

Spirax-Sarco Engineering plc



Supplier Sustainability Code – Policy & Guide

Purpose: To define which suppliers are required to sign the Supplier Sustainability Code.

Definitions:

Direct Supplier – any supplier that provides raw materials, goods, finished products and/or services to the company that are typically used in production, are generally repeat purchases and whose products and/or services are ultimately sold to an end customer. For example, Casting suppliers, Actuator suppliers and Sub-Contracting suppliers are Direct Suppliers. Tooling and CapEx Suppliers are not Direct Suppliers.

Indirect Supplier – any supplier that provides products and/or services to the company which are not ultimately sold to an end customer. Indirect Suppliers are all the other suppliers that are not Direct Suppliers. For example, Suppliers of non Bill of Material products used within manufacturing processes, Cleaning contractors, Energy suppliers, IT Equipment suppliers, Stationary suppliers and Building Maintenance Services are all Indirect Suppliers.

Annual Spend – for existing suppliers, annual spend is the previous year's total supplier spend by Business, as measured from the 1st January to 31st December. For new suppliers, annual spend is the expected total Business supplier spend in the upcoming 12 month period.

Supplier Sustainability Code Applicability

The Supplier Sustainability Code must be signed by:

- All Direct Suppliers that have, or are expected to have, a total Business annual spend of over £15,000 or equivalent in local currency, and;
- Suppliers whose total Business annual spend is less than £15,000 or equivalent in local currency if one or more of the following criteria apply to the supplier:
 - Any supplier deemed high-risk as determined in formal Supply Chain risk assessments*
 - Suppliers with known EHS risks*
 - Suppliers with a poor Quality and or Delivery performance, for example where a supplier has a Quality defects PPM (Parts Per Million) of over 5000*
 - Electrical Devices suppliers, Passive and Active Electrical Component Suppliers & Controls Suppliers (Hardware only)
 - Suppliers based/used^ in the following countries**:

Afghanistan, Algeria, Armenia, Angola, Azerbaijan, Bangladesh, Belarus, Bolivia, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Democratic Republic of, Congo, Cuba,

Djibouti, Dominican Republic, Egypt, El Salvador, Equatorial Guinea, Eritrea, Eswatini, Federal Republic of Yugoslavia & Serbia, Gabon, Guatemala, Guinea, Guinea-Bissau, Haiti, Honduras, Iran, Iraq, Kenya, Korea (North), Kyrgyzstan, Laos, Lebanon, Liberia, Libya, Madagascar, Mali, Mauritania, Mexico, Mozambique, Myanmar, Nepal, Niger, Nigeria, Nicaragua, Pakistan, Papua New Guinea, Paraguay, Philippines, Russia, Saudi Arabia, Sierra Leone, Somalia, South Sudan, Sudan, Syria, Tajikistan, Togo, Tunisia, Turkmenistan, Uganda, Ukraine, Uzbekistan, Venezuela, Yemen, Zambia, Zimbabwe

*This is determined by the site's local purchasing manager/leader.

^Suppliers based/used is defined as the supplier location that is used by Spirax-Sarco Engineering plc entity/site. This is typically the location where Purchase Orders are placed and where the product is manufactured. It does not include subsidiary or manufacturing sites/locations owned by the supplier but not used by Spirax-Sarco Engineering plc.

** These countries have been selected based on external human rights benchmarks. Countries on the list are those with a corruption score of less than 35 as measured by <https://www.transparency.org> and those with a human rights score of less than 5.5 as measured by [Freedom Index by Country 2022](#), as well as countries named in the Group Sanctions, Embargoes & Restrictions Policy & Guide.

Additional Considerations

Anyone considering using a supplier in the Democratic Republic of Congo (or any neighbouring country) must seek Group Legal approval prior to engaging with the supplier.

Anyone considering using a supplier in the Xinjiang Uyghur Autonomous Region of China must seek Group Legal approval prior to engaging with the supplier.

Purchasing Managers/Leaders should also comply with the Sanctions, Embargoes & Restrictions Policy & Guide: [Group Legal & Secretarial - Sanctions - All Documents \(sharepoint.com\)](#)

One-off Emergency Direct Suppliers are not required to sign the Supplier Sustainability Code provided that the spend is less than £25,000, or equivalent in local currency; the purchase is one-off (i.e. there will not be another order placed with the supplier in a 2-year period from the date of the purchase order); and the supplier is formally blocked from use within the purchase order system after the one-off purchase order has been finalised. If a subsequent order needs to be placed with the supplier within a 2-year period, the supplier is no longer considered a one-off emergency supplier and they will be required to sign the Supplier Sustainability Code before another order is placed.

Reporting Process

Direct Suppliers that are formally required to use the Supplier Portal will be asked to sign the Supplier Sustainability Code *within* the Supplier Portal. (This does not include Suppliers that are only being remotely monitored in the Portal.) The status of these suppliers can be viewed in the Portal and this data will be included in the reporting through the Microsoft Power Application for Supplier Sustainability Codes, herein referred to as "the App" as defined below.

The App is designed to simplify the reporting process to allow sites to better understand their status and track progress regarding both Portal and Non-Portal suppliers. Sending out the Supplier Sustainability Code and supplier liaison with the Supplier Sustainability Codes will remain the local sites' responsibility.

Direct Suppliers that are required to sign the Supplier Sustainability Code but are not in the Supplier Portal will be reported by sites by inputting site-specific data directly into the App. The App allows:

- the addition of a new supplier,
- updates and management of existing suppliers, and
- automated reporting of progress against agreed Key Performance Indicators.

Supplier Sustainability Code Exception Process

Suppliers are expected to sign the standard Supplier Sustainability Code without changes. Suppliers in the Supplier Portal can only sign the standard Supplier Sustainability Code. For non-Portal suppliers, any modifications are strongly discouraged. If necessary, minor wording changes are permissible within the 'we encourage' sections of the Supplier Sustainability Code, as long as any changes do not materially change the intent of the requirement. Such minor changes can be agreed by the local purchasing leader/manager. Minor wording changes elsewhere in the Supplier Sustainability Code must be agreed with the Business Purchasing/Sourcing Leader, and will only be considered if they do not materially change the intent of the changed section. Significant deletions will not be accepted. Spirax-Sarco Engineering plc will no longer accept suppliers' own codes of conduct instead of a signed Supplier Sustainability Code. The responsibility lies with the sites to ensure this is made clear to suppliers.

In circumstances where suppliers have legitimate concerns with:

- Conflict Minerals – Suppliers must provide an up-to-date Conflict Mineral Reporting Template (CMRT) and commit to becoming Conflict Mineral Free within a stated time period. The supplier can include this confirmation on the signature page and sign the Supplier Sustainability Code. Sites will need to ensure that this is recorded correctly in the App and ensure they receive an annual CMRT that shows progress towards becoming conflict mineral free. This should be managed locally and reported separately via the App. If suppliers do not demonstrate year-on-year improvements in their CMRT's, then they should be considered as having breached the Code and steps should be followed as outlined below.
- ISO9001:2015 – Where suppliers do not currently have ISO9001:2015 but have committed to obtaining it within the agreed timeframes, as detailed in the Supplier Sustainability Code, the supplier can include these comments on the signature page and sign the Supplier Sustainability Code. Sites will need to ensure that this is recorded correctly in the App and ensure they follow up with the supplier to ensure accreditation is completed on time. If a supplier's ISO9001:2015 accreditation lapses, or they fail to get accreditation within the agreed timeframe, then they should be considered as having breached the Code and steps should be followed as outlined below.

Suppliers that will not sign or that breach the Code

Existing suppliers that will not or cannot sign the updated Supplier Sustainability Code or that are unwilling to sign it without significant changes, can be granted a period of 6 months grace in which to improve to a position of compliance and then sign the Code. If after a six month period, they are still unwilling or unable to sign the Code and there has been no significant progress that would warrant a further 6 months period of grace, then they do not meet our required standards and should not be within our supply chain and the Operating Company should plan and execute a full exit strategy from the supplier. The total grace period for any supplier shall not be longer than 12 months.

Using a non-signing supplier or a supplier that is in breach of the Code (non-severe breaches only) will only be considered under exceptional circumstances, for example where there is no viable alternative supplier or where exit poses *significant* business disruption and risk. In such cases, a detailed and time-bound justification should be created and approved by the relevant Business Managing Director.