup>2</sup> | 15                         | 15            | 15            |

1 In December 2019, the Board agreed the introduction of an appropriate fee to reflect both the importance of the role of Workforce Engagement and the planned programme of work.

2 Due to the ongoing COVID-19 pandemic, the travel supplement was not paid between April and December 2020.

3 The existing fee structure for Non-executive Directors has been in place since 1 January 2017. The fee structure was reviewed in December 2019 and changes were approved to take effect from 1 January 2020. These changes were subsequently reversed as part of the salary and fee freeze enacted across the Group in April 2020 in response to the COVID-19 pandemic. A further fee review was undertaken in February 2021 against externally available market data on Non-Executive fee structures in the FTSE 250, the wider Group pay review process and the Group's position in the FTSE 250. Following this review, the fee structure set out in the table was agreed to take effect from 1 April 2021 to support the maintenance of fees at close to median level in the FTSE 250.

### Single total figure of remuneration (audited)

The single total figure of remuneration for each Non-executive Director who served during the year is as follows:

|                              |                                                    |      | Basic fees<br>£'000 | Additional<br>fees<br>£'000 | Taxable<br>expenses<br>£'000 | Total<br>£'000 |
|------------------------------|----------------------------------------------------|------|---------------------|-----------------------------|------------------------------|----------------|
| Mark Williamson <sup>1</sup> | Non-executive Chairman                             | 2020 | 220                 | –                           | –                            | 220            |
|                              |                                                    | 2019 | 220                 | –                           | –                            | 220            |
| Russell King <sup>2</sup>    | Former SID, Chairman of the Remuneration Committee | 2020 | 20                  | 3                           | –                            | 23             |
|                              |                                                    | 2019 | 55                  | 20                          | –                            | 75             |
| Karim Bitar                  |                                                    | 2020 | 55                  | –                           | –                            | 55             |
|                              |                                                    | 2019 | 55                  | –                           | –                            | 55             |
| Ulf Quellmann <sup>5</sup>   |                                                    | 2020 | 55                  | 4                           | –                            | 59             |
|                              |                                                    | 2019 | 55                  | 15                          | –                            | 70             |
| Bill Seeger <sup>3,5</sup>   | SID and Chairman of the Audit and Risk Committee   | 2020 | 55                  | 22                          | –                            | 77             |
|                              |                                                    | 2019 | 55                  | 25                          | –                            | 80             |
| Cathy Turner <sup>4</sup>    | Chairman of the Remuneration Committee             | 2020 | 55                  | 8                           | –                            | 63             |
|                              |                                                    | 2019 | 18                  | –                           | –                            | 18             |
| Kjersti Wiklund              | Workforce Engagement Director                      | 2020 | 55                  | 8                           | –                            | 63             |
|                              |                                                    | 2019 | 55                  | –                           | –                            | 55             |
| Martha Wyrsh <sup>5</sup>    |                                                    | 2020 | 55                  | 4                           | –                            | 59             |
|                              |                                                    | 2019 | 55                  | 15                          | –                            | 70             |

1 Mark Williamson's fee is all-inclusive.

2 Russell King stepped down as Senior Independent Director and Chairman of the Remuneration Committee on 28 February 2020 and from the Board on 22 May 2020. His fee is pro-rated accordingly.

3 Bill Seeger was appointed as Senior Independent Director on 1 March 2020 and his 2020 fee is pro-rated accordingly.

4 Cathy Turner joined the Board on 1 September 2019 and was appointed Chairman of the Remuneration Committee on 1 March 2020. Her 2019 fee is pro-rated to reflect her date of joining and her 2020 fee is pro-rated to reflect her appointment as Chairman of the Remuneration Committee.

5 Ulf Quellmann, Bill Seeger and Martha Wyrsh (all based overseas) receive an additional annual travel supplement of £15,000. In 2020, they all received a pro-rated travel supplement of £3,750 for the first three months of the year. Due to the ongoing COVID-19 pandemic, the travel supplement was not paid between April and December 2020.

## Directors' shareholdings and share interests (audited)

### Directors' shareholding requirements

Under the 2020 Remuneration Policy, each Executive Director is, subject to personal circumstances, required to build a retained shareholding in Spectris plc of at least one-year maximum variable pay in value (Andrew Heath: 430% of salary, Derek Harding 405% of salary) within five years of appointment and is required to apply the post-tax benefit of any vested PSP, LTIP or DBP awards to the acquisition of shares until this required level of shareholding is achieved. Both Andrew Heath and Derek Harding (having been appointed on 3 September 2018 and 1 March 2019 respectively) are in the process of building their shareholding. There is no such requirement in respect of the Chairman or Non-executive Directors, who have discretion as to whether to hold the Company's shares or not.

# Remuneration for FY2020 continued

## Directors' shareholdings and share interests (audited)

The beneficial interest of each Executive Director (including their closely associated persons) in the shares of the Company, as at 31 December 2020, is as follows:

| Director      | Interest in share plans                  |                                       |                         | Total interests in shares at 31 December 2020 | Total shares counting towards shareholding requirement <sup>3</sup> | Shareholding as a % of base salary at 31 December 2020 <sup>4</sup> | Shareholding requirement met |
|---------------|------------------------------------------|---------------------------------------|-------------------------|-----------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------|
|               | Ordinary shares held at 31 December 2020 | PSP/LTIP <sup>1</sup> (share options) | SIP <sup>2</sup> shares |                                               |                                                                     |                                                                     |                              |
| Andrew Heath  | 22,589                                   | 143,358                               | 196                     | 166,143                                       | 22,785                                                              | 105.3%                                                              | No                           |
| Derek Harding | 4,000                                    | 94,988                                | 149                     | 99,137                                        | 4,149                                                               | 24.6%                                                               | No                           |

1 PSP and LTIP awards are nominal cost share options of 5 pence and are subject to performance conditions. All of the PSPs held by Andrew Heath and Derek Harding are unvested shares.

2 Includes shares purchased through, and Matching shares held in, the Company's all-employee Share Incentive Plan ('SIP'). The Matching shares may be subject to forfeiture within three years of the award.

3 Based on unrestricted shares held at 31 December 2020.

4 Based on the closing share price on 31 December 2020 of 2,818 pence per share.

Between 1 January and 24 February 2021, Andrew Heath and Derek Harding both purchased 10 Partnership shares and received 2 free Matching shares through the Company's SIP. There were no other movements in share interests during this period.

| Director      | Share <sup>1,2</sup> plan | Date granted | Performance period end date | Expiry date | Exercise price (pence) | Market value per share at date of award | Face value at date of grant (£) | No. of shares subject to options at 1 January 2020 | Granted during the year | Exercised during the year | Lapsed during the year | No. of shares subject to options at 31 December 2020 |
|---------------|---------------------------|--------------|-----------------------------|-------------|------------------------|-----------------------------------------|---------------------------------|----------------------------------------------------|-------------------------|---------------------------|------------------------|------------------------------------------------------|
| Andrew Heath  | PSP <sup>3</sup>          | Sept 2018    | Sept 2021 <sup>5</sup>      | Sept 2028   | 5                      | 2,378.4                                 | 508,312                         | 21,372 <sup>6</sup>                                | -                       | -                         | -                      | 21,372                                               |
|               |                           | Mar 2019     | Mar 2022 <sup>5</sup>       | Mar 2029    | 5                      | 2,669.0                                 | 1,220,000                       | 45,710                                             | -                       | -                         | -                      | 45,710                                               |
|               | LTIP <sup>4</sup>         | Mar 2020     | Mar 2023 <sup>5</sup>       | Mar 2030    | 5                      | 2,239.2                                 | 1,707,972                       | -                                                  | 76,276                  | -                         | -                      | 76,276                                               |
|               |                           |              |                             |             |                        |                                         |                                 | Total                                              | 67,082                  | 76,276                    | -                      | 143,358                                              |
| Derek Harding | PSP <sup>3</sup>          | Mar 2019     | Mar 2022 <sup>5</sup>       | Mar 2029    | 5                      | 2,669.0                                 | 949,977                         | 35,593 <sup>6</sup>                                | -                       | -                         | -                      | 35,593                                               |
|               | LTIP <sup>4</sup>         | Mar 2020     | Mar 2023 <sup>5</sup>       | Mar 2030    | 5                      | 2,239.2                                 | 1,329,973                       | -                                                  | 59,395                  | -                         | -                      | 59,395                                               |
|               |                           |              |                             |             |                        |                                         | Total                           | 35,593                                             | 59,395                  | -                         | -                      | 94,988                                               |

1 Shareholders approved the rules of the Spectris Performance Share Plan 2017 at the AGM held on 24 May 2017 and approved the rules of the Spectris Long Term Incentive Plan at the General Meeting held on 4 December 2019.

2 The PSP and LTIP awards are conditional rights to acquire shares and are nominal cost options. The exercise price is the nominal value of a Spectris ordinary share, which is 5 pence.

3 PSP awards granted to the Executive Directors are structured so that one-third of the award is subject to an EPS target, one-third is subject to a TSR target and one-third is subject to an Economic Profit ('EP') target. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the EPS and EP conditions; and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.

4 LTIP awards granted to the Executive Directors are currently structured so that 50% of the base award is subject to an EPS target and the other 50% is subject to an Return on Gross Capital Employed ('ROGCE') target. A multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving both absolute and relative stretching TSR targets. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the EPS and ROGCE conditions; and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.

5 PSP and LTIP awards are subject to an additional two-year holding period following the initial three-year performance period. These awards will become available to exercise at the end of the holding period (which will be the fifth anniversary of the date of grant).

6 These PSP awards are linked to a grant of market value share options ('Linked PSP awards'). Such Linked PSP awards are granted up to the HMRC's limit of an aggregate value of £30,000, and have the same performance and vesting conditions as the PSP awards to which they are linked. No additional gross value can be delivered from the exercise of the Linked PSP awards. Further details are set out in Note 23 to the Financial Statements.

**Share Incentive Plan ('SIP')**

|               | No. of shares held at 1 January 2020 | No. of Partnership shares purchased during the year | No. of Matching shares awarded during the year | Dividend shares | Total No. of shares held within the SIP as at 31 December 2020 |
|---------------|--------------------------------------|-----------------------------------------------------|------------------------------------------------|-----------------|----------------------------------------------------------------|
| Andrew Heath  | 109                                  | 69                                                  | 13                                             | 5               | 196                                                            |
| Derek Harding | 62                                   | 69                                                  | 14                                             | 4               | 149                                                            |

- 1 The Spectris Share Incentive Plan ('SIP') was approved by shareholders at the 2018 AGM. This scheme is an HMRC tax-favoured share purchase scheme open to all UK employees. The Executive Directors have the opportunity to participate in the SIP on the same terms as other Group UK employees.
- 2 Under the SIP, Partnership shares may be purchased each month at market value using gross salary up to a maximum monthly value set by HMRC (currently £150 per month). For every five Partnership shares purchased, the Company will award one free Matching share. All shares are held in trust by the SIP Trustees. The Matching shares are subject to forfeiture within three years of the date of award.

**Dilution limits**

In line with best practice, the use of new or treasury shares to satisfy the vesting of awards made under the Company's share plans (LTIPs and SAYE combined) is restricted to 10% in any ten-year rolling period. A further restriction applies to the PSP of 5% over the same period of which 2.43% has been utilised.

**Chairman and Non-executive Directors' interest in shares**

The Chairman and Non-executive Directors are not permitted to participate in any of the Company's incentive schemes nor are they required to build and retain a minimum shareholding in the Company. They have discretion as to whether to hold the Company's shares or not. The table below sets out the beneficial interests in the ordinary shares of the Company of each current Non-executive Director (including their closely associated persons) during the year ended 31 December 2020.

| Current Non-executive Director | Shares held at 1 January 2020 | Shares held at 31 December 2020 (or date of cessation) |
|--------------------------------|-------------------------------|--------------------------------------------------------|
| Mark Williamson                | 16,753                        | 16,753                                                 |
| Karim Bitar                    | 1,330                         | 1,330                                                  |
| Ulf Quellmann                  | 2,000                         | 2,049                                                  |
| Bill Seeger                    | 3,000                         | 3,000                                                  |
| Cathy Turner                   | -                             | 2,342                                                  |
| Kjersti Wiklund                | -                             | -                                                      |
| Martha Wyrsh                   | 3,000                         | 3,000                                                  |

There has been no change in the interests in shares of the Chairman and Non-executive Directors between 1 January 2021 and 24 February 2021.

**Share price**

At 31 December 2020, the mid-market closing share price on the London Stock Exchange of a Spectris ordinary share was 2,818 pence per share. The highest mid-market closing share price in the year was 3,005 pence per share and the lowest was 2,132 pence per share.

## Remuneration for FY2020 continued

### Directors' service contracts and letters of appointment

The Executive Directors have rolling contracts subject to 12 months' notice of termination by either party, or to summary notice in the event of serious breach of the Director's obligations, dishonesty, serious misconduct or other conduct bringing the Company into disrepute. All letters of appointment in respect of the Non-executive Directors are renewable at each AGM, subject to review prior to proposal for re-election, and provide for a notice period of six months. Ordinarily, appointments do not continue beyond nine years after first election, at which time Non-executive Directors cease to be presumed independent under the UK Corporate Governance Code.

The table below summarises the current Directors' service contracts or terms of appointment.

|                               | Date of contract | Expiry date                                | Notice period | Length of service at 24 February 2021 |
|-------------------------------|------------------|--------------------------------------------|---------------|---------------------------------------|
| <b>Executive Director</b>     |                  |                                            |               |                                       |
| Andrew Heath                  | 3 Sept 2018      | Rolling contract with no fixed expiry date | 12 months     | 2 years 5 months                      |
| Derek Harding                 | 1 Mar 2019       | Rolling contract with no fixed expiry date | 12 months     | 1 year 11 months                      |
| <b>Non-executive Director</b> |                  |                                            |               |                                       |
| Mark Williamson               | 26 May 2017      | Renewable at each AGM                      | 6 months      | 3 years 9 months                      |
| Karim Bitar                   | 1 July 2017      | Renewable at each AGM                      | 6 months      | 3 years 7 months                      |
| Ulf Quellmann                 | 1 Jan 2015       | Renewable at each AGM                      | 6 months      | 6 years 1 month                       |
| Bill Seeger                   | 1 Jan 2015       | Renewable at each AGM                      | 6 months      | 6 years 1 month                       |
| Cathy Turner                  | 1 Sep 2019       | Renewable at each AGM                      | 6 months      | 1 year 5 months                       |
| Kjersti Wiklund               | 19 Jan 2017      | Renewable at each AGM                      | 6 months      | 4 years 1 month                       |
| Martha Wyrsh                  | 1 Jun 2012       | Renewable at each AGM                      | 6 months      | 8 years 8 months                      |

### External appointments – Executive Directors

Executive Directors may retain any payments received in respect of external non-executive appointments held. Such appointments are normally limited to one per Director at any time and are subject to the approval of the Board. Andrew Heath and Derek Harding did not hold any external non-executive appointments during 2020.

### Summary of shareholder voting on Directors' remuneration

The 2019 Directors' Remuneration Report was approved by 93.1% of the votes cast at the 2020 AGM held on 22 May 2020. The 2020 Remuneration Policy was approved by shareholders at a General Meeting held on 4 December 2019 by 94.1% of the votes cast, as detailed in the table below:

|                      |                                     | Votes for  |        | Votes against |       | Votes withheld |
|----------------------|-------------------------------------|------------|--------|---------------|-------|----------------|
|                      |                                     | Number     | %      | Number        | %     | Number         |
| 2020 AGM             | 2019 Directors' Remuneration Report | 99,226,707 | 99.63% | 365,713       | 0.37% | 650,394        |
| 2019 General Meeting | 2020 Directors' Remuneration Policy | 94,256,910 | 94.09% | 5,916,276     | 5.91% | 3,862          |

### Directors' interest in contracts

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.

### Loans to Directors

During the year, there were no outstanding loans to any Director.

# Role of the Remuneration Committee

The Committee is responsible for recommending to the Board the Group's Remuneration Policy, including the remuneration arrangements for the Chairman, the Executive Directors, the Company Secretary and members of the Executive Committee, and for the practical operation of the Policy. It regularly reviews the balance between fixed and variable pay and the performance conditions that attach to both short-term and long-term incentives. Environmental, social and governance factors are considered by the Committee when assessing the personal element of Executive Directors' performance. The Committee monitors the level and structure of remuneration for senior management and takes into account workforce remuneration, related policies and the alignment of incentives and rewards with the Group's culture. The remuneration of Non-executive Directors is a matter reserved for the Board. The full terms of reference for the Remuneration Committee are reviewed annually and are available at [www.spectris.com](http://www.spectris.com)

## Committee members and attendees

All members of the Committee are independent Non-executive Directors. During 2020, the members were: Russell King (Chairman up to 29 February 2020), Cathy Turner (Chairman from 1 March 2020), Karim Bitar, Ulf Quellmann and Kjersti Wiklund.

Details of each member's attendance are disclosed on page 62. Only members of the Committee have the right to attend meetings but other individuals and external advisers may attend by invitation. The Chairman is invited to attend all meetings of the Committee. During the year, the Committee also invited the Chief Executive, Group Human Resources Director and the Head of Sustainability to attend meetings to provide advice to the Committee to allow it to make informed decisions. No individual was present when their own remuneration was being discussed.

The Committee also meets without management present and received independent remuneration advice during the year from the external advisers appointed to support the Committee.

## Committee activities in 2020

The Committee addressed the following key agenda items during its four formal meetings in 2020:

### February 2020

- Review and approval of incentive outcomes for the annual bonus and Performance Share Plan ('PSP') in respect of performance for the year ended 31 December 2019.
- Agreement of Executive Directors' 2020 bonus arrangements, target performance measures and personal objectives.
- Review and approval of 2020 LTIP grant levels and target range for performance measures.
- Review of Executive Director and Executive Committee salaries.
- Review and approval of the 2019 Directors' Remuneration Report.

### July 2020

- Consideration of interim LTIP awards for below Board level participants.
- Consideration of the appropriateness of returning employees, the Executive Committee and the Executive Directors to full salary following the temporary pay reductions initiated as part of the Group's initial response to the COVID-19 pandemic.
- Review of the likely impact of the COVID-19 pandemic on the Group's remuneration structure and in-flight long and short term incentive arrangements.
- Received an overview of the emerging response of companies and investors to the COVID-19 pandemic from the Committee's external remuneration advisors.

### November 2020

- Consideration of the return of salary foregone by employees as part of the Group's initial response to the COVID-19 pandemic.

### December 2020

- A detailed review of the executive and wider employee remuneration landscape led by the Committee's remuneration advisors. This review focused on the context set by the COVID-19 pandemic and areas of continued shareholder focus on best practice corporate governance.
- A review of the likely formulaic outcomes of the 2020 Bonus and 2018 PSP awards and a discussion of the need for the Committee to consider any upward or downward discretion in relation to those likely outcomes.
- An update on the return of salary foregone to the wider workforce with further consideration given to the appropriateness of the return of salary foregone to the Executive Directors and Executive Committee.
- Consideration of the key themes and timetable for the review of the 2020 Directors' Remuneration Report.

## Role of the Remuneration Committee continued

In line with the requirements of the UK Corporate Governance Code to include explanation of the Company's approach to investing in and rewarding its workforce, some of the work that the Committee has carried out in this area is set out below. The Committee has taken time during the year to review the remuneration of the wider workforce, related policies and the alignment of incentives and rewards with culture as part of its implementation of the 2020 Remuneration Policy.

### Stakeholder Engagement

#### Values and culture in remuneration

During 2020, the Group launched its new Values and built these into Group's performance management framework. The Remuneration Committee has used this framework as a foundation for the operational and strategic targets for the Executive Directors and Executive Committee members for 2020. In assessing performance against these targets, the Committee has also considered the balanced scorecard developed by the Executive to ensure that their management of the Group during the COVID-19 pandemic supported all stakeholders.

#### Stakeholder views

Through the consultation process that supported the approval of the 2020 Remuneration Policy, the Committee reached out to investors holding in excess of 50% of the Group's issued share capital. The Remuneration Committee Chairman also held face-to-face meetings with investors holding over 40% of the Group's issued share capital.

During the COVID-19 pandemic, the Committee has worked closely with the Executive team to ensure that the Group's approach to managing remuneration during the crisis has balanced the interests of all stakeholders. In particular, the Committee has been mindful of the impact of the salary freeze and temporary pay restrictions on lower-paid employees and worked with management to ensure that this population were prioritised in the return to full pay. Careful consideration has also been given by the Committee to the guidance issued by investors and investor bodies on the management of remuneration during the ongoing crisis.

### Employee share ownership

Spectris is a proud advocate of employee share ownership. Due to the Group's decentralised structure, particular importance is placed on aligning management throughout the Group with Spectris. Awards under the Spectris LTIP are granted to each management team within each platform and in each operating company in the Industrial Solutions division to support the alignment of their interests with shareholders. In the UK, the Group also manages a successful all-employee Share Incentive Plan ('SIP') to allow all UK-based employees to build a shareholding in Spectris. For every five shares purchased by an employee under the SIP, the Company awards one free Matching share.

52,924 shares

held by employees as part of the Share Incentive Plan as at 31 December 2020

### Gender pay gap reporting

Spectris plc employs fewer than 250 people in the UK and is therefore not required to publish gender pay gap data. However, the Committee considers the issue of gender pay to be important, and for the third year Spectris has chosen to voluntarily collate the results for the UK-based employees of the Group and disclose the Group's gender pay gap. The detailed disclosure is set out below and key metrics relating to the disclosure are included in the Sustainability Report on page 54. Following the UK Government's decision to delay gender pay reporting due to the COVID-19 pandemic, the Committee has elected to use the data collated for the CEO pay ratio to produce a consistent gender pay gap disclosure moving forwards. This approach allows the Committee to analyse both key metrics from one source of data. This does mean that, for 2020, a comparison against the 2019 gender pay gap figures would not be representative as they were not produced on a like-for-like basis. For 2020, both the median and mean gender pay gap is 22% with a similar proportion of males and females receiving a bonus. The Committee is confident that men and women are being paid equally for doing the same job and that the imbalance in the number of male and female employees in similar roles in the composition of the UK workforce continues to drive our gender pay gap. This imbalance continues to be a core focus of time and attention by the Board and Nomination Committee.

|                     | Non-Management |        | Management |        | Total  |        |
|---------------------|----------------|--------|------------|--------|--------|--------|
|                     | Median         | Mean   | Median     | Mean   | Median | Mean   |
| Gender pay gap      | 21.6%          | 17.5%  | 12.9%      | 30.3%  | 22.1%  | 21.6%  |
| Bonus gap           | 15.0%          | 19.6%  | (0.9%)     | 44.6%  | 13.5%  | 40.9%  |
|                     | Male           | Female | Male       | Female | Male   | Female |
|                     |                |        |            |        |        |        |
| % receiving a bonus | 54.0%          | 55.9%  | 91.7%      | 90.0%  | 55.0%  | 56.6%  |

## Advisers to the Committee

PricewaterhouseCoopers LLP ('PwC') was first appointed as independent remuneration adviser in January 2018. During 2020, PwC has provided advisory support to the Committee on various aspects of the Directors' remuneration, including:

- advice on emerging external market practice and stakeholder expectations during the ongoing COVID-19 pandemic;
- analysis on all elements of the implementation of the Remuneration Policy; and
- advice on the interpretation of investor body guidelines concerning remuneration outcomes during the COVID-19 pandemic.

PwC reports directly to the Committee Chairman. During 2020, PwC also provided certain project advisory and tax services to the Company.

Aon separately supports the Company in compiling IFRS 2 'Share-based Payment' reporting on the Company's share plans and TSR performance calculations in relation to the Company's PSP and LTIP. Aon does not provide any other services to the Company. Total fees paid during the financial year to these advisers were: PwC £48,667 (2019: £144,751) and Aon £30,960 (2019: £28,475). These fees were charged on the basis of each firm's standard terms of business.

Both PwC and Aon are members of the Remuneration Consultants Group and adhere to its Code of Conduct.

The Committee reviewed the objectivity and independence of the advice it receives from its advisers each year and is satisfied that both PwC and Aon provided credible and professional advice during 2020.

## Annual performance evaluation

The performance of the Committee was reviewed as part of the external evaluation of the Board. This evaluation process was led by Lisa Thomas from Independent Board Evaluation and further details regarding the process followed are set out on page 69. Following this review and the feedback received, the Committee considered that it had operated effectively during the year.

## 2021 Remuneration Committee workplan

The Committee intends to focus on the following key areas during 2021:

- wider workforce remuneration structures and key policies;
- wider UK workforce pension arrangements as part of the stated aim of aligning the UK pension arrangements by 2022; and
- monitoring of the Group's existing Remuneration Policy against the Group's strategy, market practice, changes in the external governance environment and investor guidance.

By order of the Board

**Cathy Turner**

Chairman of the Remuneration Committee

24 February 2021

This Directors' Remuneration Report for the year ended 31 December 2020 complies with the requirements of the Listing Rules of the UK Listing authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and the provisions of the 2018 UK Corporate Governance Code.

# Directors' Report

## Overview of the information required to be disclosed

This section sets out the information required to be disclosed by the Company and the Group in the Directors' Report in compliance with the Companies Act 2006 (the 'Act'), the Listing Rules of the UK Listing Authority ('Listing Rules') and the Disclosure Guidance and Transparency Rules ('DTR'). Certain matters that would otherwise be disclosed in this Directors' Report have been reported elsewhere in this Annual Report. This report should therefore be read in

conjunction with the Strategic Report on pages 1 to 59 and the Governance section (pages 60 to 101) which are incorporated by reference into this Directors' Report. The Strategic Report and this Directors' Report, together with other sections of this Annual Report and Accounts including the Governance section on pages 60 to 101 incorporated by reference, when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTR.

| Disclosure                                    | Reported in       | Page reference  |
|-----------------------------------------------|-------------------|-----------------|
| Acquisitions and disposals                    | Strategic Report  | Page 39         |
| Articles of Association                       | Directors' Report | Page 99         |
| Annual General Meeting                        | Directors' Report | Page 99         |
| Appointment and removal of Directors          | Directors' Report | Page 100        |
| Authority to allot shares                     | Directors' Report | Page 99         |
| Business model                                | Strategic Report  | Pages 26 and 27 |
| Change of control                             | Directors' Report | Page 100        |
| Community and charitable giving               | Strategic Report  | Page 53         |
| Corporate governance                          | Governance        | Pages 60 to 101 |
| Directors' conflicts of interest              | Directors' Report | Page 100        |
| Directors' details                            | Governance        | Pages 60 and 61 |
| Directors' indemnity                          | Directors' Report | Page 100        |
| Directors' responsibility statement           | Directors' Report | Page 102        |
| Disclosure of information to auditor          | Directors' Report | Page 101        |
| Diversity, equality and inclusion             | Strategic Report  | Page 54         |
| Employee engagement                           | Governance        | Page 68         |
| Employee equal opportunities                  | Strategic Report  | Page 54         |
| Employee share plans                          | Directors' Report | Page 100        |
| Employees with disabilities                   | Strategic Report  | Page 54         |
| Financial instruments                         | Directors' Report | Page 100        |
| Future developments and strategic priorities  | Strategic Report  | Pages 16 and 17 |
| Going concern                                 | Directors' Report | Page 100        |
| Greenhouse gas emissions                      | Strategic Report  | Page 57         |
| Non-financial information statement and index | Strategic Report  | Page 28         |
| Ongoing director training and development     | Governance        | Page 68         |
| Political donations                           | Directors' Report | Page 100        |
| Powers of Directors                           | Directors' Report | Page 100        |
| Principal risks and risk management           | Strategic Report  | Pages 44 to 48  |
| Purchase of own shares                        | Directors' Report | Page 100        |
| Research and development activities           | Strategic Report  | Pages 27 and 38 |
| Restrictions on transfer of shares            | Directors' Report | Page 101        |
| Restrictions on voting rights                 | Directors' Report | Page 101        |
| Results and dividends                         | Strategic Report  | Pages 1 and 4   |
| Rights and obligations attaching to shares    | Directors' Report | Page 101        |
| Section 172 statement                         | Governance        | Page 67         |
| Share capital                                 | Directors' Report | Page 101        |
| Stakeholder engagement                        | Strategic Report  | Page 67         |
| Substantial share interests                   | Directors' Report | Page 101        |
| Treasury shares                               | Director's Report | Page 101        |
| Viability Statement                           | Strategic Report  | Page 49         |

**Non-financial information statement and index**

This statement is made in compliance with the Companies Act 2006 and is intended to provide an understanding of our development, performance and position on key

non-financial matters. The table below sets out where information relating to non-financial matters can be located. The statement and table below are incorporated within the Strategic Report by reference on page 28.

**Non-financial information index**

| Reporting requirement       | Some of our relevant policies and standards                        | Where to find out more information              | Page reference |
|-----------------------------|--------------------------------------------------------------------|-------------------------------------------------|----------------|
| Anti-bribery and corruption | Code of Business Ethics                                            | Ethics and values standards                     | 56             |
|                             |                                                                    | Culture, integrity and commitment to our values | 56 and 66      |
|                             |                                                                    | Ethics helpline                                 | 56             |
|                             |                                                                    | Ethical leadership                              | 56             |
|                             |                                                                    | Principal risk – 'Compliance'                   | 47             |
| Business model              |                                                                    | Our business model                              | 26 and 27      |
| Environmental matters       | Environmental policy<br>ISO 14001                                  | Environmental management                        | 57             |
|                             |                                                                    | Energy performance                              | 57             |
|                             |                                                                    | Greenhouse gas emissions                        | 57             |
|                             |                                                                    | KPI – Energy efficiency                         | 29             |
| Employees                   | Code of Business Ethics<br>Health and Safety policy<br>OHSAS 18001 | Fair employment and diversity                   | 54             |
|                             |                                                                    | Board diversity                                 | 70             |
|                             |                                                                    | Employee engagement and Workforce               | 67 and 68      |
|                             |                                                                    | Engagement Director                             |                |
|                             | SA 8000 Social Accountability                                      | Gender pay                                      | 54             |
|                             |                                                                    | Health, safety and wellbeing at work            | 55             |
|                             |                                                                    | KPI – Accident incidence rate                   | 29             |
|                             |                                                                    | Principal risks:                                |                |
|                             |                                                                    | – 'Compliance'                                  | 47             |
|                             |                                                                    | – 'Talent' and capabilities'                    | 48             |
| Human rights                | Human Rights policy                                                | Legal and regulatory compliance                 | 56             |
|                             | Code of Business Ethics                                            | Principal risk – 'Compliance'                   | 47             |
| Non-financial KPIs          |                                                                    | Energy efficiency                               | 29             |
|                             |                                                                    | Accident incidence rate                         | 29             |
| Social matters              |                                                                    | Community involvement                           | 53             |

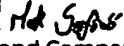
|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Results and dividends                     | <p>The financial results for the financial year ended 31 December 2020 are set out on pages 111 to 183. Adjusted operating profit for the year amounts to £173.6 million (2019: £258.1 million).</p> <p>An interim dividend of 21.90 pence per share was paid on 6 November 2020 in respect of the half year ended 30 June 2020. The proposed final dividend for the year ended 31 December 2019 was postponed due to the impact and uncertainty of COVID-19. An additional interim dividend of 43.20 pence per share was paid by the Company on 2 October 2020.</p> <p>The Board is recommending a final dividend of 46.5 pence per share for the year ended 31 December 2020. Together with the interim dividend paid in November 2020, total dividends for the year ended 31 December 2020 amounted to 68.4 pence per share. Dividend details are given in Note 9 to the Financial Statements on page 137.</p> <p>Subject to the approval of shareholders at the 2021 AGM, the final dividend will be paid on 30 June 2021 to those shareholders on the register at 14 May 2021.</p> |
| Articles of Association ('Articles')      | <p>The Company's Articles contain specific provisions and restrictions regarding the Company's powers to borrow money. Powers relating to pre-emptive rights, allotment of shares and purchase of the Company's own shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting. The Articles also give power to the Board to appoint and remove Directors and require Directors to submit themselves for election at the first AGM following their appointment and for annual re-election at subsequent AGMs. The Articles may be amended by special resolution of the shareholders. The Company's Articles are available on the Company's website: <a href="http://www.spectris.com">www.spectris.com</a>.</p>                                                                                                                                                                                                                                                                                                  |
| Annual General Meeting ('AGM')            | <p>It is intended that the 2021 AGM will be held at 12.00pm on Friday 14 May 2021 at Heritage House, Church Road, Egham, TW20 9QD. The Notice of the AGM accompanies this Annual Report and is available at <a href="http://www.spectris.com">www.spectris.com</a>.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Auditor's re-appointment and remuneration | <p>Resolutions for the re-appointment of Deloitte LLP as the Company's auditor and to authorise the Directors, acting through the Audit &amp; Risk Committee, to agree the remuneration of the auditor are to be proposed at the 2021 AGM.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

# Directors' Report continued

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Branches</b>                                           | The Spectris Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Change in control</b>                                  | There are a number of agreements that take effect, alter or terminate upon a change of control of the Group following a takeover, such as bank loan agreements and Company share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole. It is also possible that funding arrangements for the Group's defined benefit pension arrangements would need to be enhanced following a change in control if that resulted in a weakening of the employer covenant. The Company does not have any agreements with any Director that would provide for enhanced compensation for loss of office or employment following a takeover bid. |
| <b>Directors</b>                                          | Details of the Directors who served during the year are set out on pages 60 and 61, other than Russell King who retired from the Board on 22 May 2020. Directors are appointed and replaced in accordance with the Articles, the Act and the UK Corporate Governance Code 2018.                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Directors' conflicts of interest</b>                   | The Board has an established process to review at least annually, and, if appropriate, authorise conflicts of interest. Any transactional conflicts are reviewed as they arise. Directors are asked to review and confirm reported conflicts of interest as part of the year-end process.                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Directors' remuneration and interest</b>               | Details of Directors' remuneration and their interest in the Company's shares are set out in the Directors' Remuneration Report on pages 91, 92 and 93.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Directors' and officers' indemnities and insurance</b> | The Spectris Group maintains liability insurance for its Directors and officers. The Directors and Company Secretary have also been granted a third-party indemnity under the Act, which remains in force. Neither the Company's indemnity nor insurance provides cover in the event that an indemnified individual is proven to have acted fraudulently or dishonestly.                                                                                                                                                                                                                                                                                                                               |
| <b>Directors' powers</b>                                  | The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to the Articles and the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Employee share plans</b>                               | Details of employee share plans are set out in Note 23 to the Financial Statements on page 154.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Financial instruments</b>                              | Details of the Group's financial risk management in relation to its financial instruments are given in Note 28 to the Financial Statements on pages 164 to 166.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Going concern and Viability Statement</b>              | Having reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months following the signing of the accounts. For this reason, it continues to adopt the going concern basis in preparing the Group's accounts. The Company's Viability Statement can be found on page 49.                                                                                                                                                                                                                                                                                     |
| <b>Political donations</b>                                | The Group's policy is not to make any political donations and none were made during the financial year ended 31 December 2020 (2019: nil).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Post balance sheet events</b>                          | The sale of Concept Science's legacy food testing business completed on 5 January 2021. The sale of the Millbrook business completed on 1 February 2021. See Note 25 for further details on these transactions. In February 2021, the Group proposed the commencement of a £200 million share buyback programme.                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Purchase of own shares</b>                             | The Company was authorised by shareholders at the 2020 AGM to purchase in the market up to 10% of the Company's issued share capital, as permitted under the Company's Articles. No shares were purchased under this authority during the year. This standard authority is renewable annually and the Directors will seek to renew this authority at the 2021 AGM.                                                                                                                                                                                                                                                                                                                                     |
| <b>Related party transactions</b>                         | Details of related party transactions are set out in Note 32 to the Financial Statements on page 167.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Share capital                                            | The share capital of the Company comprises ordinary shares of 5 pence each: each share (with the exception of those held by the Company in Treasury) carries the right to one vote at general meetings of the Company. The Company may reduce or vary the rights attaching to its share capital by special resolution subject to the Articles and applicable laws and regulations. The issued share capital of the Company together with movements in the Company's issued share capital during the year are shown in Note 22 to the Financial Statements on page 153.                                                                                                                                                                                                                                                                                                                                                                                                                            |                      |                                                            |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------------------|----------------------|------------------------------------------------------------|------------------------------------------|------------|-------------|-------|---------|-----------|-------------|-------|-----------|-----------|-------------|-------|
| Shareholders' rights and obligations attaching to shares | <p>The Articles (available on the Company's website <a href="http://www.spectris.com">www.spectris.com</a> ) contain provisions governing the ownership and transfer of shares. All shareholders have equal voting rights with one vote per share and there are no special control rights attaching to the shares. There are no restrictions on the transfer of shares beyond those required by applicable law under the Articles or under any applicable share dealing policy.</p> <p>Subject to any special rights or restrictions, every shareholder on the Register not less than 48 working hours before the time fixed for a general meeting, will have one vote for every fully-paid share that they hold. Shareholders may cast votes either personally or by proxy, and a proxy need not be a shareholder. Details relating to the appointment of proxies and registration of voting instructions for the 2021 AGM are set out in the Notice of AGM accompanying this Annual Report.</p> |                      |                                                            |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| Substantial shareholders                                 | <p>As at 31 December 2020, the Company had received formal notifications of the following holdings in its ordinary shares in accordance with DTR 5:</p> <table><thead><tr><th></th><th>Shareholding in Spectris shares</th><th>Date of notification</th><th>Percentage of issued share capital at date of notification</th></tr></thead><tbody><tr><td>Massachusetts Financial Services Company</td><td>11,499,077</td><td>01 Oct 2020</td><td>9.89%</td></tr><tr><td>FMR LLC</td><td>8,682,229</td><td>01 Jan 2020</td><td>7.48%</td></tr><tr><td>BlackRock</td><td>6,069,049</td><td>21 Dec 2020</td><td>6.23%</td></tr></tbody></table> <p>Between 31 December 2020 and the date of this report, the Company received notification from:</p> <ul style="list-style-type: none"><li>UBS, on 11 January 2021 of a holding of 5.12% (5,954,691 shares).</li></ul> <p>A list of the Company's major shareholders is set out on page 184.</p>                                                       |                      | Shareholding in Spectris shares                            | Date of notification | Percentage of issued share capital at date of notification | Massachusetts Financial Services Company | 11,499,077 | 01 Oct 2020 | 9.89% | FMR LLC | 8,682,229 | 01 Jan 2020 | 7.48% | BlackRock | 6,069,049 | 21 Dec 2020 | 6.23% |
|                                                          | Shareholding in Spectris shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Date of notification | Percentage of issued share capital at date of notification |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| Massachusetts Financial Services Company                 | 11,499,077                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 01 Oct 2020          | 9.89%                                                      |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| FMR LLC                                                  | 8,682,229                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 01 Jan 2020          | 7.48%                                                      |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| BlackRock                                                | 6,069,049                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 21 Dec 2020          | 6.23%                                                      |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| Treasury shares                                          | Shares held by the Company in treasury do not have voting rights and are not eligible to receive dividends.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                      |                                                            |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| Disclosures required under UK Listing Rule 9.8.4         | There are no disclosures required to be made under UK Listing Rule 9.8.4 other than in respect of long-term incentive schemes, details of which are set out in the Directors' Remuneration Report on pages 78 to 97.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                                                            |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |
| Disclosure of information to auditor                     | <p>The Directors who held office at the date of approval of the Directors' Report confirm that:</p> <ul style="list-style-type: none"><li>so far as they are each aware, there is no relevant audit information, which would be needed by the Company's auditor in connection with preparing its audit report, of which the Company's auditor is unaware; and</li><li>each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                       |                      |                                                            |                      |                                                            |                                          |            |             |       |         |           |             |       |           |           |             |       |

On behalf of the Board

Mark Serfözö   
General Counsel and Company Secretary  
24 February 2021

# Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Under the Companies Act, the Directors are required to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union ('EU') and have also elected to prepare the Company Financial Statements in accordance with UK Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors are required to prepare such Financial Statements for each financial year and must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

- select accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in conformity with the requirements of IFRS as adopted by the EU;
- for the Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement

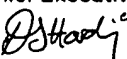
We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report on pages 1 to 59 and the Directors' Report on pages 60 to 101 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Strategic Report and the Directors' Report were approved by the Board on 24 February 2021.

By order of the Board

  
Andrew Heath  
Chief Executive

  
Derek Harding  
Chief Financial Officer  
24 February 2021

# Independent Auditor's Report to the Members of Spectris plc

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of Spectris plc (the 'Parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statement of Financial Position;
- the Consolidated and Company Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the Consolidated Notes 1 to 35 and Company Notes 1 to 15.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006, and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent company for the year are disclosed in note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report to the Members of Spectris plc continued

## 3. Summary of our audit approach

|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matters</b>                   | <p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>· Impairment of goodwill, intangible and tangible assets at Millbrook; and</li> <li>· Revenue recognition;</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li> Newly identified</li> <li> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Materiality</b>                         | The materiality that we used for the Group financial statements was £7.7 million (2019: £12.3 million) which was determined on the basis of an average of 5% of adjusted profit before tax, 0.8% of revenue and 3% of EBITDA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Scoping</b>                             | Full scope audit work was completed on 58 components and specified audit procedures were undertaken on a further 2 components. Our full scope and specified audit procedures represent 74% (2019: 71%) of total Group revenue and 88% of Group adjusted profit before tax (2019: 78% of Group statutory profit before tax). We have presented profit coverage based on adjusted profit before tax in the current year, given the statutory loss                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Significant changes in our approach</b> | <p>Our approach is consistent with the previous year with the exception of:</p> <ul style="list-style-type: none"> <li>· We have amended the basis on which we have determined materiality in the current period, given the volatility in the underlying current year earnings of the Group, predominantly following the outbreak of COVID-19. Historically our materiality has been determined solely with reference to an adjusted profit before tax benchmark. In the current year, a blended method has been used which uses adjusted profit before tax, revenue and EBITDA as reference benchmarks.</li> <li>· The classification and disclosure of restructuring costs from significant programmes is no longer considered to be a key audit matter, following a sizeable reduction in the quantum of the costs and consistent nature of items reducing the level of judgement relative to the prior year.</li> <li>· The impairment of the carrying value of goodwill, intangible and tangible assets at Concept Life Sciences is no longer considered a key audit matter, given the impairment recognised and the merger into the Malvern Panalytical platform cash generating unit during 2019.</li> <li>· Entities within the Netherlands, France, Germany and Denmark have been brought into scope as full-scope audits in the current year. These entities are part of the Malvern Panalytical and HBK platforms. The Singapore entities have been taken out of scope in the current year, as none contribute significantly to Group results and no other qualitative risks identified.</li> </ul> |

## 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the financing facilities available to the Group including nature of facilities, repayment terms and covenants
- challenging the assumptions used in the forecasts by reference to historical performance, trading run rate, order book and other supporting evidence such as business disposal agreements
- recalculation and assessment of the amount of cash and covenant headroom in the forecasts
- performing a sensitivity analysis to consider specific scenarios including a reverse stress test based on a reduction in revenue and associated margin

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Impairment of the carrying value of goodwill, other intangible and tangible assets at Millbrook \*

|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matter description</b>                                 | <p>The carrying value of the Millbrook CGU as at 31 December 2020 was £114.7m (2019: £239.5m).</p> <p>On 10 December 2020, Spectris reached an agreement to sell the Millbrook business, which formally completed on 1 February 2021.</p> <p>At the year end, management have determined the recoverable amount based on a fair value less costs to sell basis, as the business has been classified as held-for-sale in accordance with IFRS 5. The headline disposal value is £133.0m, which after accounting for £18.0m of completion adjustments and disposal costs results in a fair value less costs to sell of £114.7m. This consideration is made up of cash, vendor loan notes and a retained equity stake.</p> <p>The total impairment of Millbrook assets during 2020 is £125.9m, consisting of £58.4m goodwill, £51.2m of property, plant and equipment and £16.3m of other intangible assets.</p> <p>We consider that impairment of the carrying value of goodwill, other intangible and tangible assets at Millbrook represents a key audit matter due to the significance in the value of the transaction and effort and resources allocated during the audit throughout the year.</p> <p><i>Note 1 to the Consolidated Financial Statements sets out the Group's accounting policy for testing of goodwill and intangibles for impairment. The basis for the impairment review is outlined in note 11 to the Consolidated Financial Statements. Note 11 to the Consolidated Financial Statements also includes details of the extent to which the CGUs to which the goodwill and other intangibles assets are allocated are sensitive to changes in the key inputs. Note 35 to the Consolidated Financial Statements includes detail of events which occurred after the balance sheet date, including the formal completion of the Millbrook disposal.</i></p> |
| <b>How the scope of our audit responded to the key audit matter</b> | <p>We completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the relevant controls over the impairment process.</li> <li>• Assessed the transaction against the IFRS 5 held for sale criteria.</li> <li>• Reviewed the sale and purchase agreement of the transaction to challenge the deemed fair value of the business.</li> <li>• Reviewed the valuation, accounting treatment and disclosures in relation to the vendor loan note and retained equity stake elements of the consideration.</li> <li>• Agreed a sample of disposal costs included in management's calculations to supporting evidence.</li> <li>• Reviewed the adequacy of management's disclosures in relation to Millbrook impairment to ensure compliance with IFRS 5 and IAS 36.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Key observations</b>                                             | <p>Based on the work performed as outlined above, we are satisfied with the carrying value of Millbrook as at 31 December 2020 and the impairment charge recognised in the Consolidated Income Statement. We consider management's disclosures in relation to these matters to be appropriate.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

### 5.2. Revenue recognition ♦♦

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matter description</b> | <p>The Group recognised revenue of £1,336 million (2019: £1,632 million) predominantly through the provision of goods and services accounted for under IFRS 15. Given the number of operating companies in the Group, the variety of revenue streams and the bespoke nature of businesses, spanning across numerous countries and industries, understanding the revenue cycles in each business and their respective control environments underpins our risk assessment and the basis for our planned audit procedures.</p> <p>Consequently, we consider that revenue recognition represents a key audit matter due to the effort and resources allocated during the audit. Additionally, more revenue is generated in December across all operating companies than any other individual month in the financial year. We therefore identified a risk of material misstatement, whether due to error or fraud, relating to the cut-off of revenue recognition.</p> <p><i>Refer to note 1 for the accounting policies on revenue recognition, and notes 3 and 4 for the Group's segmental and revenue analysis.</i></p> |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# Independent Auditor's Report to the Members of Spectris plc continued

|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How the scope of our audit responded to the key audit matter</b> | <p>We designed our audit procedures to be specific to each operating company, considering the nature of each business and the associated revenue streams. Consequently, we performed a combination of the following audit procedures as appropriate:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the controls over the revenue recognition process specifically in relation to cut-off and in certain instances tested the operating effectiveness of these relevant controls.</li> <li>• Traced a sample of revenue recognised in December 2020 to third party supporting evidence to determine whether appropriate cut-off was applied and that performance obligations have been satisfied.</li> <li>• Considered significant contracts with multiple performance obligations and assessed the identification of separate performance obligations, the timing of revenue recognition and the evidence of the performance obligations being satisfied.</li> <li>• Challenged the appropriateness of accrued income recognised by agreeing a sample to supporting evidence demonstrating that a performance obligation has been met or partially met.</li> <li>• Obtained a schedule of adjusting and manual journals posted in December 2020 with a credit impact on revenue and traced a sample to appropriate evidence in support of the adjustment.</li> </ul> |
| <b>Key observations</b>                                             | We consider the revenue recognised across the Group to be appropriate and year end cut-off is materially accurate. We concur with management's accounting policies and their application across the Group.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

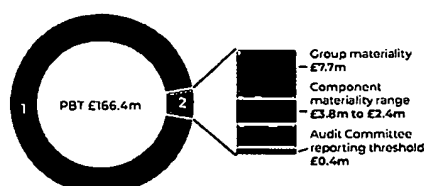
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|                                            | Group Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Parent Company Financial Statements                                                                                                                             |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Materiality</b>                         | £7.7 million (2019: £12.3 million)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | £3.8 million (2019: £4.0 million)                                                                                                                               |
| <b>Basis for determining materiality</b>   | We have amended the basis on which we have determined materiality in the current period, given the volatility in the underlying earnings of the Group predominantly following the outbreak of COVID-19. Historically our materiality has been determined solely with reference to an adjusted profit before tax benchmark. In the current year, a blended method has been used. This involved taking the average of the adjusted PBT (5.0%), revenue (0.8%), and EBITDA (3.0%) benchmarks. Our current year materiality of £7.7 million equates to 4.6% of adjusted PBT (2019: 5.0%).                                                                                                                                              | Parent company performance materiality equates to 50% of net assets, which is capped at 70% of Group performance materiality.                                   |
| <b>Rationale for the benchmark applied</b> | Adjusted profit before tax, revenue and EBITDA are key performance measures for management, investors and the analyst community. These metrics are important to the users of the financial statements (investors and analysts being the key users for a listed entity) because they portray the performance of the business and hence its ability to pay a return on investment to the investors. Likewise, the adjusted profit before tax metric takes into account the acquisitive nature of the Group which results in exceptional items needing to be considered when determining the performance of the business. Refer to note 2 of the financial statements for the Group's definition of Alternative Performance Measures. | Non-trading entity, whose primary function within the Spectris Group is to act as a holding company. As such, net assets deemed the most appropriate benchmark. |



1 Adjusted PBT  
2 Group materiality

## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

|                                                                    | Group Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Parent Company Financial Statements           |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>Performance materiality</b>                                     | 70% (2019: 70%) of Group materiality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 70% (2019: 70%) of Parent company materiality |
| <b>Basis and rationale for determining performance materiality</b> | <p>In determining performance materiality for the Group and Parent company, we considered the following factors:</p> <ul style="list-style-type: none"> <li>our risk assessment, including our assessment of the group's overall control environment and our past experience of the audit</li> <li>the disaggregated nature of the Group which reduces the likelihood of an individually material error</li> <li>the low number of corrected and uncorrected misstatements identified in the previous audits</li> </ul> |                                               |

## 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.4 million (2019: £0.6 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

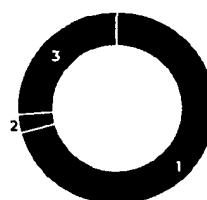
## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

The Group operates in more than 30 countries spread across five continents with the largest footprint being in North America, Asia and Europe. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level. Based on that assessment, we focussed our Group audit scope primarily on audit work at the four segments, consisting of three platforms: Omega, HBK and Malvern Panalytical; as well as another 7 operating companies reported as part of the Industrial Solutions segment. These 3 platforms and 7 other operating companies are composed of many individual components, which are the lowest level at which management prepares financial information that is included in the Consolidated Financial Statements. The Company is located in the UK and is audited directly by the Group audit team.

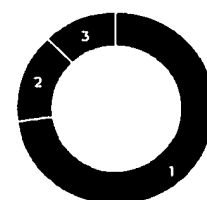
We have considered components on the basis of their contribution to Group revenue, and profit, as well as those that require local statutory audits in their jurisdiction. Full scope audit work was completed on 58 components and specified audit procedures were undertaken on a further 2 components. Our full scope and specified audit procedures represent 74% (2019: 71%) of total Group revenue and 88% of Group adjusted profit before tax (2019: 78% of Group statutory profit before tax). We have presented profit coverage based on adjusted profit before tax in the current year, given the statutory loss.

### Revenue (%)



|                              |     |
|------------------------------|-----|
| 1 Full scope audit           | 71% |
| 2 Specified audit procedures | 3%  |
| 3 Review at Group level      | 26% |

### Profit before tax (%)



|                              |     |
|------------------------------|-----|
| 1 Full scope audit           | 73% |
| 2 Specified audit procedures | 15% |
| 3 Review at Group level      | 12% |

### 7.2. Our consideration of the control environment

Given the disaggregated nature of the Group, we largely continue to adopt a substantive audit approach. Where control improvements are identified these are reported to management and the Audit Committee as appropriate. The Group continues to invest time in responding to and addressing our observations. Management determines their response to these observations and continues to monitor their resolution with reporting to and oversight from the Audit Committee. In the current year, a considerable piece of work has been completed by management on the IT control environment at a number of the key platform businesses. Further improvement is still required before we are able to rely on the IT controls within our audit approach.

# Independent Auditor's Report to the Members of Spectris plc continued

## 7.3. Working with other auditors

The Group audit was conducted exclusively by a global network of Deloitte member firms under the direction and supervision of the UK Group audit team. Component auditors were assigned to perform audit procedures in line with the scoping of the respective components within their jurisdiction. Each component in scope was subject to an audit materiality level between £2.4 million and £3.8 million. For the Group audit, the component auditors focused on components classified for full scope and specified audit procedures. Further work was performed at a Group level over the consolidation and components not in scope. Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight.

The planned programme which we designed as part of our involvement in the component auditor's work was delivered over the course of the Group audit. The extent of our involvement which commenced from the planning phase included:

- Setting the scope of the component auditor and assessment of the component auditor's independence.
- Designing the audit procedures for all significant risks to be addressed by the component auditors and issuing Group audit instructions detailing the nature and form of the reporting required by the Group engagement team.
- Providing direction on enquiries made by the component auditors through online and telephone conversations.
- A review of each component auditor's engagement file by a senior member of the Group audit team.
- Group team attendance at local component audit close meetings.

In response to the COVID-19 pandemic, which limited our ability to make component visits, more frequent calls were held between the Group and component teams and remote access to relevant documents was provided. Given the pandemic, the majority of our audit was performed under a remote working environment. Throughout this time, we increased the frequency of our meetings with the audit team and with management to ensure progress. We were able to perform our procedures without needing to make substantial changes to our planned approach.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including significant component audit teams, and relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of goodwill, intangible and tangible assets at Millbrook and revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation in all relevant jurisdictions where the Group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's environmental regulations.

#### 11.2. Audit response to risks identified

As a result of performing the above, we identified the impairment of goodwill, intangible and tangible assets at Millbrook and revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### Report on other legal and regulatory requirements

#### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### 13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 100;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 100;
- the directors' statement on fair, balanced and understandable set out on page 73;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 74;

# Independent Auditor's Report to the Members of Spectris plc continued

- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 76; and
- the section describing the work of the audit committee set out on page 73.

## **14. Matters on which we are required to report by exception**

### **14.1. Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### **14.2. Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## **15. Other matters which we are required to address**

### **15.1. Auditor tenure**

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 July 2016 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 December 2017 to 31 December 2020.

### **15.2. Consistency of the audit report with the additional report to the audit committee**

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

## **16. Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Bond, FCA (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Reading UK

24 February 2021

# Consolidated Income Statement

For the year ended 31 December 2020

|                                                                                                                                                        | Note  | 2020<br>£m    | 2019<br>£m   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------|--------------|
| <b>Continuing operations</b>                                                                                                                           |       |               |              |
| Revenue                                                                                                                                                | 2,3,4 | 1,336.2       | 1,632.0      |
| Cost of sales                                                                                                                                          |       | (599.8)       | (717.8)      |
| <b>Gross profit</b>                                                                                                                                    |       | <b>736.4</b>  | <b>914.2</b> |
| Indirect production and engineering expenses                                                                                                           |       | (96.7)        | (108.2)      |
| Sales and marketing expenses                                                                                                                           |       | (268.3)       | (345.7)      |
| Administrative expenses                                                                                                                                |       | (394.7)       | (376.0)      |
| <b>Adjusted operating profit</b>                                                                                                                       | 2     | <b>173.6</b>  | <b>258.1</b> |
| Restructuring costs                                                                                                                                    | 2     | (19.5)        | (52.2)       |
| Net transaction-related costs and fair value adjustments                                                                                               | 2     | (19.4)        | (6.1)        |
| Depreciation of acquisition-related fair value adjustments to property, plant and equipment                                                            | 2     | (0.7)         | (1.0)        |
| Profit on disposal of property                                                                                                                         | 2     | -             | 5.2          |
| Impairment of goodwill                                                                                                                                 | 2,11  | (58.4)        | (35.1)       |
| Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment                             | 2,11  | (98.9)        | (84.6)       |
| <b>Operating (loss)/profit</b>                                                                                                                         | 2,3,5 | <b>(23.3)</b> | <b>84.3</b>  |
| Fair value through profit and loss movements on equity investments                                                                                     | 13    | 23.2          | -            |
| Share of post-tax results of joint venture                                                                                                             | 2     | -             | (4.9)        |
| Impairment of non-current receivable from joint venture                                                                                                | 2     | -             | (21.3)       |
| Profit on disposal of businesses                                                                                                                       | 25    | 4.4           | 204.7        |
| Financial income                                                                                                                                       | 7     | 1.8           | 7.9          |
| Finance costs                                                                                                                                          | 7     | (10.2)        | (11.4)       |
| <b>(Loss)/profit before tax</b>                                                                                                                        |       | <b>(4.1)</b>  | <b>259.3</b> |
| Taxation charge                                                                                                                                        | 8     | (12.9)        | (25.2)       |
| <b>(Loss)/profit for the year from continuing operations attributable to owners of the Company</b>                                                     |       | <b>(17.0)</b> | <b>234.1</b> |
| Basic (loss)/earnings per share                                                                                                                        | 10    | (14.6)p       | 202.2p       |
| Diluted (loss)/earnings per share                                                                                                                      | 10    | (14.6)p       | 201.6p       |
| <b>Dividends – amounts arising in respect of the year</b>                                                                                              |       |               |              |
| 2020: Interim and additional interim dividends paid and final dividend proposed for the year<br>(2019: interim dividend paid for the year) (per share) | 9     | 111.6p        | 21.9p        |
| Dividends paid during the year (per share)                                                                                                             | 9     | 65.1p         | 62.4p        |

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

|                                                                                                                    | Note | 2020<br>£m    | 2019<br>£m   |
|--------------------------------------------------------------------------------------------------------------------|------|---------------|--------------|
| (Loss)/profit for the year attributable to owners of the Company                                                   |      | (17.0)        | 234.1        |
| <b>Other comprehensive income:</b>                                                                                 |      |               |              |
| <b>Items that will not be reclassified to the Consolidated Income Statement:</b>                                   |      |               |              |
| Re-measurement of net defined benefit obligation                                                                   | 20   | 8.5           | (10.6)       |
| Fair value gain on investment in equity instruments designated as at fair value through other comprehensive income | 13   | 0.1           | -            |
| Tax (charge)/credit on items above                                                                                 | 8    | (1.3)         | 1.7          |
|                                                                                                                    |      | 7.3           | (8.9)        |
| <b>Items that are or may be reclassified subsequently to the Consolidated Income Statement:</b>                    |      |               |              |
| Net (loss)/gain on effective portion of changes in fair value of forward exchange contracts on cash flow hedges    |      | (0.6)         | 3.1          |
| Foreign exchange movements on translation of overseas operations                                                   |      | (0.6)         | (32.7)       |
| Currency translation differences transferred to profit on disposal of business                                     |      | -             | (35.8)       |
| Tax credit/(charge) on items above                                                                                 | 8    | 0.1           | (0.6)        |
|                                                                                                                    |      | (1.1)         | (66.0)       |
| <b>Total other comprehensive income/(loss)</b>                                                                     |      | 6.2           | (74.9)       |
| <b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>                        |      | <b>(10.8)</b> | <b>159.2</b> |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

|                                                              | Note | Share capital<br>£m | Share premium<br>£m | Retained earnings<br>£m | Translation reserve<br>£m | Hedging reserve<br>£m | Merger reserve<br>£m | Capital redemption reserve<br>£m | Total equity<br>£m |
|--------------------------------------------------------------|------|---------------------|---------------------|-------------------------|---------------------------|-----------------------|----------------------|----------------------------------|--------------------|
| <b>At 1 January 2020</b>                                     |      | 6.0                 | 231.4               | 983.3                   | 98.6                      | (1.4)                 | 3.1                  | 0.5                              | 1,321.5            |
| Loss for the year                                            |      | -                   | -                   | (17.0)                  | -                         | -                     | -                    | -                                | (17.0)             |
| Other comprehensive income/(loss)                            |      | -                   | -                   | 7.3                     | (0.6)                     | (0.5)                 | -                    | -                                | 6.2                |
| <b>Total comprehensive loss for the year</b>                 |      | -                   | -                   | (9.7)                   | (0.6)                     | (0.5)                 | -                    | -                                | (10.8)             |
| <b>Transactions with owners recorded directly in equity:</b> |      |                     |                     |                         |                           |                       |                      |                                  |                    |
| Equity dividends paid by the Company                         | 9    | -                   | -                   | (75.7)                  | -                         | -                     | -                    | -                                | (75.7)             |
| Share-based payments, net of tax                             | 23   | -                   | -                   | 3.3                     | -                         | -                     | -                    | -                                | 3.3                |
| Proceeds from exercise of equity-settled options             |      | -                   | -                   | 0.3                     | -                         | -                     | -                    | -                                | 0.3                |
| <b>At 31 December 2020</b>                                   |      | 6.0                 | 231.4               | 901.5                   | 98.0                      | (1.9)                 | 3.1                  | 0.5                              | 1,238.6            |
|                                                              |      |                     |                     |                         |                           |                       |                      |                                  |                    |
|                                                              | Note | Share capital<br>£m | Share premium<br>£m | Retained earnings<br>£m | Translation reserve<br>£m | Hedging reserve<br>£m | Merger reserve<br>£m | Capital redemption reserve<br>£m | Total equity<br>£m |
| <b>At 1 January 2019</b>                                     |      | 6.0                 | 231.4               | 828.7                   | 167.1                     | (3.9)                 | 3.1                  | 0.5                              | 1,232.9            |
| Adoption of IFRS 16 and IFRIC 23                             |      | -                   | -                   | (2.9)                   | -                         | -                     | -                    | -                                | (2.9)              |
| <b>At 1 January 2019 (restated)</b>                          |      | 6.0                 | 231.4               | 825.8                   | 167.1                     | (3.9)                 | 3.1                  | 0.5                              | 1,230.0            |
| Profit for the year                                          |      | -                   | -                   | 234.1                   | -                         | -                     | -                    | -                                | 234.1              |
| Other comprehensive income                                   |      | -                   | -                   | (8.9)                   | (68.5)                    | 2.5                   | -                    | -                                | (74.9)             |
| <b>Total comprehensive income for the year</b>               |      | -                   | -                   | 225.2                   | (68.5)                    | 2.5                   | -                    | -                                | 159.2              |
| <b>Transactions with owners recorded directly in equity:</b> |      |                     |                     |                         |                           |                       |                      |                                  |                    |
| Equity dividends paid by the Company                         | 9    | -                   | -                   | (72.3)                  | -                         | -                     | -                    | -                                | (72.3)             |
| Share-based payments, net of tax                             | 23   | -                   | -                   | 3.6                     | -                         | -                     | -                    | -                                | 3.6                |
| Proceeds from exercise of equity-settled options             |      | -                   | -                   | 1.0                     | -                         | -                     | -                    | -                                | 1.0                |
| <b>At 31 December 2019</b>                                   |      | 6.0                 | 231.4               | 983.3                   | 98.6                      | (1.4)                 | 3.1                  | 0.5                              | 1,321.5            |

# Consolidated Statement of Financial Position

As at 31 December 2020

|                                                           | Note | 2020<br>£m     | 2019<br>£m     |
|-----------------------------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                                             |      |                |                |
| <b>Non-current assets</b>                                 |      |                |                |
| Intangible assets:                                        |      |                |                |
| Goodwill                                                  | 11   | 577.0          | 646.8          |
| Other intangible assets                                   | 11   | 133.5          | 178.5          |
|                                                           |      | 710.5          | 825.3          |
| Property, plant and equipment                             | 12   | 187.1          | 369.0          |
| Investment in equity instruments                          | 13   | 39.4           | -              |
| Deferred tax assets                                       | 21   | 14.6           | 9.0            |
|                                                           |      | 951.6          | 1,203.3        |
| <b>Current assets</b>                                     |      |                |                |
| Inventories                                               | 14   | 168.5          | 197.2          |
| Current tax assets                                        |      | 4.1            | 4.1            |
| Trade and other receivables                               | 15   | 291.8          | 335.7          |
| Derivative financial instruments                          | 28   | 1.9            | 1.5            |
| Cash and cash equivalents                                 | 16   | 222.2          | 213.1          |
| Assets held for sale                                      | 25   | 178.7          | 18.9           |
|                                                           |      | 867.2          | 770.5          |
| <b>Total assets</b>                                       |      | <b>1,818.8</b> | <b>1,973.8</b> |
| <b>LIABILITIES</b>                                        |      |                |                |
| <b>Current liabilities</b>                                |      |                |                |
| Borrowings                                                | 17   | (13.1)         | (80.7)         |
| Derivative financial instruments                          | 28   | (0.1)          | (0.1)          |
| Trade and other payables                                  | 18   | (288.3)        | (296.8)        |
| Lease liabilities                                         |      | (12.9)         | (15.1)         |
| Current tax liabilities                                   |      | (16.7)         | (20.8)         |
| Provisions                                                | 19   | (24.7)         | (27.3)         |
| Liabilities held for sale                                 | 25   | (37.3)         | -              |
|                                                           |      | (393.1)        | (440.8)        |
| <b>Net current assets</b>                                 |      | <b>474.1</b>   | <b>329.7</b>   |
| <b>Non-current liabilities</b>                            |      |                |                |
| Borrowings                                                | 17   | (104.5)        | (98.9)         |
| Other payables                                            | 18   | (24.7)         | (21.3)         |
| Lease liabilities                                         |      | (26.0)         | (45.4)         |
| Provisions                                                | 19   | (3.8)          | (5.6)          |
| Retirement benefit obligations                            | 20   | (20.4)         | (27.5)         |
| Deferred tax liabilities                                  | 21   | (7.7)          | (12.8)         |
|                                                           |      | (187.1)        | (211.5)        |
| <b>Total liabilities</b>                                  |      | <b>(580.2)</b> | <b>(652.3)</b> |
| <b>Net assets</b>                                         |      | <b>1,238.6</b> | <b>1,321.5</b> |
| <b>EQUITY</b>                                             |      |                |                |
| Share capital                                             | 22   | 6.0            | 6.0            |
| Share premium                                             |      | 231.4          | 231.4          |
| Retained earnings                                         |      | 901.5          | 983.3          |
| Translation reserve                                       | 22   | 98.0           | 98.6           |
| Hedging reserve                                           | 22   | (1.9)          | (1.4)          |
| Merger reserve                                            | 22   | 3.1            | 3.1            |
| Capital redemption reserve                                | 22   | 0.5            | 0.5            |
| <b>Total equity attributable to owners of the Company</b> |      | <b>1,238.6</b> | <b>1,321.5</b> |

The Financial Statements on pages 111 to 168 were approved by the Board of Directors on 24 February 2021 and were signed on its behalf by:

Derek Harding  
Chief Financial Officer

Company Registration No. 2025003

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

|                                                                                                            | Note | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------------------------------------------------|------|------------|------------|
| <b>Cash generated from operations</b>                                                                      | 26   | 254.6      | 277.8      |
| Net income taxes paid                                                                                      |      | (28.6)     | (37.0)     |
| <b>Net cash inflow from operating activities</b>                                                           |      | 226.0      | 240.8      |
| <b>Cash flows (used in)/from investing activities</b>                                                      |      |            |            |
| Purchase of property, plant and equipment and intangible assets                                            |      | (43.1)     | (86.6)     |
| Proceeds from disposal of property, plant and equipment and software                                       |      | 4.1        | 11.2       |
| Acquisition of businesses, net of cash acquired                                                            | 24   | (10.9)     | (9.7)      |
| Purchase of equity investments                                                                             | 13   | (15.2)     | -          |
| Proceeds from disposal of businesses, net of tax paid of £2.3m (2019: £1.2m)                               | 25   | 20.6       | 260.1      |
| Proceeds from government grants related to purchase of property, plant and equipment and intangible assets | 34   | 0.2        | 5.0        |
| Interest received                                                                                          |      | 2.4        | 0.7        |
| <b>Net cash flows (used in)/from investing activities</b>                                                  |      | (41.9)     | 180.7      |
| <b>Cash flows used in financing activities</b>                                                             |      |            |            |
| Interest paid on borrowings                                                                                |      | (6.9)      | (7.0)      |
| Interest paid on lease liabilities                                                                         | 30   | (2.3)      | (2.9)      |
| Dividends paid                                                                                             | 9    | (75.7)     | (72.3)     |
| Net proceeds from exercise of share options                                                                |      | 0.3        | 1.0        |
| Payments on principal portion of lease liabilities                                                         | 30   | (19.3)     | (17.6)     |
| Loan repaid by/(made to) joint venture                                                                     |      | 3.0        | (2.2)      |
| Proceeds from borrowings                                                                                   |      | 0.3        | 193.2      |
| Repayment of borrowings                                                                                    |      | (86.4)     | (363.5)    |
| <b>Net cash flows used in financing activities</b>                                                         |      | (187.0)    | (271.3)    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                                                |      | (2.9)      | 150.2      |
| Cash and cash equivalents at beginning of year                                                             |      | 213.1      | 67.3       |
| Effect of foreign exchange rate changes                                                                    |      | 0.7        | (4.4)      |
| <b>Cash and cash equivalents at end of year</b>                                                            | 16   | 210.9      | 213.1      |
| <b>Reconciliation of changes in cash and cash equivalents to movements in net cash/(debt)</b>              | Note | 2020<br>£m | 2019<br>£m |
| Net (decrease)/increase in cash and cash equivalents                                                       |      | (2.9)      | 150.2      |
| Proceeds from borrowings                                                                                   |      | (0.3)      | (193.2)    |
| Repayment of borrowings                                                                                    |      | 86.4       | 363.5      |
| Effect of foreign exchange rate changes                                                                    |      | (10.6)     | 10.1       |
| Movement in net cash                                                                                       |      | 72.6       | 330.6      |
| Net cash/(debt) at beginning of year                                                                       |      | 33.5       | (297.1)    |
| <b>Net cash at end of year</b>                                                                             | 2    | 106.1      | 33.5       |

# Notes to the Accounts

## 1. Basis of preparation and summary of significant accounting policies

### a) Basis of preparation

#### Basis of accounting

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards (IFRS) to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No. 1606/2002, as it applies in the European Union.

The Consolidated Financial Statements set out on pages 111 to 168 have been prepared using consistent accounting policies, except for the adoption of new accounting standards and interpretations noted below. Details of the application of new and revised IFRS that became applicable in 2020 are set out below.

These Consolidated Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place.

#### Basis of consolidation

The Consolidated Financial Statements set out the Group's financial position as at 31 December 2020 and the Group's financial performance for the year ended 31 December 2020, which incorporate the Financial Statements of Spectris plc and its subsidiaries.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Joint ventures are contractual arrangements which the Group has entered into with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when decisions relating to the relevant activities require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method, under which the investment in a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of the losses of a joint venture exceeds the Group's interest in that joint venture the Group discontinues recognising its share of further losses.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that on the same basis as would be required if that had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the joint venture is disposed of.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

#### Going concern

In determining the basis of preparation for the Consolidated Financial Statements the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 on the Group, which are described in the Chief Executive's Review, Financial Review and Operational Review.

The Group's business activities, together with factors likely to affect its future development, performance and financial position are set out in the Strategic Report on pages 11 to 59. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 38 to 43. In addition, Note 27 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

As at 31 December 2020, the Group had £690.5m of committed facilities denominated in different currencies, consisting of an \$800.0m (£586.0m) revolving credit facility maturing in July 2023 and a seven-year €16.2m (£104.5m) term loan maturing in September 2022. From these facilities, the Group had total gross borrowings of £104.5m at 31 December 2020. The revolving credit facility (RCF) was undrawn at 31 December 2020. During the year the Group requested a further one-year extension of its \$800m RCF, as permitted under the agreement. The extension was approved by all ten banks in the syndicate, ensuring the Group continues to have access to the full amount under the facility until July 2025.

These facilities have a leverage (net debt/EBITDA) covenant of up to 3x for the term loan and up to 3.5x for the RCF. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2020, interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net finance charges) was more than 40 times, against a minimum requirement of 3.75 times, and leverage (defined as adjusted earnings before

# Notes to the Accounts continued

## 1. Basis of preparation and summary of significant accounting policies continued

interest, tax, depreciation and amortisation divided by net cash/(debt)) was less than zero due to the Group's net cash position, against a maximum permitted leverage of 3 times.

In addition to the above, after adjusting for £3.7m of cash and cash equivalents included in the 'assets held for sale' line of the Consolidated Statement of Financial Position, at 31 December 2020, the Group had a cash and cash equivalents balance of £225.9m and various uncommitted facilities and bank overdraft facilities available, resulting in a net cash position of £106.1m, an increase of £72.6m from £33.5m at 31 December 2019.

In April 2020, Spectris successfully applied for access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), resulting in the ability to raise up to £600m of additional short-term funding, if required, before 23 March 2021 by issuing commercial paper for purchase by the Bank under the programme. The Group is under no obligation to utilise the facility and, in view of the Group's other undrawn facilities and current financial position, we do not anticipate accessing the programme before its expiry.

The Group has prepared and reviewed cash flow forecasts, which reflect forecasted changes in revenue across its business as set out and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants (Notes 17 and 27). Assuming similar levels of cash conversion as experienced in recent months since the outbreak occurred, a monthly decline of revenue well in excess of that experienced in any month during 2020 would need to persist throughout the entire going concern period for a covenant breach to occur, which is considered very unlikely. In addition, the reverse stress test does not take in account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion. Further information on the going concern of the Group can be found on page 49 in the Viability Statement.

### New standards and interpretations adopted

In the current year there are no new standards and interpretations that have had a material impact on the Group's Statement of Financial Position.

### New accounting standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

|                                                       |                                                                                                                                                               |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 17                                               | Insurance Contracts                                                                                                                                           |
| IFRS 10 and IAS 28 (amendments)                       | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture                                                                         |
| Amendments to IAS 1                                   | Classification of Liabilities as Current or Non-Current                                                                                                       |
| Amendments to IFRS 3                                  | Reference to the Conceptual Framework                                                                                                                         |
| Amendments to IAS 16                                  | Property, Plant and Equipment – Proceeds before Intended Use                                                                                                  |
| Amendments to IAS 37                                  | Onerous Contracts – Costs of Fulfilling a Contract                                                                                                            |
| Annual Improvements to IFRS Standards 2018-2020 Cycle | Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture |

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Consolidated Financial Statements of the Group in future periods.

### Significant accounting judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including the impact of COVID-19 on the Group.

### Critical accounting judgements

#### Restructuring costs

Restructuring costs consist of costs incurred under significant restructuring programmes. These costs are presented in a separate income statement category, as adjusting items to operating profit. The classification and presentation of these items require significant judgement to determine the nature and intention of the transaction. Details of the Group's adjusted measures are included in Note 2.

## 1. Basis of preparation and summary of significant accounting policies continued

### Key sources of estimation uncertainty

Management considers the following to be the key sources of estimation uncertainty for the Group at the end of the current reporting period due to the risk of causing a material change to the carrying amount of assets and liabilities within the next year.

#### i) Taxation

The Group operates in a number of countries and is subject to taxes in numerous jurisdictions. Significant estimation is required in determining the provision for taxes as the tax treatment is often by its nature complex and cannot be finally determined until a formal resolution has been reached with the relevant tax authority which may take several years to conclude. Amounts provided are accrued based on management's interpretation of country-specific tax laws and the likelihood of settlement. Actual liabilities could differ from the amount provided which could have a consequent adverse impact on the results and net position of the Group. The assumptions and estimates which have been applied in the determination of taxation are detailed in Note 8. Details of the accounting policies applied in respect of taxation are set out on page 120.

#### ii) Retirement benefit plans

Accounting for retirement benefit plans under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The discount rate and rate of retail price inflation ('RPI') assumptions applied in the calculation of plan liabilities, which are set out in Note 20, represent a key source of estimation uncertainty for the Group. Details of the accounting policies applied in respect of retirement benefit plans are set out on page 122.

### b) Summary of significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all years presented in these Consolidated Financial Statements.

#### Business combinations and goodwill

Goodwill represents the excess of the fair value of the purchase consideration for the interests in subsidiary undertakings over the net fair value to the Group of the identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of the Group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in the Consolidated Income Statement. Contingent consideration is initially recognised as a liability with changes to estimates of contingent consideration reflected in operating profit unless they occur during the 12-month measurement period, in which situation the amount of goodwill recognised on the acquisition is adjusted. Adjustments to contingent consideration are treated as an adjusting item for the purposes of alternative performance measures (see Note 2).

Transaction costs on a business combination are expensed as incurred in the Consolidated Income Statement and treated as an adjusting item for the purposes of alternative performance measures (see Note 2).

Goodwill arising on the acquisition of a business is tested annually for impairment. Goodwill is not amortised, and any impairment losses are not subsequently reversed. The net book value of goodwill at the date of transition to IFRS has been treated as deemed cost. On the subsequent disposal or discontinuance of a previously-acquired business, the relevant goodwill is dealt with in the Consolidated Income Statement except for the goodwill already charged to reserves. Goodwill is allocated on acquisition to cash-generating units ('CGUs') that are anticipated to benefit from the combination. Goodwill is tested for impairment by assessing the recoverable amount of the CGU to which the goodwill relates and comparing it against the net book value. This estimate of recoverable amount is determined annually and additionally when there is an indication that a CGU may be impaired. The Group's identified CGUs are equivalent to or smaller than the reportable operating segments in Note 3.

The estimate of recoverable amount requires significant assumptions to be made and is based on a number of factors such as the near-term business outlook for the CGU, including both its operating profit and operating cash flow performance. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

#### Intangible assets and amortisation

The cost of acquiring software (including associated implementation costs where applicable) that is not specific to an item of property, plant and equipment is classified as an intangible asset.

Self-funded research and development costs are charged to the Consolidated Income Statement in the year in which they are incurred unless development expenditure meets certain strict criteria for capitalisation. These criteria include demonstration of the technical feasibility, intent of completing a new intangible asset that is separable and that the asset will generate probable future economic benefits. From the point where expenditure meets the criteria, development costs are capitalised and amortised over the useful economic lives of the assets to which they relate.

Intangible assets arising from a business combination that are separable from goodwill are recognised initially at fair value at the date of acquisition. Other acquired intangible assets (including software not specific to an item of property, plant and equipment) are initially recognised at cost (plus any associated implementation costs where applicable).

Subsequent expenditure is capitalised only when it increases the future economic benefits, otherwise it is expensed as incurred.

# Notes to the Accounts continued

## 1. Basis of preparation and summary of significant accounting policies continued

Amortisation of intangible assets is charged to administrative expenses in the Consolidated Income Statement on a straight-line basis over the shorter of the estimated useful economic life (determined on an asset-by-asset basis) or underlying contractual life. The estimated useful lives are as follows:

- software – 3 to 7 years;
- patents, contractual rights and technology – up to 10 years, dependent upon the nature of the underlying contractual right; and
- customer-related and trade names – 3 to 20 years, dependent upon the underlying contractual arrangements and specific circumstances such as customer retention experience.

### Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use. Tangible assets arising from a business combination are recognised initially at fair value at the date of acquisition.

Depreciation is recognised in the Consolidated Income Statement on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually) of property, plant and equipment over its estimated useful economic life. Depreciation commences on the date the assets are available for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. The depreciation charge is revised where useful lives are different from those previously estimated, or where technically obsolete assets are required to be written down. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Land is not depreciated. Estimated useful lives are as follows:

- freehold and long leasehold property and automotive testing tracks – 20 to 40 years;
- short leasehold property – over the period of the lease; and
- plant and equipment – 3 to 20 years.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for their intended use are capitalised as part of the cost of the respective asset.

### Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The right-of-use assets are presented within the 'Property, plant and equipment' line of the Consolidated Statement of Financial Position, together with owned items of property, plant and equipment. Separate disclosure of right-of-use assets is provided in Note 12.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The interest portion of lease payments is presented under financing activities in the Consolidated Statement of Cash Flows.

## 1. Basis of preparation and summary of significant accounting policies continued

### Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. Inventory acquired as part of business combinations is valued at fair value less cost to sell. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. In the case of manufacturing inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is accounted for on a first-in, first-out basis or, in some cases, a weighted-average basis, if deemed more appropriate for the business. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

### Trade and other receivables

Trade and other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historical credit loss experience, adjusted for factors specific to the receivable and operating company. The movement in the provision is recognised in the Consolidated Income Statement.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash equivalents for the purposes of the Consolidated Statement of Cash Flows.

### Assets and liabilities held for sale

Assets, liabilities and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets, liabilities and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Consolidated Income Statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as an asset in the Consolidated Statement of Financial Position and transferred to the Consolidated Income Statement on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in Consolidated Income Statement in the period in which they become receivable.

### Trade and other payables

Trade and other payables are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

### Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to settle the obligation. In respect of warranties, a provision is recognised when the underlying products or services are sold. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

# Notes to the Accounts continued

## 1. Basis of preparation and summary of significant accounting policies continued

### Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustments to tax payable in respect of prior years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured using the tax rates expected to apply when the asset is realised, or the liability settled based on tax rates enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Additional income taxes that arise from the distribution of intra-group dividends are recognised at the same time as the liability to pay the related dividend.

### Foreign currency translation

The functional currency for each entity in the Group is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Consolidated Statement of Financial Position date. Exchange gains and losses on settlement of foreign currency transactions are determined using the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, and are charged/credited to the Consolidated Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

On consolidation, the Income Statement items of subsidiaries are translated into Sterling at average rates of exchange. Statement of Financial Position items are translated into Sterling at year-end exchange rates. Exchange differences on the retranslation are taken to the translation reserve within equity. Exchange differences on foreign currency borrowings designated as a hedge of the net investment in a foreign operation are reported in the Consolidated Statement of Comprehensive Income. All other exchange differences are charged or credited to the Consolidated Income Statement in the year in which they arise. On disposal of an overseas subsidiary, any cumulative exchange movements relating to that subsidiary held in the translation reserve are transferred to the Consolidated Income Statement.

Derivative financial instruments may be purchased to hedge the Group's exposure to changes in foreign exchange rates. The accounting policies applied in these circumstances are described below.

### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective-interest basis.

### Financial instruments

#### Recognition

The Group recognises financial assets and liabilities on its Consolidated Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs. In determining estimated fair value, investments are valued at quoted bid prices on the trade date. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded. In determining fair value for deferred contingent consideration, the fair value is determined by reference to best estimates of the likely outcome.

### 1. Basis of preparation and summary of significant accounting policies continued

Originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective-interest method. Allowance for impairment is estimated on a case-by-case basis.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement.

Amounts deferred in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement, in the same line of the Consolidated Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Consolidated Income Statement.

#### Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights to the cash flows from the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Originated loans and receivables are derecognised on the date they are transferred by the Group.

#### Investments in equity instruments

##### i) Investments in equity instruments classified as fair value through profit and loss

Investments in equity instruments are classified as fair value through profit and loss, unless the Group designates an equity instrument that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit and loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). Dividends on investments in equity instruments classified as fair value through profit and loss are recognised in profit or loss.

##### ii) Investments in equity instruments classified as fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

An investment in equity instrument is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the retained earnings reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends from investments in equity instruments designated as at fair value through other comprehensive income are recognised in profit and loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### Impairment of financial assets

The Group assesses at each Consolidated Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is

# Notes to the Accounts continued

## 1. Basis of preparation and summary of significant accounting policies continued

deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For trade receivables the Group recognises impairment provisions based on lifetime expected credit losses.

### Net investment hedge accounting

The Group uses Euro-denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. To the extent that the hedge is effective at hedging the variability in the net assets of such companies, caused by changes in foreign exchange rates, the changes in the value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income. The ineffective part of any change in value caused by changes in foreign exchange rates is recognised in the Consolidated Income Statement.

### Employee benefits

The Group operates defined benefit post-retirement benefit plans and defined contribution pension plans.

#### Defined benefit plans

The Group's net obligation recognised in the Consolidated Statement of Financial Position in respect of defined benefit plans is calculated separately for each plan as the present value of the plan's liabilities less the fair value of the plan's assets. The operating and financing costs of defined benefit plans are recognised separately in the Consolidated Income Statement. Operating costs comprise the current service cost, plan administrative expense, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on the net asset surplus/deficit. Actuarial gains or losses comprising changes in plans' liabilities due to experience and changes in actuarial assumptions are recognised in the Consolidated Statement of Comprehensive Income.

The amount of any pension fund asset recognised in the Consolidated Statement of Financial Position is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the Consolidated Income Statement in the periods during which services are rendered by employees.

In certain countries, the Group participates in industry-wide defined benefit-type pension arrangements. In such circumstances, it is not possible to determine the amount of any surplus or deficit attributable to the Group and the pension costs are accounted for as if the arrangements were defined contribution plans. These are not material to the Group and, accordingly, no additional disclosures are provided.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each Consolidated Statement of Financial Position reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Where it is not possible to incentivise managers of the Group's operating companies with equity-settled options, they are issued with cash-settled options. The charge for these awards is adjusted to reflect the expected and actual levels of options that vest, and the fair value is based on either the share price at date of exercise or the share price at the Consolidated Statement of Financial Position date if sooner.

#### Own shares

Own equity instruments which are re-acquired (own shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid to acquire such equity instruments is recognised within equity.

#### Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

## 1. Basis of preparation and summary of significant accounting policies continued

### Revenue

Revenue is measured based on the fair value of the consideration specified in a contract with a customer, net of returns and discounts, and excludes amounts collected on behalf of third parties, value added tax and other sales-related taxes. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group's major revenue streams are the same as its reportable operating segments (Malvern Panalytical, HBK, Omega and Industrial Solutions).

The following table provides further details on the nature of each of the major revenue streams. The table shows where each revenue factor forms more than 10% of the operating segment's total revenue:

| Revenue stream       | % of total Group sales 2020 | Revenue derived from: |                                    |                                        |                                         |
|----------------------|-----------------------------|-----------------------|------------------------------------|----------------------------------------|-----------------------------------------|
|                      |                             | Provision of services | Sale of goods without installation | Sale of goods with simple installation | Sale of goods with complex installation |
| Malvern Panalytical  | 28%                         | ✓                     | ✓                                  |                                        | ✓                                       |
| HBK                  | 29%                         | ✓                     | ✓                                  |                                        |                                         |
| Omega                | 9%                          |                       | ✓                                  |                                        |                                         |
| Industrial Solutions | 34%                         | ✓                     | ✓                                  | ✓                                      |                                         |

Further details of the nature of each major revenue stream is provided below.

#### Malvern Panalytical

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time.

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when legal title transfers to the customer, usually on delivery.

When the sale of goods is combined with installation, revenue recognition depends upon the nature of the installation. Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods, whereas complex installations are those for which the installation is an integral part of the delivery of the goods.

Revenue is recognised for simple installations separately from the delivery of goods, and only at a point in time when the installation has occurred.

For complex installations, revenue is normally deferred until installation is complete. For a small number of complex installations, revenue is recognised before installation when: a) a significant period of time has elapsed since completion of the product; b) an installation date has not been agreed despite multiple attempts to arrange; and c) payment has been received from the customer. Significant judgement is required for these installations. Revenue from these arrangements represents approximately 2% of the segment's total sales.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts, revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

#### HBK

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time.

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when legal title transfers to the customer on delivery.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

## Notes to the Accounts continued

### 1. Basis of preparation and summary of significant accounting policies continued

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

#### Omega

The segment sells products direct to the customer and to the wholesale market (distributors).

For sale of products to retail customers and distributors, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer or wholesaler's location.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

#### Industrial Solutions

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time.

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when legal title transfers to the customer, usually on delivery.

Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods, whereas complex installations are those for which the installation is an integral part of the delivery of the goods.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts, revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

#### Finance costs and financial income

Finance costs comprise the interest payable on borrowings calculated using the effective interest method, the unwinding of discount factor on lease liabilities and the unwinding of the discount factor on deferred or contingent consideration. Financial income comprises interest income on cash and invested funds, together with interest income from the joint venture, and is recognised in the Consolidated Income Statement as it accrues. The net gain or loss on retranslation of short-term inter-company loan balances is also presented within net finance costs.

## 2. Alternative performance measures

### Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum, foreign exchange movements and the impact of acquisitions and disposals.

The alternative performance measures ('APMs') are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like ('LFL') organic performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

### Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to better assess the period-on-period trading performance of the Group. The Group excludes certain items, which management have defined as:

- restructuring costs from significant programmes;
- amortisation and impairment of acquisition-related goodwill and other intangible assets;
- impairment of property, plant and equipment;
- bargain purchase on acquisition;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- profits or losses on termination or disposal of businesses;
- impairment of non-current receivable from joint venture and share of impairment of investment in joint venture;
- unwinding of the discount factor on deferred and contingent consideration;
- unrealised changes in the fair value of financial instruments;
- fair value through profit and loss movements on equity investments;
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see Note 8).

During 2019, a profit on disposal of property of £5.2m in Omega was treated as an adjusting item since it was significant in quantum and would distort the underlying trading performance if included.

In November 2018, the Group announced the implementation of a Group-wide profit improvement programme. The total costs of implementation of this programme is considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme is excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme. The ongoing benefits arising from this programme is considered to be part of underlying trading.

### LFL measures

The Board reviews and compares current and prior year segmental sales and adjusted operating profit at constant exchange rates and excludes the impact of acquisitions and disposals during the year.

The constant exchange rate comparison uses the current year segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using the prior year's monthly exchange rates, irrespective of the underlying transactional currency.

The incremental impact of business acquisitions is excluded for the first 12 months of ownership from the month of purchase. For business disposals, comparative figures for segmental sales and adjusted operating profit are adjusted to reflect the comparable periods of ownership.

On 10 October 2019, Malvern Panalytical's environment consultancy and testing business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for 2019 exclude the trading results of the environment consultancy and testing business.

On 1 December 2019, the Group completed the disposal of BTG and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2019 exclude the trading results of BTG.

On 31 January 2020, Malvern Panalytical's rheology business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for 2019 exclude the trading results of the rheology business for the 11-month period from February 2019 to December 2019.

The LFL measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period statutory results as well as allowing the Board to assess the underlying trading performance of the businesses on a LFL basis for both sales and operating profit.

## Notes to the Accounts continued

**2. Alternative performance measures continued**

Based on the above policy, the adjusted performance measures are derived from the statutory figures as follows:

**Income statement measures****a) LFL adjusted sales by segment**

|                                   | Malvern<br>Panalytical<br>£m | HBK<br>£m    | Omega<br>£m  | Industrial<br>Solutions<br>£m | 2020<br>Total<br>£m |
|-----------------------------------|------------------------------|--------------|--------------|-------------------------------|---------------------|
| <b>2020 sales by segment</b>      |                              |              |              |                               |                     |
| Sales                             | 372.5                        | 392.6        | 119.2        | 451.9                         | 1,336.2             |
| Constant exchange rate adjustment | 1.4                          | (2.4)        | 0.9          | 0.2                           | 0.1                 |
| Acquisitions                      | -                            | (0.4)        | -            | -                             | (0.4)               |
| <b>LFL adjusted sales</b>         | <b>373.9</b>                 | <b>389.8</b> | <b>120.1</b> | <b>452.1</b>                  | <b>1,335.9</b>      |
|                                   |                              |              |              |                               |                     |
|                                   | Malvern<br>Panalytical<br>£m | HBK<br>£m    | Omega<br>£m  | Industrial<br>Solutions<br>£m | 2019<br>Total<br>£m |
| <b>2019 sales by segment</b>      |                              |              |              |                               |                     |
| Sales                             | 448.2                        | 429.0        | 138.3        | 616.5                         | 1,632.0             |
| Disposal of businesses            | (18.0)                       | -            | -            | (118.9)                       | (136.9)             |
| <b>LFL adjusted sales</b>         | <b>430.2</b>                 | <b>429.0</b> | <b>138.3</b> | <b>497.6</b>                  | <b>1,495.1</b>      |

**b) Adjusted operating profit, operating margin and adjusted EBITDA**

|                                                                                                                            | Malvern<br>Panalytical<br>£m | HBK<br>£m   | Omega<br>£m | Industrial<br>Solutions<br>£m | 2020<br>Total<br>£m |
|----------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------|-------------|-------------------------------|---------------------|
| <b>2020 adjusted operating profit</b>                                                                                      |                              |             |             |                               |                     |
| Statutory operating profit/(loss)                                                                                          | 44.6                         | 14.2        | 1.2         | (83.3)                        | (23.3)              |
| Restructuring costs                                                                                                        | 3.0                          | 16.1        | -           | 0.4                           | 19.5                |
| Net transaction-related costs and fair value adjustments                                                                   | 0.6                          | 11.3        | -           | 7.5                           | 19.4                |
| Depreciation of acquisition-related fair value adjustments to property, plant and equipment                                | 0.2                          | -           | -           | 0.5                           | 0.7                 |
| Impairment of goodwill                                                                                                     | -                            | -           | -           | 58.4                          | 58.4                |
| Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment | 6.5                          | 7.5         | 7.5         | 77.4                          | 98.9                |
| <b>Adjusted operating profit</b>                                                                                           | <b>54.9</b>                  | <b>49.1</b> | <b>8.7</b>  | <b>60.9</b>                   | <b>173.6</b>        |
| Constant exchange rate adjustment                                                                                          | (0.3)                        | (1.1)       | -           | 0.6                           | (0.8)               |
| Acquisitions                                                                                                               | -                            | 0.4         | -           | -                             | 0.4                 |
| <b>LFL adjusted operating profit</b>                                                                                       | <b>54.6</b>                  | <b>48.4</b> | <b>8.7</b>  | <b>61.5</b>                   | <b>173.2</b>        |
|                                                                                                                            |                              |             |             |                               |                     |
|                                                                                                                            | Malvern<br>Panalytical<br>£m | HBK<br>£m   | Omega<br>£m | Industrial<br>Solutions<br>£m | 2019<br>Total<br>£m |
| <b>2019 adjusted operating profit</b>                                                                                      |                              |             |             |                               |                     |
| Statutory operating (loss)/profit                                                                                          | (17.7)                       | 18.1        | 12.0        | 71.9                          | 84.3                |
| Restructuring costs                                                                                                        | 16.4                         | 17.7        | 2.2         | 15.9                          | 52.2                |
| Net transaction-related costs and fair value adjustments                                                                   | (0.3)                        | 3.1         | -           | 3.3                           | 6.1                 |
| Depreciation of acquisition-related fair value adjustments to property, plant and equipment                                | 0.4                          | -           | -           | 0.6                           | 1.0                 |
| Profit on disposal of property                                                                                             | -                            | -           | (5.2)       | -                             | (5.2)               |
| Impairment of goodwill                                                                                                     | 35.1                         | -           | -           | -                             | 35.1                |
| Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment | 42.3                         | 21.5        | 7.9         | 12.9                          | 84.6                |
| <b>Adjusted operating profit</b>                                                                                           | <b>76.2</b>                  | <b>60.4</b> | <b>16.9</b> | <b>104.6</b>                  | <b>258.1</b>        |
| Disposal of businesses                                                                                                     | (1.3)                        | -           | -           | (22.6)                        | (23.9)              |
| <b>LFL adjusted operating profit</b>                                                                                       | <b>74.9</b>                  | <b>60.4</b> | <b>16.9</b> | <b>82.0</b>                   | <b>234.2</b>        |

## 2. Alternative performance measures continued

|                                            | Malvern<br>Panalytical<br>% | HBK<br>% | Omega<br>% | Industrial<br>Solutions<br>% | 2020<br>Total<br>% |
|--------------------------------------------|-----------------------------|----------|------------|------------------------------|--------------------|
| <b>2020 operating margin</b>               |                             |          |            |                              |                    |
| Statutory operating margin <sup>1</sup>    | 12.0                        | 3.6      | 1.0        | (18.4)                       | (1.7)              |
| Adjusted operating margin <sup>2</sup>     | 14.7                        | 12.5     | 7.3        | 13.5                         | 13.0               |
| LFL adjusted operating margin <sup>3</sup> | 14.6                        | 12.4     | 7.2        | 13.6                         | 13.0               |

|                                            | Malvern<br>Panalytical<br>% | HBK<br>% | Omega<br>% | Industrial<br>Solutions<br>% | 2019<br>Total<br>% |
|--------------------------------------------|-----------------------------|----------|------------|------------------------------|--------------------|
| <b>2019 operating margin</b>               |                             |          |            |                              |                    |
| Statutory operating margin <sup>1</sup>    | (3.9)                       | 4.2      | 8.7        | 11.7                         | 5.2                |
| Adjusted operating margin <sup>2</sup>     | 17.0                        | 14.1     | 12.2       | 17.0                         | 15.8               |
| LFL adjusted operating margin <sup>3</sup> | 17.4                        | 14.1     | 12.2       | 16.5                         | 15.7               |

1 Statutory operating margin is calculated as statutory operating profit/(loss) dividend by sales

2 Adjusted operating margin is calculated as adjusted operating profit divided by sales

3 LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

|                                                                                                                                            | Note | 2020<br>£m   | 2019<br>£m   |
|--------------------------------------------------------------------------------------------------------------------------------------------|------|--------------|--------------|
| <b>Adjusted EBITDA</b>                                                                                                                     |      |              |              |
| Statutory operating (loss)/profit                                                                                                          |      | (23.3)       | 84.3         |
| Depreciation and impairment of owned assets                                                                                                | 12   | 86.7         | 35.5         |
| Depreciation and impairment of right-of-use assets                                                                                         | 12   | 22.2         | 22.1         |
| Amortisation and impairment of intangible assets                                                                                           | 11   | 57.9         | 95.2         |
| Impairment of goodwill                                                                                                                     | 11   | 58.4         | 35.1         |
| <b>EBITDA</b>                                                                                                                              |      | <b>201.9</b> | <b>272.2</b> |
| Profit on disposal of property classified as a separate adjusting item                                                                     |      | -            | (5.2)        |
| Restructuring costs excluding £6.5m impairment of owned and right-of-use property, plant and equipment and intangible assets (2019: £8.8m) |      | 13.0         | 43.4         |
| Net transaction-related costs and fair value adjustments                                                                                   |      | 19.4         | 6.1          |
| <b>Adjusted EBITDA</b>                                                                                                                     |      | <b>234.3</b> | <b>316.5</b> |

EBITDA is calculated as statutory operating (loss)/profit before depreciation, amortisation and impairment of property, plant and equipment, intangible assets and goodwill. Adjusted EBITDA is calculated as EBITDA excluding other adjusting items as defined previously. This measure is used for the purpose of assessing capital management and covenant compliance and is reported to the Group Executive Committee.

## c) Adjusted net finance costs

|                                                                            | Note | 2020<br>£m   | 2019<br>£m   |
|----------------------------------------------------------------------------|------|--------------|--------------|
| Statutory net finance costs                                                | 7    | (8.4)        | (3.5)        |
| Net loss/(gain) on retranslation of short-term inter-company loan balances | 7    | 0.8          | (4.0)        |
| Unwinding of discount factor on deferred and contingent consideration      | 7    | 0.4          | 0.7          |
| <b>Adjusted net finance costs</b>                                          |      | <b>(7.2)</b> | <b>(6.8)</b> |

## d) Adjusted profit before taxation

|                                                     | Note | 2020<br>£m   | 2019<br>£m   |
|-----------------------------------------------------|------|--------------|--------------|
| Adjusted operating profit                           | 2b   | 173.6        | 258.1        |
| Adjusted share of post-tax results of joint venture |      | -            | (3.9)        |
| Adjusted net finance costs                          | 2c   | (7.2)        | (6.8)        |
| <b>Adjusted profit before taxation</b>              |      | <b>166.4</b> | <b>247.4</b> |

In 2019 the share of post-tax results of the joint venture was adjusted to exclude £1.0m of impairment of acquisition-related intangible assets consistent with the Group's treatment of adjusted operating profit measures. Adjusted share of post-tax results of joint venture is an alternative performance measure and is defined as share of post-tax joint venture (2020: £nil, 2019: £4.9m) less impairment of acquisition-related intangible assets (2020: £nil; 2019: £1.0m).

## Notes to the Accounts continued

## 2. Alternative performance measures continued

## e) Adjusted earnings per share

| Adjusted earnings                                                                                            | Note | 2020<br>£m | 2019<br>£m |
|--------------------------------------------------------------------------------------------------------------|------|------------|------------|
| Statutory (loss)/profit after tax                                                                            |      | (17.0)     | 234.1      |
| Adjusted for:                                                                                                |      |            |            |
| Restructuring costs                                                                                          |      | 19.5       | 52.2       |
| Net transaction-related costs and fair value adjustments                                                     |      | 19.4       | 6.1        |
| Depreciation of acquisition-related fair value adjustments to property, plant and equipment                  | 12   | 0.7        | 1.0        |
| Profit on disposal of property                                                                               |      | -          | (5.2)      |
| Impairment of goodwill                                                                                       | 11   | 58.4       | 35.1       |
| Amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment | 11   | 98.9       | 84.6       |
| Fair value through profit and loss movements on equity investments                                           | 13   | (23.2)     | -          |
| Profit on disposal of businesses                                                                             | 25   | (4.4)      | (204.7)    |
| Impairment of non-current receivable from joint venture                                                      |      | -          | 21.3       |
| Share of impairment of acquisition-related intangible in joint venture                                       |      | -          | 1.0        |
| Net loss/(gain) on retranslation of short-term inter-company loan balances                                   | 7    | 0.8        | (4.0)      |
| Unwinding of discount factor on deferred and contingent consideration                                        | 7    | 0.4        | 0.7        |
| Tax effect of the above and other non-recurring items                                                        | 8    | (23.4)     | (27.7)     |
| Adjusted earnings                                                                                            |      | 130.1      | 194.5      |

| Adjusted earnings per share                              | Note | 2020  | 2019  |
|----------------------------------------------------------|------|-------|-------|
| Weighted average number of shares outstanding (millions) | 10   | 116.1 | 115.8 |
| Adjusted earnings per share (pence)                      |      | 112.1 | 168.0 |

Basic (loss)/earnings per share in accordance with IAS 33 'Earnings Per Share' are disclosed in Note 10.

## Financial position measures

## f) Net cash

|                                                            | Note   | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------|--------|------------|------------|
| Bank overdrafts                                            | 17     | (13.1)     | -          |
| Bank overdrafts included in liabilities held for sale      | 17, 25 | (2.2)      | -          |
| Bank loans unsecured                                       | 17     | (104.5)    | (179.6)    |
| Total borrowings                                           |        | (119.8)    | (179.6)    |
| Cash and cash equivalents included in current assets       | 16     | 222.2      | 213.1      |
| Cash and cash equivalents included in assets held for sale | 16, 25 | 3.7        | -          |
| Net cash                                                   |        | 106.1      | 33.5       |

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

## Cash flow measures

## g) Adjusted cash flow

|                                                                                                            | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------------------------------------------------|------------|------------|
| Net cash inflow from operating activities                                                                  | 226.0      | 240.8      |
| Transaction-related costs paid                                                                             | 13.6       | 1.6        |
| Restructuring cash outflow                                                                                 | 15.1       | 34.3       |
| Net income taxes paid                                                                                      | 28.6       | 37.0       |
| Purchase of property, plant and equipment and intangible assets                                            | (43.1)     | (86.6)     |
| Proceeds from government grants related to purchase of property, plant and equipment and intangible assets | 0.2        | 5.0        |
| Proceeds from disposal of property, plant and equipment and software <sup>2</sup>                          | 4.1        | 2.1        |
| Adjusted cash flow                                                                                         | 244.5      | 234.2      |
| Adjusted cash flow conversion <sup>1</sup>                                                                 | 141%       | 91%        |

1 Adjusted cash flow conversion is calculated as adjusted cash flow as a proportion of adjusted operating profit.

2 Excludes the proceeds from disposal of property in Omega of £9.1m in 2019 classified as an adjusting item. This item was treated as an adjusting item since it was significant in quantum and would distort the underlying trading performance if included.

## 2. Alternative performance measures continued

### Other measures

#### h) Return on gross capital employed ('ROGCE')

The return on gross capital employed is calculated as adjusted operating profit for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net (cash)/debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

|                                                                                  | 31 December<br>2020<br>£m | 31 December<br>2019<br>£m | 31 December<br>2018<br>£m |
|----------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|
| Net (cash)/debt                                                                  | (104.6)                   | (33.5)                    | 297.1                     |
| Accumulated impairment losses on goodwill                                        | 178.6                     | 179.4                     | 148.8                     |
| Accumulated amortisation and impairment of acquisition-related intangible assets | 407.6                     | 366.3                     | 306.1                     |
| Shareholders' equity                                                             | 1,238.6                   | 1,321.5                   | 1,232.9                   |
| Gross capital employed                                                           | 1,720.2                   | 1,833.7                   | 1,984.9                   |
| Average gross capital employed (current and prior year) <sup>1</sup>             | 1,777.0                   | 1,909.4                   |                           |
| Adjusted operating profit for year (see Note 2b)                                 | 173.6                     | 258.1                     |                           |
| Return on gross capital employed                                                 | 9.8%                      | 13.5%                     |                           |

1 Average gross capital employed is calculated as current period gross capital employed divided by comparative period gross capital employed.

#### i) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £21.6m (2019: £2.1m) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a credit of £2.2m (2019: £4.0m charge). Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £13.6m (2019: £1.6m) have been excluded from the adjusted cash flow.

## 3. Operating segments

The Group has four reportable segments, as described below. The segmental platform structure reflects the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The segment results include an allocation of head office expenses. The following summarises the operations in each of the Group's reportable segments:

- the Malvern Panalytical platform provides products and services that enable customers to determine structure, composition, quantity and quality of particles and materials during their research and product development processes, when assessing materials before production, or during the manufacturing process. The operating companies in this segment are Malvern Panalytical and Concept Life Sciences;
- the HBK platform supplies test, measurement and analysis equipment, software and services for product design optimisation, and manufacturing control. The operating companies in this segment are Hottinger, Brüel & Kjær and VI-grade;
- the Omega platform is a global leader in the technical marketplace, offering products for measurement and control of temperature, humidity, pressure, strain, force, flow, level, pH and conductivity. Omega also provides a complete line of data acquisition, electric heating and custom-engineered products. The operating company in this segment is Omega Engineering;
- the Industrial Solutions division ('ISD') comprises a portfolio of high-value, niche businesses. A number of ISD companies have platform potential, with strong market positions, growth prospects and margins. The operating companies in this segment are Brüel & Kjær Vibro, ESG Solutions, Millbrook, NDC Technologies, Particle Measuring Systems, Red Lion Controls, Servomex and BTG (disposed on 1 December 2019).

## Notes to the Accounts continued

**3. Operating segments continued**

Further details of the nature of these segments and the products and services they provide are contained in the Strategic Report on pages 1 to 59.

| Information about reportable segments                                           | Malvern<br>Panalytical<br>£m | HBK<br>£m | Omega<br>£m | Industrial<br>Solutions<br>£m | 2020<br>Total<br>£m |
|---------------------------------------------------------------------------------|------------------------------|-----------|-------------|-------------------------------|---------------------|
| Segment revenues                                                                | 372.6                        | 393.3     | 119.3       | 452.2                         | 1,337.4             |
| Inter-segment revenue                                                           | (0.1)                        | (0.7)     | (0.1)       | (0.3)                         | (1.2)               |
| External revenue                                                                | 372.5                        | 392.6     | 119.2       | 451.9                         | 1,336.2             |
| Operating profit/(loss)                                                         | 44.6                         | 14.2      | 1.2         | (83.3)                        | (23.3)              |
| Fair value through profit and loss movements on equity investments <sup>1</sup> |                              |           |             |                               | 23.2                |
| Profit on disposal of businesses <sup>1</sup>                                   |                              |           |             |                               | 4.4                 |
| Financial income <sup>1</sup>                                                   |                              |           |             |                               | 1.8                 |
| Finance costs <sup>1</sup>                                                      |                              |           |             |                               | (10.2)              |
| Loss before tax <sup>1</sup>                                                    |                              |           |             |                               | (4.1)               |
| Taxation charge <sup>1</sup>                                                    |                              |           |             |                               | (12.9)              |
| Loss after tax <sup>1</sup>                                                     |                              |           |             |                               | (17.0)              |

<sup>1</sup> Not allocated to reportable segments.

| Information about reportable segments                                | Malvern<br>Panalytical<br>£m | HBK<br>£m | Omega<br>£m | Industrial<br>Solutions<br>£m | 2019<br>Total<br>£m |
|----------------------------------------------------------------------|------------------------------|-----------|-------------|-------------------------------|---------------------|
| Segment revenues                                                     | 448.4                        | 430.7     | 138.5       | 616.7                         | 1,634.3             |
| Inter-segment revenue                                                | (0.2)                        | (1.7)     | (0.2)       | (0.2)                         | (2.3)               |
| External revenue                                                     | 448.2                        | 429.0     | 138.3       | 616.5                         | 1,632.0             |
| Operating (loss)/profit                                              | (17.7)                       | 18.1      | 12.0        | 71.9                          | 84.3                |
| Share of post-tax results of joint venture <sup>1</sup>              |                              |           |             |                               | (4.9)               |
| Impairment of non-current receivable from joint venture <sup>1</sup> |                              |           |             |                               | (21.3)              |
| Profit on disposal of businesses <sup>1</sup>                        |                              |           |             |                               | 204.7               |
| Financial income <sup>1</sup>                                        |                              |           |             |                               | 7.9                 |
| Finance costs <sup>1</sup>                                           |                              |           |             |                               | (11.4)              |
| Profit before tax <sup>1</sup>                                       |                              |           |             |                               | 259.3               |
| Taxation charge <sup>1</sup>                                         |                              |           |             |                               | (25.2)              |
| Profit after tax <sup>1</sup>                                        |                              |           |             |                               | 234.1               |

<sup>1</sup> Not allocated to reportable segments.

Reportable segment profit is consistent with that presented to the Chief Operating Decision Maker. Inter-segment revenue includes the movements in internal cash flow hedges with inter-segment pricing on an arm's length basis. Segments are presented on the basis of actual inter-segment charges made.

|                                                                          | Carrying amount<br>of segment assets |            | Carrying amount<br>of segment liabilities |            |
|--------------------------------------------------------------------------|--------------------------------------|------------|-------------------------------------------|------------|
|                                                                          | 2020<br>£m                           | 2019<br>£m | 2020<br>£m                                | 2019<br>£m |
| Malvern Panalytical                                                      | 461.8                                | 486.9      | (148.8)                                   | (149.1)    |
| HBK                                                                      | 431.3                                | 446.7      | (134.5)                                   | (129.4)    |
| Omega                                                                    | 218.0                                | 242.8      | (20.5)                                    | (21.4)     |
| Industrial Solutions                                                     | 418.6                                | 550.8      | (110.5)                                   | (111.6)    |
| Total segment assets and liabilities                                     | 1,529.7                              | 1,727.2    | (414.3)                                   | (411.5)    |
| Cash and borrowings                                                      | 222.2                                | 213.1      | (117.6)                                   | (179.6)    |
| Derivative financial instruments                                         | 1.9                                  | 1.5        | (0.1)                                     | (0.1)      |
| Assets and liabilities held for sale that are not allocable to a segment | 6.9                                  | 18.9       | (3.4)                                     | -          |
| Investment in equity instruments                                         | 39.4                                 | -          | -                                         | -          |
| Retirement benefit liabilities                                           | -                                    | -          | (20.4)                                    | (27.5)     |
| Taxation                                                                 | 18.7                                 | 13.1       | (24.4)                                    | (33.6)     |
| Consolidated total assets and liabilities                                | 1,818.8                              | 1,973.8    | (580.2)                                   | (652.3)    |

### 3. Operating segments continued

Segment assets comprise: goodwill, other intangible assets, property, plant and equipment, inventories and trade and other receivables and assets held for sale that are attributable to the reported operating segments. Segment liabilities comprise: trade and other payables, provisions, lease liabilities and other payables, and liabilities held for sale that are attributable to the reported operating segments. Unallocated items represent all components of net cash/(debt), derivative financial instruments, assets and liabilities held for sale that are not allocable to a segment, investment in equity instruments, retirement benefit liabilities and current and deferred taxation balances.

|                                  | Additions to non-current assets |            | Depreciation, amortisation and impairment |            |
|----------------------------------|---------------------------------|------------|-------------------------------------------|------------|
|                                  | 2020<br>£m                      | 2019<br>£m | 2020<br>£m                                | 2019<br>£m |
| Malvern Panalytical              | 14.2                            | 10.9       | 20.0                                      | 99.9       |
| HBK                              | 12.7                            | 19.2       | 28.3                                      | 36.9       |
| Omega                            | 2.9                             | 7.9        | 13.9                                      | 13.4       |
| Industrial Solutions             | 29.6                            | 55.1       | 163.0                                     | 37.7       |
| Total segments                   | 59.4                            | 93.1       | 225.2                                     | 187.9      |
| Investment in equity instruments | 39.4                            | –          |                                           |            |
| Consolidated total               | 98.8                            | 93.1       | 225.2                                     | 187.9      |

### Geographical segments

The Group's operating segments are each located in several geographical locations and sell on to external customers in all parts of the world. No individual country amounts to more than 3% of revenue, other than those noted below. The following is an analysis of revenue by geographical destination.

|                       | Malvern Panalytical<br>£m | HBK<br>£m | Omega<br>£m | Industrial Solutions<br>£m | 2020 Total<br>£m |
|-----------------------|---------------------------|-----------|-------------|----------------------------|------------------|
| UK                    | 28.2                      | 11.9      | 3.4         | 57.9                       | 101.4            |
| Germany               | 20.7                      | 70.3      | 3.8         | 19.9                       | 114.7            |
| France                | 12.8                      | 20.6      | 0.8         | 7.7                        | 41.9             |
| Rest of Europe        | 53.6                      | 71.5      | 4.4         | 52.7                       | 182.2            |
| USA                   | 72.5                      | 89.3      | 75.4        | 149.1                      | 386.3            |
| Rest of North America | 13.9                      | 4.5       | 6.8         | 12.7                       | 37.9             |
| Japan                 | 25.2                      | 29.6      | 2.6         | 15.6                       | 73.0             |
| China                 | 66.4                      | 57.5      | 9.8         | 56.7                       | 190.4            |
| South Korea           | 10.4                      | 9.1       | 4.7         | 17.4                       | 41.6             |
| Rest of Asia          | 41.6                      | 16.3      | 5.7         | 42.7                       | 106.3            |
| Rest of the world     | 27.2                      | 12.0      | 1.8         | 19.5                       | 60.5             |
|                       | 372.5                     | 392.6     | 119.2       | 451.9                      | 1,336.2          |

|                       | Malvern Panalytical<br>£m | HBK<br>£m | Omega<br>£m | Industrial Solutions<br>£m | 2019 Total<br>£m |
|-----------------------|---------------------------|-----------|-------------|----------------------------|------------------|
| UK                    | 42.7                      | 13.4      | 4.0         | 64.7                       | 124.8            |
| Germany               | 25.9                      | 80.4      | 5.4         | 30.8                       | 142.5            |
| France                | 16.0                      | 25.4      | 1.1         | 10.9                       | 53.4             |
| Rest of Europe        | 60.9                      | 79.1      | 5.3         | 76.2                       | 221.5            |
| USA                   | 84.9                      | 88.3      | 89.9        | 195.3                      | 458.4            |
| Rest of North America | 14.7                      | 5.6       | 7.7         | 20.9                       | 48.9             |
| Japan                 | 31.2                      | 32.3      | 2.5         | 23.3                       | 89.3             |
| China                 | 70.9                      | 60.8      | 9.9         | 76.5                       | 218.1            |
| South Korea           | 12.4                      | 10.1      | 4.1         | 27.4                       | 54.0             |
| Rest of Asia          | 50.9                      | 20.1      | 6.0         | 60.6                       | 137.6            |
| Rest of the world     | 37.7                      | 13.5      | 2.4         | 29.9                       | 83.5             |
|                       | 448.2                     | 429.0     | 138.3       | 616.5                      | 1,632.0          |

## Notes to the Accounts continued

## 3. Operating segments continued

|                                  | Non-current assets |            |
|----------------------------------|--------------------|------------|
|                                  | 2020<br>£m         | 2019<br>£m |
| UK                               | 195.2              | 386.7      |
| Germany                          | 73.4               | 85.7       |
| France                           | 3.6                | 2.9        |
| Rest of Europe <sup>1</sup>      | 235.5              | 264.5      |
| USA                              | 385.2              | 404.3      |
| Rest of North America            | 17.3               | 22.4       |
| Japan                            | 5.5                | 5.1        |
| China                            | 10.7               | 10.5       |
| South Korea                      | 0.7                | 1.9        |
| Rest of Asia                     | 7.9                | 7.7        |
| Rest of the world                | 2.0                | 2.6        |
|                                  | 937.0              | 1,194.3    |
| Deferred tax assets <sup>2</sup> | 14.6               | 9.0        |
| Total non-current assets         | 951.6              | 1,203.3    |

1 Principally in Netherlands and Switzerland (2019: Netherlands, Finland and Switzerland).

2 Not allocated to reportable geographic area in reporting to the Chief Operating Decision Maker.

## 4. Revenue

## Disaggregation of revenue

The Group derives its revenue from the provision of goods and services both at a point in time and over time. Product lines are presented consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see Note 3).

IFRS 15 paragraph 114 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation will depend on the entity's individual facts and circumstances. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Chief Operating Decision Maker in order to evaluate the financial performance of the entity. The Group also believes that presenting a disaggregation of revenue based on the timing of transfer of goods or services provides users of the Financial Statements with useful information as to the nature and timing of revenue from contracts with customers.

## Timing of revenue recognition:

|                            | 2020<br>£m | 2019<br>£m |
|----------------------------|------------|------------|
| <b>At a point in time:</b> |            |            |
| Malvern Panalytical        | 304.4      | 381.7      |
| HBK                        | 336.9      | 368.8      |
| Omega                      | 119.2      | 138.3      |
| Industrial Solutions       | 424.6      | 578.4      |
|                            | 1,185.1    | 1,467.2    |
| <b>Over time:</b>          |            |            |
| Malvern Panalytical        | 68.8       | 66.5       |
| HBK                        | 55.3       | 60.2       |
| Omega                      | -          | -          |
| Industrial Solutions       | 27.0       | 38.1       |
|                            | 151.1      | 164.8      |
| Revenue                    | 1,336.2    | 1,632.0    |

The Group's material revenue streams have an expected duration of one year or less. The Group has therefore applied the practical expedient in IFRS 15 paragraph 121 to not disclose information about its remaining performance obligations.

No individual customer accounted for more than 2% of external revenue in 2020 (2019: 2%).

Total revenue for the Group, after including financial income of £1.8m (2019: £7.9m) (see Note 7), was £1,338.0m (2019: £1,639.9m).

**5. Operating (loss)/profit**

Operating (loss)/profit is stated after charging/(crediting):

|                                                                                                            | Note | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------------------------------------------------|------|------------|------------|
| Net foreign exchange losses included in operating (loss)/profit                                            |      | 1.1        | 3.5        |
| Research and development expense                                                                           |      | 84.7       | 93.8       |
| Amortisation of intangible assets                                                                          | 11   | 38.2       | 48.1       |
| Impairment of intangible assets (including £58.4m impairment of goodwill (2019: £35.1m))                   | 11   | 78.1       | 82.2       |
| Depreciation of owned property, plant and equipment                                                        | 12   | 33.6       | 33.0       |
| Impairment of owned property, plant and equipment                                                          | 12   | 53.1       | 2.5        |
| Depreciation and impairment of right-of-use assets                                                         | 12   | 22.2       | 22.1       |
| Income from sub-leasing right-of-use assets                                                                |      | 1.4        | 1.5        |
| Expenses relating to short term and low-value leases                                                       |      | 0.3        | 0.8        |
| Cost of inventories recognised as expense                                                                  |      | 347.2      | 414.9      |
| Profit on disposal and remeasurements of property, plant and equipment and associated lease liabilities    |      | (0.1)      | (4.9)      |
| <b>Auditor's remuneration</b>                                                                              |      |            |            |
|                                                                                                            |      | 2020<br>£m | 2019<br>£m |
| Fees payable to the Company's auditor for audit of the Company's annual accounts                           |      | 0.5        | 0.5        |
| Fees payable to the Company's auditor for the audit of the Company's subsidiaries, pursuant to legislation |      | 1.8        | 1.7        |
| Total audit-related fees                                                                                   |      | 2.3        | 2.2        |
| Fees payable to the Company's auditor for other services:                                                  |      |            |            |
| · audit-related assurance services <sup>1</sup>                                                            |      | 0.1        | 0.1        |
| · other non-audit services                                                                                 |      | 0.5        | -          |
|                                                                                                            |      | 2.9        | 2.3        |

<sup>1</sup> Review of the half-year Financial Statements**6. Employee costs and other information**

Employee costs, including Directors' remuneration, comprise:

|                                            | Note | 2020<br>£m | 2019<br>£m |
|--------------------------------------------|------|------------|------------|
| Wages and salaries                         |      | 454.9      | 542.4      |
| Social security costs                      |      | 77.1       | 91.3       |
| Defined benefit pension plans:             |      |            |            |
| · current service cost                     | 20   | 1.0        | 1.8        |
| · past service cost                        | 20   | 0.3        | -          |
| Defined contribution pension plans         | 20   | 18.3       | 18.1       |
| Equity-settled share-based payment expense |      | 2.9        | 3.0        |
| Cash-settled share-based payment expense   |      | 1.2        | 2.9        |
|                                            |      | 555.7      | 659.5      |
| <b>Directors' remuneration</b>             |      |            |            |
|                                            |      | 2020<br>£m | 2019<br>£m |
| Short-term benefits                        |      | 2.5        | 2.7        |
| Equity-settled share-based payment expense |      | 0.1        | 0.2        |
|                                            |      | 2.6        | 2.9        |

Further details of Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 78 to 97.

|                              | 2020<br>Number | 2019<br>Number |
|------------------------------|----------------|----------------|
| Average number of employees  |                |                |
| Production and engineering   | 3,608          | 3,901          |
| Sales, marketing and service | 3,939          | 4,643          |
| Administrative               | 903            | 950            |
|                              | 8,450          | 9,494          |

## Notes to the Accounts continued

**7. Financial income and finance costs**

|                                                                       | 2020<br>£m | 2019<br>£m |
|-----------------------------------------------------------------------|------------|------------|
| <b>Financial income</b>                                               |            |            |
| Interest receivable                                                   | (1.8)      | (0.7)      |
| Income on receivable from joint venture                               | –          | (3.2)      |
| Net gain on retranslation of short-term inter-company loan balances   | –          | (4.0)      |
|                                                                       | (1.8)      | (7.9)      |
| <b>Finance costs</b>                                                  |            |            |
| Interest payable on loans and overdrafts                              | 6.0        | 7.1        |
| Net loss on retranslation of short-term inter-company loan balances   | 0.8        | –          |
| Unwinding of discount factor on lease liabilities                     | 2.3        | 2.9        |
| Unwinding of discount factor on deferred and contingent consideration | 0.4        | 0.7        |
| Net interest cost on pension plan obligations                         | 0.4        | 0.6        |
| Other finance costs                                                   | 0.3        | 0.1        |
|                                                                       | 10.2       | 11.4       |
| <b>Net finance costs</b>                                              | <b>8.4</b> | <b>3.5</b> |

Net interest costs of £4.2m (2019: £6.4m) for the purposes of the calculation of interest cover comprise interest receivable of £1.8m (2019: £0.7m) and interest payable on loans and overdrafts of £6.0m (2019: £7.1m).

## 8. Taxation

|                                                                            | 2020     |                |             | 2019     |                |             |
|----------------------------------------------------------------------------|----------|----------------|-------------|----------|----------------|-------------|
|                                                                            | UK<br>£m | Overseas<br>£m | Total<br>£m | UK<br>£m | Overseas<br>£m | Total<br>£m |
| Current tax charge                                                         | 3.9      | 23.5           | 27.4        | 2.1      | 36.7           | 38.8        |
| Adjustments in respect of current tax of prior years                       | (0.3)    | (1.1)          | (1.4)       | -        | (1.7)          | (1.7)       |
| Deferred tax – origination and reversal of temporary differences (Note 21) | (8.0)    | (5.1)          | (13.1)      | (7.4)    | (4.5)          | (11.9)      |
| Taxation charge                                                            | (4.4)    | 17.3           | 12.9        | (5.3)    | 30.5           | 25.2        |

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is -85.4% (2019: 18.6%). The standard rate of corporation tax for the year is a charge on a loss before tax due to the fact that the statutory tax rates applying to the impairment of goodwill and other acquisition-related intangible assets are lower than the statutory tax rates applying to the Group's profits before impairment losses. In the absence of any impairment losses, the standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, would have been a charge of 22.9% (2019: 25.5%). The tax charge for the year is higher (2019: lower) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation.

|                                                                 | 2020<br>£m | 2019<br>£m |
|-----------------------------------------------------------------|------------|------------|
| (Loss)/profit before taxation                                   | (4.1)      | 259.3      |
| Corporation tax charge at standard rate of -85.4% (2019: 18.6%) | 3.5        | 48.2       |
| Profit on disposal of business taxed at higher/(lower) rate     | 0.3        | (29.8)     |
| Non-deductible impairments                                      | 11.1       | 9.9        |
| Other non-deductible expenditure                                | 5.6        | 3.3        |
| Movements on unrecognised deferred tax assets                   | (2.6)      | 0.5        |
| Tax credits and incentives                                      | (4.5)      | (5.1)      |
| Change in tax rates                                             | 1.1        | -          |
| Adjustments to prior year current and deferred tax charges      | (1.6)      | (1.8)      |
| Taxation charge                                                 | 12.9       | 25.2       |

The Group's standard rate of corporation tax of -85.4% is lower than the prior year rate (18.6%), principally due to impairments being made in countries with lower statutory tax rates.

'Change in tax rates' above, in the current year principally refers to the tax effect of revaluing deferred tax liabilities at a tax rate of 19% following the UK government's decision to reverse the legislation reducing the corporation tax rate to 17%.

'Tax credits and incentives' above refers principally to research and development tax credits and other reliefs for innovation, such as the UK Patent Box regime and Dutch Innovation Box regime, as well as tax reliefs available for Foreign Derived Intangible Income in the US.

## Factors that may affect the future tax charge

The Group's tax charge in future years is likely to be affected by the proportion of profits arising, and the effective tax rates, in the various territories in which the Group operates, as well as changes in tax law affecting future periods. Such law changes may affect the future availability or amount of existing tax reliefs or incentives. Furthermore, the resolution of tax or other legal cases or investigations such as those mentioned below in respect of the UK's dividend taxation regime or the EU's State Aid investigation into aspects of UK tax legislation may result in a re-assessment of the Group's tax liabilities in respect of prior years.

|                                                                                                                                                | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| <b>Tax on items recognised directly in the Consolidated Statement of Comprehensive Income</b>                                                  |            |            |
| Tax (credit)/charge on net gain/(loss) on effective portion of changes in fair value of forward exchange contracts                             | (0.1)      | 0.6        |
| Tax charge/(credit) on re-measurement of net defined benefit obligations, net of foreign exchange                                              | 1.3        | (1.7)      |
| Aggregate current and deferred tax charge/(credit) relating to items recognised directly in the Consolidated Statement of Comprehensive Income | 1.2        | (1.1)      |
| <b>Tax on items recognised directly in the Consolidated Statement of Changes in Equity</b>                                                     |            |            |
| Tax credit in relation to share-based payments                                                                                                 | (0.4)      | (0.7)      |
| Aggregate current and deferred tax credit on items recognised directly in the Consolidated Statement of Changes in Equity                      | (0.4)      | (0.7)      |

# Notes to the Accounts continued

## 8. Taxation continued

The following tax (credits)/charges relate to items of income and expense that are excluded from the Group's adjusted performance measures.

|                                                                                                                            | 2020<br>£m    | 2019<br>£m    |
|----------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Tax on items of income and expense that are excluded from the Group's adjusted profit before tax</b>                    |               |               |
| Tax credit on amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment | (18.8)        | (16.9)        |
| Tax credit on depreciation of acquisition-related fair value adjustments to property, plant and equipment                  | (0.1)         | (0.2)         |
| Tax credit on impairment of goodwill                                                                                       | (0.9)         | -             |
| Tax credit on net transaction-related costs and fair value adjustments                                                     | (1.6)         | (0.8)         |
| Tax charge on profit on disposal of property                                                                               | -             | 1.2           |
| Tax credit on retranslation of short-term inter-company loan balances                                                      | (0.4)         | (0.1)         |
| Tax charge on profit on disposal of businesses                                                                             | 1.1           | 3.2           |
| Tax credit relating to prior year acquisitions                                                                             | -             | (2.2)         |
| Tax charge on fair value through profit and loss movements on equity investments                                           | 1.8           | -             |
| Tax credit on restructuring costs                                                                                          | (4.5)         | (11.9)        |
| <b>Total tax credit</b>                                                                                                    | <b>(23.4)</b> | <b>(27.7)</b> |

The effective adjusted tax rate for the year was 21.8% (2019: 21.4%) as set out in the reconciliation below.

|                                                                                                         | 2020<br>£m  | 2019<br>£m  |
|---------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>Reconciliation of the statutory taxation charge to the adjusted taxation charge</b>                  |             |             |
| Statutory taxation charge                                                                               | 12.9        | 25.2        |
| Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax | 23.4        | 27.7        |
| <b>Adjusted taxation charge</b>                                                                         | <b>36.3</b> | <b>52.9</b> |

Management judgement is applied to determine the level of provisions required in respect of both direct and indirect taxes. The Group is potentially subject to tax audits in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. Judgement is therefore applied based on the interpretation of country-specific tax legislation and the likelihood of settlement. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include judgements about the position expected to be taken by each tax authority.

The Group applies judgement in respect of possible tax audit adjustments primarily in respect of transfer pricing as well as in respect of financing arrangements and tax credits and incentives. In respect of transfer pricing, the level of provision is determined by reference to management judgements of the adjustments that would arise in the event that certain intra-group transactions are successfully challenged as not being at arm's length.

Management estimates of the level of risk arising from tax audit may change in the next year as a result of changes in legislation or tax authority practice or correspondence with tax authorities during a specific tax audit. It is not possible to quantify the impact that such future developments may have on the Group's tax positions. Actual outcomes and settlements may differ significantly from the estimates recorded in these Consolidated Financial Statements. Further detail is provided below in relation to tax provisions that are known to be potentially material.

Judgement is also applied relating to the recognition of deferred tax assets which are dependent on an assessment of the generation of future taxable income in the countries concerned in which temporary differences become deductible or in which tax losses can be utilised. These estimates may change in the next year if there are changes in the forecast profitability of the relevant company.

IFRIC 23 provides further guidance on how to apply the recognition and measurement requirements of IAS 12. The Group adopted IFRIC 23 in the prior year with the cumulative effect of initially applying the Interpretation recognised at the date of initial application of 1 January 2019.

The UK's dividend taxation regime prior to July 2009 is the subject of long-running litigation between HMRC and other taxpayers in relation to the tax charge on dividends received from EU-based companies. The outcome of this dispute is likely to be relevant to the Group in respect of certain dividends received by UK Group companies before that date. The Group is currently engaged in active dialogue with HMRC with a view to reaching a settlement on this matter and during 2020 made a payment of £1.1m in respect of tax and accrued interest relating to the amounts in dispute. Pending resolution of this issue, an amount of £8.3m (2019: £8.8m) continues to be held as a tax creditor for the potential tax liabilities arising if the final conclusion is in HMRC's favour. An amount of £5.3m (2019: £5.5m) relating to accrued interest on the potential tax liabilities is also held as a tax-related provision (see Note 19) and an amount of £1.0m (2019: £0.9m) has been booked as a deferred tax asset in respect of future tax relief on the accrued interest.

## 8. Taxation continued

In October 2017, the EU Commission opened a formal State Aid investigation into an exemption within the UK's Controlled Foreign Company regime for certain finance income. A final decision was published by the Commission during 2019, concluding that certain aspects of the exemption (as it was implemented in UK law for the years 2013-2018) constituted State Aid and requiring the UK to recover such aid from affected parties. Spectris is impacted by this decision since we have claimed the benefit of the group finance exemption during the period in question.

The Group, along with the UK government and a number of other affected taxpayers, has sought annulment of the EU Commission's decision through the EU Courts. No provision has been made in respect of this matter since we believe that it is more likely than not that the decision will subsequently be annulled and no additional tax will be due. In the event that the Commission's decision is upheld then, as at 31 December 2020, the Group's maximum estimated exposure is £19.5m (2019: £19.0m) in respect of tax and £1.3m (2019: £1.0m) in respect of interest. However, quantification of the liability in accordance with the Commission's judgement is complex and depends on the facts of each individual case, and therefore the Group's liability may ultimately be determined to be less than this amount.

## 9. Dividends

| Amounts recognised and paid as distributions to owners of the Company in the year     | 2020<br>£m   | 2019<br>£m  |
|---------------------------------------------------------------------------------------|--------------|-------------|
| Final dividend for the year ended 31 December 2018 of 40.5p per share                 | –            | 46.9        |
| Interim dividend for the year ended 31 December 2020 of 21.9p (2019: 21.9p) per share | 25.5         | 25.4        |
| Additional interim dividend for the year ended 31 December 2020 of 43.2p per share    | 50.2         | –           |
|                                                                                       | <b>75.7</b>  | <b>72.3</b> |
| Amounts arising in respect of the year                                                | 2020<br>£m   | 2019<br>£m  |
| Interim dividend for the year ended 31 December 2020 of 21.9p (2019: 21.9p) per share | 25.5         | 25.4        |
| Additional interim dividend for the year ended 31 December 2020 of 43.2p per share    | 50.2         | –           |
| Proposed final dividend for the year ended 31 December 2020 of 46.5p per share        | 54.1         | –           |
|                                                                                       | <b>129.8</b> | <b>25.4</b> |

On 6 April 2020 the Group announced the withdrawal of the £50.1m proposed 2019 final dividend of 43.2p per share and the £175.0m proposed special dividend of 150.0p per share. On 4 August 2020 the Group declared an additional £50.2m interim dividend of 43.2p per share, which was paid on 2 October 2020.

The proposed final dividend is subject to approval by shareholders at the AGM on 14 May 2021 and has not been included as a liability in these Financial Statements.

## 10. (Loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing net (loss)/profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted (loss)/earnings per share amounts are calculated by dividing the net (loss)/profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options. This additional adjustment is not made when there is a net loss attributable to ordinary shareholders. The key features of the Company's share option schemes are described in Note 23.

| Basic (loss)/earnings per share                                                                                                                      | 2020   | 2019  |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------|
| (Loss)/profit after tax (£m)                                                                                                                         | (17.0) | 234.1 |
| Weighted average number of shares outstanding (millions)                                                                                             | 116.1  | 115.8 |
| Basic (loss)/earnings per share (pence)                                                                                                              | (14.6) | 202.2 |
| Diluted (loss)/earnings per share                                                                                                                    | 2020   | 2019  |
| (Loss)/profit after tax (£m)                                                                                                                         | (17.0) | 234.1 |
| Basic weighted average number of shares outstanding (millions)                                                                                       | 116.1  | 115.8 |
| Weighted average number of dilutive 5p ordinary shares under option (millions)                                                                       | n/a    | 0.4   |
| Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions) | n/a    | (0.1) |
| Diluted weighted average number of shares outstanding (millions)                                                                                     | 116.1  | 116.1 |
| Diluted (loss)/earnings per share (pence)                                                                                                            | (14.6) | 201.6 |

## Notes to the Accounts continued

## 11. Goodwill and other intangible assets

| Cost                                           | Note | Goodwill<br>£m | Patents,<br>contractual<br>rights and<br>technology<br>£m | Customer-<br>related<br>and trade<br>names<br>£m | Software<br>£m | Total<br>£m |
|------------------------------------------------|------|----------------|-----------------------------------------------------------|--------------------------------------------------|----------------|-------------|
| At 1 January 2019                              |      | 915.1          | 227.8                                                     | 306.0                                            | 85.9           | 1,534.8     |
| Additions – separately acquired                |      | –              | –                                                         | –                                                | 12.7           | 12.7        |
| Additions – internal development               |      | –              | 7.3                                                       | –                                                | –              | 7.3         |
| Additions – business combinations              |      | 2.4            | 1.8                                                       | –                                                | –              | 4.2         |
| Disposals                                      |      | –              | (3.2)                                                     | (9.1)                                            | (1.0)          | (13.3)      |
| Disposal of business                           |      | (66.7)         | (8.4)                                                     | (2.1)                                            | (5.9)          | (83.1)      |
| Foreign exchange difference                    |      | (24.6)         | (5.2)                                                     | (6.1)                                            | (2.7)          | (38.6)      |
| At 31 December 2019                            |      | 826.2          | 220.1                                                     | 288.7                                            | 89.0           | 1,424.0     |
| Additions – separately acquired                |      | –              | –                                                         | –                                                | 6.9            | 6.9         |
| Additions – internal development               |      | –              | 7.3                                                       | –                                                | –              | 7.3         |
| Additions – business combinations              | 24   | 1.2            | 0.3                                                       | 0.7                                              | –              | 2.2         |
| Transfer to assets held for sale               | 25   | (74.3)         | (4.4)                                                     | (24.0)                                           | (2.8)          | (105.5)     |
| Disposals                                      |      | –              | –                                                         | –                                                | (1.6)          | (1.6)       |
| Disposals of business                          |      | (0.5)          | –                                                         | –                                                | –              | (0.5)       |
| Foreign exchange difference                    |      | 3.0            | (3.1)                                                     | (3.9)                                            | 0.2            | (3.8)       |
| At 31 December 2020                            |      | 755.6          | 220.2                                                     | 261.5                                            | 91.7           | 1,329.0     |
| <b>Accumulated amortisation and impairment</b> |      |                |                                                           |                                                  |                |             |
| At 1 January 2019                              |      | 148.8          | 153.6                                                     | 152.7                                            | 50.1           | 505.2       |
| Charge for the year                            |      | –              | 18.0                                                      | 22.6                                             | 7.5            | 48.1        |
| Impairment                                     |      | 35.1           | 3.1                                                       | 41.3                                             | 2.7            | 82.2        |
| Disposals                                      |      | –              | (3.2)                                                     | (9.1)                                            | (1.0)          | (13.3)      |
| Disposal of business                           |      | (0.2)          | (3.6)                                                     | (0.7)                                            | (5.2)          | (9.7)       |
| Foreign exchange difference                    |      | (4.3)          | (3.7)                                                     | (4.0)                                            | (1.8)          | (13.8)      |
| At 31 December 2019                            |      | 179.4          | 164.2                                                     | 202.8                                            | 52.3           | 598.7       |
| Charge for the year                            |      | –              | 15.7                                                      | 13.4                                             | 9.1            | 38.2        |
| Impairment                                     |      | 58.4           | 1.0                                                       | 18.7                                             | –              | 78.1        |
| Transfer to assets held for sale               | 25   | (57.9)         | (3.8)                                                     | (24.0)                                           | (1.9)          | (87.6)      |
| Disposals                                      |      | –              | –                                                         | –                                                | (1.5)          | (1.5)       |
| Foreign exchange difference                    |      | (1.3)          | (3.0)                                                     | (3.6)                                            | 0.5            | (7.4)       |
| At 31 December 2020                            |      | 178.6          | 174.1                                                     | 207.3                                            | 58.5           | 618.5       |
| <b>Carrying amount</b>                         |      |                |                                                           |                                                  |                |             |
| At 31 December 2020                            |      | 577.0          | 46.1                                                      | 54.2                                             | 33.2           | 710.5       |
| At 31 December 2019                            |      | 646.8          | 55.9                                                      | 85.9                                             | 36.7           | 825.3       |

Goodwill is allocated to the cash-generating units that are anticipated to benefit from the acquisition.

The Group's identified cash-generating units are smaller than the four reportable segments, being the 10 operating companies (including 2 classified as held for sale) as at 31 December 2020 (2019: 10, with none reclassified as held for sale). Goodwill arising on a bolt-on acquisition is combined with the goodwill in the existing Group company and is not considered separately for impairment purposes, since such acquisitions are quickly integrated.

**11. Goodwill and other intangible assets continued**

The most significant amounts of goodwill are as follows:

|                     | 2020           |                                  | 2019           |                                  |
|---------------------|----------------|----------------------------------|----------------|----------------------------------|
|                     | Goodwill<br>£m | Pre-tax<br>discount<br>rate<br>% | Goodwill<br>£m | Pre-tax<br>discount<br>rate<br>% |
| Malvern Panalytical | 210.3          | 10.1                             | 208.6          | 10.2                             |
| HBK                 | 185.0          | 10.4                             | 179.3          | 10.3                             |
| Omega Engineering   | 108.1          | 11.7                             | 111.8          | 11.6                             |
| Red Lion Controls   | 39.2           | 11.7                             | 40.5           | 11.5                             |
| Servomex            | 24.3           | 11.7                             | 24.6           | 11.6                             |
| Millbrook           | n/a            | n/a                              | 57.6           | 12.1                             |
| Other               | 10.1           | 11.3-11.9                        | 24.4           | 10.3-13.2                        |
|                     | <b>577.0</b>   |                                  | <b>646.8</b>   |                                  |

Goodwill at 31 December 2020 excludes balances transferred to assets held for sale totalling £16.4m (2019: nil).

Included within 'Other' are two (2019: three) cash-generating units, in which none of the goodwill balances are considered to be individually significant.

Goodwill is not amortised but is tested for impairment annually or whenever there is an indication that the asset may be impaired. As part of the annual impairment review, the carrying amount of goodwill has been assessed with reference to its recoverable amount determined based on value in use. In assessing value in use, the forecast projected cash flows of each cash-generating unit, which are based on actual operating results, the most recent budget for the next financial year as approved by the Board, detailed strategic review projections and an assumed long-term growth rate to perpetuity, are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the cash-generating unit.

The key assumptions on which the value in use calculations are based on relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include management's latest estimates on sales volumes and pricing, production and other costs. The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. A long-term growth rate of 2.0% (2019: 2.0%) has been consistently applied in the impairment review for all cash-generating units based on current forecast global industrial production growth rates, and long-term GDP growth rates for the Group's primary markets. The cash flow projections have been discounted using cash-generating unit specific pre-tax discount rates of between 10.1% and 11.9% (2019: 10.2% and 13.2%). These rates have been determined by taking into account the size of business, specific geographical and industry risk factors, as well as the period of ownership by the Group.

**Impairment of goodwill, acquisition-related intangible assets and other property, plant and equipment****2020: Millbrook**

During the year, £58.4m was recognised as an impairment of goodwill (2019: £35.1m) and £70.9m impairment recognised in the 'amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment' line of the Consolidated Income Statement (2019: £47.1m). Of this, goodwill of £58.4m, £16.3m of the intangible asset impairment and £51.2m of the property, plant and equipment impairment related to the Millbrook cash generating unit, which forms part of the Industrial Solutions operating segment.

During the first half of 2020, Millbrook's business was impacted as follows:

1. There was reduced demand from automotive customers, who have delayed development projects (and therefore testing) in response to the impact of COVID-19 on their businesses.
2. On 31 March 2020, a large customer decided to in-house all outsourced engine testing services for the period from April 2020 through to April 2021.
3. Millbrook's events business was largely shut down as a result of COVID-19 restrictions.

## Notes to the Accounts continued

### 11. Goodwill and other intangible assets continued

These factors led to an impairment of the whole of Millbrook's goodwill balance of £58.4m, £11.0m of other intangibles and £6.4m of other property, plant and equipment being charged to the Consolidated Income Statement during the first half of 2020, reflecting the recoverable amount at that time. This impairment reflects the loss of value from the acquired workforce and the loss of expected future customer relationships. The estimated recoverable amount of the Millbrook cash generating unit at 30 June 2020 was £157.6m, which was determined on a value in use basis using a pre-tax discount rate of 12.1% (31 December 2019: 12.1%).

During the second half of 2020 a comprehensive sale process relating to Millbrook was concluded resulting in the announcement on 10 December 2020, that agreement had been reached for the sale of the Millbrook business, which forms part of the Industrial Solutions operating segment. The transaction was subject to customary completion conditions and regulatory approvals, and the sale completed on 1 February 2021. The disposal proceeds from the Millbrook business is expected to be £114.7m, net of costs to sell. The structure of the transaction provided an immediate cash inflow plus the chance to participate in the future performance of the combined group, which will now be able to provide a more extensive and comprehensive range of services to its clients. The commercial valuation achieved resulted in a further impairment of £44.8m of property, plant and equipment and £5.3 million of other intangible assets.

The remaining £3.4m impairment of intangible assets relates to other items within Industrial Solutions with short remaining useful economic lives.

#### 2019

In 2019, an impairment of Concept Life Sciences goodwill of £35.1m was charged to the Consolidated Income Statement. Details of this impairment were given in the 2019 Annual Report and Financial Statements.

In 2019, impairment of other intangible assets includes £32.4m relating to customer relationships and technology acquired as part of the CLS acquisition. The remaining £14.7m impairment of other intangible assets relates to items impaired as a result of restructuring activities undertaken following the strategic review.

#### Sensitivity analysis

For all cash-generating units with goodwill balances at 31 December 2020 the Directors do not consider that there are any reasonably possible sensitivities for the business that could arise in the next 12 months that could result in an impairment charge being recognised.

#### Other intangible assets

Internally generated assets arising from the capitalisation of qualifying development expenditure typically have a finite expected useful life of four to ten years. Capitalised development expenditure is amortised on a straight-line basis. All amortisation charges for the year have been charged against operating profit. The Group has capitalised £7.3m of internally-generated intangible assets from development expenditure in 2020 (2019: £7.3m). Accumulated amortisation on internally-generated intangible assets was £1.7m (2019: £0.7m).

The trade names and technology assets recognised on the acquisition of Omega Engineering in 2011, and included within the Omega reportable segment, are considered significant by the Directors as they represent 72% (2019: 51%) of total customer-related and trade names, and 6% (2019: 11%) of total patents, contractual rights and technology, respectively. The carrying amount of the Omega customer-related and trade name intangible assets at 31 December 2020 is £39.0m (2019: £44.1m) and is being amortised over 20 years with the remaining amortisation period being 11 years. The carrying amount of the Omega patents, contractual rights and technology intangible assets at 31 December 2020 is £2.6m (2019: £6.2m) and is being amortised over ten years with the remaining amortisation period being one year.

## 12. Property, plant and equipment

Property, plant and equipment: owned

| Cost                                           | Note | Freehold property<br>£m | Leasehold property<br>£m | Plant and equipment<br>£m | Total<br>£m |
|------------------------------------------------|------|-------------------------|--------------------------|---------------------------|-------------|
| At 1 January 2019                              |      | 247.9                   | 18.9                     | 295.8                     | 562.6       |
| Adoption of IFRS 16                            |      | –                       | 0.5                      | (2.4)                     | (1.9)       |
| At 1 January 2019 (restated)                   |      | 247.9                   | 19.4                     | 293.4                     | 560.7       |
| Additions – separately acquired                |      | 13.8                    | 1.4                      | 41.1                      | 56.3        |
| Reclassifications                              |      | (2.6)                   | –                        | 2.6                       | –           |
| Disposals                                      |      | (1.4)                   | (0.9)                    | (12.9)                    | (15.2)      |
| Disposal of business                           |      | (14.9)                  | (0.2)                    | (28.5)                    | (43.6)      |
| Foreign exchange difference                    |      | (7.5)                   | (0.6)                    | (8.1)                     | (16.2)      |
| At 31 December 2019                            |      | 235.3                   | 19.1                     | 287.6                     | 542.0       |
| Additions – separately acquired                |      | 4.1                     | 1.7                      | 22.8                      | 28.6        |
| Additions – business combinations              | 24   | 1.6                     | –                        | 0.4                       | 2.0         |
| Reclassifications                              |      | 5.5                     | 0.1                      | (5.6)                     | –           |
| Transfer to assets held for sale               | 25   | (87.4)                  | (1.4)                    | (99.7)                    | (188.5)     |
| Disposals                                      |      | (4.1)                   | (1.9)                    | (6.0)                     | (12.0)      |
| Disposal of business                           | 25   | –                       | –                        | (0.1)                     | (0.1)       |
| Foreign exchange difference                    |      | 5.7                     | 0.1                      | 4.2                       | 10.0        |
| At 31 December 2020                            |      | 160.7                   | 17.7                     | 203.6                     | 382.0       |
| <b>Accumulated depreciation and impairment</b> |      |                         |                          |                           |             |
| At 1 January 2019                              |      | 64.2                    | 12.5                     | 154.4                     | 231.1       |
| Adoption of IFRS 16                            |      | –                       | 0.4                      | (1.3)                     | (0.9)       |
| At 1 January 2019 (restated)                   |      | 64.2                    | 12.9                     | 153.1                     | 230.2       |
| Charge for the year                            |      | 6.9                     | 1.6                      | 24.5                      | 33.0        |
| Impairment                                     |      | –                       | –                        | 2.5                       | 2.5         |
| Disposals                                      |      | (0.5)                   | (0.8)                    | (11.2)                    | (12.5)      |
| Disposal of business                           |      | (5.2)                   | (0.2)                    | (15.3)                    | (20.7)      |
| Foreign exchange difference                    |      | (2.9)                   | (0.3)                    | (5.4)                     | (8.6)       |
| At 31 December 2019                            |      | 62.5                    | 13.2                     | 148.2                     | 223.9       |
| Charge for the year                            |      | 7.6                     | 1.7                      | 24.3                      | 33.6        |
| Impairment                                     |      | 32.3                    | –                        | 20.8                      | 53.1        |
| Transfer to assets held for sale               | 25   | (34.6)                  | (1.0)                    | (45.8)                    | (81.4)      |
| Disposals                                      |      | (1.1)                   | (1.7)                    | (5.9)                     | (8.7)       |
| Disposal of business                           | 25   | –                       | –                        | (0.1)                     | (0.1)       |
| Foreign exchange difference                    |      | 2.4                     | 0.1                      | 3.1                       | 5.6         |
| At 31 December 2020                            |      | 69.1                    | 12.3                     | 144.6                     | 226.0       |
| <b>Carrying amount</b>                         |      |                         |                          |                           |             |
| At 31 December 2020                            |      | 91.6                    | 5.4                      | 59.0                      | 156.0       |
| At 31 December 2019                            |      | 172.8                   | 5.9                      | 139.4                     | 318.1       |

The amount included in the cost of plant and equipment of assets in the course of construction was £14.3m (2019: £20.5m).

No borrowing costs were capitalised during either year.

Of the total depreciation charge of £33.6m (2019: £33.0m), the amount attributable to the depreciation on fair value adjustments to acquisition-related property, plant and equipment was £0.7m (2019: £1.0m).

Additions are net of £0.2m (2019: £5.0m) relating to the receipt of government grants.

## Notes to the Accounts continued

**12. Property, plant and equipment continued**

Property, plant and equipment: right-of-use

|                                             | Note | Property<br>£m | Plant and<br>equipment<br>£m | Total<br>£m |
|---------------------------------------------|------|----------------|------------------------------|-------------|
| At 1 January 2019 on adoption of IFRS 16    |      | 53.2           | 12.8                         | 66.0        |
| Additions                                   |      | 8.9            | 3.7                          | 12.6        |
| Depreciation and impairment                 |      | (16.0)         | (6.1)                        | (22.1)      |
| Disposals                                   |      | (0.3)          | (0.8)                        | (1.1)       |
| Disposal of business                        |      | (3.0)          | (0.9)                        | (3.9)       |
| Foreign exchange difference                 |      | (0.3)          | (0.3)                        | (0.6)       |
| At 31 December 2019                         |      | 42.5           | 8.4                          | 50.9        |
| Additions                                   |      | 8.7            | 3.7                          | 12.4        |
| Depreciation and impairment                 |      | (17.1)         | (5.1)                        | (22.2)      |
| Disposals                                   |      | (3.1)          | (0.1)                        | (3.2)       |
| Transfer to assets held for sale            | 25   | (6.0)          | (0.9)                        | (6.9)       |
| Remeasurement                               |      | (0.4)          | –                            | (0.4)       |
| Reclassification                            |      | 0.3            | (0.3)                        | –           |
| Foreign exchange difference                 |      | 0.1            | 0.4                          | 0.5         |
| At 31 December 2020                         |      | 25.0           | 6.1                          | 31.1        |
|                                             |      |                | 2020<br>£m                   | 2019<br>£m  |
| Property, plant and equipment: owned        |      |                | 156.0                        | 318.1       |
| Property, plant and equipment: right-of-use |      |                | 31.1                         | 50.9        |
|                                             |      |                | 187.1                        | 369.0       |

Impairments of owned and right of use assets in 2020 includes £51.2m in relation to Millbrook (see Note 11).

**13. Investment in equity instruments**

|                                                                                                  | 2020<br>£m | 2019<br>£m |
|--------------------------------------------------------------------------------------------------|------------|------------|
| Investments in equity instruments designated as at fair value through other comprehensive income | 1.1        | –          |
| Investments in equity instruments measured at fair value through profit and loss                 | 38.3       | –          |
| Total investment in equity instruments at 31 December                                            | 39.4       | –          |

**Investments in equity instruments designated as at fair value through other comprehensive income**

At 31 December 2020 the investment in equity instruments designated to be measured at fair value through other comprehensive income consists of 10,000,000 shares in Envirosuite Ltd, which has a fair value of £1.1m.

This investment was not held for trading at initial recognition and is not contingent consideration. Instead, it is held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate this investment in equity instruments as at fair value through other comprehensive income at initial recognition as it believes that recognising short-term fluctuations in this investments' fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run.

**Investments in equity instruments measured at fair value through profit and loss**

At 31 December 2020 the investment in equity instruments measured at fair value through profit and loss consists of an investment in a US publicly-listed company, which has a fair value of £38.3m.

The Group does not consider that it is able to exercise significant influence over any of the above investments as its percentage ownership and voting rights of the businesses is small and it does not have any unusual power or rights over the businesses.

No dividends have been recognised on investment in equity instruments during the year.

**14. Inventories**

|                                          | 2020<br>£m   | 2019<br>£m   |
|------------------------------------------|--------------|--------------|
| Raw materials                            | 60.3         | 70.0         |
| Work in progress                         | 41.0         | 51.9         |
| Finished goods and goods held for resale | 67.2         | 75.3         |
|                                          | <b>168.5</b> | <b>197.2</b> |

In the ordinary course of business, the Group makes provision for slow-moving, excess and obsolete inventory to write it down to its net realisable value based on an assessment of technological and market developments specific to the relevant business, and an analysis of historical and projected usage on an individual item or product line basis.

Expenses relating to inventories written down during the year totalled £12.3m (2019: £12.6m).

Finished goods and goods held for resale expected to be utilised after 12 months amounted to £1.7m (2019: £0.9m).

**15. Trade and other receivables**

|                                  | 2020<br>£m   | 2019<br>£m   |
|----------------------------------|--------------|--------------|
| <b>Current</b>                   |              |              |
| Trade receivables                | 235.7        | 271.7        |
| Prepayments                      | 20.9         | 17.9         |
| VAT and similar taxes receivable | 15.9         | 11.2         |
| Other receivables                | 14.7         | 24.4         |
| Contract assets                  | 4.6          | 10.5         |
|                                  | <b>291.8</b> | <b>335.7</b> |

Trade receivables are non-interest bearing. Standard credit terms provided to customers differ according to business and country, and are typically between 30 and 60 days. Trade receivables are stated after the provision for impairment of £7.6m (2019: £4.8m). Trade and other receivables include £8.1m of receivables expected to be received in more than one year.

The fair value of trade and other receivables approximates to its carrying amount due to the short-term maturities associated with these items. There is no impairment risk identified with regards to other receivables where no amounts are past due.

The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:

|                       | 2020<br>£m   | 2019<br>£m   |
|-----------------------|--------------|--------------|
| UK                    | 13.7         | 20.2         |
| Germany               | 18.0         | 19.9         |
| France                | 14.2         | 15.7         |
| Rest of Europe        | 42.9         | 49.2         |
| USA                   | 63.5         | 67.8         |
| Rest of North America | 9.6          | 9.5          |
| Japan                 | 14.2         | 12.0         |
| China                 | 20.3         | 27.4         |
| South Korea           | 5.5          | 6.4          |
| Rest of Asia          | 21.7         | 29.1         |
| Rest of the world     | 12.1         | 14.5         |
|                       | <b>235.7</b> | <b>271.7</b> |

**Expected credit losses**

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ('ECL'). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

## Notes to the Accounts continued

**15. Trade and other receivables continued**

The ageing of trade receivables and related provisions for impairment at 31 December was:

|                                | 2020        |                  | 2019        |                  |
|--------------------------------|-------------|------------------|-------------|------------------|
|                                | Gross<br>£m | Impairment<br>£m | Gross<br>£m | Impairment<br>£m |
| Not past due                   | 157.2       | –                | 180.5       | 0.6              |
| One month past due             | 32.9        | –                | 43.3        | –                |
| Two months past due            | 13.2        | –                | 18.5        | 0.9              |
| Three months past due          | 8.4         | –                | 7.2         | –                |
| Four months past due           | 7.1         | –                | 6.0         | –                |
| More than four months past due | 24.5        | 7.6              | 21.0        | 3.3              |
|                                | 243.3       | 7.6              | 276.5       | 4.8              |

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

|                                         | 2020<br>£m | 2019<br>£m |
|-----------------------------------------|------------|------------|
| At 1 January                            | 4.8        | 4.6        |
| Provision for impairment of receivables | 4.1        | 1.8        |
| Impairment loss utilised                | (1.4)      | (0.5)      |
| Disposal of business                    | –          | (1.0)      |
| Foreign exchange difference             | 0.1        | (0.1)      |
| At 31 December                          | 7.6        | 4.8        |

All of the above impairment losses relate to receivables arising from contracts with customers.

**Significant changes in contract assets during the year**

The decrease in contract assets during 2020 is mainly due to the transfer of Millbrook and Brüel & Kjaer Vibro contract assets to assets held for sale. There were no other significant changes in contract assets during 2020. The decrease in contract assets during 2019 reflected progress on a number of larger contracts in the Industrial Solutions business.

**16. Cash and cash equivalents**

|                                                                                  | Note | 2020<br>£m | 2019<br>£m |
|----------------------------------------------------------------------------------|------|------------|------------|
| Cash and cash equivalents included in current assets                             |      | 222.2      | 213.1      |
| Cash and cash equivalents included in assets held for sale                       | 25   | 3.7        | –          |
| Notional cash-pool related bank overdrafts included in liabilities held for sale | 25   | (2.2)      | –          |
| Notional cash-pool related bank overdrafts included in current borrowings        | 17   | (12.8)     | –          |
| Cash and cash equivalents in the Consolidated Statement of Cash Flows            |      | 210.9      | 213.1      |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 28.

**17. Borrowings**

| Current                                                                                 | Interest rate         | Repayable date   | 2020<br>£m | 2019<br>£m |
|-----------------------------------------------------------------------------------------|-----------------------|------------------|------------|------------|
| Bank overdrafts (including £2.2m of overdrafts classified as liabilities held for sale) |                       | On demand        | 15.3       | –          |
| Bank loans unsecured – €94.8m                                                           | Fixed 2.56%           | 14 October 2020  | –          | 80.7       |
| Bank loans unsecured – £50.0m uncommitted facility                                      | Relevant LIBOR +50bps | On demand        | –          | –          |
| Total current borrowings                                                                |                       |                  | 15.3       | 80.7       |
| Non-current                                                                             | Interest rate         | Maturity date    | 2020<br>£m | 2019<br>£m |
| Bank loans unsecured – €116.2m                                                          | Fixed 1.15%           | 9 September 2022 | 104.5      | 98.9       |
| Bank loans unsecured – \$800.0m revolving credit facility                               | Relevant LIBOR +55bps | 31 July 2025     | –          | –          |
| Total non-current borrowings                                                            |                       |                  | 104.5      | 98.9       |
| Total current and non-current borrowings                                                |                       |                  | 119.8      | 179.6      |
| Total unsecured borrowings                                                              |                       |                  | 119.8      | 179.6      |

At 31 December 2020, the Group had available £586m of undrawn committed borrowing facilities in respect of its \$800m revolving credit facility (2019: £606.4m).

**17. Borrowings continued**

Movements in total unsecured borrowings are reconciled as follows:

|                                  | 2020<br>£m | 2019<br>£m |
|----------------------------------|------------|------------|
| At 1 January                     | 179.6      | 364.4      |
| Notional cash-pooling movements  | 15.0       | -          |
| Proceeds from borrowings         | 0.3        | 193.2      |
| Repayment of borrowings          | (86.4)     | (363.5)    |
| Effect of foreign exchange rates | 11.3       | (14.5)     |
| At 31 December                   | 119.8      | 179.6      |

**18. Trade and other payables**

|                                                                     | 2020<br>£m   | 2019<br>£m   |
|---------------------------------------------------------------------|--------------|--------------|
| <b>Current</b>                                                      |              |              |
| Trade payables                                                      | 51.6         | 53.1         |
| Accruals                                                            | 97.8         | 89.2         |
| Customer advances                                                   | 23.8         | 19.5         |
| Contract liabilities                                                | 59.6         | 73.4         |
| Deferred and contingent consideration on acquisitions and disposals | 2.7          | 11.6         |
| VAT and similar taxes payable                                       | 15.6         | 14.7         |
| Other payables                                                      | 37.2         | 35.3         |
|                                                                     | <b>288.3</b> | <b>296.8</b> |
| <b>Non-current</b>                                                  |              |              |
| Contract liabilities                                                | 9.9          | 2.8          |
| Deferred and contingent consideration on acquisitions and disposals | 0.4          | 3.2          |
| Other payables                                                      | 14.4         | 15.3         |
|                                                                     | <b>24.7</b>  | <b>21.3</b>  |

The fair value of trade and other payables approximates to their carrying amount due to the short-term maturities associated with these items.

Total contract liabilities relate to the following product groups:

|                                                            | 2020<br>£m  | 2019<br>£m  |
|------------------------------------------------------------|-------------|-------------|
| Malvern Panalytical                                        | 44.1        | 45.0        |
| HBK                                                        | 21.3        | 23.1        |
| Omega                                                      | 0.1         | 0.1         |
| Industrial Solutions                                       | 4.0         | 8.0         |
|                                                            | <b>69.5</b> | <b>76.2</b> |
| Contract liabilities included in liabilities held for sale | 4.6         | -           |
|                                                            | <b>74.1</b> | <b>76.2</b> |

**Significant changes in contract liabilities during the year**

2020:

At 31 December 2020, £4.6m of contract liability balances that would previously have been included in the Industrial Solutions product group have been classified within liabilities held for sale.

There were no other significant changes in contract liability balances during 2020.

2019:

During 2019, £1.6m of contract liability balances were derecognised on the disposal of BTC.

There were no other significant changes in contract liability balances during 2019.

## Notes to the Accounts continued

## 19. Provisions

|                                       | Note | Reorganisation<br>£m | Product<br>warranty<br>£m | Legal,<br>contractual<br>and other<br>£m | Total<br>£m |
|---------------------------------------|------|----------------------|---------------------------|------------------------------------------|-------------|
| At 1 January 2020                     |      | 11.2                 | 11.0                      | 10.7                                     | 32.9        |
| Provision during the year             |      | 7.3                  | 8.8                       | 4.1                                      | 20.2        |
| Recognised on acquisitions            | 24   | –                    | 0.1                       | –                                        | 0.1         |
| Disposal of business                  | 25   | –                    | (0.2)                     | –                                        | (0.2)       |
| Utilised during the year              |      | (11.9)               | (7.6)                     | (3.3)                                    | (22.8)      |
| Released during the year              |      | (0.7)                | (0.3)                     | (0.1)                                    | (1.1)       |
| Transfer to liabilities held for sale | 25   | (0.2)                | (0.4)                     | (0.4)                                    | (1.0)       |
| Foreign exchange difference           |      | 0.2                  | 0.1                       | 0.1                                      | 0.4         |
| At 31 December 2020                   |      | 5.9                  | 11.5                      | 11.1                                     | 28.5        |

**Reorganisation**

Reorganisation provisions relate to committed restructuring plans in place within the business, with much of the movement during 2020 relating to the Group-wide profit improvement programme (see Note 2). Costs are mostly expected to be incurred within one year and there is little judgement in determining the amount.

**Product warranty**

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group's standard terms and conditions. Warranty commitments typically apply for a 12-month period, but can extend to 36 months. These extended warranties are not individually significant.

**Legal, contractual and other**

Legal, contractual and other provisions mainly comprise amounts provided against open legal and contractual disputes arising in the normal course of business. The Company has on occasion been required to take legal or other actions to protect its intellectual property rights, to enforce commercial contracts or otherwise and similarly to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the most likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling current obligations. Other provisions includes £5.3m (2019: £5.5m) relating to accrued interest on potential tax liabilities (see Note 8).

No provision is made for proceedings which have been or might be brought by other parties against Group companies unless management, taking into account professional advice received, assesses that it is probable that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified, but the Directors are of the opinion that any associated claims that might be brought can be defeated successfully and, therefore, the possibility of any material outflow in settlement is assessed as remote.

## 20. Retirement benefit plans

Spectris plc operates funded defined benefit and defined contribution pension plans for the Group's qualifying employees in the UK. At 31 December 2020, 13 overseas subsidiaries (2019: 12) in three overseas countries provided defined benefit plans. Other UK and overseas subsidiaries have their own defined contribution plans invested in independent funds.

### Defined benefit plans

The UK, German, Dutch and Swiss plans provide pensions in retirement, death in service and in some cases disability benefits to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to all service accruals. The German and Dutch plans are closed to new members. The Italian plan is a mandatory *Trattamento di Fine Rapporto* ('TFR') severance plan.

The UK plan is administered by a pension fund, but the Swiss and Dutch plans are held by insurance companies that are legally separate from the Group. The majority of the overseas plan assets are insurance policies. The UK plan is managed by a Board of Trustees that represents both employees and employer, who is required to act in the best interest of the plan's participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the various funds.

The plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. Inflation and interest rate hedges are taken out to mitigate against risks arising on the UK plan and some reinsurance exists in respect of the overseas plans.

The overseas plans are funded by the Group's overseas subsidiaries, and the UK plan has been funded in the past by both the Group's UK subsidiaries and the Company. The assets of the UK plan are invested in accordance with Section 40 of the Pensions Act 1995. Although the Act permits 5% of the plan's assets to be invested in 'employer-related investments', the Trustees have elected that none of the plan assets are to be invested directly in Spectris plc shares. The Trustees also hold interest rate and inflation swaps to help protect against the impact of changes in prevailing interest rates and price inflation, which in conjunction with the corporate bond portfolio aims to fully hedge against interest and inflation rate risks on the basis used by the Trustee to fund the plan. Trustee investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustee of the UK plan has invested a large proportion of the plan's assets in a buy and maintain corporate bond portfolio, designed to move in a similar way to the value of the plan's liabilities. The Trustee has also entered into a swaps strategy which seeks to further mitigate against movement in interest rates and price inflation over time.

The funding requirements are based on the individual funds' actuarial measurement framework set out in the funding policies of the various plans.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) of the plans of the respective jurisdictions, the present value of the refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2020.

The last full actuarial valuation for the UK plan was 31 December 2017 and for the overseas plans was 31 December 2020. Where applicable, the valuations were updated to 31 December 2020 for IAS 19 (Revised) 'Employee Benefits' purposes by qualified independent actuaries.

## Notes to the Accounts continued

**20. Retirement benefit plans continued**

The Group's contributions to defined benefit plans during the year ended 31 December 2020 were £1.2m (2019: £2.3m). Contributions for 2021 are expected to be £1.0m for the overseas plans.

Contributions to the Spectris Pension Plan (UK) ceased from 1 July 2012. The contribution rates are subject to review at future valuations and periodic certifications of the schedule of contributions.

The assumptions used by the actuary to value the liabilities of the defined benefit plans were:

|                                | 2020              |                             | 2019              |                             |
|--------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
|                                | UK plan<br>% p.a. | Overseas<br>plans<br>% p.a. | UK plan<br>% p.a. | Overseas<br>plans<br>% p.a. |
| Discount rate                  | 1.4               | 0.0 – 0.6                   | 1.9               | 0.1 – 1.0                   |
| Salary increases               | n/a               | 1.25 – 3.0                  | n/a               | 1.25 – 3.0                  |
| Pension increases in payment   | 2.2 – 3.6         | 0.0 – 1.75                  | 2.2 – 3.5         | 0.0 – 2.0                   |
| Pension increases in deferment | 2.3 – 3.1         |                             | 2.2 – 3.0         |                             |
| Inflation assumption           | 2.3 – 3.1         | 1.0 – 2.0                   | 2.2 – 3.0         | 1.0 – 2.0                   |
| Interest credit rate           |                   | 1.0                         |                   | 0.0 – 1.0                   |

The weighted average duration of the defined benefit obligation at 31 December 2020 was approximately 14 years (2019: 14 years) for the UK plan and 18.0 years (2019: 17.9 years) for the overseas plans.

Pensioner life expectancy assumed in the 31 December 2020 valuation is based on the following tables:

|               |                                                                                                                                                                                 |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| UK plan       | 95% SIPMA/99% SIPFA centred in 2006, future improvements in line with the core CMI_2019 model with a long-term rate of improvement of 1.1% per annum and initial addition of 0% |
| German plans  | Dr K Heubeck pension tables 2018 G                                                                                                                                              |
| Dutch plans   | A.G. Prognosetafel 2018 tables                                                                                                                                                  |
| Swiss plan    | BVG 2015 – CMI 1.50%                                                                                                                                                            |
| Italian plans | SI 2019                                                                                                                                                                         |

Samples of the ages which pensioners are assumed to live to are as follows:

|                            | Male        | Female      |
|----------------------------|-------------|-------------|
| Pensioners aged 65 in 2020 | 86.0 – 86.9 | 88.1 – 88.9 |
| Pensioners aged 65 in 2030 | 86.5 – 88.8 | 88.8 – 90.8 |

| Amounts recognised in the Consolidated Income Statement | UK plan    |            | Overseas plans |            | Total      |            |
|---------------------------------------------------------|------------|------------|----------------|------------|------------|------------|
|                                                         | 2020<br>£m | 2019<br>£m | 2020<br>£m     | 2019<br>£m | 2020<br>£m | 2019<br>£m |
| Current service cost                                    | –          | –          | 1.0            | 1.8        | 1.0        | 1.8        |
| Past service cost                                       | 0.2        | –          | 0.1            | –          | 0.3        | –          |
| Administrative cost                                     | 0.5        | 0.4        | –              | 0.1        | 0.5        | 0.5        |
| Settlement                                              | –          | –          | (0.5)          | –          | (0.5)      | –          |
| Disposal                                                | –          | –          | –              | (15.8)     | –          | (15.8)     |
| Net interest cost                                       | 0.3        | 0.3        | 0.1            | 0.3        | 0.4        | 0.6        |
|                                                         | 1.0        | 0.7        | 0.7            | (13.6)     | 1.7        | (12.9)     |

The current service cost and past service cost are recognised in administrative expenses in the Consolidated Income Statement. The net interest cost on the net defined benefit obligation is recognised in finance costs in the Consolidated Income Statement. The settlement in 2020 consisted of a Dutch Plan removed from the Consolidated Statement of Financial Position following employment contract changes and was recognised in administrative expenses. The disposal in 2019 consisted of the balance disposed as a result of the sale of BTG and was recognised in profit on disposal of business in the Consolidated Income Statement in 2019. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

During the year, insurance premiums for death-in-service benefits amounting to £0.5m (2019: £0.5m) were paid.

There was a total return on plan assets in the year of £10.9m (2019: £14.2m).

## 20. Retirement benefit plans continued

|                                                                                 | UK plan    |              | Overseas plans |              | Total      |               |
|---------------------------------------------------------------------------------|------------|--------------|----------------|--------------|------------|---------------|
|                                                                                 | 2020<br>£m | 2019<br>£m   | 2020<br>£m     | 2019<br>£m   | 2020<br>£m | 2019<br>£m    |
| <b>Amounts recognised in the Consolidated Statement of Comprehensive Income</b> |            |              |                |              |            |               |
| Actuarial gains/(losses) recognised in the current year                         | 8.3        | (1.9)        | 0.2            | (9.1)        | 8.5        | (11.0)        |
| Foreign exchange (losses)/gains in the current year                             | -          | -            | (0.6)          | 0.4          | (0.6)      | 0.4           |
| <b>Total gains/(losses) recognised in the current year</b>                      | <b>8.3</b> | <b>(1.9)</b> | <b>(0.4)</b>   | <b>(8.7)</b> | <b>7.9</b> | <b>(10.6)</b> |

|                                                                               | UK plan      |               | Overseas plans |               | Total         |               |
|-------------------------------------------------------------------------------|--------------|---------------|----------------|---------------|---------------|---------------|
|                                                                               | 2020<br>£m   | 2019<br>£m    | 2020<br>£m     | 2019<br>£m    | 2020<br>£m    | 2019<br>£m    |
| <b>Amounts recognised in the Consolidated Statement of Financial Position</b> |              |               |                |               |               |               |
| Present value of defined benefit obligations                                  | (130.0)      | (133.2)       | (27.3)         | (27.0)        | (157.3)       | (160.2)       |
| Fair value of plan assets                                                     | 122.2        | 118.1         | 14.7           | 14.6          | 136.9         | 132.7         |
| <b>Net deficit in plans</b>                                                   | <b>(7.8)</b> | <b>(15.1)</b> | <b>(12.6)</b>  | <b>(12.4)</b> | <b>(20.4)</b> | <b>(27.5)</b> |

|                                                                | UK plan      |               | Overseas plans |               | Total         |               |
|----------------------------------------------------------------|--------------|---------------|----------------|---------------|---------------|---------------|
|                                                                | 2020<br>£m   | 2019<br>£m    | 2020<br>£m     | 2019<br>£m    | 2020<br>£m    | 2019<br>£m    |
| <b>Reconciliation of movement in net deficit</b>               |              |               |                |               |               |               |
| At 1 January                                                   | (15.1)       | (12.5)        | (12.4)         | (19.6)        | (27.5)        | (32.1)        |
| Balance transferred from other payables                        | -            | -             | (0.8)          | -             | (0.8)         | -             |
| Current service cost                                           | -            | -             | (1.0)          | (1.8)         | (1.0)         | (1.8)         |
| Net interest cost                                              | (0.3)        | (0.3)         | (0.1)          | (0.3)         | (0.4)         | (0.6)         |
| Plan administrative cost                                       | (0.5)        | (0.4)         | -              | (0.1)         | (0.5)         | (0.5)         |
| Settlement                                                     | -            | -             | 0.5            | -             | 0.5           | -             |
| Disposal                                                       | -            | -             | -              | 15.8          | -             | 15.8          |
| Past service cost                                              | (0.2)        | -             | (0.1)          | -             | (0.3)         | -             |
| Contributions from sponsoring company and plan members         | -            | -             | 0.4            | 1.7           | 0.4           | 1.7           |
| Benefits paid                                                  | -            | -             | 0.8            | 0.6           | 0.8           | 0.6           |
| Actuarial gains/(losses)                                       | 8.3          | (1.9)         | 0.2            | (9.1)         | 8.5           | (11.0)        |
| Balance transferred to liabilities held for sale (see Note 25) | -            | -             | 0.5            | -             | 0.5           | -             |
| Foreign exchange difference                                    | -            | -             | (0.6)          | 0.4           | (0.6)         | 0.4           |
| <b>At 31 December</b>                                          | <b>(7.8)</b> | <b>(15.1)</b> | <b>(12.6)</b>  | <b>(12.4)</b> | <b>(20.4)</b> | <b>(27.5)</b> |

|                                                                                    | UK plan      |              | Overseas plans |             | Total        |              |
|------------------------------------------------------------------------------------|--------------|--------------|----------------|-------------|--------------|--------------|
|                                                                                    | 2020<br>£m   | 2019<br>£m   | 2020<br>£m     | 2019<br>£m  | 2020<br>£m   | 2019<br>£m   |
| <b>Analysis of movement in the present value of the defined benefit obligation</b> |              |              |                |             |              |              |
| At 1 January                                                                       | 133.2        | 125.7        | 27.0           | 57.4        | 160.2        | 183.1        |
| Balance transferred from other payables                                            | -            | -            | 0.8            | -           | 0.8          | -            |
| Current service cost                                                               | -            | -            | 1.0            | 1.8         | 1.0          | 1.8          |
| Interest cost                                                                      | 2.5          | 3.3          | 0.2            | 0.7         | 2.7          | 4.0          |
| Settlement                                                                         | -            | -            | (1.0)          | -           | (1.0)        | -            |
| Disposal                                                                           | -            | -            | -              | (41.9)      | 0.0          | (41.9)       |
| Past service cost                                                                  | 0.2          | -            | 0.1            | -           | 0.3          | -            |
| Contributions from plan members                                                    | -            | -            | 0.2            | 1.2         | 0.2          | 1.2          |
| Actuarial losses – financial                                                       | 11.4         | 12.2         | 1.5            | 10.6        | 12.9         | 22.8         |
| Actuarial (gains)/losses – demographic                                             | (6.5)        | (1.4)        | -              | 0.9         | (6.5)        | (0.5)        |
| Actuarial gains – experience                                                       | (5.7)        | (0.2)        | (0.6)          | (0.6)       | (6.3)        | (0.8)        |
| Benefits paid                                                                      | (5.1)        | (6.4)        | (1.2)          | (2.2)       | (6.3)        | (8.6)        |
| Balance transferred to liabilities held for sale (see Note 25)                     | -            | -            | (2.2)          | -           | (2.2)        | -            |
| Foreign exchange difference                                                        | -            | -            | 1.5            | (0.9)       | 1.5          | (0.9)        |
| <b>At 31 December</b>                                                              | <b>130.0</b> | <b>133.2</b> | <b>27.3</b>    | <b>27.0</b> | <b>157.3</b> | <b>160.2</b> |

## Analysed as:

|                                                      |       |       |      |      |       |       |
|------------------------------------------------------|-------|-------|------|------|-------|-------|
| Present value of unfunded defined benefit obligation | -     | -     | 8.7  | 7.7  | 8.7   | 7.7   |
| Present value of funded defined benefit obligation   | 130.0 | 133.2 | 18.6 | 19.3 | 148.6 | 152.5 |

## Notes to the Accounts continued

## 20. Retirement benefit plans continued

|                                                                | UK plan    |            | Overseas plans |            | Total      |            |
|----------------------------------------------------------------|------------|------------|----------------|------------|------------|------------|
|                                                                | 2020<br>£m | 2019<br>£m | 2020<br>£m     | 2019<br>£m | 2020<br>£m | 2019<br>£m |
| <b>Reconciliation of movement in fair value of plan assets</b> |            |            |                |            |            |            |
| At 1 January                                                   | 118.1      | 113.2      | 14.6           | 37.8       | 132.7      | 151.0      |
| Balance transferred from other liabilities                     | -          | -          | -              | -          | -          | -          |
| Interest income on assets                                      | 2.2        | 3.0        | 0.1            | 0.4        | 2.3        | 3.4        |
| Plan administration cost                                       | (0.5)      | (0.4)      | -              | (0.1)      | (0.5)      | (0.5)      |
| Settlement                                                     | -          | -          | (0.5)          | -          | (0.5)      | -          |
| Disposal                                                       | -          | -          | -              | (26.1)     | -          | (26.1)     |
| Contributions from sponsoring company                          | -          | -          | 0.4            | 1.7        | 0.4        | 1.7        |
| Contributions from plan members                                | -          | -          | 0.2            | 1.2        | 0.2        | 1.2        |
| Actuarial gains/(losses)                                       | 7.5        | 8.7        | 1.1            | 1.8        | 8.6        | 10.5       |
| Benefits paid                                                  | (5.1)      | (6.4)      | (0.4)          | (1.6)      | (5.5)      | (8.0)      |
| Balance transferred to liabilities held for sale (see Note 25) | -          | -          | (1.7)          | -          | (1.7)      | -          |
| Foreign exchange difference                                    | -          | -          | 0.9            | (0.5)      | 0.9        | (0.5)      |
| At 31 December                                                 | 122.2      | 118.1      | 14.7           | 14.6       | 136.9      | 132.7      |

|                                                | UK plan    |            | Overseas plans |            | Total      |            |
|------------------------------------------------|------------|------------|----------------|------------|------------|------------|
|                                                | 2020<br>£m | 2019<br>£m | 2020<br>£m     | 2019<br>£m | 2020<br>£m | 2019<br>£m |
| <b>Fair value of assets</b>                    |            |            |                |            |            |            |
| Equity instruments                             | 6.1        | 5.7        | -              | -          | 6.1        | 5.7        |
| Corporate bonds                                | 105.6      | 103.3      | -              | -          | 105.6      | 103.3      |
| Government bonds                               | 19.5       | 20.1       | -              | -          | 19.5       | 20.1       |
| Cash and financial derivatives and other (net) | (9.0)      | (11.0)     | -              | -          | (9.0)      | (11.0)     |
| Insurance policies                             | -          | -          | 14.7           | 14.6       | 14.7       | 14.6       |
|                                                | 122.2      | 118.1      | 14.7           | 14.6       | 136.9      | 132.7      |

The UK plan assets are invested in active markets which have a quoted market price. The overseas plan assets are invested in insurance policies.

**Sensitivity analysis**

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions based on a reasonably expected change given current market conditions:

|                                   | Impact on plan liabilities as at 31 December 2020 |                    |                   |
|-----------------------------------|---------------------------------------------------|--------------------|-------------------|
|                                   | Change in assumption                              | UK plan            | Overseas plans    |
| Discount rate                     | Increase by 1%                                    | Decrease by £17.8m | Decrease by £4.7m |
| Rate of price inflation (RPI)     | Increase by 1%                                    | Increase by £12.3m | Increase by 1.3m  |
| Assumed life expectancy at age 65 | Increase by 1 year                                | Increase by £5.3m  | Increase by £1.1m |

The sensitivity analysis is approximate and extrapolation beyond the ranges shown may not be appropriate.

**Defined contribution plans**

The total cost of the defined contribution plans for the year was £18.3m (2019: £18.1m). There were no outstanding or prepaid contributions to these plans as at the end of the year.

**21. Deferred tax**

The movement in the net deferred tax liability/(asset) is shown below.

|                                                                                                                                      | Note | 2020<br>£m | 2019<br>£m |
|--------------------------------------------------------------------------------------------------------------------------------------|------|------------|------------|
| At 1 January                                                                                                                         |      | 3.8        | 18.9       |
| Adoption of IFRS 16                                                                                                                  |      | -          | (1.0)      |
| At 1 January (restated)                                                                                                              |      | 3.8        | 17.9       |
| Foreign exchange difference                                                                                                          |      | (0.2)      | (0.1)      |
| Acquisition of subsidiary undertakings                                                                                               | 24   | 0.1        | 0.4        |
| Disposal of businesses                                                                                                               |      | -          | (1.5)      |
| Transferred to assets held for sale                                                                                                  |      | 2.3        | -          |
| Transferred to liabilities held for sale                                                                                             |      | (0.7)      | -          |
| Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income |      | (0.2)      | 0.5        |
| Deferred tax on re-measurement of net defined benefit liability recognised in the Consolidated Statement of Comprehensive Income     |      | 1.3        | (1.7)      |
| Deferred tax on share-based payments recognised in equity                                                                            |      | (0.2)      | 0.2        |
| Credited to the Consolidated Income Statement                                                                                        | 8    | (13.1)     | (11.9)     |
| At 31 December                                                                                                                       |      | (6.9)      | 3.8        |
| Comprising:                                                                                                                          |      |            |            |
| Deferred tax liabilities                                                                                                             |      | 7.7        | 12.8       |
| Deferred tax assets                                                                                                                  |      | (14.6)     | (9.0)      |
|                                                                                                                                      |      | (6.9)      | 3.8        |

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

| Net deferred tax (assets)/liabilities                                                                                                | Accelerated<br>tax<br>depreciation<br>£m | Accruals<br>and<br>provisions<br>£m | Tax<br>losses<br>£m | Unrealised<br>profit on inter-<br>company<br>transactions<br>£m | Pension<br>plans<br>£m | Goodwill<br>and other<br>intangible<br>assets<br>£m | Other<br>£m | 2020<br>Total<br>£m |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------|---------------------|-----------------------------------------------------------------|------------------------|-----------------------------------------------------|-------------|---------------------|
| At 1 January 2020                                                                                                                    | 5.1                                      | (14.0)                              | (0.7)               | (7.3)                                                           | (6.1)                  | 27.1                                                | (0.3)       | 3.8                 |
| Foreign exchange difference                                                                                                          | -                                        | -                                   | -                   | -                                                               | -                      | (0.2)                                               | -           | (0.2)               |
| Acquisition of subsidiary undertakings                                                                                               | -                                        | -                                   | -                   | -                                                               | -                      | 0.1                                                 | -           | 0.1                 |
| Disposal of businesses                                                                                                               | -                                        | -                                   | -                   | -                                                               | -                      | -                                                   | -           | -                   |
| Transferred to assets held for sale                                                                                                  | 0.4                                      | -                                   | -                   | -                                                               | -                      | 2.1                                                 | (0.2)       | 2.3                 |
| Transferred to liabilities held for sale                                                                                             | -                                        | 0.3                                 | -                   | -                                                               | -                      | 0.4                                                 | (1.4)       | (0.7)               |
| Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income | -                                        | -                                   | -                   | -                                                               | -                      | -                                                   | (0.2)       | (0.2)               |
| Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income    | -                                        | -                                   | -                   | -                                                               | 1.3                    | -                                                   | -           | 1.3                 |
| Deferred tax on share-based payments recognised in equity                                                                            | -                                        | -                                   | -                   | -                                                               | -                      | -                                                   | (0.2)       | (0.2)               |
| (Credited)/charged to the Consolidated Income Statement                                                                              | (2.1)                                    | (6.0)                               | -                   | 0.6                                                             | (0.9)                  | (6.5)                                               | 1.8         | (13.1)              |
| At 31 December 2020                                                                                                                  | 3.4                                      | (19.7)                              | (0.7)               | (6.7)                                                           | (5.7)                  | 23.0                                                | (0.5)       | (6.9)               |

## Notes to the Accounts continued

## 21. Deferred tax continued

| Net deferred tax (assets)/liabilities                                                                                                | Accelerated tax depreciation<br>£m | Accruals and provisions<br>£m | Tax losses<br>£m | Unrealised profit on inter-company transactions<br>£m | Pension plans<br>£m | Goodwill and other intangible assets<br>£m | Other<br>£m | 2019 Total<br>£m |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------|------------------|-------------------------------------------------------|---------------------|--------------------------------------------|-------------|------------------|
| At 1 January 2019                                                                                                                    | 4.3                                | (13.2)                        | (1.1)            | (8.3)                                                 | (7.0)               | 45.2                                       | (1.0)       | 18.9             |
| Adoption of IFRS 16                                                                                                                  | -                                  | -                             | -                | -                                                     | -                   | -                                          | (1.0)       | (1.0)            |
| At 1 January 2019 (restated)                                                                                                         | 4.3                                | (13.2)                        | (1.1)            | (8.3)                                                 | (7.0)               | 45.2                                       | (2.0)       | 17.9             |
| Foreign exchange difference                                                                                                          | -                                  | -                             | -                | -                                                     | -                   | (0.1)                                      | -           | (0.1)            |
| Acquisition of subsidiary undertakings                                                                                               | -                                  | -                             | -                | -                                                     | -                   | 0.4                                        | -           | 0.4              |
| Disposal of business                                                                                                                 | -                                  | -                             | -                | -                                                     | 2.1                 | (3.6)                                      | -           | (1.5)            |
| Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income | -                                  | -                             | -                | -                                                     | -                   | -                                          | 0.5         | 0.5              |
| Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income    | -                                  | -                             | -                | -                                                     | (1.7)               | -                                          | -           | (1.7)            |
| Deferred tax on share-based payments recognised in equity                                                                            | -                                  | -                             | -                | -                                                     | -                   | -                                          | 0.2         | 0.2              |
| Charged/(credited) to the Consolidated Income Statement                                                                              | 0.8                                | (0.8)                         | 0.4              | 1.0                                                   | 0.5                 | (14.8)                                     | 1.0         | (11.9)           |
| At 31 December 2019                                                                                                                  | 5.1                                | (14.0)                        | (0.7)            | (7.3)                                                 | (6.1)               | 27.1                                       | (0.3)       | 3.8              |

## Unrecognised temporary differences

Deferred tax assets have not been recognised on the following temporary differences due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions in certain jurisdictions. £2.0m will expire between 2026 and 2030. There is no expiry date associated with the remaining tax losses of £33.1m.

|                             | 2020<br>£m | 2019<br>£m |
|-----------------------------|------------|------------|
| Tax losses                  | 35.1       | 51.3       |
| Other temporary differences | 1.1        | 0.3        |
|                             | 36.2       | 51.6       |

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting these earnings to the UK. However, £100.9m (2019: £82.7m) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £5.4m (2019: £4.8m), of which only £3.0m (2019: £2.0m) has been provided for as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future.

**22. Share capital and reserves**

|                                                     | 2020                      |     | 2019                      |     |
|-----------------------------------------------------|---------------------------|-----|---------------------------|-----|
|                                                     | Number of shares Millions | £m  | Number of shares Millions | £m  |
| Issued and fully paid (ordinary shares of 5p each): |                           |     |                           |     |
| At 1 January and 31 December                        | 121.2                     | 6.0 | 121.2                     | 6.0 |

No ordinary shares were issued upon exercise under share option schemes during the year (2019: nil).

At 31 December 2020, the Group held 4,934,567 treasury shares (2019: 5,182,366). During the year, 247,799 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2019: 453,787).

The Group has an employee benefit trust ('EBT'), which operates the Spectris Share Incentive Plan ('SIP') to all eligible UK-based employees. The EBT holds shares in Spectris plc for the purposes of the SIP, further details of which are disclosed in the Directors' Remuneration Report. At 31 December 2020, the EBT held 52,924 shares which were purchased from the market during the year (31 December 2019: 33,780). The costs of funding and administering the plan are charged to the Income Statement in the period to which they relate.

**Other reserves**

Movements in reserves are set out in the Consolidated Statement of Changes in Equity. The retained earnings reserve also includes own shares purchased by the Company and treated as treasury shares. The nature and purpose of other reserves forming part of equity are as follows:

**Translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

**Hedging reserve**

This reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

**Merger reserve**

This reserve arose on the acquisition of Servomex Limited in 1999, a purchase satisfied substantially by the issue of share capital and therefore eligible for merger relief under the provisions of Section 612 of the Companies Act 2006.

**Capital redemption reserve**

This reserve records the historical repurchase of the Company's own shares.

# Notes to the Accounts continued

## 23. Share-based payments

**Spectris Long Term Incentive Plan ('LTIP') – awards granted from 2020 onwards with performance conditions attached**  
The LTIP is used to grant share awards with performance conditions attached to senior executives and key employees that are settled in either equity or cash.

Both cash and equity-settled LTIP awards are expected to vest, subject to their performance conditions, after three years. Vested equity settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date. All LTIP awards granted to Executive Directors are subject to an additional two-year holding period. The Executive Directors' LTIP awards vest after five years (three-year performance period plus two-year holding period) and must be exercised within the next five years.

Subject to the LTIP awards vesting, participants receive additional dividend shares on the vested shares under the LTIP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

### PSP performance conditions

**Spectris Performance Share Plan ('PSP') - awards granted to prior to 2020**

The PSP was used to grant share awards to senior executives and key employees that are settled in either equity or cash.

Both cash and equity-settled PSP awards are expected to vest, subject to their performance conditions, after three years. Vested equity settled awards must be exercised within the next seven years, whereas vested cash-settled awards are paid out on or shortly after the vesting date. Outstanding PSP awards granted to Executive Directors are subject to an additional two-year holding period. The Executive Directors' PSP awards vest after five years (three-year performance period plus two-year holding period) and must be exercised within the next five years.

Subject to the PSP awards vesting, participants receive additional dividend shares on the vested shares under the PSP award. For PSP awards granted in or after 2014, the dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date. For PSP awards granted before 2014, dividend shares were of equivalent value to Company's dividends paid between the date of grant and the date of exercise.

### Linked (tax-advantaged) awards

Some PSP and LTIP awards granted to UK employees are linked to a grant of market value share options under the terms of HMRC's tax-advantaged Company Share Option Plan ('Linked (tax-advantaged) awards'). Linked (tax-advantaged) awards are granted up to an aggregate value of £30,000, which is HMRC's limit. The Linked (tax-advantaged) awards have the same performance and vesting conditions as the PSP/LTIP awards to which they are linked.

When an employee chooses to exercise a PSP/LTIP award which is linked to a Linked (tax-advantaged) award, both parts are also automatically exercised at the same time. Should there be a gain on exercise from the Linked (tax-advantaged) award part, then a proportion of the PSP/LTIP award will lapse to ensure that the overall gross value received from the combined exercise of these awards is no more than would have been delivered from a stand-alone equivalent PSP/LTIP award. Should there be no gain on exercise from the Linked (tax-advantaged) award part, then this part is forfeited and there is no reduction in the remaining PSP/LTIP award.

### LTIP performance conditions

LTIP awards granted to Executive Directors and Executive Committee members are subject to an adjusted earnings per share growth target ('EPS') and a return on gross capital employed ('ROGCE') target. Any vesting under these performance conditions will then be further assessed against both absolute and relative Total Shareholder Return ('TSR') metrics which can potentially increase the vested award via a multiplier (maximum 1.4 times).

The performance conditions attached to LTIP awards granted to senior managers are one-third EPS, one-third ROGCE and the remaining one-third solely subject to continuous employment over the three-year vesting period. LTIP Awards below senior management level are subject to EPS (50%) and ROGCE (50%).

Normally, LTIP awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves due to a qualifying reason, they receive a time pro-rated entitlement.

### PSP performance conditions

Outstanding PSP awards granted to Executive Directors are subject to the following performance conditions: one-third EPS; one-third economic profit ('EP'); and one-third relative TSR.

PSP awards granted to other members of the Executive Committee in 2017 and 2018 are subject to the following performance conditions: one-third subject to EPS; one-third subject to EP; and one-third solely subject to continuous employment over the three-year vesting period. In 2019, the same conditions applied for Head Office Executive Committee roles however the EP target was replaced for an operating company profit target for the Executive Committee members who are Presidents of an operating company.

PSP awards granted to other senior head office managers were, until 2016, 50% subject to EPS and 50% subject to TSR. From 2017 onwards, senior head office management have two-thirds of their PSP awards subject to EPS and the remaining one-third solely subject to continuous employment over the three-year vesting period.

### 23. Share-based payments continued

PSP awards granted to executives and senior managers of the Group's operating companies between 2010 and 2016 had two-thirds subject to an operating company profit target and one-third subject to EPS. In 2017 and 2018, the performance conditions have been two-thirds operating company profit targets and one-third continuous employment over the three-year vesting period. In 2019, the performance conditions were one-third operating company profit targets, one-third EPS and one-third continuous employment over the three-year vesting period.

Normally, PSP awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves due to a qualifying reason, they receive a time pro-rated entitlement.

**Spectris Spectris Reward Plan ('SRP') – awards granted from 2020 onwards with no performance conditions attached**  
The SRP is used to grant share awards with no performance conditions attached to key employees that are settled in equity or, in limited circumstances, in cash. SRP awards can not be granted to an Executive Director of Spectris plc.

Both cash and equity-settled SRP awards are expected to vest after three years. Vested equity settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date.

On vesting, participants receive additional dividend shares on the vested shares under the SRP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

**Restricted Shares Plan ('RSP') – Cash-settled awards granted without performance conditions between 2014 and 2018**  
RSP is used to grant cash-settled share awards to selected key employees within the Spectris Group. RSP awards, which were granted from 2014 and 2018, are subject to the same rules as the PSP but no performance conditions apply. RSP awards could not be granted to an Executive Director of Spectris plc.

#### Spectris Savings Related Share Option Scheme ('SAYE')

The SAYE is a UK tax-advantaged all employee share option scheme. UK employees could choose to save up to £500 per month over three years and then can use their savings to exercise options to purchase ordinary shares in the Company during a six-month window following the SAYE maturity date. The exercise price of the SAYE options, which have no performance conditions attached to them, is set as the mid-market closing share price on the day before the SAYE invitation date. No SAYE invitation has been made since September 2016.

#### Spectris Share Incentive Plan ('SIP')

The SIP, a UK tax-advantaged share matching plan, was launched after it was approved by shareholders at the May 2018 AGM. UK employees can invest up to £150 per month to buy ordinary shares in the Company ('Partnership shares') tax efficiently and for every five Partnership shares purchased, the Company will gift one free ordinary share ('Matching share'). Matching shares need to be held in the SIP Trust for at least three years otherwise these shares are potentially subject to forfeiture. The Company incurs a charge on any Matching shares awarded under the SIP. The charge in 2020 was £0.1m (2019: £0.1m).

The number of outstanding share incentives are summarised below:

| Incentive plan                                                         | 2020<br>Number<br>thousands | 2019<br>Number<br>thousands |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Equity-settled:                                                        |                             |                             |
| Long Term Incentive Plan                                               | 629                         | -                           |
| Spectris Reward Plan                                                   | 57                          | -                           |
| Performance Share Plan                                                 | 913                         | 1,326                       |
| Long Term Incentive Plan (Linked tax-advantaged)                       | 36                          | -                           |
| Performance Share Plan (Linked tax-advantaged)                         | 70                          | 99                          |
| SAYE                                                                   | -                           | 5                           |
| <b>Total equity-settled</b>                                            | <b>1,705</b>                | <b>1,430</b>                |
| Cash-settled:                                                          |                             |                             |
| Long Term Incentive Plan Cash                                          | 38                          | -                           |
| Spectris Reward Plan Cash                                              | 5                           | -                           |
| Performance Share Plan (Phantom allocations) and Restricted Share Plan | 114                         | 217                         |
| <b>Total cash-settled</b>                                              | <b>157</b>                  | <b>217</b>                  |
| <b>Total outstanding</b>                                               | <b>1,862</b>                | <b>1,647</b>                |

## Notes to the Accounts continued

## 23. Share-based payments continued

## Share options outstanding at the end of the year (equity-settled)

|                                                                                         |          |                                       | 2020             |                                   | 2019             |                                   |
|-----------------------------------------------------------------------------------------|----------|---------------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
| Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan Year of grant |          |                                       | Number thousands | Weighted average exercise price £ | Number thousands | Weighted average exercise price £ |
|                                                                                         |          | Remaining contractual life of options |                  |                                   |                  |                                   |
| 2010                                                                                    | PSP      | -                                     | -                | -                                 | 3                | 0.04                              |
| 2011                                                                                    | PSP      | 1 year                                | 6                | 0.04                              | 9                | 0.04                              |
| 2012                                                                                    | PSP      | 2 years                               | -                | 0.04                              | 1                | 0.04                              |
| 2013                                                                                    | PSP      | 3 years                               | 1                | 0.04                              | 1                | 0.04                              |
| 2015                                                                                    | PSP      | 5 years                               | 2                | 0.05                              | 3                | 0.05                              |
| 2016                                                                                    | PSP      | 6 years                               | 21               | 0.05                              | 37               | 0.05                              |
| 2017                                                                                    | PSP      | 7 years                               | 74               | 0.05                              | 333              | 0.05                              |
| 2018                                                                                    | PSP      | 8 years                               | 321              | 0.05                              | 377              | 0.05                              |
| 2019                                                                                    | PSP      | 9 years                               | 488              | 0.05                              | 562              | 0.05                              |
| 2020                                                                                    | LTIP/SRP | 10 years                              | 686              | 0.05                              | -                | -                                 |
|                                                                                         |          |                                       | 1,599            | 0.05                              | 1,326            | 0.05                              |

The weighted average remaining contractual life of these LTIP, SRP and PSP equity settled awards is 9.06 years (2019: 9.04 years).

|                                                                                           |       |                                             | 2020             |                                   | 2019             |                                   |
|-------------------------------------------------------------------------------------------|-------|---------------------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
| Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (equity awards) |       |                                             | Number thousands | Weighted average exercise price £ | Number thousands | Weighted average exercise price £ |
|                                                                                           |       | Weighted average fair value at grant date £ |                  |                                   |                  |                                   |
| At 1 January                                                                              | 1,326 | 0.05                                        | 1,615            | 0.05                              | -                | -                                 |
| Shares granted                                                                            | 760   | 0.05                                        | 663              | 0.05                              | 24.46            | 24.46                             |
| Addition of reinvested dividends                                                          | 11    | -                                           | 30               | -                                 | -                | -                                 |
| Exercised                                                                                 | (231) | 0.05                                        | (396)            | 0.05                              | -                | -                                 |
| Forfeited                                                                                 | (267) | 0.05                                        | (586)            | 0.05                              | -                | -                                 |
| At 31 December                                                                            | 1,599 | 0.05                                        | 1,326            | 0.05                              | -                | -                                 |
| Exercisable at 31 December                                                                | 84    | 0.05                                        | 121              | 0.05                              | -                | -                                 |

|                                                                                           |      |                                       | 2020             |                                   | 2019             |                                   |
|-------------------------------------------------------------------------------------------|------|---------------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
| Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged) Year of grant |      |                                       | Number thousands | Weighted average exercise price £ | Number thousands | Weighted average exercise price £ |
|                                                                                           |      | Remaining contractual life of options |                  |                                   |                  |                                   |
| 2012                                                                                      | PSP  | 2 years                               | -                | 17.31                             | -                | 17.31                             |
| 2015                                                                                      | PSP  | 5 years                               | 1                | 21.97                             | 1                | 21.97                             |
| 2016                                                                                      | PSP  | 6 years                               | -                | -                                 | 2                | 18.30                             |
| 2017                                                                                      | PSP  | 7 years                               | 3                | 26.31                             | 23               | 26.03                             |
| 2018                                                                                      | PSP  | 8 years                               | 27               | 26.63                             | 31               | 26.65                             |
| 2019                                                                                      | PSP  | 9 years                               | 39               | 26.54                             | 42               | 26.48                             |
| 2020                                                                                      | LTIP | 10 years                              | 36               | 22.65                             | -                | -                                 |
|                                                                                           |      |                                       | 106              | 25.17                             | 99               | 26.18                             |

The weighted average remaining contractual life of the PSP and LTIP (Linked tax-advantaged) awards is 8.98 years (2019: 9.11 years).

## 23. Share-based payments continued

| Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged) | 2020             |                                   |                                             | 2019             |                                   |                                             |
|-----------------------------------------------------------------------------|------------------|-----------------------------------|---------------------------------------------|------------------|-----------------------------------|---------------------------------------------|
|                                                                             | Number thousands | Weighted average exercise price £ | Weighted average fair value at grant date £ | Number thousands | Weighted average exercise price £ | Weighted average fair value at grant date £ |
| At 1 January                                                                | 99               | 26.18                             |                                             | 113              | 24.61                             |                                             |
| Shares granted                                                              | 37               | 22.65                             | 4.34                                        | 47               | 26.50                             | 3.19                                        |
| Exercised                                                                   | (9)              | 23.84                             |                                             | (17)             | 17.66                             |                                             |
| Forfeited                                                                   | (21)             | 26.05                             |                                             | (44)             | 25.75                             |                                             |
| At 31 December                                                              | 106              | 25.17                             |                                             | 99               | 26.18                             |                                             |
| Exercisable at 31 December                                                  | 4                | 24.50                             |                                             | 4                | 19.79                             |                                             |

| SAYE<br>Year of grant | 2020             |                                    | 2019             |                  |
|-----------------------|------------------|------------------------------------|------------------|------------------|
|                       | Exercise price £ | Expected remaining life of options | Number thousands | Number thousands |
| 2016                  | 19.38            | 1 year                             | -                | 5                |
|                       |                  |                                    | -                | 5                |

There are no outstanding SAYE options as at 31 December 2020. In 2019, the weighted average remaining contractual life of the SAYE options was 1 year.

| SAYE                       | 2020             |                                   | 2019             |                                   |
|----------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
|                            | Number thousands | Weighted average exercise price £ | Number thousands | Weighted average exercise price £ |
| At 1 January               | 5                | 19.38                             | 45               | 18.51                             |
| Exercised                  | (5)              | 19.38                             | (37)             | 18.33                             |
| Forfeited                  | -                | 19.38                             | (3)              | 19.19                             |
| At 31 December             | -                | -                                 | 5                | 19.38                             |
| Exercisable at 31 December | -                | -                                 | 5                | 19.38                             |

## Share options outstanding at the end of the year (cash-settled)

| Long Term Incentive Plan, Spectris Reward Plan, Performance Share Plan (Phantom allocations) and Restricted Shares Plan<br>Year of grant | Remaining contractual life of options | 2020             |                                   | 2019             |                                   |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
|                                                                                                                                          |                                       | Number thousands | Weighted average exercise price £ | Number thousands | Weighted average exercise price £ |
| 2017                                                                                                                                     | PSP/RSP                               | -                | -                                 | 83               | 0.05                              |
| 2018                                                                                                                                     | PSP/RSP                               | 1 year           | 92                                | 109              | 0.05                              |
| 2019                                                                                                                                     | PSP/RSP                               | 2 years          | 22                                | 25               | 0.05                              |
| 2020                                                                                                                                     | LTIP/SRP                              | 3 years          | 43                                | -                | -                                 |
|                                                                                                                                          |                                       | 157              | 0.05                              | 217              | 0.05                              |

The weighted average remaining contractual life of the cash-settled awards is 1.68 years (2019: 1.74 years).

| Long Term Incentive Plan, Spectris Reward Plan, Performance Share Plan (Phantom allocations) and Restricted Shares Plan | 2020             |                  |                                             | 2019             |                  |                                             |
|-------------------------------------------------------------------------------------------------------------------------|------------------|------------------|---------------------------------------------|------------------|------------------|---------------------------------------------|
|                                                                                                                         | Number thousands | Exercise price £ | Weighted average fair value at grant date £ | Number thousands | Exercise price £ | Weighted average fair value at grant date £ |
| At 1 January                                                                                                            | 217              | 0.05             |                                             | 374              | 0.05             |                                             |
| Shares granted                                                                                                          | 43               | 0.05             | 22.45                                       | 30               | 0.05             | 25.52                                       |
| Addition of reinvested dividends                                                                                        | 5                | -                |                                             | 8                | -                |                                             |
| Exercised                                                                                                               | (83)             | 0.05             |                                             | (128)            | 0.05             |                                             |
| Forfeited                                                                                                               | (25)             | 0.05             |                                             | (67)             | 0.05             |                                             |
| At 31 December                                                                                                          | 157              | 0.05             |                                             | 217              | 0.05             |                                             |
| Exercisable at 31 December                                                                                              | -                | -                |                                             | -                | -                |                                             |

## Notes to the Accounts continued

**23. Share-based payments continued****Share-based payment expense**

Share options are valued using the stochastic option pricing model (also known as the Monte Carlo model) in respect of TSR, and the Black-Scholes model for all other options, with support from an independent remuneration consultant. For options granted in 2020 and 2019, the fair value of options granted and the assumptions used in the calculation, are as follows:

|                                                           | Equity-settled |          |                         |          | Cash-settled            |                           |
|-----------------------------------------------------------|----------------|----------|-------------------------|----------|-------------------------|---------------------------|
|                                                           | Share awards   |          | (Linked tax-advantaged) |          | LTIP Cash<br>& SRP Cash | PSP<br>(Phantom)<br>& RSP |
|                                                           | LTIP & SRP     | PSP      | LTIP & SRP              | PSP      |                         |                           |
|                                                           | 2020           | 2019     | 2020                    | 2019     | 2020                    | 2019                      |
| Weighted average share price at date of grant (£)         | 22.55          | 25.54    | 22.67                   | 25.47    | 25.57                   | 25.57                     |
| Weighted average exercise price (£)                       | 0.05           | 0.05     | 22.65                   | 26.50    | 0.05                    | 0.05                      |
| Expected volatility                                       | 28.38%         | 24.78%   | 28.40%                  | 24.84%   | 24.76%                  | 24.76%                    |
| Expected life                                             | 3.36 yrs       | 3.25 yrs | 3 yrs                   | 3.05 yrs | 3 yrs                   | 3 yrs                     |
| Risk-free rate                                            | 0.13%          | 0.71%    | 0.11%                   | 0.69%    | 0.12%                   | 0.70%                     |
| Expected dividends (expressed as a yield)                 | -              | -        | -                       | 2.40%    | -                       | 2.40%                     |
| <b>Weighted average fair values at date of grant (£):</b> |                |          |                         |          |                         |                           |
| TSR condition                                             | 5.86           | 14.22    | n/a                     | 3.49     | -                       | n/a                       |
| ROGCE condition                                           | 14.31          | n/a      | 4.33                    | n/a      | 25.56                   | n/a                       |
| EPS condition                                             | 14.31          | 25.16    | 4.33                    | 3.19     | 25.46                   | 25.46                     |
| Profit condition                                          | n/a            | 25.32    | n/a                     | 3.20     | n/a                     | 25.56                     |
| Economic profit condition                                 | n/a            | 25.50    | n/a                     | 3.19     | n/a                     | n/a                       |
| Service condition                                         | 22.05          | 25.25    | 4.40                    | 3.19     | 25.56                   | 25.56                     |
| <b>Weighted average fair values at 31 December (£):</b>   |                |          |                         |          |                         |                           |
| ROGCE condition (cash-settled)                            |                |          |                         |          | 26.71                   | n/a                       |
| EPS condition (cash-settled)                              |                |          |                         |          | 27.15                   | 27.99                     |
| Profit condition (cash-settled)                           |                |          |                         |          | 27.86                   | 28.42                     |
| Service condition (cash-settled)                          |                |          |                         |          | 27.75                   | 28.38                     |

The expected volatility is based on historical volatility over the expected term. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price at the date of exercise for share options exercised in 2020 was £26.55 (2019: £26.47). The weighted average fair value of cash-settled options outstanding at 31 December 2020 is £27.55 (2019: £28.35). The Group recognised a total share-based payment charge of £4.1m (2019: £5.9m) in the Consolidated Income Statement, of which £2.9m (2019: £3.0m) related to equity-settled share-based payment transactions.

## 24. Acquisitions

### 2020

The Group completed the acquisition of 100% of IMTEC GmbH ('IMTEC') on 26 October 2020 for a gross consideration of £3.7m, including £0.6m of deferred consideration. IMTEC is a mechatronic hardware specialist, the acquisition of which will allow HBK's VI-grade business to position itself to more rapidly scale its global simulator business. The provisional fair value of net assets acquired was £2.5m, including £1.0m of intangible assets, £0.5m of net cash and £0.1m of deferred tax liabilities. As a result £1.2m of goodwill was generated. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The fair value of the net assets is provisional, reflecting the timing of the acquisition, and is expected to be finalised within 12 months of the acquisition date. The acquisition is included in the HBK segment and cash generating unit.

| Analysis of cash outflow in Consolidated Statement of Cash Flows                                                               | 2020<br>£m | 2019<br>£m |
|--------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Gross consideration in respect of acquisitions during the year                                                                 | 3.7        | 3.8        |
| Adjustment for net cash acquired                                                                                               | (0.5)      | -          |
| Net consideration in respect of acquisitions during the year                                                                   | 3.2        | 3.8        |
| Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years | (0.6)      | -          |
| Cash paid during the year in respect of acquisitions during the year                                                           | 2.6        | 3.8        |
| Cash paid in respect of prior years' acquisitions                                                                              | 8.3        | 5.9        |
| Net cash outflow relating to acquisitions                                                                                      | 10.9       | 9.7        |

## 25. Business disposals

### Businesses disposed

On 31 January 2020, the Group sold its interest in the rheology range of products to Netzsch Group for consideration of £8.8m in cash, generating a profit on disposal of £5.9m. The net assets disposed were £2.1m, and transaction costs were £0.8m. The Consolidated Statement of Cash Flows includes £6.9m of net proceeds from this disposal, which consists of £8.8m of sales proceeds, offset by £1.1m of tax payments on the disposal and £0.8m of transaction cost related payments.

On 28 February 2020, the Group sold its interest in the EMS B&K joint venture for total consideration of £17.7m, consisting of £16.8m in cash received in 2020 and £0.9m in shares in Envirosuite Limited. The net assets disposed were £18.1m and transaction costs in 2020 were £0.1m, resulting in a loss on disposal of £0.5m. The Consolidated Statement of Cash Flows includes £14.0m of net proceeds related to the EMS B&K joint venture, consisting of £16.8m in cash proceeds from the sale of the interest offset by £2.6m payment of deferred consideration relating to the 2018 disposal and £0.2m of transaction cost related payments (including £0.1m of costs accrued in 2019).

Also included in profit on disposal of business is £1.0m of transactions costs on the sale of BTG. The Consolidated Statement of Cash Flows includes £0.3m of net payments from the sale of BTG. This consists of £1.2m of tax payments on the disposals and £0.9m of transaction fees, offset by £1.8m of deferred consideration received in cash.

The disposals in the period did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

### Disposal groups held for sale

On 10 December 2020, the Group announced that agreement had been reached for the sale of the Group's Brüel & Kjær Vibro and Millbrook businesses, which form part of the Industrial Solutions operating segment. The transactions were subject to customary completion conditions and regulatory approvals. The Millbrook sale completed on 1 February 2021. Completion on the sale of Brüel & Kjær Vibro is expected to take place on 1 March 2021.

During 2020, the Group entered into preliminary discussions for the disposal of its Concept Life Sciences' legacy food testing business based in Cambridge, and the sale was completed on 5 January 2021, for sales proceeds of approximately £6m. This business forms part of the Malvern Panalytical Platform operating segment.

The above operations, which are expected to be sold within 12 months, have been classified as disposal groups held for sale and presented separately in the Consolidated Statement of Financial Position.

The proceeds from the Brüel & Kjær Vibro and ADS businesses are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

Details of the impairment recognised on classification of the Millbrook business as held for sale are provided in Note 11.

## Notes to the Accounts continued

**25. Business disposals continued**

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2020 are as follows:

|                                                      | 2020<br>£m    |
|------------------------------------------------------|---------------|
| Goodwill                                             | 16.4          |
| Other intangible assets                              | 1.5           |
| Property, plant and equipment                        | 114.0         |
| Current and deferred tax assets                      | 3.2           |
| Inventories                                          | 6.5           |
| Trade and other receivables                          | 33.4          |
| Cash and cash equivalents                            | 3.7           |
| <b>Total assets classified as held for sale</b>      | <b>178.7</b>  |
| Bank overdrafts                                      | (2.2)         |
| Trade and other payables                             | (21.0)        |
| Lease liabilities                                    | (11.9)        |
| Current and deferred tax liabilities                 | (0.7)         |
| Provisions                                           | (1.0)         |
| Retirement benefit obligations                       | (0.5)         |
| <b>Total liabilities classified as held for sale</b> | <b>(37.3)</b> |
| <b>Net assets of disposal groups</b>                 | <b>141.4</b>  |

The disposal groups held for sale in the period did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

**26. Cash generated from operations**

|                                                                                                         | Note | 2020<br>£m   | 2019<br>£m   |
|---------------------------------------------------------------------------------------------------------|------|--------------|--------------|
| <b>Cash flows from operating activities</b>                                                             |      |              |              |
| (Loss)/profit after tax                                                                                 |      | (17.0)       | 234.1        |
| Adjustments for:                                                                                        |      |              |              |
| Taxation charge                                                                                         | 8    | 12.9         | 25.2         |
| Profit on disposal of businesses                                                                        | 25   | (4.4)        | (204.7)      |
| Share of post-tax results of joint venture                                                              |      | -            | 4.9          |
| Finance costs                                                                                           | 7    | 10.2         | 11.4         |
| Financial income                                                                                        | 7    | (1.8)        | (7.9)        |
| Depreciation and impairment of property, plant & equipment                                              | 12   | 108.9        | 57.6         |
| Amortisation and impairment of intangible assets                                                        | 11   | 57.9         | 95.2         |
| Impairment of non-current receivable from joint venture                                                 |      | -            | 21.3         |
| Impairment of goodwill                                                                                  | 11   | 58.4         | 35.1         |
| Transaction-related fair value adjustments                                                              | 2    | (2.2)        | 4.0          |
| Fair value through profit and loss movements on equity investments                                      |      | (23.2)       | -            |
| Profit on disposal and remeasurements of property, plant and equipment and associated lease liabilities | 5    | (0.1)        | (4.9)        |
| Equity-settled share-based payment transactions                                                         | 6    | 2.9          | 3.0          |
| <b>Operating cash flow before changes in working capital and provisions</b>                             |      | <b>202.5</b> | <b>274.3</b> |
| Decrease in trade and other receivables                                                                 |      | 8.0          | 13.9         |
| Decrease/(increase) in inventories                                                                      |      | 24.4         | (3.3)        |
| Increase/(decrease) in trade and other payables                                                         |      | 24.5         | (10.0)       |
| (Decrease)/increase in provisions and retirement benefits                                               |      | (4.8)        | 2.9          |
| <b>Cash generated from operations</b>                                                                   |      | <b>254.6</b> | <b>277.8</b> |

## 27. Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign exchange risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits. The central treasury department operates as a service centre to the Group and not as a profit centre.

In accordance with its treasury policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used to manage the risks arising from operating or financial assets or liabilities, or highly probable future transactions. The quantitative analysis of financial risk is included in Note 28.

### Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, Euro, Danish Krone, Chinese Yuan Renminbi and Japanese Yen. Where appropriate, the Group manages its foreign currency exposures using derivative financial instruments.

The Group's translational exposures to foreign currency risks can relate both to the Consolidated Income Statement and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the Consolidated Income Statement of overseas subsidiaries. The Group finances overseas company investments partly through the use of foreign currency borrowings in order to provide a natural hedge of foreign currency risk arising on translation of the Group's foreign currency subsidiaries. The quantitative analysis of foreign currency risk is included in Note 28.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts. Forward exchange contracts are used to hedge highly probable transactions which can be forecast to occur typically up to 18 months into the future. For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and the underlying) of the forward exchange contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

The main potential source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) within the Statement of Financial Position.

### Hedging instruments – outstanding contracts

|                                                   | Change in fair value for<br>recognising hedge ineffectiveness |            | Carrying amount of<br>the hedging instruments |            |
|---------------------------------------------------|---------------------------------------------------------------|------------|-----------------------------------------------|------------|
|                                                   | 2020<br>£m                                                    | 2019<br>£m | 2020<br>£m                                    | 2019<br>£m |
| <b>Cash flow hedges</b>                           |                                                               |            |                                               |            |
| <b>Currency risk – forward exchange contracts</b> |                                                               |            |                                               |            |
| Less than 6 months                                | 1.3                                                           | –          | 1.3                                           | –          |
| 6 to 12 months                                    | 0.4                                                           | 1.2        | 0.4                                           | 1.2        |
| 12 to 18 months                                   | 0.1                                                           | 0.2        | 0.1                                           | 0.2        |
|                                                   | <b>1.8</b>                                                    | <b>1.4</b> | <b>1.8</b>                                    | <b>1.4</b> |

## Notes to the Accounts continued

**27. Financial risk management continued****Hedging instruments – hedged items**

|                | Change in value used for<br>calculating hedge effectiveness |            | Balance in cash flow hedge<br>reserve/foreign currency<br>translation reserve for<br>continuing hedges |            |
|----------------|-------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------|------------|
|                | 2020<br>£m                                                  | 2019<br>£m | 2020<br>£m                                                                                             | 2019<br>£m |
| Currency risk  |                                                             |            |                                                                                                        |            |
| Forecast sales | (1.8)                                                       | (1.4)      | (1.8)                                                                                                  | (1.4)      |

**Interest rate risk**

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. Where appropriate, interest rate swaps are used to manage the Group's interest rate profile.

**Liquidity risk**

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk through the use of regularly updated cash flow and covenant compliance forecasts and a liquidity headroom analysis which is used to determine funding requirements. Adequate committed lines of funding are maintained from high-quality investment grade lenders. The facilities committed to the Group as at 31 December 2020 are set out in Note 17.

**Credit risk**

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the Consolidated Statement of Financial Position are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on whether receivables are past due based on contractual terms, payment history and other available evidence of collectability. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. Due to its large geographical base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. The quantitative analysis of credit risk relating to receivables is included in Note 15.

Credit risk associated with cash balances and derivative financial instruments is managed centrally by transacting with existing relationship banks with strong investment grade ratings. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, as shown in Note 28.

**Capital management**

The Board considers equity shareholders' funds, together with undrawn committed debt facilities, as capital for the purposes of funding the Group's operations. Total managed capital at 31 December is:

|                                   | 2020<br>£m     | 2019<br>£m     |
|-----------------------------------|----------------|----------------|
| Equity shareholders' funds        | 1,238.6        | 1,321.5        |
| Undrawn committed debt facilities | 586.0          | 606.4          |
|                                   | <b>1,824.6</b> | <b>1,927.9</b> |

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors both the geographic spread of shareholders and the level of dividends to ordinary shareholders.

The Board encourages employees to hold shares in the Company. This is carried out through the Spectris Share Incentive Plan in the UK, as well as Long Term Incentive, Performance and Restricted Share Plans. Full details of these schemes are given in Note 23.

The main financial covenants in the Company's debt facilities are the ratio of net debt to adjusted earnings before interest, tax, depreciation and amortisation, and the ratio of finance charges to adjusted earnings before interest, tax, amortisation and impairment. Covenant testing is completed twice a year based on the half-year and year-end Financial Statements. At 31 December 2020, the Company had, and is expected to continue to have, significant headroom under these financial covenant ratios.

**27. Financial risk management continued**

From time to time the Group purchases its own shares in the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board. There were no ordinary share repurchase and cancellations in 2020 and 2019.

There were no changes to the Group's approach to capital management during 2020 and 2019.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

**LIBOR Reform**

The Group is exposed to interest rate benchmarks, most significantly GBP LIBOR, USD LIBOR and EURIBOR (collectively 'IBORs'). The exposures arise on non-derivative financial assets and liabilities, including third party debt facilities.

The Group has closely monitored the market and output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by regulators regarding the transition from LIBOR, including GBP LIBOR, USD LIBOR and EURIBOR, to the Sterling Overnight Index Average Rate ('SONIA'), the Secured Overnight Financing Rate ('SOFR') and the Euro Short-Term Rate ('ESTR') respectively. The FCA has made it clear that, by the end of 2021, it will no longer seek to persuade or compel banks to submit to LIBOR.

In response to these announcements, the Group has put in place an interest rate benchmark transition programme comprised of the following workstreams: risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Chief Financial Officer, who reports to the Board.

The key risks for the Group arising from the transition are:

**Liquidity Risk:** There are fundamental differences between IBORs and the various alternative benchmark rates which the Group will be adopting. IBORs are forward looking term rates published for a period (e.g. one month) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. As the Group is currently undrawn against its LIBOR-linked debt facilities, this does not represent a material risk.

**Litigation Risk:** If no agreement is reached to implement the interest rate benchmark reform on existing contracts (e.g. arising from differing interpretations of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with its counterparties to avoid this from occurring.

**Operational Risk:** Our current treasury management system is undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks. The Group is working closely with its system provider to ensure the relevant updates are made in good time.

Various working groups in the industry are working on fallback provisions for different instruments and IBORs, which the Group is monitoring closely. The Group is planning to transition the majority of its IBOR-linked contracts to risk free rates through introduction of, or amendments to, fallback clauses in the contracts which will change the basis for determining the interest cash flows from IBOR to RFR at an agreed point in time, during 2021.

| Non-derivative financial instrument prior to transition         | Maturing in | Nominal in currency (m) | Total nominal (£m) | Hedge accounting | Transition process for non-derivative financial instruments |
|-----------------------------------------------------------------|-------------|-------------------------|--------------------|------------------|-------------------------------------------------------------|
| Bank syndicated \$800m multi-currency Revolving Credit Facility | 2025        | \$800.0                 | £586.0             | n/a              | Discussions begun with aim to finalise during 2021          |

## Notes to the Accounts continued

**28. Financial instruments**

The following tables show the fair value measurement of financial instruments by level following the fair value hierarchy:

- Level 1: quoted listed stock exchange prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for assets and liabilities derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

|                                                                                                                                    | 2020                        |                             |                             |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                                                                                    | Level 1<br>fair value<br>£m | Level 2<br>fair value<br>£m | Level 3<br>fair value<br>£m |
| Fair value and carrying amount of financial instruments                                                                            |                             |                             | Carrying<br>amount<br>£m    |
| Trade and other receivables excluding prepayments and contract assets                                                              | -                           | -                           | 266.3                       |
| Trade and other payables excluding contract liabilities and customer advances                                                      | -                           | -                           | (219.7)                     |
| Financial instruments included in assets held for sale (see Note 25)                                                               | -                           | 3.7                         | 37.1                        |
| Financial instruments included in liabilities held for sale (see Note 25)                                                          | -                           | (2.2)                       | (23.2)                      |
| Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see Note 13) | 1.1                         | -                           | 1.1                         |
| Investments in equity instruments measured at fair value through profit and loss (see Note 13)                                     | 38.3                        | -                           | 38.3                        |
| Forward exchange contract assets                                                                                                   | -                           | 1.9                         | 1.9                         |
| Cash and cash equivalents (excluding £3.7m classified as assets held for sale)                                                     | -                           | 222.2                       | 222.2                       |
| Floating rate borrowings and bank overdrafts (excluding £2.2m classified as liabilities held for sale)                             | -                           | (13.1)                      | (13.1)                      |
| Fixed rate borrowings                                                                                                              | -                           | (107.4)                     | (104.5)                     |
| Forward exchange contract liabilities                                                                                              | -                           | (0.1)                       | (0.1)                       |
|                                                                                                                                    |                             |                             | 206.3                       |

|                                                                                           | 2019                        |                             |                          |
|-------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|--------------------------|
|                                                                                           | Level 2<br>fair value<br>£m | Level 3<br>fair value<br>£m | Carrying<br>amount<br>£m |
| Fair value and carrying amount of financial instruments                                   |                             |                             |                          |
| Trade and other receivables excluding prepayments and contract assets                     | -                           | -                           | 307.3                    |
| Trade and other payables excluding contract liabilities and customer advances             | -                           | (14.8)                      | (222.4)                  |
| Financial instruments included in assets held for sale (other receivable – joint venture) | 18.9                        | -                           | 18.9                     |
| Forward exchange contract assets                                                          | 1.5                         | -                           | 1.5                      |
| Cash and cash equivalents                                                                 | 213.1                       | -                           | 213.1                    |
| Fixed rate borrowings                                                                     | (183.8)                     | -                           | (179.6)                  |
| Forward exchange contract liabilities                                                     | (0.1)                       | -                           | (0.1)                    |
|                                                                                           |                             |                             | 138.7                    |

There were no movements between the different levels of the fair value hierarchy in the year.

The fair value of cash and cash equivalents, receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

The fair value of floating rate borrowings approximates to the carrying amount because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

The fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow, using appropriate yield curves, to the net present values.

The fair value of forward exchange contracts is determined using discounted cash flow techniques based on readily available market data.

**28. Financial instruments continued**

The fair value of forward exchange contracts outstanding as at 31 December 2020 is a net asset of £1.8m (2019: net asset of £1.4m), of which £1.7m has been credited to the hedging reserve (2019: £1.4m credited) and £0.1m credited to the Consolidated Income Statement (2019: nil credited/charged). These contracts mature over periods typically not exceeding 18 months. A summary of the movements in the hedging reserve during the year is presented below. All of the cash flow hedges in 2020 and 2019 were deemed to be effective.

The fair value of investments in equity instruments is calculated using quoted market prices in an active market at the balance sheet date.

| Analysis of movements in hedging reserve net of tax                                                                                    | 2020<br>£m | 2019<br>£m |
|----------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| At 1 January                                                                                                                           | (1.4)      | (3.9)      |
| Amounts removed from the Consolidated Statement of Changes in Equity and included in the Consolidated Income Statement during the year | (0.2)      | 2.9        |
| Amounts recognised in the Consolidated Statement of Changes in Equity during the year                                                  | (0.3)      | (0.4)      |
| At 31 December                                                                                                                         | (1.9)      | (1.4)      |

The amount included in the Consolidated Income Statement is split between revenue and administrative expenses depending on the nature of the hedged item.

| Reconciliation of level 3 fair value for deferred and contingent consideration payable on acquisitions and disposals  | 2020<br>£m | 2019<br>£m |
|-----------------------------------------------------------------------------------------------------------------------|------------|------------|
| At 1 January                                                                                                          | (14.8)     | (18.8)     |
| Deferred and contingent consideration arising from current year acquisitions payable in future years                  | (0.6)      | -          |
| Deferred and contingent consideration paid in the current year relating to previous years' acquisitions and disposals | 10.9       | 7.3        |
| Costs charged to the Consolidated Income Statement:                                                                   |            |            |
| Subsequent adjustments on acquisitions and disposals                                                                  | 2.2        | (3.1)      |
| Unwinding of discount factor on deferred and contingent consideration                                                 | (0.4)      | (0.7)      |
| Foreign exchange difference                                                                                           | (0.4)      | 0.5        |
| At 31 December                                                                                                        | (3.1)      | (14.8)     |

The fair value of deferred and contingent consideration is determined by considering the performance expectations of the acquired or disposed entity or the likelihood of non-financial integration milestones whilst applying the entity-specific discount rates. The unobservable inputs are the projected forecast measures that are assessed on an annual basis. Changes in the fair value of deferred and contingent consideration relating to updated projected forecast performance measures are recognised in the Consolidated Income Statement within administrative expenses in the Consolidated Income Statement in the period that the change occurs.

Deferred and contingent consideration relates to financial (2020: £3.1m, 2019: £8.6m) and non-financial (2020: £nil, 2019: £6.2m) milestones on current and prior year acquisitions, as disclosed in Note 24. The financial milestones are mainly sensitive to risk-adjusted discount rates and annual future revenue targets.

The following table shows the total outstanding contractual forward exchange contracts hedging designated transactional exposures split by currencies which have been sold back into the functional currency of the underlying business. These contracts typically mature in the next 18 months and, therefore, the cash flows and resulting effect on the Consolidated Income Statement are expected to occur within this time period.

| Forward exchange contracts at 31 December | 2020 | 2019  |
|-------------------------------------------|------|-------|
| Foreign currency sale amount (£m)         | 76.9 | 124.1 |
| Percentage of total:                      |      |       |
| US Dollar                                 | 35%  | 37%   |
| Euro                                      | 16%  | 15%   |
| Japanese Yen                              | 25%  | 22%   |
| Other                                     | 24%  | 26%   |

## Notes to the Accounts continued

**28. Financial instruments continued**

A maturity profile of the gross cash flows related to financial liabilities is:

|                                   | 2020                                   |                  |                       |             | 2019                                   |                                 |                       |             |
|-----------------------------------|----------------------------------------|------------------|-----------------------|-------------|----------------------------------------|---------------------------------|-----------------------|-------------|
| Maturity of financial liabilities | Derivative financial liabilities<br>£m | Overdrafts<br>£m | Unsecured loans<br>£m | Total<br>£m | Derivative financial liabilities<br>£m | Bank loans and overdrafts<br>£m | Unsecured loans<br>£m | Total<br>£m |
| Due within one year               | 0.1                                    | 0.3              | -                     | 0.4         | 0.1                                    | -                               | 83.9                  | 84.0        |
| Due between one and two years     | -                                      | -                | 107.4                 | 107.4       | -                                      | -                               | 1.1                   | 1.1         |
| Due between two and five years    | -                                      | -                | -                     | -           | -                                      | -                               | 100.1                 | 100.1       |
|                                   | 0.1                                    | 0.3              | 107.4                 | 107.8       | 0.1                                    | -                               | 185.1                 | 185.2       |

Trade and other payables (Note 18) are substantially due within one year.

It is not expected that the cash flows described above could occur significantly earlier or at substantially different amounts.

|                                                                        | Financial assets |                     |                            |             | Financial liabilities |                     |             |                                                      |
|------------------------------------------------------------------------|------------------|---------------------|----------------------------|-------------|-----------------------|---------------------|-------------|------------------------------------------------------|
| Interest rate exposure of financial assets and liabilities by currency | Fixed rate<br>£m | Floating rate<br>£m | Non-interest bearing<br>£m | Total<br>£m | Fixed rate<br>£m      | Floating rate<br>£m | Total<br>£m | 2020<br>Net financial assets/<br>(liabilities)<br>£m |
| Sterling                                                               | 30.0             | 77.7                | 4.4                        | 112.1       | -                     | -                   | -           | 112.1                                                |
| Euro                                                                   | 0.5              | 12.1                | 12.1                       | 24.7        | (104.5)               | -                   | (104.5)     | (79.8)                                               |
| US Dollar                                                              | -                | 0.6                 | 21.4                       | 22.0        | -                     | -                   | -           | 22.0                                                 |
| Other                                                                  | 12.1             | 17.8                | 22.2                       | 52.1        | -                     | (0.3)               | (0.3)       | 51.8                                                 |
|                                                                        | 42.6             | 108.2               | 60.1                       | 210.9       | (104.5)               | (0.3)               | (104.8)     | 106.1                                                |

|                                                                        | Financial assets |                     |                            |             | Financial liabilities |                     |             |                                                      |
|------------------------------------------------------------------------|------------------|---------------------|----------------------------|-------------|-----------------------|---------------------|-------------|------------------------------------------------------|
| Interest rate exposure of financial assets and liabilities by currency | Fixed rate<br>£m | Floating rate<br>£m | Non-interest bearing<br>£m | Total<br>£m | Fixed rate<br>£m      | Floating rate<br>£m | Total<br>£m | 2019<br>Net financial assets/<br>(liabilities)<br>£m |
| Sterling                                                               | 74.5             | 47.8                | 9.3                        | 131.6       | -                     | -                   | -           | 131.6                                                |
| Euro                                                                   | 0.7              | 6.0                 | 13.8                       | 20.5        | (179.6)               | -                   | (179.6)     | (159.1)                                              |
| US Dollar                                                              | 0.5              | 5.3                 | 16.0                       | 21.8        | -                     | -                   | -           | 21.8                                                 |
| Other                                                                  | -                | 20.7                | 18.5                       | 39.2        | -                     | -                   | -           | 39.2                                                 |
|                                                                        | 75.7             | 79.8                | 57.6                       | 213.1       | (179.6)               | -                   | (179.6)     | 33.5                                                 |

**Sensitivity analysis**

The tables below show the Group's sensitivity to foreign exchange rates and interest rates. The US Dollar, Euro, Danish Krone and Chinese Yuan Renminbi represent the main foreign exchange translational exposures for the Group. The Group's borrowings are in Euros.

|                                                                     | 2020                                       |                                                          | 2019                                       |                                                          |
|---------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------|--------------------------------------------|----------------------------------------------------------|
| Impact on foreign exchange translational exposures against Sterling | Decrease/<br>(increase)<br>in equity<br>£m | Decrease/<br>(increase)<br>in profit<br>before tax<br>£m | Decrease/<br>(increase)<br>in equity<br>£m | Decrease/<br>(increase)<br>in profit<br>before tax<br>£m |
| 10% weakening in the US Dollar                                      | 88.6                                       | 7.0                                                      | 88.8                                       | 7.4                                                      |
| 10% weakening in the Euro/Danish Krone                              | 62.7                                       | 7.3                                                      | 52.2                                       | 7.4                                                      |
| 10% weakening in the Chinese Yuan Renminbi                          | 5.1                                        | 1.9                                                      | 4.4                                        | 2.2                                                      |

**Impact of interest rate movements**

|                                |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|
| 1pp increase in interest rates | (1.1) | (1.1) | (0.8) | (0.8) |
|--------------------------------|-------|-------|-------|-------|

**29. Contingent liabilities**

In the normal course of business, Group companies have provided bonds and guarantees through local banking arrangements amounting to £15.4m (2019: £15.2m). Contingent liabilities in respect of taxation are disclosed in Note 8.

**30. Lease liabilities****2019 Undiscounted lease liability maturity analysis under IFRS 16**

|                                                     | Property<br>£m | Plant and<br>equipment<br>£m | 2020<br>Total<br>£m | Property<br>£m | Plant and<br>equipment<br>£m | 2019<br>Total<br>£m |
|-----------------------------------------------------|----------------|------------------------------|---------------------|----------------|------------------------------|---------------------|
| Less than one year                                  | 11.9           | 4.1                          | 16.0                | 12.6           | 4.6                          | 17.2                |
| One to five years                                   | 24.8           | 3.7                          | 28.5                | 31.3           | 5.7                          | 37.0                |
| More than five years                                | 13.0           | –                            | 13.0                | 19.4           | –                            | 19.4                |
| Total undiscounted lease liabilities at 31 December | 49.7           | 7.8                          | 57.5                | 63.3           | 10.3                         | 73.6                |

The total cash outflow on lease liabilities made in the year was £21.6m (2019: £20.5m).

**31. Capital commitments**

At 31 December 2020, the Group had entered into contractual commitments for the purchase of property, plant and equipment and software amounting to £5.2m (2019: £12.5m) which have not been accrued.

**32. Related party transactions**

The Group has related party relationships with its subsidiaries (a list of all related undertakings is shown in Note 15 of the Company Financial Statements) on pages 179 to 182, with its joint venture up to its disposal on 28 February 2021 (see Note 25) and with its Executive Directors and members of the Executive Management Committee.

**Transactions with key management personnel**

The remuneration of key management personnel during the year was as follows:

|                                            | 2020<br>£m | 2019<br>£m |
|--------------------------------------------|------------|------------|
| Short-term benefits                        | 5.4        | 5.1        |
| Post-employment benefits                   | 0.4        | 0.5        |
| Equity-settled share-based payment expense | 0.1        | 1.0        |
|                                            | 5.9        | 6.6        |

In accordance with IAS 24 'Related Party Disclosures', key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel comprise the Directors and the other members of the Executive Management Committee.

Further details of the Executive Directors' remuneration are included in the Directors' Remuneration Report on pages 78 to 97.

**Transactions with joint venture**

|                                    | 2020<br>£m | 2019<br>£m |
|------------------------------------|------------|------------|
| Sales to joint venture             | –          | 1.9        |
| Income on receivable (see Note 7)  | –          | (3.2)      |
| Loan receivable                    | –          | 3.0        |
| Assets classified as held for sale | –          | 18.9       |
| Trade receivables                  | –          | 1.5        |
| Trade payables                     | –          | (1.6)      |

There were no other related party transactions in either 2020 or 2019.

## Notes to the Accounts continued

### 33. Subsidiary undertakings

The table below lists the Group's principal subsidiary undertakings at 31 December 2020. They operate mainly in the countries of incorporation. All of the subsidiaries are involved in the manufacture and sale of highly-specialised measuring instruments and controls, together with the provision of services.

Spectris plc holds 100% of the ordinary share capital of all the subsidiaries either directly or indirectly through intermediate holding companies.

| Name                                    | Country of incorporation |
|-----------------------------------------|--------------------------|
| Engineering Seismology Group Canada Inc | Canada                   |
| Malvern Panalytical Limited             | England & Wales          |
| Millbrook Proving Ground Limited        | England & Wales          |
| Servomex Group Limited                  | England & Wales          |
| Brüel & Kjær Vibro GmbH                 | Germany                  |
| Hottinger Brüel & Kjær GmbH             | Germany                  |
| NDC Technologies Inc                    | USA                      |
| Omega Engineering Inc                   | USA                      |
| Particle Measuring Systems Inc          | USA                      |
| Red Lion Controls Inc                   | USA                      |

A full list of subsidiaries is given in Note 15 of the Company Financial Statements on the pages 179 to 182.

### 34. Government Support

#### Government grants

Included in the Consolidated Income Statement is £10.0m of grant income from various COVID-19 related government support packages (2019: nil). This amount relates to a number of different government support packages, the largest of which is £3.0m from China schemes and £2.5m from the Netherlands scheme (phase one). The China schemes provide support by reducing certain payroll-related social benefit payments which are ordinarily mandatory and covers the period from February 2020 to December 2020. The Netherlands phase one scheme provided support based on the revenue decrease in March 2020 to May 2020. There are no material unfulfilled conditions associated with grants recognised in the year.

The Group has presented this amount as a credit in administrative expenses in the Consolidated Income Statement. Government support grants are recognised in the Consolidated Income Statement on a systematic basis over the periods in which the related revenue or expense for which the grants are intended to compensate.

During the year, the Group also received government grants totalling £0.2m in respect of purchases of property, plant and equipment and intangible assets (2019: £5.0m).

#### Other assistance

In April 2020, Spectris successfully applied for access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), resulting in the ability to raise up to £600m of additional short-term funding, if required, before 23 March 2021 by issuing commercial paper for purchase by the Bank under the programme. The Group is under no obligation to utilise the facility and, in view of the Group's other undrawn facilities and current financial position, we do not anticipate accessing the programme before its expiry.

### 35. Events after the balance sheet date

The sale of Concept Life Science's legacy food testing business completed on 5 January 2021. The sale of the Millbrook business completed on 1 February 2021. See Note 25 for further details on these transactions.

In February 2021 the Group proposed the commencement of a £200m share buy-back programme.

# Spectris plc Statement of Financial Position

As at 31 December 2020

|                                                                           | Note | 2020<br>£m       | 2019<br>£m       |
|---------------------------------------------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                                                             |      |                  |                  |
| <b>Non-current assets</b>                                                 |      |                  |                  |
| Intangible assets                                                         | 4    | 7.3              | 6.0              |
| Property, plant and equipment                                             | 5    | 2.5              | 2.8              |
| Investments in subsidiary undertakings                                    | 6    | 1,070.9          | 1,071.1          |
| Deferred tax assets                                                       |      | 2.7              | 3.5              |
|                                                                           |      | <b>1,083.4</b>   | <b>1,083.4</b>   |
| <b>Current assets</b>                                                     |      |                  |                  |
| Current tax assets                                                        |      | 4.0              | 4.7              |
| Other receivables (due after more than one year: £253.2m (2019: £430.7m)) | 7    | 569.7            | 764.3            |
| Derivative financial instruments                                          |      | 2.3              | 2.1              |
| Cash and cash equivalents                                                 |      | 124.5            | 130.3            |
|                                                                           |      | <b>700.5</b>     | <b>901.4</b>     |
| <b>Total assets</b>                                                       |      | <b>1,783.9</b>   | <b>1,984.8</b>   |
| <b>LIABILITIES</b>                                                        |      |                  |                  |
| <b>Current liabilities</b>                                                |      |                  |                  |
| Borrowings                                                                | 8    | (8.9)            | (80.7)           |
| Derivative financial instruments                                          |      | (2.3)            | (2.2)            |
| Other payables                                                            | 9    | (693.8)          | (777.5)          |
| Provisions                                                                | 10   | -                | (0.9)            |
|                                                                           |      | <b>(705.0)</b>   | <b>(861.3)</b>   |
| <b>Net current (liabilities)/assets</b>                                   |      | <b>(4.5)</b>     | <b>40.1</b>      |
| <b>Non-current liabilities</b>                                            |      |                  |                  |
| Borrowings                                                                | 8    | (104.5)          | (98.9)           |
| Other payables                                                            | 9    | (249.8)          | (206.7)          |
| Retirement benefit obligations                                            | 12   | (7.9)            | (15.1)           |
|                                                                           |      | <b>(362.2)</b>   | <b>(320.7)</b>   |
| <b>Total liabilities</b>                                                  |      | <b>(1,067.2)</b> | <b>(1,182.0)</b> |
| <b>Net assets</b>                                                         |      | <b>716.7</b>     | <b>802.8</b>     |
| <b>EQUITY</b>                                                             |      |                  |                  |
| Share capital                                                             | 11   | 6.0              | 6.0              |
| Share premium                                                             |      | 231.4            | 231.4            |
| Retained earnings                                                         |      | 441.6            | 527.7            |
| Merger reserve                                                            | 11   | 3.1              | 3.1              |
| Capital redemption reserve                                                | 11   | 0.5              | 0.5              |
| Special reserve                                                           | 11   | 34.1             | 34.1             |
| <b>Total equity</b>                                                       |      | <b>716.7</b>     | <b>802.8</b>     |

The Company's loss for the year was £20.8m (2019: profit of £86.4m).

The Financial Statements on pages 169 to 183 were approved by the Board of Directors on 24 February 2021 and were signed on its behalf by:

Derek Harding  
Chief Financial Officer

Company Registration No. 02025003

# Spectris plc Statement of Changes in Equity

For the year ended 31 December 2020

|                                                               | Note | Share capital<br>£m | Share premium<br>£m | Retained earnings<br>£m | Merger reserve<br>£m | Capital redemption reserve<br>£m | Special reserve<br>£m | Total equity<br>£m |
|---------------------------------------------------------------|------|---------------------|---------------------|-------------------------|----------------------|----------------------------------|-----------------------|--------------------|
| At 1 January 2020                                             |      | 6.0                 | 231.4               | 527.7                   | 3.1                  | 0.5                              | 34.1                  | 802.8              |
| Loss for the year                                             |      | -                   | -                   | (20.8)                  | -                    | -                                | -                     | (20.8)             |
| Other comprehensive income:                                   |      |                     |                     |                         |                      |                                  |                       |                    |
| Re-measurement of net defined benefit obligations, net of tax |      | -                   | -                   | 7.0                     | -                    | -                                | -                     | 7.0                |
| Total comprehensive loss for the year                         |      | -                   | -                   | (13.8)                  | -                    | -                                | -                     | (13.8)             |
| Transactions with owners recorded directly in equity:         |      |                     |                     |                         |                      |                                  |                       |                    |
| Equity dividends paid                                         | 14   | -                   | -                   | (75.7)                  | -                    | -                                | -                     | (75.7)             |
| Capital contribution relating to share-based payments         |      | -                   | -                   | 0.4                     | -                    | -                                | -                     | 0.4                |
| Share-based payments, net of tax                              |      | -                   | -                   | 2.7                     | -                    | -                                | -                     | 2.7                |
| Utilisation of treasury shares                                |      | -                   | -                   | 0.3                     | -                    | -                                | -                     | 0.3                |
| At 31 December 2020                                           |      | 6.0                 | 231.4               | 441.6                   | 3.1                  | 0.5                              | 34.1                  | 716.7              |

|                                                               | Note | Share capital<br>£m | Share premium<br>£m | Retained earnings<br>£m | Merger reserve<br>£m | Capital redemption reserve<br>£m | Special reserve<br>£m | Total equity<br>£m |
|---------------------------------------------------------------|------|---------------------|---------------------|-------------------------|----------------------|----------------------------------|-----------------------|--------------------|
| For the year ended 31 December 2019                           |      |                     |                     |                         |                      |                                  |                       |                    |
| At 1 January 2019                                             |      | 6.0                 | 231.4               | 511.3                   | 3.1                  | 0.5                              | 34.1                  | 786.4              |
| Profit for the year                                           |      | -                   | -                   | 86.4                    | -                    | -                                | -                     | 86.4               |
| Other comprehensive income:                                   |      |                     |                     |                         |                      |                                  |                       |                    |
| Re-measurement of net defined benefit obligations, net of tax |      | -                   | -                   | (1.6)                   | -                    | -                                | -                     | (1.6)              |
| Total comprehensive income for the year                       |      | -                   | -                   | 84.8                    | -                    | -                                | -                     | 84.8               |
| Transactions with owners recorded directly in equity:         |      |                     |                     |                         |                      |                                  |                       |                    |
| Equity dividends paid                                         | 14   | -                   | -                   | (72.3)                  | -                    | -                                | -                     | (72.3)             |
| Capital contribution relating to share-based payments         |      | -                   | -                   | 3.1                     | -                    | -                                | -                     | 3.1                |
| Share-based payments, net of tax                              |      | -                   | -                   | (0.2)                   | -                    | -                                | -                     | (0.2)              |
| Utilisation of treasury shares                                |      | -                   | -                   | 1.0                     | -                    | -                                | -                     | 1.0                |
| At 31 December 2019                                           |      | 6.0                 | 231.4               | 527.7                   | 3.1                  | 0.5                              | 34.1                  | 802.8              |

# Notes to the Company Accounts

## 1. Basis of preparation and summary of significant accounting policies

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate Financial Statements have been prepared in accordance with applicable accounting standards in the United Kingdom. In accordance with the exemption provided by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement or Statement of Comprehensive Income.

### a) Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The Company's shareholders were notified in 2015 of the use of the EU-adopted IFRS disclosure exemptions and there were no objections to the adoption of FRS 101.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('IFRS'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes.
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effects of new but not yet effective IFRSs.
- Disclosures in respect of the compensation of key management personnel.

As the Consolidated Financial Statements of Spectris plc (pages 111 to 168) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share Based Payments' in respect of Group-settled share-based payments.
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement or Statement of Comprehensive Income for the year. The loss attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

### Significant accounting judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it later be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

In the course of preparing these Financial Statements in accordance with the Group's accounting policies, no judgements that have a significant effect on the amounts recognised in the Financial Statements have been made, other than those involving estimation. Management consider the following to be areas of estimation for the Company due to greater complexity and/or are particularly subject to uncertainty.

#### Key sources of estimation uncertainty

##### Retirement benefit plans

Accounting for retirement benefit plans under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The discount rate and rate of retail price inflation ('RPI') assumptions applied in the calculation of plan liabilities, which are set out in Note 20 of the Consolidated Financial Statements, represent a key source of estimation uncertainty for the Company. Details of the accounting policies applied in respect of retirement benefit plans are set out on page 122.

### b) Summary of significant accounting policies

#### Intangible assets

Intangible assets purchased by the Company are capitalised at their cost.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful economic lives are as follows:

- Software – 3 to 7 years.

# Notes to the Company Accounts continued

## 1. Basis of preparation and summary of significant accounting policies continued

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use.

Depreciation is recognised in the Income Statement on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually), of property, plant and equipment over its estimated useful economic life. Depreciation commences on the date the assets are available for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. Land is not depreciated. Estimated useful lives are as follows:

- Freehold property – 20 to 25 years.
- Office equipment – 3 to 20 years.

### Investments

Investments in subsidiaries are stated at historical cost, less provision for any impairment in value.

### Other receivables

Other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable and operating company.

### Cash and cash equivalents

This comprises cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception.

### Other payables

Other payables are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

### Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to settle the obligation. In respect of warranties, a provision is recognised when the underlying products or services are sold. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Company's liability. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

### Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Statement of Comprehensive Income or the Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustments to tax payable in respect of prior years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. Deferred tax is measured using the tax rates expected to apply when the asset is realised or the liability settled based on tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or that they will reverse. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Foreign currency translation

The functional currency of the Company is Pounds Sterling and is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date. Exchange gains and losses on settlement of foreign currency transactions are translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, and are charged/credited to the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

## 1. Basis of preparation and summary of significant accounting policies continued

### Financial instruments

#### Recognition

The Company recognises financial assets and liabilities on its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs.

Originated loans and debtors are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

The Company uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts deferred in equity are reclassified to the Income Statement in the periods when the hedged item is recognised in the Income Statement, in the same line of the Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

#### Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights to the cash flows from the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Originated loans and debtors are derecognised on the date they are transferred by the Company.

#### Impairment of financial assets

The Company assesses at each Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### Employee benefits

The Company operates a defined benefit post-retirement benefit plan and a defined contribution pension plan.

#### Defined benefit plan

The Company's net obligation recognised in the Statement of Financial Position in respect of its defined benefit plan is calculated as the present value of the plan's liabilities less the fair value of the plan's assets. The operating and financing costs of the defined benefit plan are recognised separately in the Income Statement. Operating costs comprise the current service cost, plan administrative expense, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on the net asset/deficit. Actuarial gains or losses comprising changes in plan liabilities due to experience and changes in actuarial assumptions are recognised in other comprehensive income.

The amount of any pension fund asset recognised in the Statement of Financial Position is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

#### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the Income Statement in the periods during which services are rendered by employees.

# Notes to the Company Accounts continued

## 1. Basis of preparation and summary of significant accounting policies continued

### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### Share-based payments

Certain employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each Statement of Financial Position reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Where it is not possible to incentivise managers of the Company with equity-settled options, they are issued with cash-settled options. The charge for these awards is adjusted to reflect the expected and actual levels of options that vest and the fair value is based on either the share price at date of exercise or the share price at the Statement of Financial Position date if sooner.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share based payment charge recognised in the subsidiary's Financial Statements with the corresponding credit being recognised directly in equity. In cases where a subsidiary is recharged for the share based payment expense, no such increase in investment is recognised which may result in a credit in a particular year.

### Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

### Treasury shares

Shares held in treasury are treated as a deduction from equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and related tax effects, is included in equity attributable to the Company's equity shareholders.

## 2. Auditor's remuneration

The details regarding the remuneration of the Company's auditor are included in Note 5 to the Group Consolidated Financial Statements under 'Fees payable to the Company's auditor for audit of the Company's annual accounts'.

## 3. Employee costs and other information

Average number of employees on a full-time equivalent basis:

|                | 2020<br>Number | 2019<br>Number |
|----------------|----------------|----------------|
| Administrative | 75             | 80             |

Employee costs, including Directors' remuneration, are as follows:

|                                            | 2020<br>£m | 2019<br>£m |
|--------------------------------------------|------------|------------|
| Wages and salaries                         | 12.0       | 13.8       |
| Social security costs                      | 2.4        | 2.5        |
| Defined contribution pension plans         | 0.4        | 0.5        |
| Equity-settled share-based payment expense | 2.5        | (0.2)      |
| Cash-settled share-based payment expense   | 0.1        | 0.1        |
|                                            | 17.4       | 16.7       |

### Directors' remuneration

Further details of Directors' remuneration and share options are given in Note 6 to the Group Consolidated Financial Statements and in the Directors' Remuneration Report on pages 78 to 97.

### Tax losses

As at 31 December 2020, the Company had capital tax losses of £16.4m (2019: £16.4m). No provision has been made for deferred tax on the basis that there is insufficient evidence that suitable taxable profits will arise in the future against which the losses may be offset and the asset recovered.

**4. Intangible assets**

|                                                | Software<br>£m |
|------------------------------------------------|----------------|
| <b>Cost</b>                                    |                |
| At 1 January 2020                              | 13.0           |
| Additions                                      | 2.5            |
| <b>At 31 December 2020</b>                     | <b>15.5</b>    |
| <b>Accumulated amortisation and impairment</b> |                |
| At 1 January 2020                              | 7.0            |
| Charge for the year                            | 1.2            |
| <b>At 31 December 2020</b>                     | <b>8.2</b>     |
| <b>Carrying amount</b>                         |                |
| <b>At 31 December 2020</b>                     | <b>7.3</b>     |
| At 31 December 2019                            | 6.0            |

**5. Property, plant and equipment**

|                                                | Freehold<br>property<br>£m | Office<br>equipment<br>£m | Total<br>£m |
|------------------------------------------------|----------------------------|---------------------------|-------------|
| <b>Cost</b>                                    |                            |                           |             |
| At 1 January 2020                              | 3.4                        | 1.4                       | 4.8         |
| Additions                                      | -                          | 0.1                       | 0.1         |
| <b>At 31 December 2020</b>                     | <b>3.4</b>                 | <b>1.5</b>                | <b>4.9</b>  |
| <b>Accumulated depreciation and impairment</b> |                            |                           |             |
| At 1 January 2020                              | 1.2                        | 0.8                       | 2.0         |
| Charge for the year                            | 0.2                        | 0.2                       | 0.4         |
| <b>At 31 December 2020</b>                     | <b>1.4</b>                 | <b>1.0</b>                | <b>2.4</b>  |
| <b>Carrying amount</b>                         |                            |                           |             |
| <b>At 31 December 2020</b>                     | <b>2.0</b>                 | <b>0.5</b>                | <b>2.5</b>  |
| At 31 December 2019                            | 2.2                        | 0.6                       | 2.8         |

**6. Investments in subsidiary undertakings**

|                                                                     | Investment<br>in subsidiary<br>undertakings<br>£m |
|---------------------------------------------------------------------|---------------------------------------------------|
| <b>Cost and carrying amount</b>                                     |                                                   |
| At 1 January 2020                                                   | 1,071.1                                           |
| Movements relating to share options granted to subsidiary employees | (0.2)                                             |
| <b>At 31 December 2020</b>                                          | <b>1,070.9</b>                                    |

Details of the Company's subsidiaries are given in Note 15.

## Notes to the Company Accounts continued

**7. Other receivables**

|                                             | 2020<br>£m   | 2019<br>£m   |
|---------------------------------------------|--------------|--------------|
| <b>Current</b>                              |              |              |
| Amounts owed by Group undertakings          | 5.2          | 1.8          |
| Loans owed by Group undertakings            | 306.4        | 325.4        |
| Loans owed by indirectly held joint venture | -            | 3.0          |
| Prepayments                                 | 2.0          | 1.9          |
| Other receivables                           | 2.9          | 1.5          |
|                                             | <b>316.5</b> | <b>333.6</b> |
| <b>Non-current</b>                          |              |              |
| Loans owed by Group undertakings            | 251.4        | 428.7        |
| Prepayments                                 | 1.8          | 2.0          |
|                                             | <b>253.2</b> | <b>430.7</b> |
| <b>Total other receivables</b>              | <b>569.7</b> | <b>764.3</b> |

All loans owed by Group undertakings are in relation to interest bearing intra-group loans which are formalised arrangements on an arm's length basis. Interest is charged at fixed rates between 2% and 10%. Other amounts owed by Group undertakings are non-interest bearing and repayable on demand.

**8. Borrowings**

|                                                           | Interest rate         | Repayable date   | 2020<br>£m   | 2019<br>£m   |
|-----------------------------------------------------------|-----------------------|------------------|--------------|--------------|
| <b>Current</b>                                            |                       |                  |              |              |
| Overdrafts                                                |                       | On demand        | 8.9          | -            |
| Bank loans unsecured - €94.8m                             | Fixed 2.56%           | 14 October 2020  | -            | 80.7         |
| Bank loans unsecured - £50.0m uncommitted facilities      | Relevant LIBOR +50bps | On demand        | -            | -            |
| <b>Total current borrowings</b>                           |                       |                  | <b>8.9</b>   | <b>80.7</b>  |
| <b>Non-current</b>                                        |                       |                  |              |              |
| Bank loans unsecured - €116.2m                            | Fixed 1.15%           | 9 September 2022 | 104.5        | 98.9         |
| Bank loans unsecured - \$800.0m revolving credit facility | Relevant LIBOR +55bps | 31 July 2025     | -            | -            |
| <b>Total non-current borrowings</b>                       |                       |                  | <b>104.5</b> | <b>98.9</b>  |
| <b>Total current and non-current borrowings</b>           |                       |                  | <b>113.4</b> | <b>179.6</b> |

Further details of borrowings are provided in Note 17 to the Group Consolidated Financial Statements.

**9. Other payables**

|                                    | 2020<br>£m   | 2019<br>£m   |
|------------------------------------|--------------|--------------|
| <b>Current</b>                     |              |              |
| Amounts owed to Group undertakings | 1.2          | 0.7          |
| Loans owed to Group undertakings   | 669.2        | 766.6        |
| Accruals                           | 23.4         | 10.2         |
|                                    | <b>693.8</b> | <b>777.5</b> |
| <b>Non-current</b>                 |              |              |
| Loans owed to Group undertakings   | 249.8        | 206.7        |

All loans owed to Group undertakings are in relation to interest bearing intra-group loans which are formalised arrangements on an arm's length basis. Interest is charged at fixed rates between 0% and 10%. Other amounts owed to Group undertakings are non-interest bearing and repayable on demand.

## 10. Provisions

|                          | Reorganisation<br>£m |
|--------------------------|----------------------|
| At 1 January 2020        | 0.9                  |
| Utilised during the year | (0.9)                |
| At 31 December 2020      | -                    |

Provisions are all presented as current liabilities.

Reorganisation provisions relate to committed restructuring plans in place within the business. Costs are expected to be incurred within one year and there is little judgement in determining the amount.

## 11. Share capital and reserves

|                                                     | 2020                            |     | 2019                            |     |
|-----------------------------------------------------|---------------------------------|-----|---------------------------------|-----|
|                                                     | Number of<br>shares<br>Millions | £m  | Number of<br>shares<br>Millions | £m  |
| Allotted, called-up and fully paid                  |                                 |     |                                 |     |
| Issued and fully paid (ordinary shares of 5p each): |                                 |     |                                 |     |
| At 1 January and 31 December                        | 121.2                           | 6.0 | 121.2                           | 6.0 |

No ordinary shares were issued upon exercise under share option schemes during the year (2019: nil).

Share options have been granted to subscribe for ordinary shares of Spectris plc. Full details of share options currently in issue, including those issued during the year, together with information regarding the basis of calculation of the share-based payment expense, is contained in Note 23 to the Group Consolidated Financial Statements.

At 31 December 2020, the Company held 4,934,567 treasury shares (2019: 5,182,366). During the year 247,799 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2019: 453,787).

The Group has an employee benefit trust (EBT) which operates the Spectris Share Incentive Plan ('SIP') to all eligible UK-based employees. The EBT holds shares in Spectris plc for the purposes of the SIP, further details of which are disclosed in the Directors' Remuneration Report. At 31 December 2020, the EBT held 52,924 shares which were purchased from the market during the year (31 December 2019: 33,780). The costs of funding and administering the plan are charged to the income statement in the period to which they relate.

Distributable reserves at 31 December 2020 are £414.9m (2019: £501.4m).

### Other reserves

Movements in reserves are set out in the Statement of Changes in Equity. The retained earnings reserve also includes own shares purchased by the Company and treated as treasury shares. The nature and purpose of other reserves forming part of equity are as follows:

#### Merger reserve

This reserve arose on the acquisition of Servomex Limited in 1999, a purchase satisfied substantially by the issue of share capital and therefore eligible for merger relief under the provisions of Section 612 of the Companies Act 2006.

#### Capital redemption reserve

This reserve records the historical repurchase of the Company's own shares.

#### Special reserve

The special reserve was created historically following the cancellation of an amount of share premium for the purpose of writing off goodwill. The special reserve is not distributable.

# Notes to the Company Accounts continued

## 12. Retirement benefit plan

The Company participates in, and is the sponsoring employer of the UK Group defined benefit plan. The plan provides pensions in retirement, death in service and in some cases disability benefit to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to new members.

In accordance with IAS 19 (Revised 2011), there were no Company contributions made to the defined benefit plan during the year (2019: nil).

Further details of the Spectris Pension Plan (UK) including all disclosures required under FRS 101 are contained in Note 20 to the Group Consolidated Financial Statements.

## 13. Contingent liabilities

The cross-guarantee arrangements to support trade finance facilities are included in Note 29 of the Group Consolidated Financial Statements.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group the Company considers these to be insurance arrangements in accordance with the requirements of IFRS 4 and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

In the normal course of business, the Company has provided bonds and guarantees through local banking arrangements amounting to £15.2m (2019: £15.2m).

## 14. Dividends

|                                                                                       | 2020<br>£m   | 2019<br>£m  |
|---------------------------------------------------------------------------------------|--------------|-------------|
| <b>Amounts recognised and paid as distributions</b>                                   |              |             |
| Final dividend for the year ended 31 December 2018 of 40.5p per share                 | –            | 46.9        |
| Interim dividend for the year ended 31 December 2020 of 21.9p (2019: 21.9p) per share | 25.5         | 25.4        |
| Additional Interim dividend for the year ended 31 December 2020 of 43.2p per share    | 50.2         | –           |
|                                                                                       | <b>75.7</b>  | <b>72.3</b> |
|                                                                                       |              |             |
| <b>Amounts arising in respect of the year</b>                                         |              |             |
| Interim dividend for the year ended 31 December 2020 of 21.9p (2019: 21.9p) per share | 25.5         | 25.4        |
| Additional interim dividend for the year ended 31 December 2020 of 43.2p per share    | 50.2         | –           |
| Proposed final dividend for the year ended 31 December 2020 of 46.5p per share        | 54.1         | –           |
|                                                                                       | <b>129.8</b> | <b>25.4</b> |

On 6 April 2020 the Group announced the withdrawal of the £50.1m proposed 2019 final dividend of 43.2p per share and the £175.0m proposed special dividend of 150.0p per share. On 4 August 2020 the Group declared an additional £50.2m interim dividend of 43.2p per share, which was paid on 2 October 2020.

The proposed final dividend is subject to approval by shareholders at the AGM on 14 May 2021 and has not been included as a liability in these Financial Statements.

**15. Related undertakings**

In accordance with Section 409 of the Companies Act 2006, detailed below is a full list of related undertakings as at 31 December 2020.

All entities listed below have their registered office in their country of incorporation.

**Subsidiaries**

All wholly owned subsidiaries listed below are owned through intermediate holding companies, unless otherwise indicated.

Shareholdings are held in the class of ordinary shares, unless otherwise indicated.

| Name                                                                         | Registered address                                                      | Country of incorporation |
|------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------|
| Agenda 1 Analytical Services Limited <sup>9</sup>                            | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Aquila Biomedical Limited                                                    | 2 James Lindsay Place, Dundee, Scotland, DD1 5JJ                        | Scotland                 |
| BK Vibro America Inc <sup>7</sup>                                            | 2243 Park Place, Suite A, Minden Nevada 89423                           | USA                      |
| Brüel & Kjaer North America Inc                                              | 3079 Premiere Parkway, Suite 120, Duluth, GA 20097                      | USA                      |
| Brüel & Kjaer Polska Sp z o.o.                                               | ul. Goraszewska 12, PL-02-910 Warszawa                                  | Poland                   |
| Brüel & Kjaer UK Limited <sup>1</sup>                                        | Jarman Way, Royston, Hertfordshire, SG8 5BQ                             | England & Wales          |
| Brüel & Kjaer Vibro A/S <sup>7</sup>                                         | Skodsborgvej 307B, Naerum, 2850                                         | Denmark                  |
| Brüel & Kjaer Vibro GmbH <sup>7</sup>                                        | Leydheckerstrasse 10, D-64293, Darmstadt                                | Germany                  |
| Brüel & Kjaer VTS Limited <sup>3</sup>                                       | Jarman Way, Royston, Hertfordshire, SG8 5BQ                             | England & Wales          |
| Burnfield Limited                                                            | Heritage House, Church Road, Egham, Surrey, TW20 9QD                    | England & Wales          |
| CAS Clean-Air-Service AG                                                     | Reinluftweg 1, Zurich, CH-9630                                          | Switzerland              |
| Concept Life Sciences (Discovery) Limited                                    | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences (Environmental Consulting) Limited <sup>1</sup>        | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences (Holdings) Limited <sup>3</sup>                        | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences (Laboratories) Limited                                 | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences (Midco) Limited                                        | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences Analytical & Development Services Limited <sup>9</sup> | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences Integrated Discovery & Development Services Limited    | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| Concept Life Sciences Limited                                                | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| CLS Analytics Limited                                                        | Heritage House, Church Road, Egham, England, TW20 9QD                   | England & Wales          |
| CXR Biosciences Limited                                                      | 2 James Lindsay Place, Dundee Technopole, Dundee, DD1 5JJ               | Scotland                 |
| DISCOM Elektronische Systeme und Komponenten GmbH                            | Maschmühlenweg 81, Gottingen, 37081                                     | Germany                  |
| Engineering Seismology Group Canada Inc.                                     | 20 Hyperion Court, Kingston, ON, K7K 7K2                                | Canada                   |
| ESC USA Inc                                                                  | 10815 Woodedge Dr, Houston, Texas 77070                                 | USA                      |
| HBK FiberSensing SA                                                          | Rua Vasconcelos Costa 277, Moreira, Maia                                | Portugal                 |
| HBM nCode Federal LLC <sup>2</sup>                                           | 100 Research Blvd, Starkville, Mississippi                              | USA                      |
| HBM Prenscia Inc                                                             | 5210 E Williams Cir, 2nd Floor, Suite 240, Tucson Arizona 85711         | USA                      |
| HBM Prenscia Pte. Ltd.                                                       | 31 Kaki Bukit Road 3, 064-0/05 Techlink 417818                          | Singapore                |
| HBM Prenscia s.p. z o.o.                                                     | ul. Wronia, nr 4S, lok. 200, Warsaw 00-870, Warsaw                      | Poland                   |
| Hottinger Baldwin Measurements, Inc.                                         | 19 Bartlett Street, Marlborough, Massachusetts 01752                    | USA                      |
| Hottinger Brüel & Kjaer A/S                                                  | Skodsborgvej 307, DK-2850, Naerum                                       | Denmark                  |
| Hottinger Brüel & Kjaer Austria GmbH                                         | Lemboeckgasse 63/2, A-1230, Wien, Vienna                                | Austria                  |
| Hottinger Brüel & Kjaer Benelux B.V.                                         | Schutweg 15a, Waalwijk, 5145 NP                                         | Netherlands              |
| Hottinger Brüel & Kjaer Co., Ltd                                             | 106 Henshan Road, Suzhou New District, Suzhou, Jiangsu Province, 215009 | China                    |

## Notes to the Company Accounts continued

## 15. Related undertakings continued

| Name                                                         | Registered address                                                                                         | Country of incorporation |
|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------|
| Hottinger Brüel & Kjaer France SAS                           | 46 rue du Champoreux, F-91540 Mennecy, Cedex                                                               | France                   |
| Hottinger Brüel & Kjaer GmbH                                 | Im Tiefen See 45, Darmstadt, D-64293                                                                       | Germany                  |
| Hottinger Brüel & Kjaer, Ibérica, S.L.U.                     | Calle Teide número 5, San Sebastián de los Reyes, Madrid                                                   | Spain                    |
| Hottinger Brüel & Kjaer Italy SRL                            | Milano (MI), Via Pordenone 8, Milan 20132                                                                  | Italy                    |
| Hottinger Brüel & Kjaer Norway AS                            | Rosenholmveien 25, Trollasen, 1414                                                                         | Norway                   |
| Hottinger Brüel & Kjaer UK Limited                           | Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, South Yorkshire, S60 5WG | England & Wales          |
| IMTEC GmbH                                                   | Am Rosengarten 1, 14621 Schönwalde-Glien OT Wansdorf                                                       | Germany                  |
| International Applied Reliability Symposium LLC <sup>2</sup> | 5210 E Williams Cir, 2nd Floor, Suite 240, Tucson Arizona 85711                                            | USA                      |
| LLC Spectris CIS <sup>2</sup>                                | Building 1, Usacheva Street, Moscow 119048                                                                 | Russian Federation       |
| Malvern Instruments Nordic Oy                                | Kumitehtaankatu, 5 04260, Kerava, Asianajotoimisto OY                                                      | Finland                  |
| Malvern Panalytical B.V.                                     | Lelyweg 1, 7602EA, Almelo                                                                                  | Netherlands              |
| Malvern Panalytical GmbH                                     | Nürnbergstr 113, D 34123 Kassel                                                                            | Germany                  |
| Malvern Panalytical Inc                                      | 117 Flanders Road, Westborough Massachusetts 01581-1042                                                    | USA                      |
| Malvern Panalytical Limited                                  | Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ                                    | England & Wales          |
| Malvern Panalytical Nordic AB <sup>5</sup>                   | Vallongatan 1, 752 28 Uppsala                                                                              | Sweden                   |
| Malvern Panalytical S.A.S.                                   | 24 Rue Émile Baudot, Bâtiment le Phénix 91120 Palaiseau                                                    | France                   |
| Malvern Panalytical srl                                      | Via Cadore 21, Lissone, 20851                                                                              | Italy                    |
| Malvern Panalytical (Pty) Limited                            | Unit 4, Bush Hill Office Park, Jan Frederick Avenue, Randpark Ridge, 2169                                  | South Africa             |
| Malvern-Aimil Instruments Pvt Limited                        | Naimex House, A-8, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi - 110044                  | India                    |
| Millbrook European Holdings Limited <sup>6</sup>             | Millbrook, Bedford, MK45 2JQ                                                                               | England & Wales          |
| Millbrook Proving Ground Limited <sup>6</sup>                | Millbrook, Bedford, MK45 2JQ                                                                               | England & Wales          |
| Millbrook Revolutionary Engineering GmbH <sup>6</sup>        | Hermann-Köhl-Strasse 7, 28199 Bremen                                                                       | Germany                  |
| Millbrook Revolutionary Engineering Inc <sup>6</sup>         | 36865 Schoolcraft #1, Livonia, Michigan 48150                                                              | USA                      |
| Millbrook Special Vehicles Limited <sup>6</sup>              | Millbrook, Bedford, MK45 2JQ                                                                               | England & Wales          |
| Millbrook US Inc <sup>6</sup>                                | 36865 Schoolcraft #1, Livonia, Michigan 48150                                                              | USA                      |
| MPG Finland Oy <sup>6</sup>                                  | c/o Tilisakut Oy, Kauppakatu 12, Kuopio, 70100                                                             | Finland                  |
| Nanosight Limited                                            | Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ                                    | England & Wales          |
| NDC Technologies GmbH                                        | Im Tiefen See 45, Darmstadt, D-64293                                                                       | Germany                  |
| NDC Technologies Limited                                     | Bates Road, Maldon, Essex, CM9 5FA                                                                         | England & Wales          |
| NDC Technologies S.A.                                        | Rue H Goossens 16, B-4431 Loncin                                                                           | Belgium                  |
| NDC Technologies SARL                                        | 2 Chemin du Moulin 94450 Limeil-Brévannes                                                                  | France                   |
| NDC Technologies S.R.L.                                      | Corso Cristoforo Colombo, 33 Gallarate (VA), CAP 21013                                                     | Italy                    |
| NDC Technologies, Inc.                                       | 8001 Technology Blvd, Dayton, Ohio 45424                                                                   | USA                      |
| Newport Electronics Limited                                  | One Omega Drive, Northbank, Irlam, Manchester, M44 5BD                                                     | England & Wales          |
| Novisim Limited                                              | Jarman Way, Royston, Hertfordshire, SG8 5BQ                                                                | England & Wales          |
| Omega Engineering GmbH                                       | Daimlerstrasse 26, Deckenpfronn, 75392                                                                     | Germany                  |
| Omega Engineering Limited <sup>6</sup>                       | One Omega Drive, Northbank, Irlam, Manchester, M44 5BD                                                     | England & Wales          |
| Omega Engineering, Inc.                                      | 800 Connecticut Avenue, Norwalk, Connecticut 06854                                                         | USA                      |

## 15. Related undertakings continued

| Name                                                     | Registered address                                                                                          | Country of incorporation |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------|
| Omega Technologies Limited <sup>4</sup>                  | One Omega Drive, Riverbend Technology Centre, Northbank, Irlam, Manchester, M44 5BD                         | England & Wales          |
| PANalytical Limited <sup>1</sup>                         | Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ                                     | England & Wales          |
| Particle Measuring Systems Germany GmbH                  | Im Tiefen See 45, Darmstadt, D-64293                                                                        | Germany                  |
| Particle Measuring Systems S.R.L.                        | Via di Grotte Portella, Frascati, Rome, 34-00044                                                            | Italy                    |
| Particle Measuring Systems, Inc.                         | 5475 Airport Boulevard, Boulder, Colorado 80301                                                             | USA                      |
| Peakdale Chemistry Services Limited                      | Heritage House, Church Road, Egham, England, TW20 9QD                                                       | England & Wales          |
| Peakdale Inc                                             | 117 Flanders Road, Westborough, Massachusetts 01581                                                         | USA                      |
| Peakdale Molecular Limited                               | Heritage House, Church Road, Egham, England, TW20 9QD                                                       | England & Wales          |
| Pixirad Imaging Counters S.r.l.                          | Via Cadore 21, Lissone, 20851                                                                               | Italy                    |
| Red Lion Controls B.V.                                   | Softwareweg 9, 3821 BN Amersfoort                                                                           | Netherlands              |
| Red Lion Controls, Inc.                                  | 20 Willow Springs Cir, York Pennsylvania 17406                                                              | USA                      |
| ReliaSoft India Private Limited                          | New No.16, Old No.21, Cenotaph 1st Street, Alwarpet, Chennai, 600 018                                       | India                    |
| Revolutionary Engineering (Shanghai) Co Ltd <sup>6</sup> | Room 316, 3/F, Building 1, No.169 Shengxia Road and No. 1658 Zhangdong Road, Shanghai Pilot Free Trade Zone | China                    |
| RightHook Inc                                            | 45 Jackson Street, San Jose, CA 95112-5102                                                                  | USA                      |
| SAL Food Limited                                         | Heritage House, Church Road, Egham, England, TW20 9QD                                                       | England & Wales          |
| SAL Laboratories Limited                                 | 69a Killyman Street, Moy, Dungannon, BT71 7EA                                                               | Northern Ireland         |
| Scientific Analysis Laboratories Limited <sup>8</sup>    | Heritage House, Church Road, Egham, England, TW20 9QD                                                       | England & Wales          |
| Servomex B.V.                                            | P O Box 406, 2700 AK, W Dreeslaan 436, 2729 NK Zoetermeer                                                   | Netherlands              |
| Servomex Company                                         | 12300 Dairy Ashford Road #400, Sugar Land, Texas 77478                                                      | USA                      |
| Servomex GmbH                                            | Im Tiefen See 45, Darmstadt, D-64293                                                                        | Germany                  |
| Servomex Group Limited                                   | Jarvis Brook, Crowborough, East Sussex, TN6 3FB                                                             | England & Wales          |
| Servomex S.A.                                            | 23 Rue de Roule, Paris, 75001                                                                               | France                   |
| Spectraseis Canada Inc.                                  | 1900, 520 - 3rd Avenue S.W., Calgary, AB, T2P 0R3                                                           | Canada                   |
| Spectraseis Inc                                          | 10815 Woodedge Dr, Houston, Texas 77070                                                                     | USA                      |
| Spectris Analytics US Inc.                               | 3411 Silverside Road, Tatnall Building #104, Wilminron, New Castle County, Delaware 19810                   | USA                      |
| Spectris Australia Pty Ltd                               | Suite 2, 6-10 Talavera Road, PO Box 349, North Ryde, New South Wales 2113                                   | Australia                |
| Spectris Canada Inc.                                     | 4921 Place Olivia, St-Laurent, Quebec, H4R 2V6                                                              | Canada                   |
| Spectris China Limited                                   | Room 08, 20/F., China Shipbuilding Tower, 650 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong       | Hong Kong                |
| Spectris Co., Ltd.                                       | Tsukasa-machi Bldg, 2-6 Kanda Tsukasa-machi, Chiyoda-ku, Tokyo, 101-0048                                    | Japan                    |
| Spectris Denmark ApS                                     | Skodsborgvej 307, Naerum, DK-2850                                                                           | Denmark                  |
| Spectris Do Brasil Instrumentos Eletronicos Ltda.        | Rua Laguna 276, Santo Amaro, CEP 04728-000, Sao Paulo SP                                                    | Brazil                   |
| Spectris Funding B.V.                                    | Lelyweg 1, 7602EA, Almelo                                                                                   | Netherlands              |
| Spectris Germany GmbH                                    | Im Tiefen See 45, Darmstadt, D-64293                                                                        | Germany                  |
| Spectris Group Holdings Limited <sup>1,4</sup>           | Heritage House, Church Road, Egham, Surrey, TW20 9QD                                                        | England & Wales          |
| Spectris Holdings Inc.                                   | 117 Flanders Road, Westborough Massachusetts 01581                                                          | USA                      |

## Notes to the Company Accounts continued

## 15. Related undertakings continued

| Name                                                 | Registered address                                                                                                                            | Country of incorporation |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Spectris Inc.                                        | 117 Flanders Road, Westborough Massachusetts 01581                                                                                            | USA                      |
| Spectris Instrumentation and Systems Shanghai Ltd.   | Bldg 9, No. 88, Lane 2888, HuaNing Road, MingHang District, Shanghai, 201108                                                                  | China                    |
| Spectris Korea Ltd.                                  | 7th & 8th Fl, SH Energy Building, 16-6 Sunae-Dong, Bundang-Gu, Seongnam-City Kyeonggi-Do                                                      | Korea, Republic of       |
| Spectris Mexico, S. De R.L. De C.V.                  | Av. Pedro Ramirez Vazquez No. 200-13, Nivel 1, Col. Valle Oriente, San Pedro Garza Garcia, C.P. 66269                                         | Mexico                   |
| Spectris Netherlands B.V.                            | Lelyweg 1, 7602 EA Almelo                                                                                                                     | Netherlands              |
| Spectris Netherlands Cooperatief W.A. <sup>1,2</sup> | Lelyweg 1, 7602 EA Almelo                                                                                                                     | Netherlands              |
| Spectris Pension Trustees Limited <sup>1</sup>       | Heritage House, Church Road, Egham, Surrey, TW20 9QD                                                                                          | England & Wales          |
| Spectris Pte Ltd                                     | 31 Kaki Bukit Road 3, Techlink #04-05/07, 417818                                                                                              | Singapore                |
| Spectris Taiwan Limited                              | 13F-1, No. 128, Sec. 3, Min Sheng E. Road, Taipei                                                                                             | Taiwan                   |
| Spectris Technologies Private Limited                | 202 Anarkali Complex, Jhandelwala Extension, Opp Videcon Tower, New Delhi 110 055                                                             | India                    |
| Spectris UK Holdings Limited <sup>2</sup>            | Heritage House, Church Road, Egham, Surrey, TW20 9QD                                                                                          | England & Wales          |
| Spectris US Holdings Limited                         | Heritage House, Church Road, Egham, Surrey, TW20 9QD                                                                                          | England & Wales          |
| Starlight USA Inc                                    | Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801                                                                      | United States            |
| System Level Simulation Inc.                         | 25 Villa Perico, Rancho Santa Margarita, CA 92688                                                                                             | United States            |
| Test World Holding Oy <sup>6</sup>                   | Testitie 1, 9980 Ivalo                                                                                                                        | Finland                  |
| Test World Oy <sup>6</sup>                           | PL 167, Nellimintie 569, Ivalo, 99801                                                                                                         | Finland                  |
| The Omnicon Group Inc                                | 50 Engineers Rd, Hauppauge, New York 11788                                                                                                    | USA                      |
| VI-grade AG                                          | Neustrasse 2, 8590 Romanshorn                                                                                                                 | Switzerland              |
| VI-grade GmbH                                        | Im Tiefen See 45, Darmstadt, D-64293                                                                                                          | Germany                  |
| VI-grade Japan Ltd.                                  | 9-1, Shinjuku-ku 3 Chome, Shinjuku, Tokyo                                                                                                     | Japan                    |
| VI-grade Limited                                     | Heritage House, Church Road, Egham, Surrey, TW20 9QD                                                                                          | England & Wales          |
| VI-grade s.r.l.                                      | Via Galileo Galilei 42, 33010 Tavagnacco (Udine)                                                                                              | Italy                    |
| Vintage Star Inc                                     | 1010 Dale Street North, Saint Paul, Minnesota 55117-5603                                                                                      | United States            |
| Viscotek Europe Limited                              | Heritage House, Church Road, Egham, Surrey, TW20 9QD                                                                                          | England & Wales          |
| Zhuhai Omeq Instruments Co., Ltd                     | Floor 1-3, No 9 R&D Main Building, Keji No 1 Road, Scientific & Technical Innovation Sea Shore, New High Tech Zone, Zuhai, Guangdong Province | China                    |

## Notes

1 Wholly owned by Spectris plc.

2 All LLC, Cooperatief and other non-equity owned entities listed are wholly owned and controlled by Spectris plc directly or indirectly through intermediate holding companies.

3 Share capital consists of ordinary shares and deferred shares.

4 Share capital consists of ordinary shares and redeemable shares.

5 In liquidation.

6 The Millbrook business was sold as at 1 February 2021.

7 The BK Vibro business has been divested and is expected to close on 1 March 2021.

8 The CLS food testing business was sold on 5 January 2021.

**15. Related undertakings continued****UK registered subsidiaries exempt from audit**

UK incorporated subsidiaries which have taken exemption from audit per Section 479A of the Companies Act 2006 for the year ended 31 December 2020 are listed below.

Spectris plc will guarantee the debts and liabilities of the companies claiming the statutory audit exemption at the balance sheet date of £16.3m in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

| Name                                                     | Registered number |
|----------------------------------------------------------|-------------------|
| Bruel & Kjaer VTS Limited                                | 1539186           |
| Burnfield Limited                                        | 1522736           |
| Concept Life Sciences (Discovery) Limited                | 9046575           |
| Concept Life Sciences (Environmental Consulting) Limited | 9046580           |
| Concept Life Sciences (Holdings) Limited                 | 9046553           |
| Concept Life Sciences (Laboratories) Limited             | 9046586           |
| Concept Life Sciences (Midco) Limited                    | 9046568           |
| CXR Biosciences Limited                                  | SC211745          |
| Hottinger Bruel & Kjaer UK Limited                       | 1589921           |
| Nanosight Limited                                        | 4599525           |
| NDC Technologies Limited                                 | 630998            |
| Novisim Limited                                          | 5269664           |
| Omega Engineering Limited                                | 2564017           |
| Omega Technologies Limited                               | 2775272           |
| Panalytical Limited                                      | 1005071           |
| Peakdale Molecular Limited                               | 9643723           |
| Scientific Analysis Laboratories Limited                 | 9771469           |
| Spectris UK Holdings Limited                             | 4451903           |
| Spectris US Holdings Limited                             | 4451883           |
| VI-grade Limited                                         | 8245242           |

# Additional information

## Shareholder Information

### Financial calendar

|                                                                                        |                 |
|----------------------------------------------------------------------------------------|-----------------|
| Q1 trading update                                                                      | 22 April 2021   |
| Annual General Meeting                                                                 | 14 May 2021     |
| Record date for 2020 final dividend                                                    | 14 May 2021     |
| Record date for participation in the Dividend Reinvestment Plan for the final dividend | 9 June 2021     |
| Ex-dividend date for final dividend                                                    | 13 May 2021     |
| 2020 final dividend payable                                                            | 30 June 2021    |
| 2021 half-year results                                                                 | 29 July 2021    |
| Q3 trading update                                                                      | 21 October 2021 |
| 2021 full-year results                                                                 | February 2022   |

### Company Secretary

Mark Serfözö

Email: cosec@spectris.com

### Head of Corporate Affairs

Siobhán Andrews

Email: investor.relations@spectris.com

### Registered office

Spectris plc  
Heritage House  
Church Road  
Egham  
Surrey  
TW20 9QD  
England

Tel: +44 (0)1784 470470

Email: info@spectris.com

Company registered in England, No. 2025003

### Auditor

Deloitte LLP

### Banker

National Westminster Bank plc

### Solicitor

Slaughter and May

### Brokers

Jefferies Hoare Govett  
J P Morgan Cazenove

### Financial PR adviser

FTI Consulting

### Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

The registrars provide a range of shareholder services online at [www.shareview.co.uk](http://www.shareview.co.uk)

### Share price information

The Company's ordinary shares are listed on the London Stock Exchange. The latest share price is available via the Company's website at [www.spectris.com](http://www.spectris.com)

### Major shareholders as at 31 December 2020

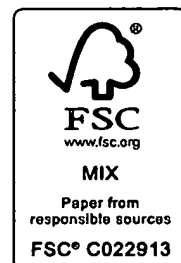
|                                   | Shareholding in Spectris shares | Percentage of issued share capital |
|-----------------------------------|---------------------------------|------------------------------------|
| MFS Investment Management         | 11,630,799                      | 10.01                              |
| Fidelity Management & Research    | 7,381,087                       | 6.35                               |
| BlackRock                         | 7,340,718                       | 6.32                               |
| Sprucegrove Investment Management | 5,635,849                       | 4.85                               |
| UBS Asset Management              | 5,392,666                       | 4.64                               |
| Vanguard Group                    | 5,185,261                       | 4.46                               |
| Liontrust Asset Management        | 4,616,429                       | 3.97                               |
| Royal London Asset Management     | 3,591,391                       | 3.09                               |
| Schroder Investment Management    | 3,484,265                       | 3.00                               |

### Email news service

To receive details of press releases and other announcements as they are issued, register with the mail alert service on the Company's website at [www.spectris.com](http://www.spectris.com)

### Cautionary statement

This Annual Report may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Spectris plc as of the date of the preparation of this Annual Report. All forward-looking statements contained in this Annual Report are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Spectris plc disclaims any obligation to update or revise any forward-looking statement contained in this Annual Report to reflect any change in circumstances or its expectations.



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