

FLOWERVE GB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Research and development

Research and development is co-ordinated through Flowserve Corporation in the USA. The company is committed to providing the optimum design solutions to meet its customers' needs.

The company plays an active role in the development of new products and improvement of existing designs. There is an active engineering department which ensures that our products are designed and engineered to the highest levels and meet customer requirements. New product design and existing product redesign activities are carried out by the business. The costs associated to research and development projects are transferred to Flowserve Corporation in the US, therefore no research and development cost is reported in Flowserve GB Limited financial statements.

Health and safety

At Flowserve we acknowledge our obligations and responsibilities under European and UK Health and Safety Legislation and we recognise the importance of health and safety as an integral part of our activities. We encourage the active participation of every one of our employees at all our locations in order to achieve and maintain the highest standards of health and safety at work.

Our business activities are conducted with due regard to all statutory requirements, with appropriate safeguards to protect employees, contractors, visitors to all our locations and the general public against risk to their health and safety.

We have clearly defined areas of responsibility throughout our management structures, and every manager regards health and safety issues as being of paramount importance.

Streamlined Energy and Carbon Reporting summary

Flowserve GB Limited recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year we have upgraded our energy and carbon reporting to meet these requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

2020 Performance

This year we have calculated our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis (using the UK grid emissions intensity) our emissions are 1,442 tCO₂e, which is an average impact of 4 tCO₂e per employee, and on a market basis our emissions are 1,655 tCO₂e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

Energy and Carbon action

In the period covered by the report Flowserve has undertaken the following emissions and energy reduction initiatives:

- LED implementation – we have installed LED lighting into our Newark office.

2020 Results

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).
- UK office emissions have been calculated using the DEFRA 2020 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of January 2020 to December 2020.

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Emission and energy usage

	Emissions Source	tCO ₂ e
Scope 1	Natural gas	579
	Other fuel types	55
	Company and leased cars	198
	Fleet	64
	Refrigerant	5
Total Scope 1		901
Scope 2	Electricity	443
Total Scope 2		443
Scope 3	Electricity transmission and distribution	38
	Employee cars	60
Total Scope 3		98
Total (Market Based)		1,655
Total (Location Based)		1,442
Total Energy Usage (kWh)[1]		6,635,925
Normaliser	tCO ₂ e per FTE	4

Table 1 – Energy and carbon disclosures for reporting year.

¹ Energy reporting includes kWh from scope 1, scope 2 and scope 3 employee cars only (as required by the SECR regulation)

Employee involvement and disabled persons

All employees of the company are actively encouraged to participate in and contribute towards achieving the company's objectives. Regular meetings are held between employees and local management to communicate the company's operating performance and future business prospects. Flowserve Corporation also publishes various magazines on its international operations, which are made available to all employees. It is the policy and practice of the company to give full and fair consideration to assist the employment of the disabled and their training and career development and, wherever practicable, to retain employees who become disabled.

Certain employees are entitled to participate in Flowserve Corporation employee share option schemes.

Section 172(1) Statement

This Statement contains an overview of how the directors have performed their duty to promote the success of the Company as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in a way that would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

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