



**Breakthrough
Engineering**
for a better
world.

IMI



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Strategic Report

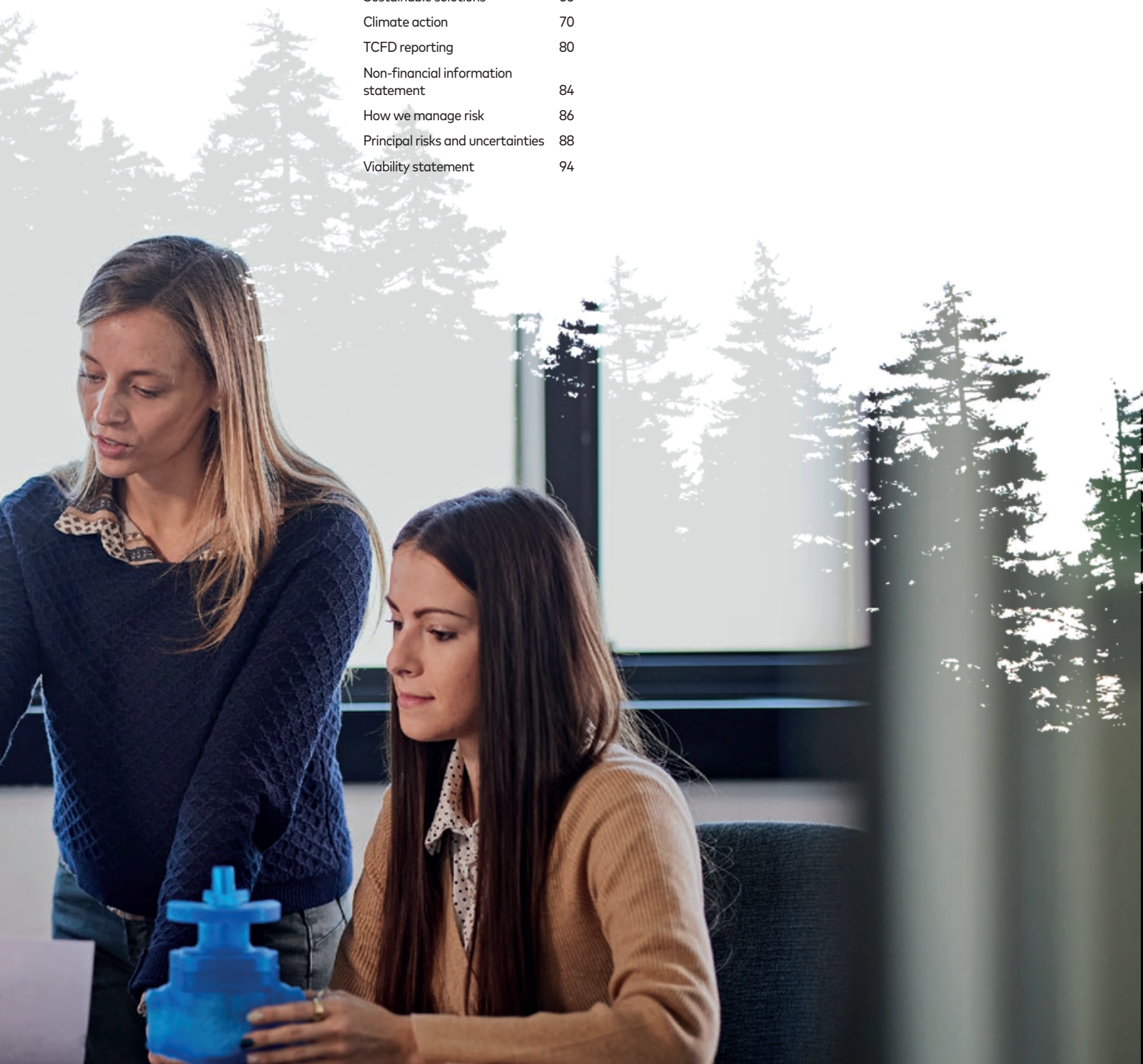
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IMI at a glance

We are a specialist engineering company operating in fluid and motion control markets. We combine our deep engineering knowledge with strong applications expertise to develop solutions for the most acute industry problems. We help our customers become safer, more sustainable and more productive.

**Breakthrough
Engineering**
for a better
world.

**Over 10,000 people
in 50 countries**

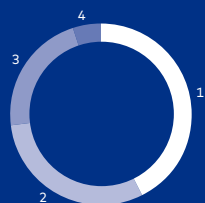
3 divisions

5 sectors

28 brands

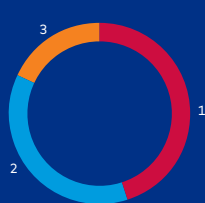
**One big team with
a unifying purpose**

Revenue by geography



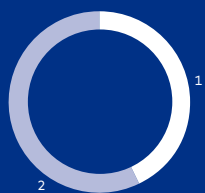
1 Europe **43%**
2 Americas **30%**
3 Asia Pacific **22%**
4 Middle East & Africa **5%**

Revenue by division



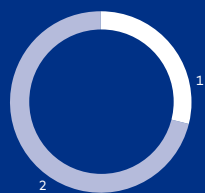
1 IMI Precision Engineering **48%**
2 IMI Critical Engineering **35%**
3 IMI Hydronic Engineering **17%**

Gender mix executive



1 Female **3 / 43%**
2 Male **4 / 57%**

Gender mix all employees



1 Female **3,171 / 29%**
2 Male **7,820 / 71%**

2022 highlights

Revenue

^ 10% **£2,049m**
2021: £1,866m

Adjusted operating margin*

^ 80bps **17.8%**
2021: 17.0%

Statutory operating margin

^ 120bps **14.6%**
2021: 13.4%

Adjusted profit before tax*

^ 13% **£346m**
2021: £307m

Statutory profit before tax

^ 17% **£285m**
2021: £245m

Adjusted basic earnings per share*

^ 15% **105.5p**
2021: 92.0p

Statutory basic earnings per share*

^ 19% **87.6p**
2021: 73.5p

* Please refer to Note 3 for definitions of the Group's Alternative Performance Measures.

- » 10% sales growth, 13% adjusted profit before tax growth
- » Adjusted earnings per share 15% higher than 2021
- » Adjusted operating margin up 80bps
- » Statutory operating margin up 120bps
- » Statutory profit before tax increased 17%
- » Resilient order book up 14%, order book in IMI Critical Engineering up 18%
- » £52m of Growth Hub orders, pipeline growing
- » Completed three strategic acquisitions in attractive growth markets
- » Record employee engagement scores, improved health & safety
- » Proposed final dividend of 17.4p, increased by 10%

Total Recordable Incident Frequency Rate (TRIFR)

✓ 38% **0.35**
2021: 0.56

Employee engagement

^ 3% **80%**
2021: 77%

CO₂ intensity

✓ 9% **2.09**
2021: 2.30

Women in management

^ 1% **22%**
2021: 21%

Chair's statement

A photograph of Lord Smith of Kelvin, the Chair, standing in profile by a large window. He is wearing a white shirt, a yellow patterned tie, and dark trousers. His arms are crossed, and he is looking out the window. The background shows a blurred view of a city building.

2022: delivering our strategy

Our continued focus on customer satisfaction, complexity reduction and market-led innovation is delivering sustainable, profitable growth.

Lord Smith of Kelvin
Chair

Culture, values and purpose

There is no doubt that our unifying purpose **Breakthrough Engineering for a better world**, along with our inclusive, collaborative, and customer-focused culture, has made a significant contribution to our strategic and financial progress in recent years. I am therefore very pleased to report record employee engagement levels during 2022. For further information, please see page 58.

Environmental, Social & Governance (ESG)

Our Better World purpose places ESG at the heart of our strategy. Our ESG objectives are of critical importance to our ambition to deliver sustainable, profitable growth – many of our solutions help customers improve energy efficiency, sustainability, and safety.

Whilst there is always more to be done, I am very proud of the significant progress we have made delivering against these objectives in the year. Particular highlights include improved CDP scores and being acknowledged with the London Stock Exchange Green Economy Mark, which awards companies that generate more than 50% of total annual revenues from products and services that contribute to the global green economy.

We have also launched our new sustainability framework, Creating a Better World. This includes further details on our improved sustainability governance structure, an assessment of Scope 3 emissions and our commitment to net zero by 2050.

We also took action to improve our climate risk management processes in the year. Working with our principle insurer, Zurich, we have performed a detailed review of the physical risks our largest sites face due to climate change, allowing us to begin implementing mitigating actions and better plan for the future.

For further information, please see pages 46 to 83.

Strategy

It has been three years since we launched our purpose-led strategy in November 2019. Since then, we have made excellent progress towards delivering our ambition of sustainable, profitable growth and have seen significant improvements in our key financial metrics. We have done this through a continued focus on customer satisfaction, complexity reduction and market-led innovation – evidence of which can be found throughout this Report.

M&A

IMI completed three strategic acquisitions in 2022, as we continue to expand into attractive growth markets. Two of these acquisitions were in IMI Precision Engineering, where we acquired Bahr Modultechnik ('Bahr'), the German linear motion specialist and CorSolutions LLC ('CorSolutions'), a leading innovator in micro-fluid flow control. We also completed the acquisition of Heatmiser UK Ltd ('Heatmiser'), a leading UK smart thermostatic control manufacturer. Heatmiser will form part of IMI Hydronic Engineering.

As the teams integrate into IMI, I am delighted to add my welcome to them and we look forward to an exciting future together. Additional commentary on the transactions can be found in the Chief Executive's review on page 6 of the Annual Report – or on our corporate website.

Divestment of Russian subsidiary

IMI strongly opposes the invasion of Ukraine and fully supports all sanctions. On 4 March 2022 we ended all new business and international deliveries to Russia and on 27 May 2022 we completed the divestment of our Russian subsidiary to local management.

Creating value – for all

Considering the interests of all our stakeholders is of fundamental importance to us, whether they be employees, customers, our wider communities, or our investors. Throughout this Report, you will read about how we address these different groups and advance our strategy with all stakeholders considered. For more information about our stakeholders and our Section 172(1) statement, please go to pages 40 and 43 respectively.

The Board

In what has been a year of great progress for the Group, I have appreciated the experience and counsel of my Board colleagues as we continue to deliver our purpose-led strategy and create value for all our stakeholders.

Inclusion & Diversity remains a key priority for the Group and I am proud to lead a Board that recognises the importance of strong female representation. We have met the Parker Review requirements for ethnic minority membership since 2021 and the Board will continue its focus on Inclusion & Diversity in the coming years.

There were no changes to the structure of the Board or Committees during 2022.

Dividend

The Board is recommending a 2022 final dividend of 17.4p per share (2021: 15.8p per share). Payment will be made on 12 May 2023 to shareholders on the register at the close of business on 11 April 2023.

People

At IMI we are proud to employ the best people and they remain key to the successful delivery of our purpose-led strategy. On behalf of the Board, I would like to thank them all for their continued commitment, dedication and hard work.

Lord Smith of Kelvin

Chair

Strategic Report

Chief Executive's review



We continued to make significant progress in 2022, delivering our third consecutive year of profit and margin growth.

Roy Twite
Chief Executive

Overview

Our purpose-led strategy, **Breakthrough Engineering for a better world**, focuses on solutions that help our customers become safer, more sustainable and more productive. We are aligned to attractive growth markets and have a resilient portfolio that is supported by long-term global macroeconomic trends. This, combined with our continued focus on customer satisfaction, market-led innovation and complexity reduction is creating real value. In our third consecutive year of profit and margin growth we delivered £52m of Growth Hub orders (2021: £23m) and completed three acquisitions, each in attractive growth markets and aligned with our strategy.

IMI delivered another strong financial performance in 2022, generating growth in a challenging environment. Organic revenues increased by 4% and organic adjusted operating profit increased by 8%. All three divisions delivered increased organic revenue and adjusted operating margins in the year. We continue to manage our supply chain well to support our customers. Pricing and efficiencies have offset inflation in the year. Adjusted basic earnings per share increased 15%.

Our purpose-led strategy **Breakthrough Engineering for a better world** continues to accelerate business performance, driving sustainable, profitable growth across the Group. We are focused on serving 'Better World' markets that have sustainable growth characteristics and where our proven engineering expertise can develop solutions for the most acute industry problems.

We serve a number of key sectors, including Industrial Automation, Life Sciences, Transportation, Energy and Indoor Climate. Industrial Automation benefits from our customers' need to automate in order to improve productivity. Life Sciences remains a high growth area. Regulatory requirements drive our Transportation customers' need for improved emissions and safety solutions. There is strong momentum in our Energy end-markets driven by the need for emissions reductions and supply security. Our energy saving solutions support reductions in energy usage and regulatory compliance within Indoor Climate.

We are delivering Value Today through a focus on customer satisfaction and complexity reduction; and Value Tomorrow by developing creative and innovative solutions to the greatest challenges our customers and society face.

Customer satisfaction remains at the heart of our strategy. We continue to invest in our sales and customer service teams and are developing digital tools to improve our service levels. This continued focus is reflected in recent customer satisfaction results, with all three divisions meeting industry leading benchmarks.

We have continued to identify and execute opportunities to reduce complexity and drive more efficient, resilient operations. Our restructuring programmes delivered £13m of benefits in the year. Significant projects are expected to be largely complete in 2024, although the Group will always seek and execute projects that improve its competitive position.

Initiatives focused on reducing the complexity and increasing the resilience of our supply chains have also been progressed. We continue to consolidate spend with key suppliers, strengthening relationships and reducing complexity, whilst dual sourcing where appropriate to provide more supply chain resilience.

Our market-led innovation model continues to deliver Value Tomorrow. Investments in business development resource and Growth Hub projects are seeing tangible benefits. Our new products solve key industry problems, helping our customers become safer, more sustainable and more productive. Our Growth Hub pipelines remain robust, with exciting early-stage projects actively progressing across all three divisions.

Investment case

- » Purpose-led strategy **Breakthrough Engineering for a better world** delivering improved margins and sustainable, profitable growth
- » Better World purpose aligns the Group to attractive growth markets, supported by global macro trends
- » Well-balanced portfolio, bound by world-class engineering capabilities that offers through-cycle resilience
- » Strong balance sheet offering strategic flexibility alongside disciplined financial objectives
- » Differentiated environmental profile – our solutions enable energy efficiency, sustainability, and safety



Find out more:
www.imiplc.com/investors/investment-case

Chief Executive's review

We completed three strategic acquisitions in 2022:

- » Heatmiser UK Ltd ('Heatmiser'), a leading smart thermostatic control manufacturer, in December 2022. Heatmiser extends IMI Hydronic's energy saving product portfolio and provides the opportunity to accelerate our growth in smart buildings.
- » Bahr Modultechnik GmbH ('Bahr'), the German linear motion specialist, in June 2022. As part of the Industrial Automation sector within IMI Precision Engineering, Bahr's unique electric actuation systems significantly expand our product portfolio, allowing us to deliver innovative automation solutions to customers regardless of power source. We see a great opportunity to scale Bahr's product portfolio across our existing customer base. Bahr also provides growth into less cyclical markets, such as Pharmacy Automation, increasing the resilience of the division and Group.
- » CorSolutions LLC ('CorSolutions'), a leading innovator in micro-fluid flow control, in October 2022. Part of the Life Sciences sector within IMI Precision Engineering, CorSolutions brings unique microfluidic capabilities to our leading product portfolio within the attractive analytical instrument market. We see a significant opportunity to leverage OEM relationships and scale the existing CorSolutions product portfolio and are excited to incorporate its talented R&D team into our Growth Hub programme.

These acquisitions offer the potential for significant synergies, bring strategic capability to our business and further move us into attractive Better World growth markets. All three acquisitions meet our strict M&A criteria and are expected to deliver returns in excess of IMI's cost of capital by the end of year three. We have retained senior individuals in all three businesses, who are now actively contributing to IMI's purpose-led strategy.

Environmental, Social & Governance (ESG)

Our purpose, **Breakthrough Engineering for a better world**, continues to drive our actions and create real energy across our organisation. This year we conducted an in-depth ESG materiality assessment in collaboration with customers, investors and employees. This fed into the development of our Board approved ESG strategy and determined our sustainability pillars:

1. Empowering people: we will develop and empower people to make an impact and create a better working world.

In addition to the regulatory guidelines on Inclusion & Diversity, we have selected women in management as our key metric for improving gender balance in leadership roles at IMI. We measure this population to build the succession pool for leadership roles. In 2022 it was 22%, up from 21% in 2021, and we are targeting 25% in 2023.

Ensuring all our employees are safe at work is central to our strategy and culture and we have a continued focus on identifying and reducing workplace hazards. Our Total Recordable Incident Frequency Rate (TRIFR) improved 38% from 0.56 to 0.35 in the year and, whilst this is good progress, we remain committed to the ambition of an accident-free workplace.

Our continued focus on empowering people and on creating an inclusive, diverse, and safe workplace is being recognised. Our annual employee survey, One Big Voice, delivered an employee engagement score increase from 77% in 2021 to 80% in 2022.

2. Sustainable solutions: we will engineer solutions that help our customers become safer, more sustainable and more productive.

IMI's solutions support our customers' products and operations and often directly contribute to the delivery of their carbon reduction targets. When considering investments, we ensure the impact on IMI's overall ESG positioning and performance are a prime consideration.

IMI sees a natural link between pursuing our ESG objectives with vigour and our wider ambitions for improved growth and profitability. Many of our best growth opportunities are supporting customers to develop solutions for a zero carbon future.

3. Climate action: we will play our part to address climate change by minimising the environmental impact of everything we do.

We reduced our CO₂ intensity by 9% in 2022. All divisions are progressing actions that will contribute to our goal of halving our factory CO₂ intensity by 2030, and IMI is committed to achieving net zero Scope 1 & 2 emissions by 2040. Having determined our Scope 3 emissions, we are now building our action plans to meet our commitment to reduce these by 25% by 2030 and be net zero by 2050.

Responsible business underpins everything we do - doing the right thing is at the heart of our IMI.

More information about our ESG credentials and initiatives, including our ESG materiality impact assessment, policies and practices, can be found on page 46 of the Annual Report and on our website: www.imiplc.com.

People

We have made tremendous progress towards delivering our purpose **Breakthrough Engineering for a better world** in 2022. This would not be possible without the continued support, commitment and contribution from all our people. Developing our talent to have a highly engaged workforce is one of the key enablers of our strategy. By acting as 'One Big Team', we are solving some of the world's most complex problems and this is something of which we can all be proud.

Outlook

Based on current market conditions we expect 2023 full year adjusted basic EPS to be around 111p. This guidance assumes foreign exchange rates will create a tailwind of c.2% on sales and profits, a net interest charge of £25m and a tax rate of 22%.

We remain confident in delivering sustainable, profitable growth and meeting our Group growth targets and operating margin target of 20% through the cycle over time.

Roy Twite
Chief Executive

Executive Committee



Roy Twite
Chief Executive



Daniel Shook
Finance Director



Beth Ferreira
Divisional Managing Director
IMI Precision Engineering



Jackie Hu
Divisional Managing Director
IMI Critical Engineering



Phil Clifton
Divisional Managing Director
IMI Hydronic Engineering



Liz Rose
Group Human Resources
Director



Louise Waldek
Group General Counsel and
Company Secretary



- 1 IMI Hydronic Engineering - Olkusz, Poland
- 2 IMI Precision Engineering - Palézieux, Switzerland
- 3 IMI Critical Engineering - Cagliari, Italy

Our purpose-led strategy

Our purpose

Breakthrough Engineering
for a better world

Where we operate

We operate in fluid and motion control markets. We are aligned to attractive growth markets and have a portfolio that is supported by global macro trends. This underpins our delivery of long-term, sustainable, profitable growth.

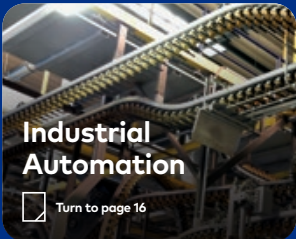
Divisions

IMI Precision
Engineering

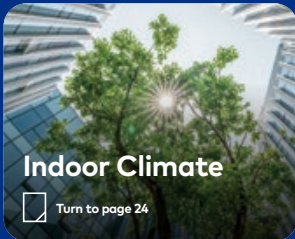
IMI Critical
Engineering

IMI Hydronic
Engineering

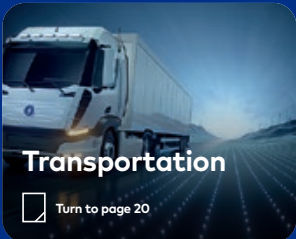
Key sectors


**Industrial
Automation**
 Turn to page 16


Energy
 Turn to page 22


Indoor Climate
 Turn to page 24


Life Sciences
 Turn to page 18


Transportation
 Turn to page 20

Values


Customer
intimacy


Playing to win


One big team


Integrity

How we create value

Our strategy

We combine our deep engineering knowledge with strong applications expertise to develop solutions for the most acute industry problems. We help our customers become safer, more sustainable, and more productive.

Pillars

Customer satisfaction

We provide world-class engineering expertise, and excellent customer service to all our customers alongside diverse sector knowledge and know-how. We have market-leading brands.

Market-led innovation

Our Growth Hub and selective M&A develops market-leading innovation to support our customers with their most challenging and complex engineering problems.

Complexity reduction

We continue to simplify and improve our global manufacturing footprint and demonstrate a resilient supply chain to support our customers.

Enablers

Sustainability

We focus on supporting the sustainability goals of our customers as well as ensuring we improve our sustainability through our ESG initiatives.

Talent and engagement

Developing and retaining our key talent, attracting high quality diverse talent, as well as having a highly engaged workforce enables us to deliver excellent service to our customers.

Digital

We actively develop digital tools to improve our service to customers.

Our stakeholders

Customers

Our engineering solutions support our customers most complex problems.

Employees

We support all our employees and continue to improve engagement to record levels.

Investors

We continue our track record of enhanced value creation and delivery for shareholders.

Suppliers

Our supply chain partnerships demonstrate long-term trust built over time.

Community and environment

We support our local communities and continue to reduce our impact on the environment and support our customers to do the same.

Government and regulators

We comply with the applicable laws and regulations.

Measuring our performance

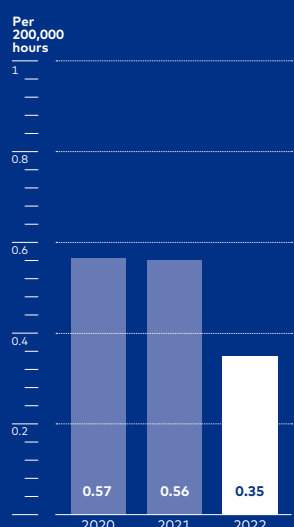
Our Key Performance Indicators measure our value creation for our stakeholders and are summarised on pages 12 and 13.

Key Performance Indicators

The Key Performance Indicators (KPIs) set out below represent financial and non-financial measures which are integral to the delivery of our strategy and are used to track progress. In 2022, we have changed the employee engagement KPI to be based on our anonymised individual survey – One Big Voice.

Linked to remuneration

Total Recordable Incident Frequency Rate



Why is this a KPI?

The health and safety of all who work at IMI is paramount. Ensuring a safe working environment is closely linked to our business success, including attracting and retaining the best talent.

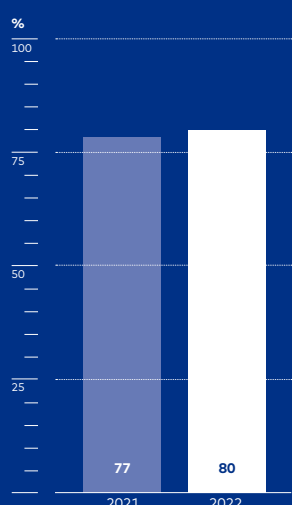
Definition

We measure our progress in this area by tracking the number of recordable work-related injuries per 200,000 hours worked (TRIFR rate). See page 65 for details of the calculation.

Performance

In 2022 our TRIFR rate reduced to 0.35 with no fatalities, reflecting the Group's continued focus on identifying and reducing workplace hazards.

Employee engagement*



Why is this a KPI?

The engagement of our employees is key to retaining the existing skills and promoting and attracting employees who bring new ideas and capabilities.

Definition

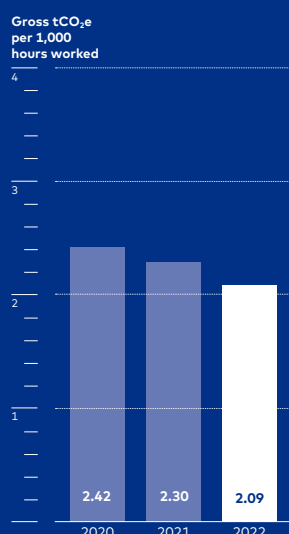
We carry out an annual anonymised survey of employees - One Big Voice - and use the response to the question '**I see my business (IMI) as a great place to work**' as a gauge of employee engagement.

Performance

We continue to maintain a high percentage of employees that see IMI as a great place to work.

* In 2021 this metric presented results to the question 'I would recommend my business (IMI) as a good employer to friends and family' sourced via a group worksheet completed as part of the IMI Way Day activities rather than an anonymised individual survey. 2021 results have been restated to reflect the updated definition. There was no anonymised survey in 2020.

CO₂ intensity



Why is this a KPI?

Our purpose **Breakthrough Engineering for a better world** drives our strategy and our ambition, including our commitment to halve our total CO₂ intensity by 2030 (based on 2019 Scope 1 & 2 emissions).

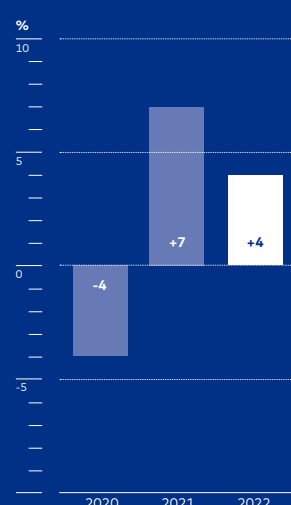
Definition

We measure our progress in this area by tracking our total CO₂ intensity. This is calculated by looking at the ratio of total Scope 1 & 2 emissions (tonnes CO₂e) per 1,000 hours worked. See page 74 for details of the calculation.

Performance

In 2022 our total CO₂ intensity reduced to 2.09, reflecting the Group's continued focus on identifying and delivering on projects to reduce our carbon emissions.

Organic sales growth



Why is this a KPI?

Delivering consistent growth is an important part of building sustainable value for shareholders.

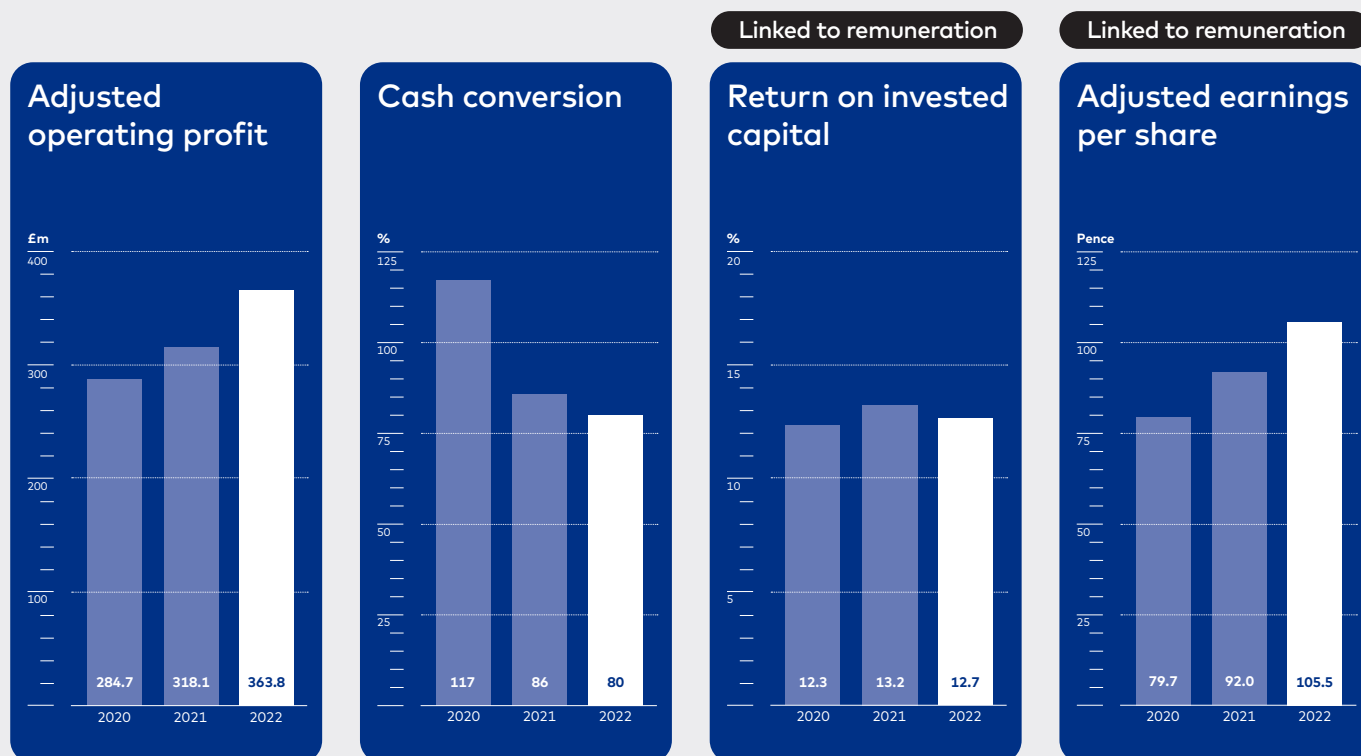
Definition

Organic sales is stated at constant exchange rates and excludes the incremental effect of acquisitions and disposals. For 2022 that means we are adjusting for the acquisitions of Adaptas Solutions (acquired in December 2021), Bahr Modultechnik (acquired in June 2022), CorSolutions (acquired October 2022) and Heatmiser (acquired December 2022) and the disposals of our InterAtiva subsidiary (disposed in July 2021) and our Russian subsidiary (disposed in May 2022).

Performance

Organic sales growth was 4% in 2022 reflecting the continued delivery of our unifying purpose-led strategy **Breakthrough Engineering for a better world**.

Our KPIs have been designed to drive the Group towards meeting our strategic objectives outlined in our business model. See pages 10 and 11 for details. The Alternative Performance Measures used as Key Performance Indicators (organic sales growth, adjusted operating profit, adjusted earnings per share) are defined in Note 3.



Why is this a KPI?

Growing our profits will ultimately generate value for our shareholders and create more opportunity to invest further.

Definition

The Group's operating profit before the adjusting items described in Note 3, which ensures a consistent basis for comparison.

Performance

Adjusted operating profit improved in 2022 reflective of the commercial and operational focus during the year. Adjusted operating margin improved 80bps to 17.8%.

Why is this a KPI?

Cash generation supports investment in our business and enables the Group to provide returns to shareholders through dividends. Strong cash generation also ensures a strong balance sheet, giving customers and suppliers confidence in the future of the Group.

Definition

Cash conversion is the adjusted operating cash flow as a percentage of the adjusted operating profit.

Performance

Cash conversion was again robust in 2022 at 80% supported by continued focus on working capital management.

Why is this a KPI?

The measure provides an indication of IMI's ability to deploy capital effectively.

Definition

Adjusted operating profit after tax divided by average capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets/liabilities, defined benefit pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangible assets. See the calculation on page 36.

Performance

The Group's return on invested capital declined in 2022 to 12.7%, reflecting the impact of recent acquisitions that have increased our invested capital at the year end though we do not see the full year benefit of the profits until 2023.

Why is this a KPI?

Creating consistent long-term value for shareholders.

Definition

Adjusted profit after tax divided by the weighted average number of basic ordinary shares.

Performance

Adjusted earnings per share increased in the year to 105.5p.

Return on invested capital and adjusted earnings per share are performance targets for the 2021, 2022 & 2023 IIP. CO₂ intensity is a performance target for the 2022 & 2023 IIP. See page 131 for further details.

Our people strategy

Our people are critical to deliver our purpose of **Breakthrough Engineering for a better world**. Our people strategy focuses on talent development, employee engagement and creating a culture that will enable us to successfully deliver our strategy and purpose.

Culture

Breakthrough Engineering for a better world inspires how we think, feel and act. It is the unifying force that creates a culture where our people feel empowered to identify and solve customer problems, and are supported to grow a fulfilling career and do the right thing always.

Through 2022, we have continued to invest in, protect and nurture our culture. We have introduced a new engagement metric, which measures individual responses to the question 'I see my business (IMI) as a great place to work.' In 2022, 80% of our people responded favourably, an increase of 3%. Further information about this KPI can be found on page 12. We are pleased that this increased score reflects progress across our priorities.

Health and Safety – we are intent on creating a safe environment for all our people, and a willingness to speak-up when they observe unsafe behaviours underpins this ambition. In the 2022 One Big Voice employee survey, 79% of people say they now feel comfortable challenging any behaviour that may be unsafe (2021: 70%). We also rolled out a global, immersive training session called 'Hey! That's Not OK!' to tackle inappropriate behaviours and reinforce a speak-up culture across IMI.

Communications and engagement – clearly articulating our strategy and purpose is key to people's sense of connection and engagement. Throughout 2022 we shared more about who we are and what we do and continued to build on our success with our internal communications platform,

Workplace, where all our employees come together to collaborate and communicate. We are bringing our culture to life through storytelling and we are embracing social media channels to reach future talent. The 2022 One Big Voice results showed a good improvement across our engagement metrics.

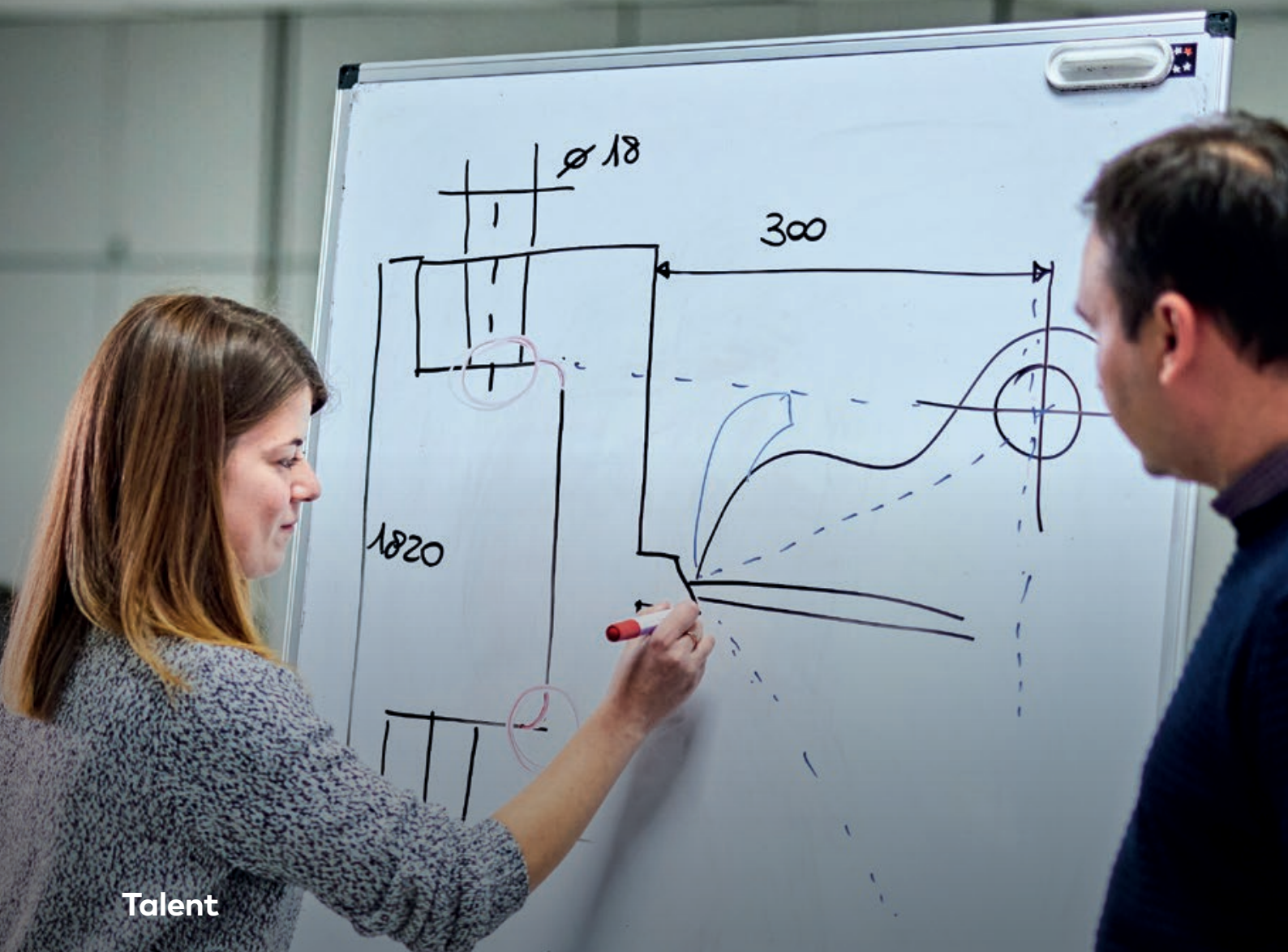
IMI Way Day – is a core driver of engagement for our business and an essential ingredient of a purpose-led business. The event sees every site and every team member down tools and come together for one day and celebrate their part in creating a Better World for our customers, our people and our communities. We take time out to pause, reflect and talk to each other about what really matters, as well as giving something back to our local communities.

Inclusion & Diversity (I&D) – having a diverse culture that reflects the societies we operate in and where all our people can be themselves is central to our Better World ambition. This year we focused on embedding I&D into key business practices. We have introduced diverse recruitment practices, encouraged leaders to listen more to employees across all levels, and promoted and championed I&D through education, communication and role modelling. We are strengthening relationships with external engineering networks in order to attract candidates from different backgrounds. Data collection is critical to our progress and we are improving how we measure gender and ethnicity pay gaps.

Growth – we are engaging more people from right across the business and externally through our entrepreneur network to drive our growth accelerator programme, Growth Hub. We appointed divisional growth accelerator leads who take the culture and learnings from Growth Hub into our local sites. These and other activities encourage all our people to see and own their part in our growth agenda.

Wellbeing – we focus on four pillars of wellbeing: mind, body, financial and social. With mental health now a global issue, supporting our employees and their families is a top priority. We launched our new Employee Assistance Programme (EAP) globally at the beginning of June. It provides free, professional counselling for any work or personal issue, as well as an online resource hub with access to articles, checklists and advice on a wide range of topics. The EAP dovetails with our wider wellbeing support, including mental health first aiders at some sites and Change Champions who advocate wellbeing and lead activities such as finance clinics, company challenges and recognition of events such as World Mental Health Day.

Pay and benefits – we continue to ensure pay, benefits, and wellbeing propositions are competitive and fair. Pay is typically reviewed on an annual basis, with increases aligned to an individual's level of skills and experience as well as external factors like market competition and inflation.



Talent

Given the challenges all companies face in attracting and retaining the best people, the Executive team made talent its priority for 2022. Focus was in three areas: Attraction, Visibility and Development. We are developing and executing a strong internal succession pipeline while supplementing this with high calibre external candidates, particularly for bringing in new capabilities to support our growth agenda.

Talent attraction – we aim to attract high quality, diverse talent, through an impactful candidate experience. Significant progress has been made in 2022. We enhanced the corporate website and social media platforms, bringing our purpose and culture to life and demonstrating IMI to be an employer of choice. Our testing and interview processes have been standardised and we provided unconscious bias training for

recruitment professionals. We are also digitalising recruiting in order to speed up the hiring process and improve the candidate experience. This further supports talent attraction, particularly in our more challenging geographies.

Talent visibility – we have improved performance management by emphasising career aspirations, mobility and development conversations. Our performance ratings assess talent as a combination of performance and potential, reflect delivery of results and identify talent that will help us to win. We had great success in 2021 with internal promotions into leadership roles, and so in 2022 our focus was on talent attraction to increase our pipeline.

Talent development – this is key for both engagement and retention of our best people. We have invested in e-learning content that is globally accessible with

multi-language capability. We have rolled out development programmes for our top talent and aligned leadership development to our Better World growth ambitions. We partnered with the International Institute for Management Development (IMD), to deliver a bespoke management programme to 50 of our top leaders. A second cohort of high-potential talent is also progressing through our successful Catalyst programme, seeing excellent results and engagement. The IMI Graduate Programme remains a key talent pipeline, with 40 graduates joining us as part of the 2022 intake; retaining an equal gender balance remains a priority and we continue to diversify the programme into broader disciplines.

Creating value

Industrial Automation

We're co-innovating with our customers and leveraging digital technology to create the smart, safe, sustainable factories, production lines and warehouse operations of the future.

Ever since the birth of the assembly line at the beginning of the 20th century, automation has gone hand-in-hand with commercial success, to the point that the businesses that didn't automate soon struggled. We've worked in partnership with customers for many years, optimising their automated processes so they stay competitive. They come from a range of industries around the world, from food and beverage to automotive, material handling to warehouse automation and packaging. Our high-performance valves and actuators keep their production lines and warehouse operations moving, increasing productivity, improving efficiency and reducing the occupational hazards associated with heavy equipment or dangerous environments.

Machines that make their own decisions

We service customers in sectors experiencing radical change and a desire to do things more sustainably so there's great openness to new technology and solutions. It's a tremendous opportunity for growth in an area that our employees and our customers care deeply about.

Some of our products are already part of a digital ecosystem that can create whole new levels of visibility from data. This allows for more efficient decision-making in real time to reduce energy consumption and optimise the use of other

resources. We'll see even higher value with the power of machine learning, so that automated systems will know exactly what needs to happen and when. The long-term vision is production shop floors are automated with our technology, so that people can spend time and energy on the tasks that machines cannot perform.

Freeing up humans to do things that a machine can't

In the wake of COVID-19, our customers are finding that there aren't enough people who want to do the repetitive and sometimes dangerous work, so they're accelerating automation out of necessity. With the contraction in the labour market, it makes sense to deploy their skilled people for the highest value work, avoiding manual work like component testing and warehousing. Robots are already becoming adept at even the smallest tasks, particularly when they have the latest vision recognition technology. Advances in spatial awareness software mean robots are even now operating on shop floors, safely moving machinery across uneven floors and around busy colleagues. All this creates opportunities for us to deploy our products and engineering expertise to help our customers automate more and more of the most repetitive tasks and operations.



Going for growth

Our Growth Hub approach is a powerful asset, opening doors for us to work with new and existing customers, start-ups and academic institutions to overcome some of the most critical challenges the world faces and to fuel positive social change and economic expansion. With agile teams leveraging everyone's competence and our collaborative problem-solving mindset we can act as true engineering partners. And providing the sustainable solutions our customers are looking for, keeps us at the forefront of our industry and in lockstep with our ambitions for a Better World. "There's huge customer demand to automate sustainably. That's what we know and what we're great at and we're working with our customers across that whole journey. It marries up with our purpose of **Breakthrough Engineering for a better world**," says Liam Stanton, Growth Hub Director.

Bringing energy savings to a robotics-assisted hydroponics farm

Singrow in Singapore grows fruit including strawberries vertically indoors. The founders approached us for help reducing their high energy and water consumption. We used our expertise with sensors, Norgren-cloud and edge computing to visualise data in a feedback loop so they can run the farm from their mobile phones.

Key automation facts:

- » By cooling the growing racks rather than the whole warehouse and reflecting LED light to maximise efficiency we reduced energy consumption by 40% when compared to traditional vertical farming methods
- » Better use of resources helped improve their yield-to-cost ratio (total yield over labour, electricity, land and water costs) so sales prices can be more competitive
- » Our solution enables the ability to grow food productively in urban areas instead of the suburbs, which reduces the number of miles food travels and the carbon footprint

"As an agri-tech startup with our core technology from plant science, we have to work with competent engineering partners, who can help us develop our precise agriculture design. Norgren has always acted swiftly and professionally. With their strong engineering team and global network, Norgren not only developed a prototype for us, but a solution with new possibilities."

Shengjie BAO
CEO and founder
Singrow

"Customers don't buy technology, they buy solutions. The goal is to replace manual work with higher value work at the same time as reducing errors and wastage. The possibilities are endless."

Alex Tham
Regional Managing Director, Rest of Asia
IMI Precision Engineering

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Creating value

Life Sciences

We empower our customers to digitise and automate their processes to diagnose disease early and support highly tailored, patient-focused critical care.



We're pushing technology to the limit in Life Sciences. We've helped customers create vaccines faster by streamlining their bioprocess. We've enabled them to test samples and receive results in fractions of a second. The fluid control valves we make for ventilators and anaesthesia machines, and the valves, manifolds and precision syringe pumps we make for analytical and diagnostic instruments, have helped save countless lives. As you'd expect where precision and safety are paramount, our world-class manufacturing facilities work to the most stringent global standards.

We significantly extended our product portfolio further into Life Sciences by welcoming Adaptas Solutions into the IMI team in December 2021. Adaptas is a market-leading provider of components and subsystems for ascertaining the composition of chemical compounds within a sample. Adaptas's deep relationships with global analytical instrument manufacturers and some of the world's leading scientists allows us to move into adjacent markets and grow fast.

Like us, Adaptas has a business model of delivering value by solving customer problems in partnership with them. With our global reach and strength at innovating, customers view us as an extension of their teams. Jay Ray, Senior Vice President, IMI Adaptas, describes the relationship as "being family".

What are the megatrends in health care?

Urbanisation, sedentary lifestyles and climate change are the biggest global health threats of the 21st century. They will likely increase health risks such as cardiovascular diseases, heat and pollution-related illness and vector-borne diseases. Through our relationship with the scientific research community, we're attuned to how these trends will impact on the way we diagnose and treat patients.

Healthcare is already starting to look radically different from the one-size-fits-all approach of the past. DNA sequencing combined with real-time monitoring with algorithms and analytical tools present far-reaching opportunities. Our customers can achieve a significantly greater level of accuracy over key inputs like dosage control so they can treat people as individuals and offer a precisely tailored medical regime.

Getting answers in fractions of a second

One of the largest clinical analyser companies in the world asked for our help with advancing their laboratory productivity. They wanted to accelerate processing and improve their use of lab resources, including reagents.

Key laboratory automation facts:

- » We helped them build their system and workflow more intelligently and gave them active control over their process
- » They were able to speed up their line and significantly increase the number of sample tests per year
- » Outcomes include accurate and rapid diagnostics and reduction of errors in the laboratory process

"Our customers value our innate ability to understand the problems they face. The combination of our collaborative nature, understanding of the science, vertical manufacturing capabilities and innovative culture allows us to bring tremendous worth to our customers."

Jay Ray
Senior Vice President
IMI Adaptas

"Life Sciences has really attractive growth rates and tangible problems that we can solve for a Better World."

Beth Ferreira
Divisional Managing Director
IMI Precision Engineering

No more waiting for test results

Technologies now allow health practitioners to test at the point of patient care without having to send samples off to the lab – this will only grow in the coming decades. Point-of-care tests mean practitioners can access test results when they're with a patient in the GP's surgery or at the hospital bedside and give them the treatment they need straight away.

Self-testing – something everyone learned how to do during the COVID-19 pandemic – coupled with the power of smartphones is a game-changer. We are engaging with customers on real-time instrumentation intended to analyse exhaled breath and detect biomarkers at very low levels for conditions such as presymptomatic Alzheimer's or precursors to a heart attack. Picking up the metabolic indicators of diseases early makes successful outcomes much more likely. It is advances like these that make Life Sciences a powerful, critical and attractive high-growth market. It's one we're proud to be a part of, innovating to improve life for everyone.

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Creating value

Transportation

We're at the heart of progress in making better vehicles as manufacturers commit to reducing emissions. We're responsible for fluid control innovations for many industries and have in-depth expertise in the commercial transportation sector. Among the areas in which we're working with customers is on applications directly associated with emissions control in diesel engines, and in the alternative fuels space.



The newer the diesel vehicle, the greener the engine

We add Value Today for customers through our expertise in managing exhaust cleanliness to meet increasingly stringent emissions requirements. Heavy duty truck emissions are up to 97% lower than 30 years ago. It's a major step change.

As diesel is phased out, truck manufacturers have two main options: battery electric and hydrogen. Currently, both have their challenges, but the technology is improving fast. Our high-flow, motorised valves, for example, help customers get almost five times more power from hydrogen fuel cells than they could two years ago.

What will the future look like?

As well as developments in low-emission fuels we'll see a complete overhaul of how people and products are moved around in the coming years. The trend towards greater localisation in manufacturing will, in turn, change transport requirements. There will be more short-haul commercial freight and a focus on greening the last mile.

From jumping into a driverless taxi to opening the door to a delivery by drone, the what-next of transportation will look totally different to where we are now.

Trials with autonomous vehicles including trucks are already taking place in the USA, Germany, China and Japan, amongst others. Roads, or the way we use them at least, will see a transformation too. The long-term vision for fleets involves automated platoons of trucks, slip-streaming to reduce fuel use and therefore emissions. A sophisticated kind of cooperative adaptive cruise control – a version of which many cars have already – will keep individual vehicles connected and closely coupled to the truck in front.



Customer relationship

There's no single, linear pathway to the future and this is where IMI Precision's competency at key account management comes into its own. We're mindful of the trends we're seeing in the industry and we're a strong partner in the innovation process because of our engineering capability, because of our flexibility and because of our skills in truly listening to what the customer wants.

From decarbonising their value chain to making sure they're not reliant on materials that are going to be obsolete, our customers have a long list of problems that they want to solve. It's the customer – and society – that sets the agenda. But we'll be with them every step of the way.

Making hydrogen fuel cells more powerful

IMI's fluid control technology is helping a hydrogen fuel cell manufacturer in China make more powerful fuel cells.

Key fuel cell facts:

- » Our fluid control technology works by controlling the thermal dynamics and flow of gases going into the cell
- » The high-flow, motorised valves we've developed enable greater energy generation
- » Fuel cell output has jumped from 50kW (70 horsepower) two years ago to 240kW today

"The alternative fuels space is a completely new playground. There's some uncertainty around which fuel will ultimately predominate, but with our technology supporting many future solutions, we are helping our customers keep their options open."

Chris Prince
Global Engineering and Operations Director
IMI Precision Engineering



Find out more:
www.imiplc.com/what-we-do/imi-action/its-about-creating-better-world-through-use-hydrogen-fuel-cells

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Creating value

Energy

We are helping to reduce emissions in the oil and gas industry and exploring growth opportunities with new decarbonisation technologies.

One of the main goals of the Paris Agreement in 2015 was to scale up efforts to reduce carbon emissions and so limit global warming. It marked the beginning of the transition towards a net zero economy. Stopping climate change is a huge challenge and, to play its part, the oil and gas sector must reduce significantly its emissions. In the longer term there will be an acceleration in the shift to green energy across the globe. However, in the short to medium-term, the world will remain deeply reliant on oil and gas. So the sector needs to optimise its processes to operate as cleanly and efficiently as possible. We are working with our customers in the oil and gas industry to achieve this.

Low-carbon energy technologies such as renewables, nuclear and hydrogen already exist. The challenge is to find ways to make them a cost-effective alternative to hydrocarbons and we are exploring ways of doing this with our clients. We are making great progress, for example, in unlocking hydrogen's full commercial potential. By using our engineering expertise and by developing innovative green hydrogen systems that improve production yields, we are supporting our customers in building the hydrogen economy of tomorrow.

Cutting methane emissions to slow global warming

As oil and gas producers commercialise smaller fields in some of the world's most challenging locations, their need for critical component reliability is growing. We create Value Today by enhancing plant performance and enabling customers to extract oil and gas safely for transfer to downstream processes. Our products help protect people and assets by managing surge pressures and reducing leakage of greenhouse gases such as methane, a gas responsible for around 30% of the rise in global temperatures since the industrial revolution.

Customers use our market-leading valves and systems both at the point of extraction and for processes such as fluid catalytic cracking, which is part of the refining process to convert oil and gas into fuel products. We have deep expertise with a technology known as HIPPS – which stands for high-integrity pressure protection system. In an oil or gas field, a HIPPS skid automatically closes large valves within fractions of a second to protect downstream equipment and pipework. Without a HIPPS system, producers often resort to flaring – an inefficient method of burning off excess gas – which releases millions of metric tons of CO₂ and methane into the atmosphere every year. This is costly on all levels, including in terms of reputational risk, as companies come under increasing scrutiny over their emissions.



New markets where our expertise can support sustainable growth

Oil and gas will continue to be needed as a feedstock for valuable materials, such as plastics. However, innovation can help to decarbonise the downstream processes. Mindful of how the industry will look in five to ten years' time, we are actively investigating opportunities in new technologies and markets within this space. Dutch research organisation TNO has installed our valves in a pilot plant for a revolutionary technique for industrial carbon capture. The process, known as sorption enhanced water gas shift (SEWGS) is exciting for two reasons – not only is it extremely efficient, it also creates blue hydrogen as a by-product, which can be further utilised as a base material or energy source.

Right now, there's considerable momentum behind hydrogen as a key component in the world's clean, secure energy future. The technologies are there to decarbonise our energy sources and industrial processes – the challenge is to bring down costs to be able to grow them at scale. We embrace our role in the global energy transition. It's hard to find a more compelling example of our purpose of contributing to a Better World.

A turnkey green hydrogen plant

Two British universities needed a low capex way to produce green hydrogen for their hydrogen research centres. We are providing both with an IMI VIVO Electrolyser, which enables customers to produce large quantities of green hydrogen from water electrolysis using renewable power, on site, in a set-up no bigger than a shipping container.

Key IMI VIVO PEM Electrolyser facts:

- » The 500kW electrolyser makes use of advanced polymer electrolyte membrane electrolysis technology
- » IMI can tailor the system to a customer's specification and serve as a field service partner for the lifetime of the plant
- » The research centres will use it to develop sustainable aviation fuel and renewable fuel for future generations of ultra-low emissions vehicles

"We provide unique product solutions so our customers in the oil and gas industry can safely and efficiently manage extremely hazardous processes."

Maximilian Wuelfing
Global Business Development Director, Energy Tech & Downstream
IMI Critical Engineering



Find out more:
www.imiplc.com/what-we-do/imi-action/growth-hub-why-its-fundamental-imis-future

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Creating value

Indoor Climate

We create intelligent heating and cooling systems that help our customers reduce energy consumption, improve building comfort and combat climate change.

In the current energy and climate crisis, one of the most powerful things IMI can do to reduce carbon emissions is help our customers reduce their energy consumption while maintaining a comfortable indoor temperature.

Saving energy starts with helping our customers to see where and when they're using the most energy – after all, there's nothing more wasteful than heating or cooling an unused space. Our innovative TA-Smart valve not only continuously measures and adjusts energy flow but also provides vital (and continuous) data feedback that customers can access through the cloud to ensure their system is operating at optimal efficiency.

To demonstrate the importance of collecting data, we ran an optimisation project at our factory in Germany to reduce the production hall's energy consumption. We installed TA-Smart along with sensors measuring relative humidity, temperature and CO₂ levels. The combination of TA-Smart's technology, our mobile app HyTune and our cloud platform HyCloud allowed us to pinpoint where and when energy was being wasted. By setting TA-Smart to flow control mode and using HyCloud to track data, we were able to deliver considerable savings on thermal energy consumption while still maintaining a comfortable temperature.

This intelligent ecosystem led by TA-Smart is an excellent example of how we're delivering Value Today to our customers via innovative digital solutions that are critically needed in today's economic and social climate.

Accelerating our growth in smart buildings

A few smart buildings aren't enough on their own. The planet needs to reduce its energy consumption. So our ambition is to make new technologies readily available, simple to operate and affordable. It's the challenge of a generation that we're embracing wholeheartedly.

A significant number of buildings across Europe will need to make their heating systems compliant with energy and environmental legislation over the next 30 years. In 2022, we were delighted to welcome Heatmiser, a leading UK smart thermostatic control manufacturer, to the IMI family. Heatmiser's products enable heating and cooling in each room to be controlled remotely via a smart phone. This acquisition is a game-changing opportunity for IMI to use the strength of our brands and market position to scale Heatmiser's offering, making energy-saving technologies more accessible to homeowners across Europe.



Helping reduce energy waste in Brazil

Reducing energy consumption and increasing the efficiency of HVAC systems is a global challenge. The Teresina Shopping Centre in Brazil, is one of the biggest commercial centres in the region, housing a cinema, a large food court, a bank, a gym, and over 150 shops. The original HVAC system design had many inefficiencies causing unwanted temperature variations, leading to energy waste and user discomfort. To design an optimal retrofit solution, the app HySelect was used to ensure the correct products were selected. Once the design was finalised, the system was renovated with a comprehensive cross-brand solution. To ensure the design matched the real environmental conditions, the TA-Scope balancing instrument was used to set the system up correctly.

Key indoor climate facts:

- » The system was optimised to respond to changing weather conditions, ensuring optimal energy use and user comfort
- » The renovation reduced energy consumption by 28%

"The buildings of tomorrow won't require people to change behaviours to save energy; they will automatically manage the energy saving for them. That's the vision for the future, which is closer than we think."

Peter Agneborn
Divisional Sales and Marketing Director
IMI Hydronic Engineering

High customer satisfaction

We have an international network of Hydronic Colleges, where we share knowledge and develop new solutions with customers – it's just one of the many ways we offer our support. While our products are excellent at reducing energy use on their own, our approach is to look at the requirements of the entire system and work in partnership with customers to design a bespoke solution. That's how we deliver on our purpose to build a Better World: we use state-of-the-art technology and our industry-leading knowledge to reduce energy consumption and emissions in cities across the globe.

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Operational review

IMI Precision Engineering

IMI Precision Engineering specialises in the design and manufacture of motion and fluid control technologies where precision, speed and reliability are essential to the processes in which they are involved. IMI Precision Engineering operates across three principal business units: Industrial Automation, Precision Fluid OEM and Transportation. Further details on that segmentation, and comparison with the 2021 results are available in Note 4.

Beth Ferreira
Divisional Managing Director



Key brands

- Norgren
- Bimba
- Buschjost
- FAS
- Herion
- IMI Adaptas
- Kloehn
- Bahr

2022 financial highlights

Revenue

^ 18% **£986m**
2021: £836m

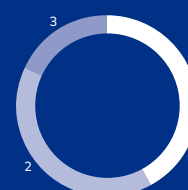
Adjusted operating margin*

^ 70bps **18.5%**
2021: 17.8%

Statutory operating margin

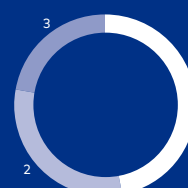
^ 130bps **13.2%**
2021: 11.9%

Revenue by geography



1 Europe 42% (2021: 45%)
2 Americas 40% (2021: 37%)
3 Asia Pacific 18% (2021: 18%)
Middle East & Africa 0% (2021: 0%)

Revenue by market



1 Industrial Automation 47% (2021: 49%)
2 Precision Fluid OEM 31% (2021: 25%)
3 Transportation 22% (2021: 26%)

Number of employees

5,800
2021: 5,400

Key developments

- » Strong sales growth of 18%, organic growth of 5%
- » Adjusted operating margin up 70bps
- » Statutory operating profit up 31%
- » Acquisition of Bahr completed, expanding electric linear motion offering

2022 performance

IMI Precision Engineering had a strong year, delivering organic revenue growth of 5% and revenue growth of 18%. This performance reflects positive conditions in our core end markets; selective M&A increasing our exposure to attractive adjacencies; and our continued focus on customer satisfaction, achieving an industry leading customer satisfaction score in the year.

Industrial Automation delivered strong organic growth of 7% compared with 2021. We see continued underlying demand for solutions that automate processes in a competitive labour market. The integration of Bahr, acquired in June 2022, has been progressing well and we see a significant opportunity to scale Bahr's innovative electric linear motion system across our existing customer base. Furthermore, Bahr's strength in less cyclical markets, such as Pharmacy Automation, increases the resilience of IMI Precision Engineering.

Precision Fluid OEM, around half of which is in the Life Sciences sector, remains an exciting segment, delivering organic growth of 6%. Adaptas, acquired in December 2021, has performed strongly with its order book up 66% at £40m at the end of the year. The business is

integrating well into the Group, and extending the divisions product portfolio further into the attractive Life Sciences sector. The acquisition of CorSolutions, a leading innovator in micro-fluid flow control, will further expand growth in this area by complementing the offering from Adaptas.

Transportation revenues were up 1% compared with 2021. Whilst we continue to experience good underlying demand for our products, the supply of semiconductors and other electronic equipment has constrained truck volumes in EMEA and North America, while COVID-19 restrictions impacted truck volumes in China. We are maintaining strong relationships with OEMs, ensuring we stay well placed to meet demand as these pressures ease.

Adjusted operating margin in the division improved in the period by 70bps to 18.5%. The division continues to advance complexity reduction initiatives, simplifying the business to better serve customers. These projects delivered £9m of incremental benefits in the year.

Growth has been supported by a significant investment in people in the year, with a specific focus on Growth Hub and digital roles. We have seen strong improvements in employee engagement and Inclusion & Diversity remains a priority.

IMI Precision Engineering also made progress with initiatives that reduce the environmental impact of its facilities and operations. Solar panels are being installed across our sites globally and we are investigating opportunities to electrify our vehicle fleet and roll-out integrated energy management systems across manufacturing facilities.

Outlook

Based on current market conditions, including the softening industrial production environment, IMI Precision Engineering 2023 organic revenues are expected to be lower than in 2022, with margins slightly higher.

	2022	2021	Change	Organic vs 2021*
Revenue	£986m	£836m	+18%	+5%
Adjusted operating profit*	£182.6m	£148.9m	+23%	+9%
Adjusted operating margin*	18.5%	17.8%	+70bps	
Statutory operating profit	£130.1m	£99.6m	+31%	
Statutory operating margin	13.2%	11.9%	+130bps	

*See Note 3 for definitions of alternative performance measures and the references to reconciliations of these measures.

Operational review

IMI Critical Engineering

IMI Critical Engineering is a world-leading provider of flow control solutions that enable vital energy and process industries to operate safely, cleanly, reliably, and more efficiently. Our products control the flow of steam, gas and liquids in harsh environments and are designed to withstand temperature and pressure extremes as well as intensely abrasive or corrosive cyclical operations. Further details on IMI Critical Engineering market segmentation, and comparison with 2021, are available in Note 4.



Jackie Hu
Divisional Managing Director

Key brands

- IMI Bopp & Reuther
- IMI CCI
- IMI Fluid Kinetics
- IMI NH
- IMI Orton
- IMI PBM
- IMI Remosa
- IMI STI
- IMI TH Jansen
- IMI Truflo Italy
- IMI Truflo Marine
- IMI Truflo Rona
- IMI Z&J
- IMI Zikesch

2022 financial highlights

Revenue

^ 3% **£713m**
2021: £691m

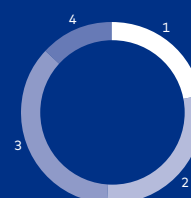
Adjusted operating margin*

^ 90bps **19.0%**
2021: 18.1%

Statutory operating margin

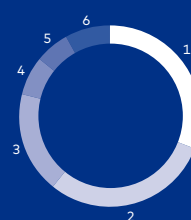
^ 190bps **17.9%**
2021: 16.0%

Revenue by geography



- 1 Europe 22% (2021: 25%)
- 2 Americas 29% (2021: 28%)
- 3 Asia Pacific 36% (2021: 35%)
- 4 Middle East & Africa 13% (2021: 12%)

Revenue by market



- 1 Refining & Petrochemical 31% (2021: 31%)
- 2 Fossil Power 30% (2021: 30%)
- 3 Oil & Gas 18% (2021: 18%)
- 4 Nuclear 7% (2021: 9%)
- 5 Marine 6% (2021: 5%)
- 6 Other 8% (2021: 8%)

Number of employees

3,100
2021: 2,900

Key developments

- » Organic order intake up 12% in the full year, order book up 18% year on year
- » Growth Hub delivers £43m orders
- » Adjusted operating profit up 8%
- » Statutory operating profit up 15%

2022 performance

IMI Critical Engineering delivered another impressive performance in 2022, with organic order intake 12% higher than 2021. This reflects increased activity across our Energy end markets, as well as a significant contribution from the division's Growth Hub and Sprint Teams.

Aftermarket orders grew 16% organically, with strong growth in Refining & Petrochemical, Oil & Gas and Power. New Construction orders were 8% higher on an organic basis, largely reflecting increased Oil & Gas activity.

IMI Critical Engineering continues to advance its strategy and is actively deploying Growth Hub where its expertise can support sustainable future growth. The division's Growth Hub and Sprint Teams are providing a significant impact to the divisional results and contributed £43m of orders in the year (2021: £20m).

The IMI Critical order book at the end of the year was 18% higher than December 2021.

Organic revenue was 2% higher than the prior period, and 3% higher on an adjusted basis. Aftermarket organic sales were 5% higher than 2021, largely due to growth in the Oil & Gas, Refining and Petrochemical and Nuclear segments. New Construction organic sales were 2% lower than last year, reflecting the phasing of Oil & Gas projects.

Adjusted operating margin for the year was 19%, 90bps higher than the prior year. This was another strong performance reflecting the division's strategy to maximise higher margin aftermarket opportunities as well as the continued execution of footprint optimisation initiatives, delivering £4m of incremental savings in 2022.

Growth is supported by continued investment in talent and development. This is underpinned by a focus on Inclusion & Diversity, higher levels of employee engagement and the introduction of further commercial and leadership development programmes. This investment is also driving significant improvements in customer service, with IMI Critical Engineering now reporting an industry leading customer satisfaction score.

IMI Critical Engineering also made great progress with initiatives aimed at improving sustainability and reducing the environmental impact of operations in the year. The division's new manufacturing facility in Sardinia, opened in October 2022, has been designed to be a showcase facility for efficiency, from its use of renewable energy sources to its layout which is optimised for material and product flow and employee safety. The site is set to play an important role in the division's continued development of green solutions and will host a team dedicated to developing and testing solutions for hydrogen generation products.

Outlook

Based on the division's order book and current market conditions, IMI Critical Engineering 2023 organic revenues and margins are expected to be higher than 2022.

	2022	2021	Change	Organic vs 2021*
Order intake	£812m	£712m	+14%	+12%
Closing order book	£627m	£531m	+18%	
Revenue	£713m	£691m	+3%	+2%
Adjusted operating profit*	£135.5m	£125.0m	+8%	+7%
Adjusted operating margin*	19.0%	18.1%	+90bps	
Statutory operating profit	£127.7m	£110.7m	+15%	
Statutory operating margin	17.9%	16.0%	+190bps	

*See Note 3 for definitions of alternative performance measures and the references to reconciliations of these measures.

Operational review

IMI Hydronic Engineering

IMI Hydronic Engineering is a leading provider of technologies that deliver energy efficient water-based heating and cooling systems for the residential and commercial building sectors.



Phil Clifton
Divisional Managing Director

Key brands

- IMI Pneumatex
- IMI TA
- IMI Flow Design
- IMI Heimeier
- IMI Aero-Dynamiek
- IMI Heatmiser

2022 financial highlights

Revenue

^ 3% **£350m**
2021: £339m

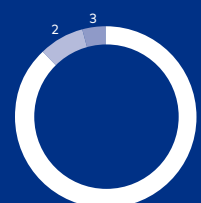
Adjusted operating margin*

^ 20bps **20.3%**
2021: 20.1%

Statutory operating margin

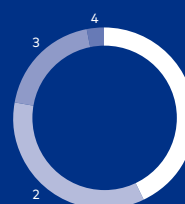
^ 130bps **20.2%**
2021: 18.9%

Revenue by geography



1 Europe 88% (2021: 88%)
2 Americas 8% (2021: 8%)
3 Asia Pacific 4% (2021: 4%)
4 Middle East & Africa 0% (2021: 0%)

Revenue by market



1 Balancing & Control 43% (2021: 42%)
2 Thermostatic Control 35% (2021: 36%)
3 Pressurisation & Water Quality 19% (2021: 18%)
4 Other 3% (2021: 4%)

Number of employees

2,000
2021: 1,800

Key developments

- » 4% organic sales growth with adjusted operating margin improved to 20.3%
- » Statutory operating profit up 10%
- » Continued strong demand for our energy saving solutions
- » Acquisition of Heatmiser completed, significant opportunity to accelerate growth in smart buildings

2022 performance

IMI Hydronic Engineering's premium products play an important role in helping customers meet their environmental and sustainability goals, delivering optimal energy efficient heating and cooling solutions to the residential and commercial building sector. With its strong brands and product positioning, combined with the global imperative to reduce energy consumption in buildings, IMI Hydronic Engineering is positioned to deliver sustainable, profitable growth.

Organic revenue was 4% higher when compared to the prior year, and 3% higher on an adjusted basis. Growth was supported by strong orders for automated control and actuation products. Sales of our digitally enabled products – including the TA-Smart valve – continue to make excellent progress.

Adjusted operating profit increased 5% on an organic basis versus the prior year and adjusted operating margin improved to 20.3%, an increase of 20 basis points, reflecting the quality of the business.

Growth is supported by strategic investments in our digital R&D centre in Belgium and the expansion of the division's Growth Hub programme. Employee engagement remains high and there has been a continued focus on Inclusion & Diversity.

This investment is accompanied by a continued focus on customer experience. IMI Hydronic Engineering reported a customer satisfaction score benchmarked as industry leading, despite the continued supply chain pressures.

The acquisition of Heatmiser, completed in December 2022, will accelerate the division's growth in smart buildings.

Complimenting IMI Hydronic's existing HVAC product offerings, Heatmiser provides an attractive entry point into connected residential thermostatic control, a fast-growing market where Heatmiser is already a UK leader. There is a significant opportunity to leverage IMI Hydronic's strong brand and market presence to scale Heatmiser's offering across Europe, as well as leverage Heatmiser's proven connected technology capabilities across existing and new IMI products.

The division is also actively progressing initiatives to reduce complexity and simplify business processes for growth. Back-office functions are being simplified and standardised and a Business Service Centre is being implemented to centralise activities where appropriate.

In addition to playing an important role helping customers reduce energy consumption, IMI Hydronic has continued to invest in improving the energy efficiency of its operations through equipment upgrades and process improvements.

Outlook

Based on current market conditions, IMI Hydronic Engineering 2023 organic revenues and margins are expected to be higher than 2022.

	2022	2021	Change	Organic vs 2021*
Revenue	£350m	£339m	+3%	+4%
Adjusted operating profit*	£71.1m	£68.1m	+4%	+5%
Adjusted operating margin*	20.3%	20.1%	+20bps	
Statutory operating profit	£70.6m	£64.1m	+10%	
Statutory operating margin	20.2%	18.9%	+130bps	

*See Note 3 for definitions of alternative performance measures and the references to reconciliations of these measures.

Financial review

A portrait of Daniel Shook, Finance Director, a middle-aged man with glasses, wearing a dark suit, light blue shirt, and a red patterned tie. He is smiling and standing in an office environment.

IMI delivered another excellent financial performance in 2022, with increased organic revenues, adjusted operating profit and margins in all divisions.

Daniel Shook
Finance Director

Key highlights

	Adjusted ¹				Statutory		
	2022	2021	Change	Organic ³	2022	2021	Change
Revenue	£2,049m	£1,866m	+10%	+4%	£2,049m	£1,866m	+10%
Operating profit	£364m	£318m	+14%	+8%	£298m	£251m	+19%
Operating margin	17.8%	17.0%	+80bps		14.6%	13.4%	+120bps
Profit before tax	£346m	£307m	+13%		£285m	£245m	+17%
Basic EPS	105.5p	92.0p	+15%		87.6p	73.5p	+19%
Operating cash flow ²	£290m	£274m	+6%		£336m	£327m	+3%
Dividend per share	25.7p	23.7p	+8%		25.7p	23.7p	+8%
Net debt : adjusted EBITDA	1.8x	1.5x					

¹ Excluding the effect of adjusting items as reported in the income statement. See Note 3 for definitions of alternative performance measures.

² Adjusted operating cash flow, as described in Note 3 to the financial statements. Statutory measure is Cash generated from operations as shown on the cash flow statement.

³ After adjusting for acquisitions, disposals and exchange rates (see Note 4).

Certain alternative performance measures ('APMs') have been included within this Annual Report. These APMs are used by the Executive Committee to monitor and manage the performance of the Group, in order to ensure that decisions taken align with the Group's long-term interests. Movements in revenue and adjusted operating profit are given on an organic basis (see definition in Note 3) so that performance is not distorted by acquisitions, disposals and movements in exchange rates. A table summarising the reconciliation of adjusted measures to statutory measures is included in Note 3.

Third year of profit and margin improvement

The Group delivered a good financial result in the year, as revenue and operating margin improved. Revenue increased by 10% to £2,049m (2021: £1,866m). Organic revenue was 4% higher than the prior year, after adjusting for acquisitions, disposals and exchange rate movements. The exchange rate adjustment was positive £67m.

Adjusted operating profit of £364m (2021: £318m) was 14% higher than last year. On an organic basis, adjusted operating profit increased by 8%.

The adjusted operating margin was 17.8% (2021: 17.0%). All three divisions grew adjusted margins in the year, supported by revenue growth, the benefits of ongoing restructuring programmes and value-pricing initiatives. Statutory operating profit was £298m (2021: £251m), which increased 19%.

Adjusted net financing costs on net borrowings of £19.2m (2021: £12.1m) was higher as a result of recent acquisitions and increases in base rates and includes the impact of £2.8m (2021: £2.8m) interest cost on leases. Statutory net finance costs were £12.8m compared to £5.9m in 2021, reflecting the higher net financing costs.

Adjusted net financing costs were covered 24 times (2021: 33 times) by adjusted earnings before interest, tax, depreciation, amortisation, impairment and adjusting items of £457m (2021: £404m). The net pension financing income under IAS 19 was £1.5m (2021: £1.0m).

Statutory profit before taxation increased 16% to £285m (2021: £245m) reflecting growth in the year and the Group's continued execution of restructuring activities to improve customer focus and long-term competitiveness. Adjusted profit before taxation was £346m (2021: £307m), which was 13% higher than 2021. The total statutory profit for the period after taxation was £226m (2021: £196m).

Financial review

Adjusting items

Adjusting Items	2022 £m	2021 £m
Reversal of net economic hedge contract losses/(gains)	3	(6)
Restructuring costs and associated impairment losses	(26)	(40)
Loss on disposal of subsidiary	-	(4)
Acquired intangible amortisation and other acquisition items	(34)	(18)
Exit from Russia	(9)	-
Gains on instruments measured at fair value through profit or loss	5	5
Tax in connection with the above adjusting items	15	15
Change in UK tax rate	-	(19)
Release of prior year provisions	-	17

Adjusting items that are excluded from adjusted profit before tax are listed below:

- » **Reversal of net economic hedge contract losses/gains:** for segmental reporting purposes, changes in the fair value of economic hedges which are not designated as hedges for accounting purposes, together with the gains and losses on their settlement, are included in the revenues and adjusted operating profit of the relevant business segment. The adjusting item reverses this treatment at an operating profit level, leading to a gain of £3m (2021: £6m charge).
- » **Restructuring:** restructuring costs of £26m were incurred in 2022, which includes a £2m impairment reversal. A detailed breakdown of these costs by division, alongside expected benefits is provided below. Further details on 2021 projects are included in Note 3.
- » **Loss on disposal of subsidiary:** following the disposal of IMI Interativa in July 2021, the Group recorded a loss on disposal of £4m.
- » **Acquired intangible amortisation and other acquisition items:** Acquired intangible amortisation is excluded from adjusted profits, to allow for comparability of the performance across divisions. We exclude amortisation of acquired intangibles in our adjusted measure to provide additional information on the impact of our acquisition strategy. We note that the trading results of acquired businesses are included in the adjusted results. Acquired intangible amortisation increased to £30m (2021: £15m). Other acquisition costs of £4m (2021: £3m) primarily relates to professional fees associated with the acquisitions of Bahr, CorSolutions and Heatmiser.
- » **Exit from Russia:** IMI strongly opposes the invasion of Ukraine and fully supports all sanctions. On 4 March 2022 we ended all new business in and international deliveries to Russia and on 27 May 2022 we completed the divestment of our Russian subsidiary to local management, resulting in a charge of £9m.
- » **Gains on instruments measured at fair value through profit or loss:** a gain arose on the revaluation of financial instruments and derivatives under IFRS 9 of £5m (2021: £5m gain).
- » **Taxation:** the tax effect of the above items has been recognised as an adjusting item and amounts to a £15m gain (2021: £15m gain). In 2021, two adjusting tax items arose that were not repeated in 2022. First, the impact of the Group's deferred tax liabilities of the increase in the UK corporation tax rate to 25% with effect from April 2023, was a charge of £19m. Second, a gain of £17m was recorded due to the release of provisions in respect of prior years which were no longer expected to arise.

Complexity reduction continues to deliver benefits

Along with investments into our future growth, IMI continues to identify and execute on opportunities to drive more efficient operations. The following table provides a summary of progress on our restructuring programmes:

£m	2022	2023*	2024*	2025*
Restructuring charge (including impairment losses)				
IMI Precision Engineering	(25)	(28)	(11)	-
IMI Critical Engineering	-	(8)	(35)	(5)
IMI Hydronic Engineering	(1)	-	-	-
Total	(26)	(36)	(46)	(5)
Cash impact	(43)	(35)	(32)	(5)
Incremental annual benefits				
IMI Precision Engineering	9	16	7	3
IMI Critical Engineering	4	3	6	6
IMI Hydronic Engineering	-	1	-	-
Total benefits	13	20	13	9

* Future looking forecast information.

All three divisions advanced their significant multi-year restructuring programmes in 2022, recognising a total charge of £26m. This predominantly relates to the Customer First project (across a number of businesses) and the rationalisation of four facilities within IMI Precision Engineering.

The restructuring programme contributed £13m of benefits in the year, exceeding the previously reported target of £10m due to an acceleration of the programme benefits. Including 2022, the total cost of the programme to date is £144m and benefits of £84m.

Significant projects are expected to be complete in 2024, although the Group will always seek and execute on opportunities that improve its competitive position.

Taxation

The adjusted effective tax rate for the Group increased to 21.3% (2021: 20.0%) reflecting a one-off tax credit in 2021. The total adjusted tax charge for the year was £74m (2021: £61m) and the statutory effective tax rate was 20.7% (2021: 19.7%). The Group seeks to manage its tax affairs within its core tax principles of compliance, fairness, value and transparency, in accordance with the Group's Corporate Tax Strategy which is available on the Group's corporate website. We are expecting the adjusted effective tax rate to increase to 22% in 2023, reflecting the increase in the UK statutory rate of corporation tax from 19% to 25% with effect from 1 April 2023.

Statutory basic earnings per share increased by 19%

The average number of shares in issue during the period was 258m (2021: 267m), resulting in adjusted basic earnings per share of 105.5p (2021: 92.0p), an increase of 15%. Statutory basic earnings per share increased by 19% at 87.6p (2021: 73.5p) and statutory diluted earnings per share increased by 19% at 87.2p (2021: 73.2p).

Maintaining continued cash discipline

Movement in net debt	2022 £m	2021 £m
Adjusted EBITDA*	457.0	403.5
Working capital movements	(85.1)	(50.6)
Capital and development expenditure	(71.3)	(57.5)
Provisions and employee benefit movements**	1.5	(0.5)
Principal elements of lease payments	(32.3)	(30.0)
Other	20.2	9.0
Adjusted operating cash flow***	290.0	273.9
Adjusting items	(52.6)	(35.6)
Interest	(19.2)	(12.1)
Derivatives	(8.6)	26.4
Tax paid	(48.6)	(50.9)
Additional pension scheme funding	(3.5)	(7.0)
Free cash flow before corporate activity	157.5	194.7
Dividends paid to equity shareholders	(62.2)	(61.8)
Acquisition/disposal of subsidiaries	(213.3)	(203.8)
Net purchase of own shares and share buyback programme	(18.8)	(225.6)
Net cash flow (excluding debt movements)	(136.8)	(296.5)
Reconciliation of net cash to movement in net debt		
Net increase/(decrease) in cash and cash equivalents excluding foreign exchange	11.0	(86.7)
Less: cash acquired/disposed	(10.0)	(1.8)
Net drawdown of borrowings excluding foreign exchange and net debt disposed/acquired	(137.8)	(208.0)
Increase in net debt before acquisitions, disposals and foreign exchange	(136.8)	(296.5)
Net cash acquired/disposed	10.0	-
Currency translation differences	(50.6)	(4.5)
Movement in lease liabilities	(11.8)	(5.6)
Movement in net debt in the year	(189.2)	(306.6)
Net debt at the start of the year	(622.8)	(316.2)
Net debt at the end of the year	(812.0)	(622.8)

* Adjusted profit after tax (£272.4m) before interest (£17.7m), tax (£73.7m), depreciation (£74.2m), amortisation (£18.5m) and impairment (£0.5m).

** Movement in provisions and employee benefits as per the statement of cash flows (£13.8m) adjusted for the movement in restructuring provisions (£15.3m).

*** Adjusted operating cash flow is the cash generated from the operations shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus cash received from the sale of property, plant and equipment and the sale of investments, excluding the cash impact of adjusting items, a reconciliation is included in Note 19.

Adjusted operating cash flow was £290m (2021: £274m). This represents a conversion rate of total Group adjusted operating profit to adjusted operating cash flow of 80% (2021: 86%) largely due to increased working capital to support effective supply chain management. There was a £53m cash outflow from adjusting items (2021: £36m outflow) primarily related to restructuring costs.

Net working capital balances increased £85m due to an increase in receivables of £39m as a result of the growth and an increase in inventory of £47m to maintain service levels to customers in light of the continuing supply chain challenges, partly offset by an increase in payables of £1m. The increase in 2021 of £51m was due to an increase in receivables of £44m and an increase in inventory of £37m partly offset by an increase in payables of £31m.

Cash spent on property, plant and equipment and other non-acquired intangibles in the year was £71m (2021: £58m) which was equivalent to 1.2 times (2021: 1.0 times) depreciation and amortisation thereon.

The Group continues to deploy capital to improve the efficiency of its operations, including projects that support our net zero carbon target.

Research and development spend, including capitalised intangible development costs of £6m (2021: £5m), totalled £68m (2021: £54m) representing 3.3% (2021: 2.9%) of sales. The Group continues to support investment in growth with this spend focused on our Better World purpose. As this measure focuses primarily on the efforts of the engineering function, it does not fully capture the cross-functional support in Growth Hub initiatives – a significant investment alongside our research and development spend.

In 2022 the Group paid cash tax of £49m (2021: £51m) which was 66% (2021: 83%) of the adjusted tax charge for the year.

Dividends paid to shareholders totalled £62m (2021: £62m), and there was a cash outflow of £19m (2021: £26m outflow) for share purchases to satisfy employee share options. There was no cash outflow associated with share buybacks in 2022 (2021: £200m).

Overall net debt increased by £189m in 2022 (2021: £307m).

Strong balance sheet continues to provide strategic opportunity

Net debt at the year-end was £812m compared to £623m at the end of the previous year. The increase reflects in-year acquisitions of Bahr, CorSolutions and Heatmiser, partly offset by the cash generation in the year. The net debt is composed of a cash balance of £133m (2021: £95m), a bank overdraft of £94m (2021: £66m), interest-bearing loans and borrowings of £746m (2021: £558m) and lease liabilities of £105m (2021: £94m).

The year-end net debt to adjusted EBITDA ratio was 1.8 times (2021: 1.5 times). At the end of 2022, loan notes totalled £546m (2021: £353m), with a weighted average maturity of 4.6 years (2021: 4.3 years) and other loans including bank overdrafts totalled £294m (2021: £271m). Total committed bank loan facilities available to the Group at the year-end were £300m (2021: £300m), of which £100m (2021: £70m) was drawn.

At 31 December 2022, the value of the Group's intangible assets was £1,004m (2021: £768m). The increase compared to the prior year primarily reflects in-year acquisitions.

The net book value of the Group's property, plant and equipment at 31 December 2022 was £299m (2021: £268m). Capital expenditure on property, plant and equipment amounted to £57m (2021: £46m), with the main capital expenditure focused on production facility investment to support operational efficiency and growth. Including capitalised intangible assets, total capital expenditure was £71m (2021: £58m) and was 1.2 times (2021: 1.0 times) the depreciation and amortisation charge (excluding acquired intangible amortisation and lease asset depreciation) for the year of £60m (2021: £56m).

The net deficit for defined benefit obligations at 31 December 2022 was £19m (2021: £63m surplus). The UK surplus was £28m (2021: £129m surplus) with the liabilities now fully bought-in and no future funding requirements expected. The deficit in the overseas funds as at 31 December 2022 was £47m (2021: £66m deficit).

Financial review

Return on invested capital ('ROIC')

The Group uses ROIC as an indication of IMI's ability to deploy capital effectively. The Group's definition is Adjusted Operating Profit after tax divided by Average Capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets/liabilities, defined pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangibles.

ROIC was 12.7% in 2022 (2021: 13.2%) which decreased by 0.5%, reflecting the impact of recent acquisitions that have increased our invested capital at the year end, though we do not see the full year benefit of the profits until 2023.

Return on invested capital	2022 £m	2021 £m
Adjusted Operating Profit	363.8	318.1
Notional Tax charge	(77.5)	(63.6)
Net Adjusted Operating Profit after tax	286.3	254.5
Net Assets	905.6	779.1
Adjusted for:		
Net debt	812.0	622.8
Restructuring provision	17.8	31.6
Net derivative assets/liabilities	(1.9)	(3.7)
Net defined pension benefit	18.9	(62.5)
Deferred tax on employee benefits	(5.0)	13.9
Previously written-off/impaired goodwill	346.9	346.9
Acquired intangibles amortisation	366.5	311.5
Closing capital invested	2,460.8	2,039.6
Opening capital invested	2,039.6	1,818.1
Average capital invested	2,250.2	1,928.9
Return on invested capital	12.7%	13.2%

Three strategic acquisitions in the year in attractive growth markets

The Group completed three strategic acquisitions in 2022:

- » On 9 June 2022 the Group acquired 100% of the share capital, and associated voting rights, of Bahr Modultechnik GmbH for cash consideration of £88.3m. Bahr is a leading provider of highly configured modular electric linear motion systems, based on a broad portfolio of specialist components and is based in Luhden, Germany.
- » On 27 October 2022 the Group acquired 100% of the share capital, and associated voting rights, of CorSolutions LLC for initial cash consideration of £7.5m and an expected earn-out of £3.6m. CorSolutions is a leading innovator in micro-fluid flow control, based in Ithaca, New York.
- » On 23 December 2022 the Group acquired 100% of the share capital, and associated voting rights, of Heatmiser UK Ltd for initial cash consideration of £117.5m, with up to a further £8.0m payable based on future financial performance. Heatmiser is a leading UK smart thermostatic control manufacturer and is based in Blackburn, England.

Disposals

The Group disposed of its Russian subsidiary IMI International LLC on 27 May 2022 for proceeds of £nil resulting in a loss on disposal for the Group of £4.8m after disposing of £3.3m of net assets and incurring £0.9m of associated disposal costs. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

Foreign exchange

The income statements of overseas operations are translated into Sterling at average rates of exchange for the year, balance sheets are translated at year end rates. The most significant currencies are the Euro and the US Dollar – the relevant rates of exchange were:

Foreign Exchange	Average Rates		Balance Sheet Rates	
	2022	2021	2022	2021
Euro	1.17	1.16	1.13	1.19
US Dollar	1.24	1.38	1.21	1.35

The movement in average exchange rates between 2021 and 2022 positively impacted both revenue and adjusted operating profit by 4% in the full year when compared to 2021.

If average exchange rates for January 23 of US\$1.23 and €1.14 were projected for the full year and applied to our 2022 results, it is estimated that both revenue and adjusted operating profit would be 2% higher.

Treasury

IMI has a centralised Treasury function that provides treasury services to Group companies including funding liquidity, credit, foreign exchange, interest rate and base metal commodity management. The Group Treasury function manages financial risks in compliance with Board-approved policies. Further details of the Group's financial risk management are included in Note 18.

Continued disciplined approach to capital allocation

The Board determines the appropriate capital structure for the Group, specifically how much cash is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) to finance the Group's activities both now and in the future.

The Board considers the Group's capital structure and dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan.

At 31 December 2022, IMI plc (the company) had distributable reserves of £282m (2021: £294m).

Daniel Shook
Finance Director



Stakeholder engagement

Why do we engage?

Building strong and positive relationships with our key stakeholders is critical to fulfilling IMI's purpose, delivering our strategy and achieving long-term sustainable success. We aim to engage with our key stakeholder groups to develop and maintain positive and productive relationships. Where we are making strategic decisions, we assess the impact on affected stakeholders, balance competing interests and where appropriate, engage directly with them on the topic.



Our stakeholders



Their priorities

- » Health, wellbeing and safety at work
- » A positive and inclusive culture which values the unique contribution of individuals and supports their diverse working needs
- » An environment that engages all employees in creating our future
- » Opportunities to grow and develop, supporting our people to be their best
- » Rewarding contribution – which celebrates our people for their part in our growth

How do we engage

- » Thomas Thune Andersen (our non-executive director with designated responsibility for employee engagement) has an annual programme of employee engagement events, including sessions with our graduates and our European Communications Forum
- » Leadership calls, conferences, town hall meetings
- » Through our communications platform Workplace – sharing IMI news, celebrating our people and their contribution across all geographies and levels
- » Proactive engagement at local level to discuss key topics including when restructuring changes affecting the workforce are being considered
- » Anonymised all employee survey to understand the views of our people. Focus groups have been established to review findings, conduct deep dives into key topics and consult on proposed follow up actions
- » Certain employees from a number of sites have been invited to meet the Board to discuss their career paths and aspirations
- » Inclusion of 'Hey! That's Not OK!' workshop on tackling inappropriate behaviour as part of our 2022 IMI Way Day
- » Feedback from certain employees via a materiality survey which has contributed towards our overall ESG strategy

Outcomes of engagement

- » 2022 Employee Engagement Score: 80% of employees would recommend IMI as a great place to work (2021: 77%)
- » 36% reduction in serious health and safety incidents
- » Pay rises and cost of living support
- » New Code of Conduct refreshed and introduced across the Group

2023 priorities

- » Drive progress around wellbeing
- » Advance our Inclusion & Diversity commitments

Further information

- » Health and Safety – see page 64
- » IMI Way Day – see pages 14 and 59
- » Employee engagement – see pages 14, 58 and 110
- » Training and development – see pages 15 and 60
- » Code of Conduct – see page 53
- » Employee benefits and pensions – see pages 14, 59 and 129



Their priorities

- » Value enhancing products and services
- » New products to help meet sustainability requirements
- » Access to engineering expertise
- » World-class customer service
- » Long-term partnerships

How do we engage

- » Our Growth Hub programme builds a pipeline of new products for the future success of the Group and involves hundreds of customer interactions
- » Ongoing relationship management at strategic, sales and technical engineering levels
- » Technical and product support, with access to our industry renowned experts, such as through the Hydronic College and Valve Doctor® programmes
- » Increasing use of digital platforms to drive knowledge sharing, customer networking and relationship building
- » Social media – including building customer communities
- » Participation in relevant trade associations and industry bodies
- » Locating facilities nearer to customers in the most attractive growth markets
- » Direct customer engagement with the Board through events such as the opening of our new IMI Remosa site

Outcomes of engagement

- » Market-led product development
- » Improved net promoter scores across all divisions

2023 priorities

- » Maintain strong customer service levels and manage supply chain challenges
- » Continue to apply our engineering knowledge and applications expertise to solve key customer problems with innovative solutions
- » Implement digital tools to improve customer experience
- » To demonstrate our commitment to the environment and our customers, increase the use of environmental product declarations and review our utilisation of product life cycle assessments

Further information

- » Our Growth Hub programme – see page 61
- » Examples of digital platforms that drive knowledge sharing, customer networking and relationship building see pages 16 to 25
- » Pages 7 and 8 of the Chief Executive's Review



Their priorities

- » Trust
- » Financial returns
- » Strategy and execution
- » ESG
- » Effective capital allocation
- » Balance of long-term versus short-term results
- » Stewardship

How do we engage

- » Annual General Meeting
- » Active Investor Relations programme which includes regular meetings with investors
- » Engagement with sell side-analyst community
- » All Directors are available to shareholders including at the AGM
- » Investor communications and corporate website
- » Post announcement roadshows for existing and potential investors
- » Remuneration related consultation, in policy change year, and as required
- » Selected investors provided input into our materiality survey which contributes towards our overall ESG strategy

Outcomes of engagement

- » All 2022 AGM resolutions passed 88.87 – 99.77%
- » Full year dividend payment increased by 8%
- » Positive feedback on strategic progress from major investors
- » Stable shareholder base of long-term investors

2023 priorities

- » Maintaining quality and frequency of investor and analyst engagement
- » Evolve reporting to meet investor needs - including understanding their ESG priorities and disclosing against GRI standards
- » Maintain or improve external recognitions including the LSE Green Mark Excellence, CDP Climate and Water disclosures

Further information

- » Shareholder engagement – see page 111



Their priorities

- » Long-term partnerships
- » Fair, prompt and timely payment
- » Fair commercial terms
- » Collaborative approach

How do we engage

- » Ongoing commercial dialogue
- » Supplier summits where appropriate
- » Regular business reviews with preferred suppliers
- » Audits, due diligence and relationship management for key suppliers
- » Board review and approval of the Group's Modern Slavery Act Statement, which can be found on our website

Outcomes of engagement

- » Prompt payment of suppliers
- » Strengthened relationships and resilience
- » Minimal disruptions to customers from supply shortages
- » Compliance with our standards and policies

2023 priorities

- » Navigate current supply chain challenges to ensure supply chain resilience across the Group
- » Enhance supplier engagement regarding ESG commitments
- » Work with suppliers to mitigate the impact of inflation
- » Optimisation of supply chain

Further information

- » Supply chain management – see page 69
- » Modern Slavery Act Statement, Supply Chain Code of Conduct and Responsible Minerals Sourcing policy – see our website

Our stakeholders

Community & Environment



Their priorities

- » Positive social impact
- » Employment opportunities
- » Minimised environmental impact in the locations where we operate and on the global community

How do we engage

- » Obtain market insights from adviser – Ricardo Energy & Environment
- » Reporting in accordance with the Global Reporting Initiative
- » Local community support and humanitarian activities
- » University partnerships and Graduate Programme
- » Educational workshops in local schools to inspire young people across the UK to build a Better World
- » Partnership in Germany with a local non-profit, community organisation, to offer people with learning disabilities access to the regular labour market
- » Active management of emissions and implementation of reduction plans across IMI sites
- » Regular Board ESG updates. Thomas Thune Andersen (our non-executive director with designated responsibility for ESG matters) has an annual programme of ESG related engagement events, including sessions with our Better World team

Outcomes of engagement

- » Further reduction in environmental impact
- » Increased environmental disclosure recognised through CDP Climate Change score improving from C to B rating
- » Over 4,000 employees volunteered a combined total of more than 10,000 hours

2023 priorities

- » Driving progress towards our reduction targets
- » Optimising our Better World governance for the next phase of ESG strategy

Further information

- » Community activities – see page 59
- » Environmental, Social & Governance section – see pages 46 to 79
- » Environmental performance – see pages 70 to 79

Governments & Regulators



Their priorities

- » Compliance with applicable laws and regulation
- » Tax income to support society
- » Safe and responsible business practices
- » Compliance with UK Corporate Governance Code and Listing Rules

How do we engage

- » Engagement in relation to specific issues on an ad hoc basis
- » Good corporate citizen with on time tax filings and other submissions to regulators and governments

Outcomes of engagement

- » Licence to operate
- » UK Corporate Governance Code Compliance
- » Updated our Code of Conduct which includes compliance with local laws and regulations such as anti-bribery laws
- » Published our corporate tax strategy
- » Integrated sustainability and climate reporting on TCFD
- » Climate transition plans
- » ISSB standard integration

2023 priorities

- » Maintaining positive relationships with governments and regulators
- » Continuing to foster a culture of compliance

Further information

- » Our corporate tax strategy is available on our website
- » Corporate Governance Compliance statement on pages 100 and 101

s.172 statement

This statement is made to explain how our Board of Directors, both individually and together, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and having regard (amongst other matters) to factors set out in Section 172(1) (a) to (f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2022.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

a) the likely consequences of any decision in the long-term

The Board has adopted an established business planning process and sets strategy with a view to long-term success, to deliver our purpose – **Breakthrough Engineering for a better world**. Further information on our Growth Hub programme is included on page 61. Our Creating a Better World strategy, including our ESG ambitions and targets are described on pages 46 to 79.

b) the interests of the Company's employees

Our people are essential to delivering performance and growth. They bring diverse skills, knowledge, and experience to fuel our performance and growth. The Group depends on its employees for its success and invests considerable time and resources on employee engagement, training and development as summarised on page 60. Thomas Thune Andersen is the non-executive director with designated responsibility for employee engagement, which includes gathering the views of the workforce on behalf of the Board. Please see pages 104 and 110 for more information about his role and activities. The Board also meets a range of employees. When making key decisions, the Board considers employees' views gathered through engagement mechanisms and potential impacts on the workforce, with Thomas and other directors (where relevant), contributing any relevant employee insights during board discussion.

c) the need to foster business relationships with suppliers, customers and others

Customer service and value are at the core of our business model and strategy and are key to building a long-term sustainable business. The Board monitors indicators of the customer experience and welcomes the increased emphasis on the customer which management is building.

Our businesses work collaboratively with partners including suppliers, distributors and agents who are closely managed from a commercial and compliance perspective. Further information can be found on page 69.

d) the impact of operations on the community and the environment

Our sites are positive contributors to their local communities as employers and through apprenticeships, employee training and community activities (including the annual IMI Way Day, charitable activity and donations). The Group supports such community involvement, more detail on which can be found on page 59.

The Board approves and monitors the Group's plans to minimise the impact on the environment. Our continued progress depends upon the Board driving ESG initiatives and channelling investment to projects with due regard for the environment. Further information on ESG matters appears on pages 46 to 79.

e) the desirability of maintaining a reputation for high standards of business conduct

Our ESG initiatives are consistent with building our standing as a good corporate citizen looking to have a positive impact on the world. The Board demands high standards of conduct from all directors and Group employees and expects management to be mindful of how and with whom business is conducted. This year we have rolled out an updated Code of Conduct which has been supported by compulsory training. Please see page 53 for more details on our updated Code of Conduct. The Group will decline to have dealings with third parties who display poor business conduct or do not pass applicable onboarding checks. Further information about how we ensure we operate ethically at all times and our purpose, values and culture, can be found on pages 52 to 55.

f) the need to act fairly between shareholders of the Company

It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on balancing the competing priorities of stakeholders.

The IMI Governance Framework describes Board level governance and how the Board delegates its authority. All Board decisions are made with the Group's long-term success in mind and, as can be seen from this Annual Report, the Board has regard to a broad range of matters including the voice of stakeholders. Where appropriate, Board papers include a s.172 assessment to support the Board in its duties. The oversight and monitoring activity of the Board includes maintaining an understanding of key stakeholders and being receptive to the voice of stakeholders.

In the table below, some of the key decisions made by the Board over the year are described. There is an explanation of how the Directors engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

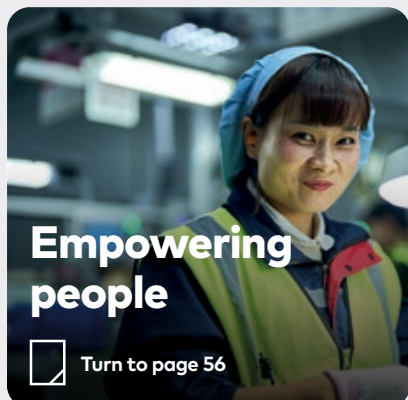
Key Board decisions in 2022	Our decision process	Stakeholders considered
Our ESG Strategy	The Board reviewed and agreed our Creating a Better World sustainability strategy described on page 8 and set the targets and ambitions stated on pages 49 and 50. This involved a number of decisions being taken which required the Board to engage with stakeholders and take account of information at several touchpoints throughout the year. Progress updates were provided by the Head of Sustainability and relevant insights were given by Thomas Thune Andersen. The Board carefully considered the output from the ESG materiality survey which included feedback from senior members of the leadership group, customers and investors about the relative importance of various sustainability focus areas to support the setting of the Creating a Better World strategy. In July, the Board engaged with members of the Better World team who shared details of progress made on social initiatives. This session generated detailed engagement on areas including Inclusion & Diversity, health, safety and environment, talent development, employee wellbeing, reward and communications. The Board was also informed about site specific initiatives relating to CO₂, waste and water reduction. During a site visit to IMI Remosa in October, the Board was given a demonstration of the IMI VIVO electrolyser, a turnkey solution capable of producing green hydrogen from renewable energy sources and details of ESG related activities and investment at the new site. In February, the Remuneration Committee also considered and agreed the inclusion of a climate related metric within the executive remuneration structure thus formalising the linkage of our executive remuneration outcomes to our Better World purpose. Through our Creating a Better World strategy, we seek to minimise or eliminate any negative impact our businesses may have on our stakeholders and on the environment to enable a greener future.	 Customers During the year, the Board was informed about how a Better World lens is applied to the development of products and solutions to help customers meet their sustainability targets. The Board was provided with customer feedback via the materiality survey results suggesting sustainability strategy focus areas.  Employees The Board received a detailed summary of wellbeing and employee engagement activities during a number of touchpoints in the year. The Board was provided with employee feedback via the materiality survey results suggesting sustainability strategy focus areas. Thomas Thune Andersen also participated in a sustainability strategy session delivered by the Group General Counsel & Company Secretary with members of our European Communications Forum (ECF), and engaged with a number of ECF members. In addition, Thomas received feedback on sustainability matters during his employee engagement sessions, which are described in more detail on page 110. A summary of key insights was shared with the Board.  Suppliers The Board received information about carbon emissions generated by our supply chain and heard about plans for engagement with suppliers to reduce carbon emissions.  Investors The Board was given feedback from investors via the materiality survey on suggested sustainability strategy focus areas. The Board received updates from IMI's Investor Relations team about engagement with investors on ESG-related matters and engagement with external ratings agencies for example CDP and MSCI regarding ESG performance and areas for improvement.  Community & Environment The Board took into account feedback received via the materiality survey on suggested sustainability strategic focus areas and enhanced its focus on waste and water.  Government & Regulators During a number of Audit Committee meetings, the full Board received updates from Deloitte about guidance and expectations of the Financial Reporting Council and the requirements of the Financial Conduct Authority regarding ESG strategy, targets, compliance and reporting. Willis Towers Watson shared regulatory and investor community expectations about ESG targets in executive remuneration with the full Board during a meeting of the Remuneration Committee.

Key Board decisions in 2022	Our decision process	Stakeholders considered
Acquisition of Bahr	In the highly competitive M&A environment, the Group successfully completed a number of acquisitions in 2022. The Board approved the acquisition of Bahr Modultechnik Holding GmbH ("Bahr"), a leading provider of highly configured modular electric linear motion systems, a sector which the Board considers to be aligned with its Better World strategy. Bahr has become part of IMI Precision Engineering's industrial automation unit. Bahr provides access to Better World end markets such as pharmacy automation, warehouse automation and robotics application. The Board also considered the longer-term growth prospects of the enlarged Group and potential returns.	Suppliers The Board had regard to the opportunity for suppliers to increase their business with IMI, which could deliver synergies for IMI. Bahr's suppliers can remain confident in IMI's financial strength and commitment to long-term partnerships. Employees The Board considered expected reactions from employees and the broader career development opportunities from the enlarged industrial automation business. Customers As part of the Board's decision making process, the Board assessed the long-term commercial opportunities and considered that the combined product portfolio of IMI and Bahr would provide customers with a larger range of solutions and likely enhance IMI's contribution to a Better World. The addition of Bahr will enable IMI Precision to deliver a power agnostic offering of pneumatic and electric linear motion systems. Community & Environment In successfully completing the acquisition, the Board was mindful of the increased exposure to Better World end markets. Investors The Board took into account our broker's opinions on the expected market reaction to the acquisition. The Board had regard to the opportunity that Bahr is expected to be both margin and growth accretive to IMI Precision and the acquisition is projected to deliver a financial return in excess of IMI's cost of capital by the end of year three.
Disposal of Russian business	Upon Russia's invasion of Ukraine, the Board quickly discussed the impact on our colleagues and customers in affected regions. Following IMI's commitment to cease all new business in and international deliveries to Russia, the Board decided to dispose of IMI's Russian subsidiary to local management. The Board considered the complex and evolving situation including ensuring the ongoing solvency of IMI Russia. The Board was mindful of taking steps to do the right thing and protect our reputation, complying with international sanctions and keeping our local employees within Russia safe.	Employees The Board considered employees affected in the region first and foremost. The Board understood the impact this would have on employment for some of the workforce, and was assured by management that relevant groups would be consulted fairly in line with IMI's values and local law. Local management took steps to ensure open dialogue with the local workforce and reduce adverse consequences for employees. Customers & Suppliers The Board was cognisant that continuing to support local customers in Russia was not right nor practical. The Board agreed that the proposed transaction would enable the business to continue supporting customers. The Board was aware of the impact of the decision on our teams who worked hard to maintain ongoing dialogue with local customers and manage customer expectations in challenging circumstances. Government & regulators The Board recognised the wider reputational considerations and agreed that the disposal would show IMI's commitment to discontinuing its Russian business and would therefore promote the long-term success of IMI. The Board took into account evolving laws, compliance with international sanctions and banking covenants. We maintained communication with our banks to ensure compliance with our finance covenants.

Creating a BETTER WORLD

Our sustainability strategy, *Creating a Better World*, sets out the most important priorities for our business and for our stakeholders. This framework has been developed in collaboration with certain customers, investors and our people who were part of our materiality assessment process. This involved completing a survey and ranking 42 sustainability issues in order of importance to our business. The responses fed into the development of our board-approved ESG strategy and helped determine our sustainability pillars.

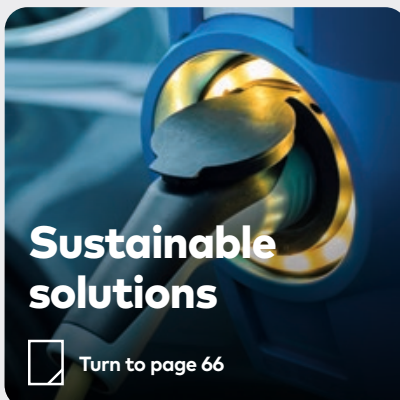




Empowering people

 Turn to page 56

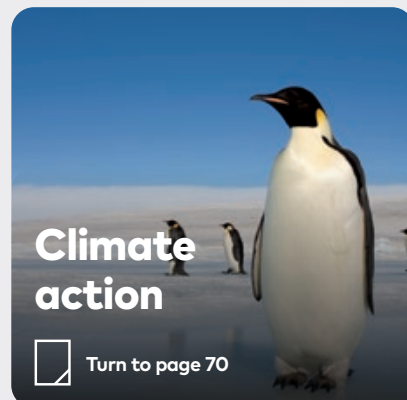
We will develop and empower people to make an impact and create a better working world.



Sustainable solutions

 Turn to page 66

We will engineer solutions that help our customers become safer, more sustainable and more productive.



Climate action

 Turn to page 70

We will play our part to address climate change by minimising the environmental impact across everything we do.



Responsible business

 Turn to page 52

Operating responsibly and doing the right thing are the foundation of everything we do.

Creating a BETTER WORLD

Our performance and targets

Empowering people

	Measure	Target
Employee engagement	Employee engagement, measured through the One Big Voice survey, has increased from 77% in 2021 to 80% in 2022. Employees see IMI as a great place to work	One Big Voice survey results for employees seeing IMI as a great place to work to be >75%*
Diversity	Percentage of women in management positions is 22%	To have 25% of women in management across the Group*
Health and Safety	Total Recordable Incident Frequency Rate (TRIFR) was 0.35, down from 0.56 in 2021	To remain within the top quartile of safety performance for the industry sector

Our goals

- **Health and safety:** ensure all our employees are safe and supported at work
- **Culture and employee engagement:** create a culture where our employees can thrive
- **Talent and people development:** develop and empower people to make a positive impact on our business, customers and communities
- **Inclusion & Diversity:** build a truly inclusive business where people are free to be themselves and that reflects the diversity of the societies in which we operate

Sustainable solutions

Our ambitions

Product performance	Maintain our membership with the London Stock Exchange Green Economy Mark. Continue to develop our Growth Hub sustainable portfolio assessment and integrate current and emerging 'green' taxonomy definitions, in addition to our own Better World objectives
Innovation	Ensuring our R&D spend as a % of revenue remains at a minimum of 3% and focusing all of our people on solving acute customer problems in order to deliver IMI's purpose of Breakthrough Engineering for a better world*
Supply chain	Engagement with our suppliers to progress our Scope 3 reduction plans

Our goals

- **Product performance:** optimise product quality and performance for our customers to help them reduce their own emissions
- **Operational excellence:** improve efficiency and reduce waste
- **Innovation:** develop products with enhanced focus on quality, environmental impact and reliability to solve customers' problems
- **Supply chain:** engage our suppliers to ensure we maintain a sustainable, ethical and resilient supply chain

* Targets/ambitions new for 2022.

Our priority UN SDGs



3 GOOD HEALTH AND WELL-BEING
Employee health and wellbeing is of utmost importance. Our health and safety policies and our wellbeing initiatives are key to ensuring high levels of health and wellbeing amongst our people.



5 GENDER EQUALITY
We strive for equity in treatment of our people and have made gender diversity a business priority and ensure our development programmes are available for all.



7 AFFORDABLE AND CLEAN ENERGY
We aim to provide solutions which help our customers reduce their emissions and increase efficiency.



8 DECENT WORK AND ECONOMIC GROWTH
We provide training and development for all of our people and follow best practices in providing good working conditions and practices.

Climate action

	Achievements	Targets
Our emissions	Scope 1 & 2	
	Total CO ₂ intensity reduction of 25% from 2.78 in 2019 to 2.09tCO ₂ e per 1,000 hours worked on a location basis. Absolute CO ₂ e emissions reduction of 30% from 57,500t (in 2019) to 40,480t	To reduce emission intensity to 1.39tCO ₂ e per 1,000 hours worked (50% of 2019 baseline) by 2030 on a location basis. To be net zero for Scope 1 & 2 emissions by 2040
	Scope 3*	
	Established total Scope 3 emissions (as at 31 December 2021) of 586,629tCO ₂ e (see pages 78 and 79 for further details)	To reduce total Scope 3 emissions by 25% by 2030 To be net zero for Scope 3 emissions by 2050**
Our water usage*	Total water usage reduction of 5% from 203,444m ³ in 2020 to 193,457m ³ in 2022. Total water intensity reduction of 7% from 10.8 in 2020 (m ³ per 1,000 hours worked) to 10.0 in 2022	To reduce water intensity to 9.7m ³ per 1,000 hours worked (10% reduction compared to 2020 baseline) by 2030
Waste*	Total non-recycled hazardous waste of 387 tonnes in 2022	To reduce total non-recycled hazardous waste by 50% from a 2022 base by 2030

Our goals

- **Emissions reduction:** reduce environmental impacts of our operations on air, water and waste
- **Climate change:** minimise our impact on climate change and mitigating against the risks

** Subject to further analysis and validation

Responsible business

Highlights

Code of Conduct	Enhanced Code of Conduct and associated online training introduced across the business, with further onsite sessions planned in 2023
Reporting	We will report in accordance with the GRI for the first time (see our website for details)
Wellbeing	New Employee Assistance Programme launched in 2022



IMI is currently rated AA (leader) for MSCI



IMI has been a member of FTSE4Good since June 2021, with an ESG score in the 54th percentile of our peer group



IMI responds to the CDP climate and water security questionnaires, scoring B and C respectively in 2022

Our areas of focus

- **Long-term sustainable success:** ensure the viability of the business by generating and preserving value over the long-term
- **Governance:** framework of policies and procedures which control and direct our company
- **Ethics:** acting with integrity to demonstrate the highest standards of responsible and ethical behaviour
- **Compliance:** respecting and adhering to laws and regulations and our policies and procedures



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Our technologies help improve efficiency in many end applications, particularly in buildings and infrastructure projects.



10 REDUCED INEQUALITIES
We aim to ensure equality opportunities for all our people and adopt policies that promote greater equality.



11 SUSTAINABLE CITIES AND COMMUNITIES
Focusing on emissions reduction and innovating for improved product efficiency ensures a Better World for all whether city dwelling or rural based.



13 CLIMATE ACTION
Our products and solutions help contribute to mitigating the effects of climate change.

Our sustainability milestones

2020

- » Established our Better World purpose
- » Established our Better World team
- » Committed to halve our CO₂ intensity (Scope 1 & 2) by 2030 compared to a 2019 baseline
- » Appointed Thomas Thune Andersen as non-executive director responsible for ESG

2021

- » Appointed Louise Waldek as the Executive sponsor for the Better World team
- » Appointed a Head of Sustainability
- » Met (and exceeded) the FTSE Women Leaders requirement for >33% of female representation on both the Board and Executive Committee
- » Met the Parker Review requirement of at least one director from a minority ethnic group
- » First TCFD report published

2022

- » Expanded the Better World team to include Scope 3 and governance and reporting sub-committees
- » Completed our materiality impact assessment with input from key stakeholders including employees, investors and customers
- » Assessment of Scope 3 emissions and inclusion of reduction plans with interim and net zero targets
- » Developed and communicated our ESG strategy Creating a Better World to key stakeholders
- » Purchased renewable energy certificates to guarantee renewable energy supply covering 79% of our electricity consumption
- » Inclusion of our women in management metric within our empowering people targets

2023

- » Begin product assessment work to help alignment of products and markets to Better World
- » Increase the use of product Life Cycle Assessments
- » Design a sustainability portfolio assessment for markets, risks and benefits
- » Materiality assessment update to double materiality
- » Update transition plans with Scope 3 emission reductions
- » Improve and develop TCFD disclosures

2030

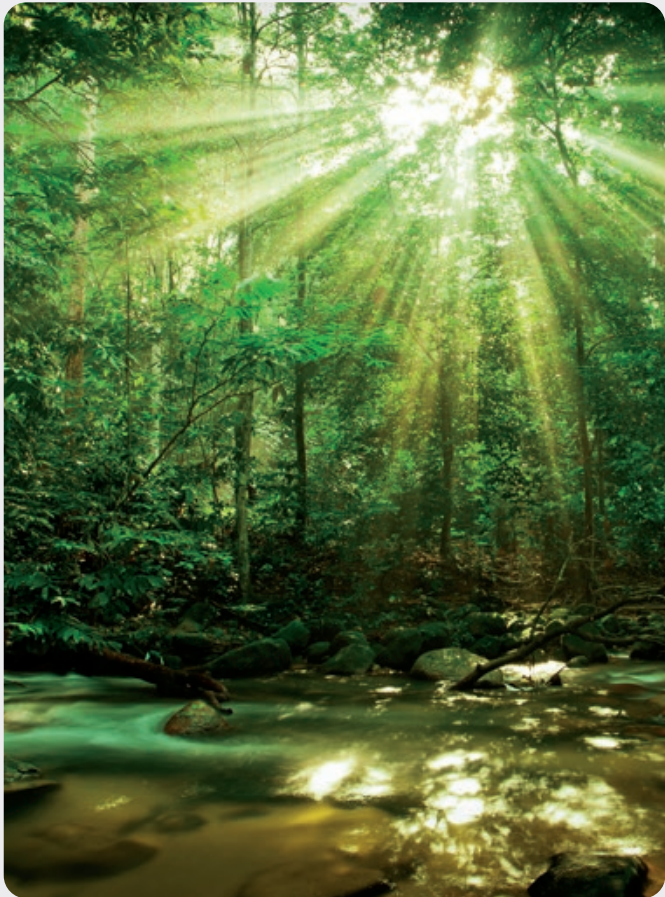
- » Achieve 10% reduction in water intensity compared to a 2020 base
- » Achieve 50% reduction in Scope 1 & 2 intensity compared to a 2019 base
- » Achieve 25% reduction in Scope 3 emissions compared to a 2021 base
- » Achieve 50% reduction in non-recycled hazardous waste compared to a 2022 base

2040

- » Achieve net zero target for Scope 1 & 2 emissions

2050

- » Achieve net zero target for Scope 3 emissions**



BETTER WORLD

Responsible business

On pages 46 to 49 we describe what Creating a Better World means to IMI and how we approach key aspects of our ESG agenda. Our ESG pillars are empowering people, sustainable solutions and climate action. We are committed to acting responsibly. We seek to minimise or eliminate any negative impact our businesses may have on our communities, our wider stakeholders, and on the environment. We will play our part to address climate change and protect the planet by minimising the environmental impact across everything we do. We will engineer solutions that help our customers become safer, more sustainable and more productive. We will develop and empower people to make an impact and create a better working world; **Breakthrough Engineering for a better world.**



Code of Conduct

Doing the right thing, always, is inherent in our purpose to deliver **Breakthrough Engineering for a better world**. Integrity is one of our core values and underpins everything we do.

Our Code of Conduct sets out the standards our stakeholders can expect from us and what we expect from our people and our business partners. In December 2022, we launched a revised Code of Conduct (available in our core spoken languages) and our people are completing training to ensure they understand our expectations and are clear about how to raise any ethical concerns or dilemmas.

We have a number of detailed standard operating procedures underpinning our Code of Conduct and appropriate compliance processes. A list of key policies and procedures can be found in the Non-financial Information Statement on page 84 and include anti-bribery and corruption policies. Monitoring and review procedures

include Internal Control Declarations, spot checks and regular on-site legal and compliance reviews, which are designed to help instil the highest standards of regulatory compliance. These policies and procedures are embedded in our risk assessment processes, further details of which are provided on page 92.

The new Code of Conduct, our 'Speak Up' and 'Hey! That's not OK!' campaigns continue to encourage all employees to report any incident that is not in keeping with our values and behaviours through line managers, senior leaders or via a confidential independent hotline, which allows anonymous reporting in our core spoken languages. The Group's Ethics and Compliance Committee reviews hotline activity on a monthly basis. Reports are investigated thoroughly and, where required, action is taken to resolve issues. The Executive Committee and the Board also monitor the operation of the hotline and check that commensurate investigation and follow-up is carried out.



Our ESG framework

During 2022, we built on our four step process (outlined in 2021) and developed our ESG framework, Creating a Better World. This approach aligns to our purpose and provides a focal point for us all to strive towards and measure our progress against. We have also adopted the Task Force on Climate-Related Financial Disclosures (TCFD)'s recommendations for governance.

Creating a Better World governance

- » Led by the Chair and the Chief Executive, there is Board level commitment to develop a strategy covering how we best deliver **Breakthrough Engineering for a better world** and how we report on our progress – for all our stakeholders
- » Our senior independent, non-executive director, Thomas Thune Anderson, has designated responsibility for ESG matters to support the directors' collective responsibility to consider a wide range of stakeholder perspectives and drive IMI's ESG agenda when arriving at Board decisions. His role and relevant experience is described on page 96
- » The Board set our Creating a Better World strategy and our ESG priorities. The Board is responsible for the impact of climate-related risks and opportunities. For full details of activities carried out by the Board in the year, see pages 106 and 107. The Board receives updates throughout the year on progress on emissions reduction targets (Scope 1, 2 and 3). The Board determines risk appetite regarding climate-related risks. The Board reviews principal risks biannually and reviews the effectiveness of internal controls annually. The Board also horizon scans for emerging climate-related risks
- » Strategy execution is delegated to the Chief Executive, supported by the Executive Committee. The Executive Committee is fully engaged with ESG matters and Louise Waldek is the IMI Executive sponsor for the Better World team. The Executive

Committee monitors and reviews ESG progress, climate-related risk management processes and reviews biannually a detailed analysis of the Group's risk profile including supporting divisional data

- » Divisional leadership implements the Creating a Better World strategy. It also monitors changes in the climate-related risk profile and is responsible for ensuring risk management culture is integrated across the division and aligned to the Group's objectives and appetite. Divisional leadership is responsible for data capture and cascading initiatives and projects

- » Our Head of Sustainability leads the Group's Better World team which is composed of senior representation from around the business, each with a different perspective and expertise in ESG matters

- » During 2022 two sub-committees of the Better World team were established:

- Scope 3: A focused group of key individuals involved in establishing what our Scope 3 emissions are and development of a strategy to reduce Scope 3 emissions
- Governance and Reporting: A selected group of employees involved in collating and organising our data and regulatory responses required for key internal and external sustainability reporting

Inclusion & Diversity is managed by the divisions and monitored by the Better World team.

Better World sub-committees met monthly throughout 2022 and made progress in these areas: our Scope 3 data capture and disclosure (see pages 70 to 75), strategy; our internal and external governance; and reporting requirements. This included providing clarity to the Group on the increasing external governance landscape and the key third parties involved.

We also have a dedicated management committee with responsibility for charitable donations, humanitarian support and sponsorships.

To strengthen reporting and improve stakeholder communications, it is important to provide comparable and meaningful ESG data and information, aligned with internationally recognised standards and disclosures. As such, we have presented our ESG reporting framework Creating a Better World, building on our strong foundations. We conducted a peer review to inform how leading organisations from various sectors are reporting against ESG. We also carried out a review of the criteria within leading sustainability reporting standards.

Global Reporting Initiative (GRI)

To strengthen our reporting and give a greater level of transparency, we are disclosing in line with the GRI Standards for the first time. We have now developed a framework to capture the required data across the various ESG categories to align with the GRI Standards. We will also continue to use the CDP to report Greenhouse Gas (GHG) emissions as well as water security which we disclosed for the first time in 2022. As detailed on page 77, we have also undertaken climate scenario analysis to support our TCFD disclosure.

We fully appreciate the importance of data required to provide robust and transparent reporting, and this Annual Report is our first full Report 'in accordance' with GRI. We have disclosed (on our website) our material issues (including our materiality impact assessment matrix) that are most important to our stakeholders as identified by the materiality assessment conducted earlier this year, described on page 8 of this Annual Report. We will continue to invest in systems and processes to help us with our reporting requirements in this key area. Our website includes a comprehensive index which maps our material items against the required GRI disclosures.

Area	Roles		Responsibility
Board	Chief Executive Non-executive director with designated responsibility for ESG	Communicating strategy through the organisation 	To approve the Creating a Better World strategy and ensure ESG issues are considered as part of the Group's purpose, strategy and objectives. Oversees progress against targets. Assesses climate-related risks
Executive	Executive sponsor for Better World team Divisional Managing Directors		To set direction and ESG focus areas relevant to IMI To oversee ESG initiatives and provide regular updates to the Board Making sure the right people and resources are in place to achieve our ESG objectives
Better World team	Head of Sustainability IMI Precision champion IMI Critical champion IMI Hydronic champion Head of Health, Safety & Environment Group Financial Controller Head of Risk Head of Engagement & Communications Head of Global Wellbeing Governance team Investor Relations Analyst		A cross-divisional and functional team, co-ordinating ESG initiatives across the Group Responsible for recommending ESG strategy, developing plans for its implementation, and establishing structures, measures and validation plans that deliver to Group targets. Routinely reports to Board and Executive Developing external and internal communication plans in parallel to the above Managing IMI's relationships with external consultants and agencies

How we approach ESG

Across the Group we operate both a 'top down' and 'bottom up' approach to the ESG agenda, as illustrated above. This allows the Board and the Executive Committee to review and assess ESG strategy and activities. It also ensures that ESG progress and initiatives are managed at multiple levels and that key ESG information is communicated effectively across the Group.



BETTER WORLD

Empowering people

We will develop and empower people to make an impact and create a better working world.

Our people are critical to delivering our purpose of **Breakthrough Engineering for a better world.**

Our better world ambition is about developing and empowering people to create a positive impact in our business, for our customers and for the people we serve and the communities in which we operate.

Our values remain the backbone of our business – customer intimacy, integrity, playing to win and one big team guide all our interactions and inform our decisions.

A summary of our people strategy is outlined on pages 14 and 15 and in the pages that follow.



Culture and employee engagement

Through 2022 we have continued to invest in and nurture our culture to ensure it is a differentiator for our business. In a world that continues to be volatile, having a strong culture is helping us to manage uncertainty. We operate a business where the safeguarding of our employees is front and centre, where we collaborate to create a Better World for our customers, communities and each other, and where we adapt to ensure our people, products and processes continue to thrive.

Over the last year we have shared more about 'who we are and what we do' with our stakeholders to showcase IMI as a purposeful and progressive business. Our corporate website now includes regular updates that bring to life our culture through the use of 'proof point' storytelling of our people and products, and we have embraced multiple social media channels to reach future talent. The Executive Committee has sponsored a 'Big Play on Talent' initiative focusing on talent attraction, talent visibility and talent development. This has resonated positively across the whole organisation.

Workplace, our internal communications platform, continues to provide all employees the ability to connect and collaborate every day. We have been focused on engaging front line workers with a number of supported site pilots; those that have participated are now featuring in our top ten most active locations. This platform continues to provide a channel to showcase our purpose, strategy and values in action.

Our global employee survey, One Big Voice, is now in its second year in this format and is a great way to engage with our colleagues. The survey is translated into our core 12 languages and the results are analysed locally with sites creating specific action plans for improvement that are signed off by divisional HR Directors. We are pleased to report that our key metric to measure employee engagement increased to 80% in 2022, up from 77% the prior year (our new engagement measure is outlined on page 12), reflecting the ongoing efforts and investment being made to ensure that IMI has a positive culture and is a great place to work.



IMI Way Day

Front and centre of our engagement approach is the IMI Way Day. It provides the opportunity for every site and every team member to come together for one day and celebrate their part in creating a Better World for our customers, our people and our communities. Taking time to pause, reflect and contribute to our business priorities, talk to each other about what really matters to us all at IMI, and give something back to our communities are core drivers of engagement for our business – and essential ingredients of a purpose-led organisation.

In such a demanding world, the IMI Way Day is protected time to examine our purpose and our connection to it. It's essential to identify and celebrate how each division, each site and each individual contributes to our growth and our purpose. This year seven of our sites were featured in video stories showcasing the part our people are playing in creating a Better World – from our assemblers to our line operators, our machinists to our IT team. A key highlight was showcasing our values in action and the work our team in Poland has led to support the humanitarian crisis on their doorstep.

Community engagement

The IMI Way Day enables our employees to engage in volunteering activities which contribute to our local communities. Common activities included assisting at local food banks and helping clear and tidy local parks and woodlands for local residents to enjoy, in addition to raising and making direct contributions to local charities. In 2022 over 4,000 employees volunteered a total of over 10,000 hours. We ensure that all activities align to at least one of the 17 United Nations Sustainability Development Goals. In 2022, activities aligned to life on land; zero hunger; good health and wellbeing; and climate action amongst others.

In addition to the local community initiatives that take place across the business at site level, IMI made donations to a number of not-for-profit organisations amounting to £180,000 in 2022. Highlights include partnering with the Derby Museum to sponsor the Midlands Maker Challenge – an exciting programme that draws on the rich manufacturing heritage of the Midlands to encourage an open and exploratory mindset that helps young people feel empowered to make a difference in their communities and to learn and develop new skills. We also joined with our employees to fundraise for the people of Ukraine through a UNICEF fund. IMI committed to match funds raised by our employees and as a result, over £32,000 has been donated. On a practical level, our teams on the ground in different European locations set up collection points in offices to receive donations of vital items for refugees. Containers were then packed up using our distribution hubs and, with the help of colleagues liaising with the Red Cross, shipped to Poland to help those most in need.

Wellbeing

Ensuring that all employees feel valued and supported is central to our culture. Our wellbeing framework is centred around four pillars – mind, body, financial and social. To compliment these, this year we introduced an Executive sponsored Employee Assistance Programme (EAP), which launched globally at the beginning of June. This free, confidential programme provides short-term professional counselling for any work or personal issue. It includes an online resource hub with access to articles, checklists and advice on a wide range of topics including work, life, parenting, health and ageing. We have a team of wellbeing champions around the business who assist the Head of Global Wellbeing in communicating the programme to colleagues via our internal communication platform, Workplace, and also to our front-line workforce through townhall sessions. Awareness days such as World Mental Health Day are embraced around the business with events being held to support the wellbeing of colleagues.

Employee representation

We are committed to upholding strong relationships, and engaging regularly, with union bodies – these are represented across many of our sites. We host an annual European Communications Forum (ECF), which took place virtually this year, and was attended by employee representatives from all of our key European geographies. The annual ECF is an important opportunity to share an update on key business and people initiatives as well as respond to any questions or concerns. We also meet with the forum members every quarter to share updates and seek their thoughts and feedback on key topics arising in their geographies.

This year we have also engaged with a cross-section of employees in focus groups on topics including communications and engagement, talent attraction (especially early careers), and talent development opportunities.

Leadership engagement

Our focus on Leadership Engagement has continued with our Playing to Win leadership conference at the beginning of the year and quarterly leadership sessions around our strategy, led by the Chief Executive and Executive Committee with our leadership group. Key messages from these sessions are cascaded to all employees with a specific focus on supporting middle management to understand the company's purpose, strategy and values.

Pay and benefits

We continue to ensure pay, benefits, and wellbeing propositions are competitive and fair. Pay is typically reviewed on an annual basis, with increases aligned to an individual's level of skills and experience as well as external factors like market competition and inflation. 2022 was a year of great global economic uncertainty and, in many countries, there has been a backdrop of historically very high inflation. This is expected to continue in 2023, and, with that in mind we focused our resources on those who need it most by giving higher relative pay awards to employees on the lowest incomes.

Talent and people development

Talent was an Executive priority for 2022 and we have focused on three workstreams: Talent Attraction, Visibility and Development. This has resonated positively across the whole organisation. Our Inclusion & Diversity policy has been fully integrated into each of these workstreams, ensuring that we continue to leverage Inclusion & Diversity as a key enabler to further develop our culture. The overall focus is on developing and executing a strong internal succession pipeline while supplementing this with high calibre external candidates where required, and especially in those parts of the business requiring new capabilities for growth such as digital expertise for customer experience; commercial excellence; strategic product management and new skills in engineering.

Talent attraction

We are committed to attracting high quality, diverse talent, through an impactful and excellent candidate experience. Doing this will ensure that we continue to have a pipeline of high-calibre talent to deliver our growth agenda. Excellent progress was made in 2022 to improve our attraction, recruitment and selection and onboarding processes. Enhancements to our corporate website and social media platforms are bringing our purpose and culture to life and ensuring our 'go-to-market' strategy demonstrates IMI to be an employer of choice. We have standardised our testing and interview processes to support our hiring managers and unconscious bias training is also being rolled out to further embed Inclusion & Diversity best practice into our processes. Digitalisation of our recruitment process is also being invested in to improve time to hire and improve the candidate experience.

Talent visibility

We have also made a series of changes which give us greater understanding and visibility of the talent that exists inside our organisation. We improved our performance management process to emphasise career aspirations, mobility and development conversations. We also re-defined talent to encompass performance and potential, with performance ratings now reflecting delivery of results in the right way and identifying talent that will help us to win.

The Talent Review process now incorporates the full Executive team reviewing cross-divisional and functional succession plans and development. There is also a monthly Executive team discussion on open, business-critical roles, high potential talent development and follow up actions from the most recent talent review. The Talent Review process covers roles two levels below the Executive Committee with a focus on the talent assessment and succession pipeline, Growth Hub, early careers, site leaders and commercial talent. Succession coverage has also improved compared to prior year, as a result of the cross-divisional talent sharing and improved talent visibility across the Group.

Owing to success in recent years with internal promotions into leadership roles, a lower than expected percentage of roles were filled internally at 28%. We continue to enhance our internal pipeline through development of high potential talent and therefore expect to see this return to a higher percentage in the medium to long-term.

Training & development

Development remains a key enabler to both engagement and retention of talent and a core part of our talent strategy. We have continued to invest in IMI Learn, our e-learning platform that is accessible to more employees globally with multi-language capability. The varied content will support personal development and begin the journey away from a 'push' system of compliance training to one that is individually driven for personal development.

Having focused development programmes for our talent population will ensure they are able to progress and grow our business. Key to this has been to realign leadership development to our Better World growth ambitions and to engage our leadership community in their role to grow IMI.

- » In 2022 we began a partnership with the International Institute for Management Development (IMD), launching an executive management programme in October with 50 of IMI's key leaders (24% female)
- » Our successful Catalyst programme for high-potential talent has continued with a second cohort, representing a gender balanced group more closely aligned in experience level. This programme is seeing excellent engagement and will continue into 2023
- » The IMI Graduate Programme remains a key talent pipeline, with 40 graduates joining us as part of the 2022 intake. Retaining an even gender balance into the organisation remains a priority with 40% of the 2022 intake being female (50% in 2021). We continue to diversify the programme into broader disciplines, further ensuring the delivery of key capabilities into the business and in 2023 we will expand our early careers opportunities as a pipeline to the graduate programme

We want all our people to see and own their part in our growth. We are engaging more people from right across the business and externally through our entrepreneur network to drive our growth accelerator programme, Growth Hub. We appointed divisional growth accelerator leads who use the tools, techniques and growth mindset from Growth Hub and take the learnings into our local sites. These, and other activities, encourage more employee involvement in our growth agenda.

The Growth Hub effect

Our innovation process is about more than creating new products: it's opening the door to transformational cultural change.

Growth Hub, IMI's innovation engine, is a hands-down commercial success. Our internally incubated Growth Hub projects produced £23m of orders in 2021 and £52m of orders in 2022. What makes Growth Hub even more exciting for our future is the way the process is already sparking a profound change in mindset at IMI.

Growth Hub encourages an agile, decisive, entrepreneurial approach to solving industry-wide customer problems. Sprint teams move at pace and learn new ways of working, including killing projects early and pivoting fast when necessary to take advantage of newer, bigger opportunities.

The growth in ambition this engenders touches far more than the hundreds of people who have been involved in Growth Hub to date. Through the power of the network, it impacts on all 10,000 of our people and is bringing about a remarkable cultural transformation.

Experiments not projects

Testing assumptions to confirm them or bust them fast is a skill that can be applied to almost any role. Likewise, the Growth Hub mantra of focusing on product-market fit sharpens our commercial sense across the board. It drives us closer to our customers, keeping us tuned-in and alert to their emerging challenges and needs. Rather than the sense that we are inside IMI, communicating outwards towards our customers, we're reversing the flow and making communication more of an outside-in process, inviting customers to hackathons and co-creation sessions which yield dozens of new insights and ideas.

The rigour of the Growth Hub approach is key to its success. Getting into the habit of busting assumptions early on is one of the best things team members learn from being involved with Growth Hub. We all hold assumptions, and what assumption busting does is allow you to test out: 'Is this a fact, or is this a story we're telling ourselves to make a situation more in line with our expectations?'

Growth Hub is arming our people with new skills that will help us navigate uncertainty and it's changing how customers perceive us and we perceive ourselves. It is securing our future as a driving force behind our Better World growth ambitions.



Inclusion & Diversity

Our Inclusion & Diversity strategy continues to focus on four key areas:

1.

Engagement:

connecting with colleagues across IMI about Inclusion & Diversity and embedding into business as usual processes

2.

Resourcing:

ensuring that both external and internal recruitment processes are inclusive

3.

Development:

tackling the impact of unconscious bias on who is developed within IMI, and supporting the development of diverse talent

4.

Measurement:

more effectively capturing and using employee demographics, establishing external benchmarks, measuring pay gaps, as well as measuring the opinions of different employee groups through One Big Voice

A number of actions across these areas have been taken during the year. Firstly, and in line with our I&D strategic focus on Engagement and Development, programmes and videos have been developed on the topics of Tackling Inappropriate Behaviour, Psychological Safety for leaders. Also, a series of I&D related sessions run within teams, tackling topics such as what I&D means for us as a team, understanding and tackling unconscious bias, actively building in inclusion, and working with cross-cultural intelligence were introduced.

In addition, the Inclusion & Diversity Working Group have been working in partnership with colleagues across IMI to embed I&D into key 'business as usual' practices. Our communications and engagement plan, which supports our I&D ambitions, has continued to drive events which educate, celebrate and

highlight many areas of diversity - including; International Womens' Day, International Women in Engineering Day, PRIDE month, National Inclusion Week and International Day of People with Disabilities. This year we also created 'communication packs' for site leaders to take from our internal communications platform and use within their sites.

On the back of the PRIDE awareness campaign, we are delighted that an employee-led PRIDE network has now been set up, with an Executive sponsor. The group comprises colleagues from across the globe who are either part of the LGBTQ+ community or wish to be allies. Priorities to start with are: attendance at PRIDE events, learning and awareness of LGBTQ+ culture and being a support network on all things LGBTQ+ as well as sharing best practices.

Work is also underway to improve the external face of IMI from an Inclusion & Diversity perspective. As part of the Women in STEM campaign for International Women in Engineering Day, IMI had great coverage in the New Scientist, with an article highlighting not just the experiences of IMI employees from different backgrounds, but also providing a great showcase for the Growth Hub. We are establishing stronger relationships with other external engineering groups and societies in order to promote IMI and attract candidates from different backgrounds. This also included conducting an I&D review and putting new sections on the IMI website.

Inclusion & Diversity data collection continues to be a focus. With every data collection cycle, we continue to improve how we measure gender and ethnicity pay gaps. As part of our Talent Attraction workstream we are also investigating how we can be more effective in monitoring resourcing short lists and reporting internal promotions and regretted turnover.

Women in senior leadership

Gender mix across the Group*

	Female	Female %	Male	Male %
Board	3	38%	5	62%
Executive	3	43%	4	57%
Direct reports to Executive	12	27%	33	73%
Managers	394	22%	1,397	78%
Leadership group	32	18%	142	82%
All employees	3,171	29%	7,820	71%

* Including agency and contractors

We are targeting 'Women in Management' as our key metric for improving gender balance in leadership at IMI. This is defined as anyone who oversees an area of responsibility involving planning, organising, leading and/or directing the responsibilities of employees. We measure this population to build the succession pool for leadership roles. In 2022 it was 22% and our target is 25% in 2023.

In 2022 the FTSE Women Leaders Review published its first report and recommendations – it is an independent, voluntary and business-led initiative supported by Government, aimed at increasing the representation of women on FTSE 350 Boards and in their Leadership teams. The FCA's new listing rules in relation to diversity also came into effect in April 2022 and will apply to us from our 2023 financial year. Both the review and the listing rules recommend that at least 40% of the board should be women and at least one of the senior board positions should be a woman. Our Board currently has 38% female membership, and our approach to board diversity and succession is detailed in the Governance Report. The FTSE Women Leaders Review additionally recommends that leadership teams (Executive Committee and their direct reports) should be 40% women. As at the time of submission, our leadership team, as defined by the Review, was 29.4% female. We have made a gradual but significant improvement over time, but we know we must continue to do more to reach the 40% aspiration. In a sector where globally women are underrepresented, this is challenging.

We continue to focus on the career levels from Graduate Alumni through to leadership roles to ensure that we improve our overall gender diversity. We are also focusing on our culture and the policies that make IMI a leading company in the sector for women to work, so that we can attract and retain talented women, particularly with STEM backgrounds. And for our non-engineering roles, we need to actively consider the talent pipeline and how this can support and accelerate our longer-term diversity aspirations.

Parker Review

It is five years since the publication of the first report into the Ethnic Diversity of UK Boards in 2017 by Sir John Parker and the Parker Review Steering Committee. For FTSE 250 companies, the target is to have a person from a minority ethnic group on their Boards by December 2024. With these companies, there has been good progress, particularly in the last two years with 55% now meeting this target compared to a small percentage in 2016. 128 out of 233 companies (55%) currently meet the December 2024 target. Of these 128 companies, 25 companies have exceeded

the target of the Review. We met the requirements of the Parker Review in 2021 and have one non-executive director from an ethnic minority on our Board.

Gender pay gap**

We are committed to creating an inclusive and diverse working environment and fair treatment for all, including equal pay. Overall, our statistics remain similar to the sector in which we operate. In the UK we have around 1,000 employees and there is a 72% male, 28% female gender distribution which is fairly typical in the engineering sector. We have seen our mean and median pay gap increase slightly compared to 2021, but 2022 results still point towards longer-term sustainable improvement since we began reporting in 2017.

→ Find out more:
www.imiplc.com/esg

2022 mean gap**

18.3%

2022 median gap**

20.6%

Ethnicity pay gap**

This year we began collecting data to analyse our ethnicity pay gap for UK employees. Currently, there is no statutory obligation for IMI to report our ethnicity pay gap results although we will publish our full Ethnicity Pay report alongside our Gender Pay report on the IMI website.

Data has been voluntarily provided by c.40% of all UK employees, and we have determined that IMI has a median ethnicity pay gap in 2022 of 6.4%. These results show a pattern that is seen more generally in the UK, where employees from some ethnic groups are under-represented in roles that command higher salaries. Our efforts will be focused on how we can effectively recruit and develop employees from these under-represented groups into higher paid positions.

** Does not include Heatmiser, acquired in December 2022.

Health and Safety



IMI Precision Engineering – Farmington, USA

424

employees trained during the year with a recognised safety certification

Accountability

At IMI we are deeply committed to protecting our people and keeping them safe at work is of the utmost importance. We have set high standards for Health, Safety and the Environment (HSE) and do our absolute best to ensure everyone leaves work safe and well. This ethos is embedded in our Code of Conduct, which applies to all our employees and business partners.

IMI continues to invest in Health, Safety and Environmental processes and professionals across the globe to support us all in doing the right things, the right way, every day. This is reinforced by a shared commitment from all our leadership teams globally. Together, we continuously improve and strive for excellence in HSE.

Prioritising health and safety and keeping our employees, and any individual entering our sites, safe is our number one priority. We take a proactive approach and strive to continuously improve our performance. Our Group Head of Health, Safety & Environment reports directly to the Chief Executive who has ultimate responsibility for health and safety. The Executive Committee reviews health and safety matters every month and regular reports are made to the Board.

Safety priorities

In 2021 we introduced the HSE Excellence Framework and accompanying Standard Operating Procedures. This enhanced management system consists of 10 elements with sub-elements that includes specific subject areas such as distributed work force (field service), environment (air, water, waste) along with leadership engagement and risk assessment. Throughout 2022 as committed, we have now physically visited and assessed all manufacturing sites to create a baseline score across the Group, with the exception of China, where restrictions prevented travel. This new framework has proved incredibly effective and has been one of the key factors in improving our HSE performance year on year.

Another priority for 2022 was to encourage all our employees to raise and report hazards. As a result, we have seen a significant increase in hazard reporting across the Group, with a 29% increase year over year with 30,722 total hazards raised. We also track the closure rate of hazards to ensure the risks are being removed. During 2022 of all hazards raised, we closed 93% within 30 days of being raised, surpassing our target of 90%.

We have also produced and released a suite of golden rules focusing on key safety risks. With clear infographics and concise messaging, these posters are clearly displayed in our facilities and are issued with an accompanying 'toolbox talk' training pack. This ensures our employees understand the rules and the expected behaviours. Topics have included: safe use of mobile phones, handling chemicals, stair safety, and hand safety. In 2023 we have a communications campaign planned to reinforce our safety culture across our business.

Investing in our people remains a top priority. We are committed to ensuring we have highly skilled, trained employees especially those with safety responsibilities. During 2022, where a skill gap was identified we have upskilled our supervisory, leadership and HSE professionals to recognised industry standards such as NEBOSH certificate in health and safety, IOSH managing safely or OSHA 30 and other regional equivalents. As a result, during the year 424 employees were trained, attaining certification in one of the standards mentioned.

18 of our 51 manufacturing sites are accredited to ISO 45001, the international standard for health and safety management.

Occupational injuries and recordability

As a culmination of all of these activities, we have achieved a significant reduction of recordable accidents across the Group year over year. This included 12 Lost Time Accidents in 2022 vs 23 Lost Time Accidents in 2021. Our recordable accidents have reduced to 34 in 2022 compared to 53 in 2021.

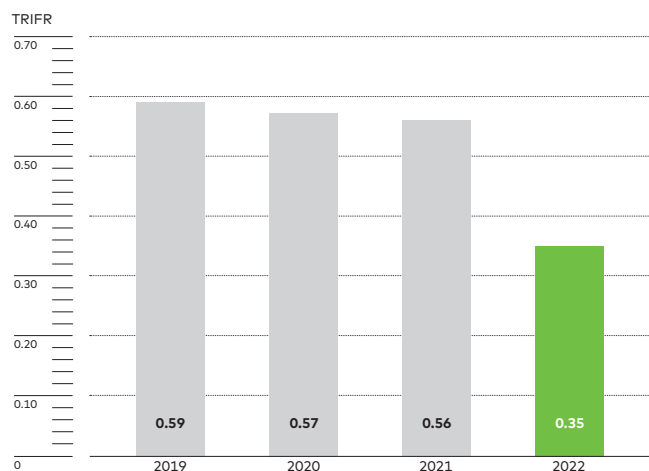
Our Total Recordable Incident Frequency Rate (TRIFR) has also improved, decreasing to 0.35 in 2022 from 0.56 in 2021. IMI remains in the top quartile of safety performance within the industry sector, however we remain committed to our ambition of an accident free workplace and HSE excellence.

Aligned with the Global Reporting Initiative (GRI), we report our recordable work-related injuries using the methodology based on 200,000 hours (equivalent to 100 fulltime workers over a 1-year timeframe).

$$\text{Total Recordable Incident Frequency Rate (TRIFR)} = \frac{\text{Number of recordable work-related injuries}}{\text{Number of hours worked}} \times 200,000$$

Our TRIFR includes all work-related injuries greater than first aid. This is also in line with OSHA and gives us the ability to benchmark against the industry sector for comparison.

This globally recognised annual normalised rate takes into account employee numbers and hours worked across the Group. We include all employees, agency workers, contractors and visitors in our accident reporting statistics. There were no fatalities during the year.



BETTER WORLD

Sustainable solutions

As the world continues to move towards more sustainable solutions, we are committed to providing our customers with the most sustainable products possible. We will continue to innovate and invest in clean technologies to produce industry-leading and climate-conscious products that empower our customers to be the sustainability leaders of their own industries.

Our products, services and solutions enable our customers to improve their own sustainability and support their ambitions for a Better World. Our products help our customers in five key sectors which are Industrial Automation, Life Sciences, Transportation, Energy and Indoor Climate. In addition to our own emission reduction plans, we want our products to help our customers reduce their own emissions and hence contribute to creating a Better World.

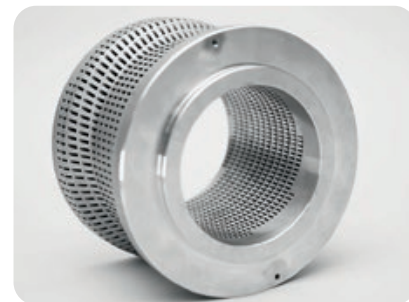
The performance of our products is key to ensuring we deliver on our purpose of **Breakthrough Engineering for a better world**. It is paramount to not only our own success in achieving our net zero commitments but that of our customers and other stakeholders too, making a Better World for all.

Sustainable solutions activities

- » Completed Life Cycle Assessment (LCA) on one of our key Growth Hub products
- » Launched a new Proton Exchange Membrane (PEM) electrolyser that generates hydrogen from renewable energy sources (see page 23)
- » Enhanced our product offering within IMI Hydronic Engineering to launch the Halo-B valve, which saves energy

Portfolio

We continue our work to focus on the sustainability impact of our products to guide decisions concerning their development, whilst also working to increase our understanding of their sustainability impact. Evaluating the sustainability of our products at different stages of the product life cycle (materials and design, production, consumer use and end of life) is an important focus for us. In particular, our Growth Hub initiative applies a Better World lens to ensure sustainability remains at the heart of the process. We aim to expand this assessment so that we can steer our portfolio towards an improved sustainability impact for our customers' markets and operations. It will also help capture risks and opportunities related to the products in our portfolio. This insight will help shape our offering and steer us towards a higher proportion of sustainable products and highlight products that are of future concern, either because of their raw material inputs or application and end of life costs. Retrofit3D is an example of where we have developed this assessment further using a life cycle assessment process to understand the sustainability benefits of this product.



Retrofit3D

Performance

What we do

We analyse various products from a CO₂ impact perspective using a specialist modelling tool that covers the scope of material production to delivery to customers.

We also routinely initiate tear-down analysis and conduct value engineering on our own product range to seek ways of reducing material usage whilst maintaining optimal performance and integrity of the product. This includes the use of hazardous materials which we aim to minimise the use of and effect of, such as lead.

Sustainability in action

Full Life Cycle Assessments also help establish the impact of our products for our customers and the environments in which they use our products. Our dBX Shield™ valve was initially developed to reduce noise levels in gas pipelines and city gates which, owing to expansion or urban areas, are located closer to communities. Our dBX Shield™ valve has been effective at reducing noise whilst retaining ease of maintenance and service.

The EroSolve Wet Steam solution was developed to prevent steam leakage which reduces the efficiency of a plant and prolongs the life of the remaining valve components, requiring less intervals between maintenance and service.

IMI Critical Engineering works very closely with the Engineering Procurement Contractors (EPC) and end user customers to ensure optimisation of design to their exacting process conditions, requirements and standards. This ensures maximum output with minimum use of fuels and emissions aligning to our Better World purpose whilst ensuring lower emissions for our customers.

Halo-B is a mechanical thermostatic valve that ensures thermal comfort and energy savings thanks to its innovative tamper-proof temperature setting system, which does not allow the end-user to change it constantly. This removes one of the many sources of energy waste, as increasing the temperature by as little as 1°C can increase energy consumption by 6%. Another benefit of the Halo-B is that it is a liquid-filled thermostat with high-pressure power and precision control designed to last up to 15 years, making it a sustainable long-term solution that can stand the test of time. The Halo-B is a product that can help make the world a more sustainable, energy-efficient place and fits perfectly into our Better World ambitions.

We are increasing our use of Environmental Product Declaration (EPD) processes. The EPD is a means of identifying the environmental impact of a product. It can also be used as a benchmark in order to improve the sustainability goals, and to demonstrate a commitment to the environment to customers. EPDs are primarily intended to facilitate business-to-business transactions, although they may also be of benefit to consumers who are environmentally focused when choosing goods or services. This project will deliver an EPD based on life cycle assessment which will be meeting customers' and authorities' demands for credible, easily understandable and comparable environmental information. The underlying life cycle assessment is also an excellent basis for further improving the product's environmental properties.



Halo-B

Operational excellence

Our focus on operational excellence ensures that our products are manufactured to very high standards and tolerances.

We continue to engage our people to drive continuous improvement through the identification and realisation of opportunities in several areas of our internal operations such as quality improvement, lead time reduction, raw materials, production overheads, inventory reduction, and equipment utilisation. Lean is the methodology we use for this purpose and a continuous improvement financial tracker tool to assess and monitor the financial impact of operational improvements.

Examples of this in action include completing ergonomics projects in our site in Poland that, in addition to reducing physical stress and impact on operators, led to an efficiency improvement.

We continue to focus on reducing styrofoam material used for packaging and use cardboard as an appropriate alternative. We also have a strong focus on eliminating single use plastics when packing and distributing our products to customers.

In our manufacturing site in Fullinsdorf, Switzerland, we optimised the Zeparo welding robot programme, leading to a 40% scrap reduction compared to the previous year. We also improved our preventative maintenance process leading to a 12% breakdown reduction compared to 2021.

In our manufacturing facility in Ljung, Sweden, we expanded our foundry, improving the layout for increased safety and installed three new die casting machines. We also implemented a digital knowledge management system that allows us to monitor progress of improvements identified in areas such as health and safety, quality, process and people using lean manufacturing kanban principles.

Reducing machine downtime increases utilisation and lessens the need for additional machines. Managing our total preventative maintenance and the internal operational processes we employ, ensures we keep internal excellence as a key focus area which reduces the resources we use and improves the overall efficiency of our plants. We aim for exceptional performance with regards to equipment effectiveness and we can achieve this through regular checks, preventative and predictive measurements and recording follow up actions to help reduce equipment breakdowns and downtime.

Market-led innovation

We invest heavily in research and development. In 2022, 3.3% of our revenue was focused on R&D expenditure (2021: 2.9%). We aim to invest above 3% of revenue each year in innovation and developing solutions which solve customer problems. Applying a Better World lens to our Growth Hub process ensures we keep sustainability front and centre in everything we do.

Our focus on hydrogen as a sustainable fuel has led to a number of projects. This includes but is not limited to supporting the developing hydrogen refuelling infrastructure with manifolds and solutions that help to reduce both the capital expenditure and operational expenditure of running a refuelling station. We are also working in the Transportation space with hydrogen fuel cells to address the main challenges of performance, a complex system and efficiency.

In the material handling space, Adaptix is the first fully adjustable soft jaw. This patented product allows our customers to reduce waste, and increase productivity, with less inventory of soft jaws and fixturing. For a machine shop focused on custom machining, using Adaptix translates to an average one hour saving per day on set up time (10% time saving on a 10-hour shift) when the machine can now be running. It would also yield a 10% increase in productivity in machining, holding a variety of part shapes without creating new jaws. This helps our customers to increase throughput by making what they need, when they need it, reduce inventory and product/service lead time.

In the biopharma space we are working on products to help improve the efficiencies of bioreactors, which are critical to the pharmaceutical industry where batches of products need to be either tested/grown or used for medical reasons, as well as development of best-in-class mass flow controllers to be used in a range of medical devices as they continue to develop for their customer base. Improved efficiency in bioreactors is key for the development of vaccines, cancer treatment, diabetes treatment, gene therapy as well as more broadly medical research. Bioreactors are also used for the development of alternative proteins, a move driven to reduce the global carbon footprint in food production.

Supply chain

Supplier engagement is key to ensuring a sustainable supply chain in the future. We have partnered with Assent Inc to investigate suppliers for Corporate Sustainability (Conflict Minerals reporting across all three divisions) and Product Compliance (EU Reach, Rohs, EU MDR, EU WFD, US TSCA and Prop 65).

Assent has supported us with product compliance investigations across over 3,600 suppliers, covering approximately 95,000 components that go into around 215,000 products. Whilst these regulations are detailed and complex, 97% of our products are fully compliant. Of the remaining 3%, the majority of the issues are due to lead content in our brass materials. We recognise there is work to do to improve this for our customers and our world class engineering teams are aware of this and are working hard to remove it from our latest specifications.

To ensure we are ready to fully comply with the German Supply Chain Due Diligence Act we launched in November 2022 online training for our procurement teams on product compliance and human rights in the supply chain, and reiterating our three key supply chain policies (Supply Chain Code of Conduct, Modern Slavery and Responsible Minerals).

In September 2022 we launched the Solar Panel Sourcing policy outlining the additional due diligence required to prevent forced Uyghur labour in our supply chain (as highlighted by the Uyghur Forced Labour Prevention Act).

We continue to work closely with key customers on ESG and product compliance.

Case study

We endeavour to work with key suppliers that are aligned to Creating a Better World. One such supplier is Peekay Steel Castings based in Kerala, India. Peekay supplies IMI Critical Engineering with high quality components which we use when manufacturing butterfly valves, ball valves and globe valves. However, Peekay is also aware of their own impact on the environment and has sustainability at the core of their product. Peekay make use of a high proportion of recycled material and have set stretching targets to reduce their Scope 1 & 2 emissions by 40% by 2031 (20% reduction target by 2026). Re-using heat where possible from their processes and investing in self generated electricity (via wind turbines) are further examples of their commitment to a sustainable future. In addition, this key supplier have conducted their own materiality impact survey and have implemented a sustainability committee to drive their sustainability agenda. We welcome this level of investment from our key suppliers and look forward to continued collaboration with Peekay going forward.



IMI Hydronic Engineering -
Erwitte, Germany



IMI Precision Engineering -
Irwin, USA

BETTER WORLD

Climate action

Keeping our impact low

IMI has manufacturing facilities in 18 countries, and we are committed to operating these facilities in a sustainable way to minimise their impact on the environment by reducing energy and water use, pollution, waste and single use plastics.

We monitor and report our environmental performance at monthly Executive meetings with a view to delivering continuous improvement. We have an explicit goal of halving our factory CO₂ intensity by 2030 (based upon 2019 Scope 1 & 2 emissions). As previously stated, during 2022 we evaluated our Scope 3 emissions and now have a roadmap to plan our reductions.

In addition to the central Better World team, all divisions have a dedicated ESG lead and all of our manufacturing sites have a nominated environmental champion. This consistent approach ensures we continue to develop and share best practice across the organisation, can collate site and divisional project plans and monitor progress. Many initiatives and best practices are shared via our internal communications platform, Workplace. During 2022 there were significant environmental initiatives either in planning, in progress or completed stages. These projects are helping reduce our environmental impact in areas that include; energy, water, waste, single use plastic elimination, reduction in the use of hazardous materials, installing renewable energy generation, and heat recovery. In addition, in 2022 we purchased renewable energy certificates to guarantee renewable energy supply covering 79% of our electricity consumption. We aim to continue our investment in renewable energy in 2023 demonstrating our commitment to a Better World.

Climate action activities

- » Photovoltaic cells installed in a total of nine locations, with a further 17 planned during 2023
- » LED lighting conversion being actively installed across our manufacturing locations
- » In a number of locations, we have begun to install water management systems including rainwater harvesting, process water reclamation and domestic water saving devices. This will continue to be a focus area for us
- » In 2022, IMI Critical Engineering in Japan became one of a number of sites to be carbon neutral for both Scope 1 & 2
- » Purchased renewable energy certificates to guarantee renewable energy supply covering 79% of our electricity consumption

Investing to reduce our carbon output

In 2022 we committed to extending our payback criteria for investment on environmental projects. As such, we have either completed or committed to over 90 projects requiring investment across all of our divisions. One such example was the installation of solar photovoltaics (PV). Nine of our facilities have now installed renewable energy in the form of solar PV and 17 further systems are either in the process of being installed or planned for 2023.

All of our manufacturing sites now have plans for how they are reducing their impact. New facilities that we invest in are designed in accordance with the local sustainable codes of practice to ensure our carbon impact is as low as possible from the outset.

Case study 1

At our IMI Hydronic Engineering plant in Erwitte, Germany, we are progressing towards our 2040 net zero target.

This year the plant saw its first photovoltaic (PV) installation, expected to generate 240,000 kWh or 2% of its electricity demands. The PV system is connected to a battery system that allows for electricity to be stored so that it can be used during peak demand hours. In 2023, we will complete the second phase of this PV project by installing more panels allowing the plant to generate more than 10% of its annual electricity demand and by 2025, with the addition of PV installations, we plan to be able to generate 40% of the electricity needed by the plant.

Another critical improvement that took place in 2022 was the installation of several TA Smart valves to increase the energy efficiency of our HVAC system in one of the plant's buildings which will allow us to reduce our CO₂ emissions by about 25 tonnes. Other improvements include purchasing a significant amount of the foundry's raw materials from recycled sources and from scrap that is then remelted and reused.

Case study 2

Energy Management Systems (EMS) allow us to accurately assess and understand a site's energy performance. Many of our locations have such systems installed, however, at IMI Precision Engineering in Fradley, UK, we are currently undergoing a test process to lay the groundwork for an advanced environmental management system. Taking its roots from industry 4.0 software and optimisation practices, the facility is on a journey to complete automation across building areas; ranging from machine start-up times to automatic adjustment of the heating, ventilation and air conditioning system based on ambient weather conditions. The primary aim of the project is to meet our net zero ambition. This pilot gives us accurate visualisation of energy consumption and the ability to roll-out across our businesses.

Case study 3

To help towards net zero targets, objectives were put into place at sites, one of which was the reduction of single use plastics. IMI Critical Engineering in Kobe, Japan took on the challenge by creating a team to lead the project with a robust roadmap. They used the IMI Way Day to engage all employees, taking everyone to a single use plastic recycling centre and running workshops to generate ideas. Single use plastics are either now being eliminated, changed to biodegradable material or recycled. The result was a 77% reduction from 2021 to 2022.

In addition, owing to the significant amount of water used to pressure test valves, we have focused on installing water restrictors, which save both water and time.

Environmental

To underpin our commitment to reduce our environmental impact, 24 of our 51 manufacturing facilities are certified to ISO 14001 Environmental Management and four are certified to ISO 50001 Energy Management standards.

CDP

We disclosed our environmental performance to the CDP framework again in 2022 and for the second year running our score for the CDP Climate Change increased by two grading points. This reflects the steps we took in 2022 to progress in our sustainability journey including evaluating our Scope 3 emissions and calculating the avoided emissions for select products.

CDP Climate Change disclosure was graded B which is in the Management band. This is in line with the Europe regional average of B.

Whilst we don't consider ourselves to be an intense water consumer, we understand the value and importance of water as a global, shared resource, therefore we continue to support the CDP Water Security disclosure. Our CDP Water Security score also increased by two grading points to a C in 2022 which represents IMI's commitment to a Better World.

The findings of the CDP score reports for both water security and climate change will be reviewed alongside the IMI sustainability strategy which was developed in 2022 so that we can improve our environmental performance.

Air emissions

We operate across the world within many different environmental regulatory frameworks. Environmental performance for the Group as a whole is managed through the IMI Health, Safety and Environment (HSE) framework which requires identification of applicable (national) legislation for each site and, quantification of site-specific emission characteristics where required for determining applicability of legislation or, for compliance with regulatory requirements. At an operational level, compliance with local legal requirements (including environmental permits) is the responsibility of site leaders at each IMI site. This includes, where relevant, compliance with license or permit conditions; for example on monitoring and reporting emissions to air, emissions to water and, waste production.

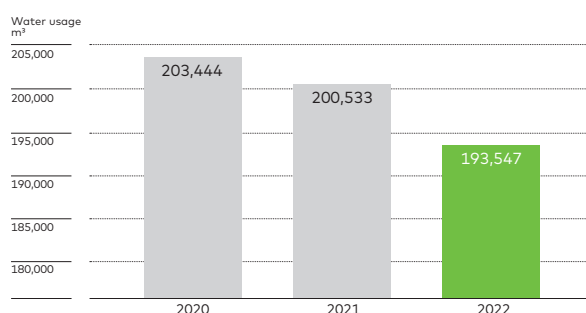
We plan to establish an air emission inventory for all sites and alongside this work on emissions to air we will review information held by our sites including emission reduction targets, emissions to water and, hazardous and non-hazardous waste production. We will look to develop an appropriate process to gather such information (although we already have a process to collect all Scope 1 & 2 emissions from our sites) with the objective of establishing a global reporting mechanism. We will keep this under continual review to improve our reporting going forward.

Water

We are committed to reducing our water impact and all our locations collect and report their water data in alignment with our global reporting environmental Standard Operating Procedure. Where appropriate, the sites have water reduction actions in place. The majority of our sites use water for domestic purposes only but where it is used in manufacturing processes, we strive to use water efficiently, and manage this through various initiatives. Since 2021, we have completed the CDP water security disclosure and will use our 2022 water data set to further improve and reduce water usage where possible across the Group.

Since 2020, we have reduced our absolute water usage by 5% (9,897m³). In 2020, our water intensity was 10.8 (m³ per 1,000 hours worked) and we have set a Group target to reduce water intensity by 10% by 2030 (intensity of 9.7m³ per 1,000 hours worked). Water intensity at the end of 2022 was 10.0m³ per 1,000 hours worked. We will keep this under review over the next few years and update this target, if appropriate.

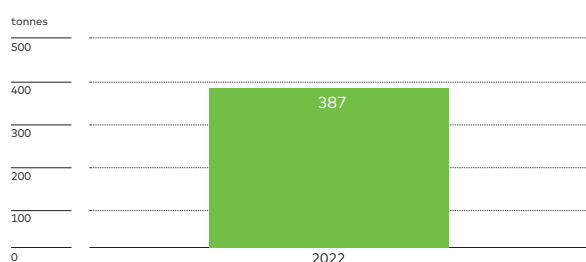
Water used (m³)



Waste

We are committed to reducing our impact on the environment and especially in the area of non-recycled hazardous waste. In 2022 we produced 387 tonnes of non-recycled hazardous waste and are targeting a 50% reduction by 2030. We will continue to report non-recycled hazardous waste and will also include other waste categories in our future reporting cycle, with an aim to reduce the amounts which are sent to landfill and increase the proportion which is recycled.

Non-recycled hazardous waste





Carbon disclosure

The below table and supporting narrative summarise the Streamlined Energy and Carbon Reporting (SECR) disclosure in line with the requirements for a quoted company, as per The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

2022 is our third year of disclosure and includes the prior year data as a comparison. Projects and resources that are contributing to our reduction in emissions are summarised on page 71.

Location	Current reporting year 1st January 2022 - 31st December 2022		Previous reporting year 1st January 2021 - 31st December 2021	
	UK	Global incl UK	UK	Global incl UK
Scope 1 & 2				
Emissions - tCO₂e				
Scope 1 - Natural Gas Usage	576	7,359	768	8,786
Scope 1 - Diesel Usage On-site	-	83	-	140
Scope 1 - Diesel Usage Company Vehicles	79	2,353	83	2,405
Scope 1 - Fuel Oil Usage	-	524	-	743
Scope 1 - Petrol Usage Company Vehicles	-	560	-	553
Scope 1 - Liquefied Petroleum Gas Usage	8	299	6	311
Scope 1 - Combined Heat and Power Usage	-	-	-	20
Scope 1 - Refrigerants*	64	648		
Scope 1 - Total	727	11,826	857	12,958
Scope 2 - Location-based	1,383	28,654	1,770	31,172
Total (Scopes 1 & 2)	2,110	40,480	2,627	44,130
Consumption - kWh				
Scope 1 - Total	3,499,360	55,741,957	4,548,860	64,917,809
Scope 2 - Total	7,175,645	102,481,674	8,339,185	106,856,592
Total (Scopes 1 & 2)	10,675,005	158,223,631	12,888,045	171,774,401
Hours Worked	1,876,083	19,333,911	1,862,769	19,176,514
Intensity ratio: tCO₂e (gross Scope 1 & 2) per 1,000 hours worked	1.12	2.09	1.41	2.30
Scopes 1, 2 and 3				
Emissions - tCO₂e				
Scope 3 - Car Travel	136	528	76	567
Total (Scopes 1, 2 and 3)	2,246	41,008	2,703	44,697
Consumption - kWh				
Scope 3 - Total	550,805	2,141,649	308,801	2,302,967
Total (Scopes 1, 2 and 3)	11,225,810	160,365,280	13,196,846	174,077,368
Intensity ratio: tCO₂e (gross Scope 1, 2 + 3) per 1,000 hours worked	1.20	2.12	1.45	2.33
Scope 2 - Market-based	109	4,954		

* New for 2022 reporting year, refrigerants were not included in the 2021 total

Methodology

The stated greenhouse gas emissions estimates have been calculated to cover all material sources of emissions from the operations for which IMI is responsible*. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources was determined using the operational control approach. All emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are included.

The scope of emissions covers the following sources:

- » Scope 1 – emissions from the use of natural gas, diesel (on-site and off-site) **, fuel oil, petrol and liquified petroleum gas, and combined heat and power (CHP) and refrigerants
- » Scope 2 – emissions covers emission from the purchase of electricity
- » Scope 3 – emissions from business travel in employee-owned or company vehicles

The UL 360 Sustainability Software GHG (Greenhouse Gas) emission tool was used to calculate and consolidate the Scope 1 & 2 emissions adopting a location-based and market-based approach. The tool used the following conversion factors:

Scope 1 - UK Government's GHG Conversion Factors used for all sites.

Scope 2 – UK Government's GHG Conversion Factors are used for UK sites and the International Energy Agency's (IEA) conversion factors are used for non-UK sites. In addition, for our market-based calculations, the Reliable Disclosure (RE-DISS), AIB European Residual Mixes and Green-e are used.

Our reported Scope 3*** emissions in the adjacent table were calculated by converting mileage into emissions using UK Government's GHG Conversion Factors for Company Reporting.

Our carbon reporting statistics demonstrate that our recent performance of tCO₂e has continued to improve. On a like for like basis, we achieved our target to keep emissions below 2019 levels for 2022. The data in our SECR table has been externally verified by Ricardo Energy & Environment, who performed a limited-level assurance review in accordance with the requirements of ISO 14064-3 and the GHG Protocol Corporate Standard.

Of the 2022 total: our direct Scope 1 emissions of tCO₂e (in essence gas, diesel and fuel oil consumed) amounted to 11,826 tonnes; and our indirect Scope 2 emissions of tCO₂e (in essence the emissions generated on our behalf to provide our electricity) amounted to 28,654 tonnes.

The emissions total represents a 30% reduction compared to 2019 for Scope 1 & 2.

We report the intensity metric of gross tCO₂e per 1,000 hours worked as a unit of comparison to reflect our operational performance compared to carbon output as we feel this provides a more reflective measure of factory volumes and as a result carbon intensity. Our 2022 intensity ratio based on Scope 1 & 2 emissions is 2.09 tCO₂e per 1,000 hours worked. This compares to our 2019 baseline of 2.78 tCO₂e per 1,000 hours worked. We are on track to achieve our target of 1.39 tCO₂e per 1,000 hours worked (50% of the 2019 baseline intensity) by 2030.

* Small offices in rented spaces where energy consumption data was unavailable an estimate was made that this use is less than 1% of the overall energy use and therefore fall into the de-minimus

** Diesel usage for 2021 has been updated to show the split for onsite use and company vehicles

*** Scope 3 emissions for our SECR reporting currently only reflects business travel in company cars or employee-owned vehicles

Climate related strategy, risks and opportunities

In our 2021 Annual Report, we described the work performed by the divisional risk champions and Ricardo Energy & Environment to identify four top risks and three top opportunities in the following two climate scenarios:

IA 2020 'Allbank' assumes ambitious policy measures are implemented in a disorderly way but does reduce physical risks and limits temperature rises to 1.5°C;

'Clean Planet for All' assumes very little policy measures are implemented by governments limiting transition risks, which results in a 3°C increase in global temperatures and therefore high physical risks.

The climate-related risks and opportunities listed below were those where the climate scenarios highlighted both the impact and likelihood as high.

Climate risk management timeframes

Short-term	0 – 3 years
Medium-term	4 – 10 years
Long-term	11 – 30 years
Very long-term	By 2100

Climate risks (high impact & potentially high likelihood)

1. Should global temperatures rise by 3°C, the frequency and intensity of weather events will increase, which may lead to floods or storms causing damage and/or restricting operations. The potential financial impacts could be reduced output, high replacement costs, higher insurance premia (assuming coverage remains available), write-offs and early retirement of existing assets, the setting up of back-up facilities and greater remote working. Further work has been performed in identifying the expected storm/flood probability by site and how this may change over time (see later in this section).

2. Under the scenario where there is a disorderly regime of global climate change legislation (policy & legal transition risk) the aggressive drive to phase out products including plastics or metals like 'dirty steel' may affect the availability of material supply or the cost of certain products (either due to the cost of upgrading equipment, purchasing 'cleaner' materials or due to lost revenues). The potential financial impact on IMI could be increased operating costs such as higher compliance costs, insurance premia, higher production costs and impairment of equipment previously associated with the phased out products. Capital expenditure may also increase due to the costs associated with redesigning products and upgrading production equipment.

3. With stricter climate-related regulation, fossil fuel-related activities and the Oil & Gas sector are likely to decline (market transition risk). Given that some IMI Critical products support technologies which rely on fossil fuels, the phase out of those technologies may result in a reduced demand for goods and services surrounding the affected IMI products and a redeployment of the resources (assets and employees) currently servicing those markets.

4. Regardless of the climate scenario used, some of IMI's raw materials such as plastic and steel could become in the medium-term susceptible to water shortages (chronic physical risk). The potential financial impact being the increased operating costs caused by greater volatility of material prices, distribution costs sourcing products from different locations and the needs for higher levels of safety inventory.

Climate opportunities (high impact & potentially high likelihood)

1. The transition to low carbon for example through the increased use of hydrogen may mean that our approach to solving customer problems, and our heritage of being a trusted partner means we're poised to help navigate the complexity in the

move towards a hydrogen future. We're already working with engineers, consultants, and R&D teams in some of the world's biggest companies and most exciting start-ups, to help solve the challenges of today to build the hydrogen economy of tomorrow. In 2022 IMI created IMI VIVO within IMI Critical and in September we launched a new a Proton Exchange Membrane (PEM) electrolyser that generates green hydrogen from renewable energy sources. For more information on how we contribute to a Better World in the Energy sector, please see page 22.

2. Climate change is likely to lead to increased demand for IMI Hydronic Engineering's products. For example the demand for electrified smart and green buildings will lead to increased demand for smart valves, radiant systems and heat pumps. The recent acquisition of Heatmiser extends IMI Hydronic's energy saving portfolio by adding a range of adjacent smart thermostatic control products.

3. Whilst not graded as a high likelihood, the greater use of 3D printing technology could see increased profits and mitigate material shortages through the adoption of circular economy business models as the demand for more resource efficient manufacturing continues.

Further analysis on climate related physical risks

We committed in our 2021 Annual Report to carry out further detailed work on the physical risks our sites face due to climate change. In 2022, we requested a climate change exposure analysis of 41 of IMI's biggest sites (all sites with asset values over £25m) from Zurich (our long-term primary insurer).

Zurich assessed physical climate risks under different climate change scenarios, with a focus on the medium to long-term (2030 - 2050). Very long-term information (2100) was also provided for context. While climate change effects will become more evident over the longer term, other evolving factors such as local development mean that there is higher uncertainty around the impact on the sites. The climate change scenarios used were IPCC (Intergovernmental Panel on Climate Change) climate scenarios, called the Shared Socioeconomic Pathways (SSPs) with:

- » **SSP1-2.6** – corresponding to a best estimate of 1.7°C warming by 2041-2060, and 1.8°C warming by 2081-2100 relative to 1850-1900. This scenario has lower physical climate impacts due to global climate action, potentially leading to lower adaptation costs relative to other scenarios
- » **SSP5-8.5** – corresponds to a best estimate of 2.4°C warming by 2041-2060, and 4.4°C warming by 2081-2100 relative to 1850-1900. This scenario relies heavily on fossil fuels, and physical climate risks increase more quickly, likely representing a greater need for adaptation and associated higher adaptation costs

Using these two scenarios Zurich reviewed geolocation data against nine different perils supplied by Jupiter Intelligence rating each site from low to very high per peril:

Peril	Description	High	Very High
Precipitation	Projected increase of 24 hour precipitation in mm for 100-year return period, expressed as relative change in % since 1995	8 – 16%	> 16%
Fluvial flood	Flood depth 100-year return period (metres)	0.55 – 1.9	> 1.9
Wind	1-minute sustained gust 100-year period (km/h)	102 – 116	> 116
Hail	Number of days per year with conditions to produce hail ≥ 5 cm diameter	1 – 2.5	> 2.5
Thunderstorm	Number of days per year with conditions to produce severe organised storms	12 – 36	> 36
Drought	Number of months with extreme drought conditions	0.36 – 0.54	> 0.54
Heat	Number of days per year with maximum temperature > 35°C	25 – 50	> 50
Cold	Number of 3-day periods where daily average temperature is less than or equal to -5°C	4 – 8	> 8
Wildfire	Annual local fires per km ² per 1,000 years	5 – 18	> 18

The results highlighted that, regardless of scenario used, by 2050 IMI's sites showed significant increases in the risk of high or very high levels of precipitation and drought. In the 2.4°C scenario a quarter of IMI's sites (in value terms) will suffer from high or very high levels of hazardous heat.

Precipitation – in the worst-case scenario, sites in North America, UK, and Asia are exposed to very high hazard levels by 2050 with the Adaptas site in Palmer with the highest hazard value closely followed by Farmington.

Drought – in the worst-case scenario, three of IMI's larger sites will be hit by very high incidents of drought by 2050 (Remosa, Füllinsdorf and FAS) with the Remosa area set to average extreme drought for three weeks every year and is the only large site with a very high risk of thunderstorms.

Heat – sites in south and west coast USA, as well as south Asia (India and UAE) are exposed to very high hazard levels but represent smaller sites. Sites in northeast USA, central Europe, and east Asia represent larger sites but are exposed to lower heat hazard levels.

Hail – only the two IMI sites based in Texas had high risks of hail by 2050.

Looking across the various perils and combining the average scores across the best case and worse case climate scenarios, the top 10 highest risk sites were (perils rated very high in brackets):

1. Houston, Texas, USA (rain, wind, heat & thunderstorms)
2. Sri City, Andhra Pradesh, India (rain, wind, heat & thunderstorms)
3. Shanghai, China (flood, wind, rain & drought)
4. Dubai, UAE (heat, drought, rain & thunderstorms)
5. Dallas, Texas, USA (heat & thunderstorms)
6. Cagliari, Italy (drought & thunderstorms)
7. Palmer, Massachusetts, USA (rain & wind)
8. Paju-si, Korea (rain & wind)
9. University Park, Illinois, USA (rain)
10. Farmington, Connecticut, USA (rain & wind)

Initial follow up discussions have been held with the operational heads at each division on potential next steps, including reviewing priority sites (sites of higher operational significance) and understanding existing mitigations not taken into account during the desktop analysis. We will report on our progress in due course.

Scope 3 emissions

Throughout 2022 we have worked together with Ricardo Energy & Environment, to quantify our Scope 3 emissions inventory for the first time, starting with our 2021 financial year.

Our largest Scope 3 category is purchased goods and services which accounts for 80% of total Scope 3 emissions. As very few of our products are powered (and hence do not directly generate emissions during their service lifetime), our 'use of sold goods' category is low and accounts for only 3% of the total. In addition to our Scope 1 & 2 targets, we have also committed to a 25% reduction in Scope 3 emissions by 2030. We are committed to helping our industry decarbonise and recognise the importance of this for our customers and other stakeholders. We want to ensure our commitments have credibility and integrity and we will review the viability of these targets and their alignment to Science Based Targets in 2023.

Purchased goods and services

We continue to focus activities to reduce the number of suppliers we have and are making use of internal tools and systems to help us understand the embodied carbon emissions within the materials we purchase.

We have begun detailed discussions with major suppliers to understand their own plans for decarbonisation which will help the drive to reduce both their own Scope 1 & 2 emissions, and in turn our Scope 3. Supplier education

will be a key area of focus for 2023 to ensure they understand the steps that we are taking to help decarbonise our sector. The aim is collaborating with suppliers so that we all maintain the momentum in carbon reduction initiatives.

Our supply chain teams are committed to reviewing the recycled material content of the input materials to our products, which will significantly reduce the level of embedded carbon in our products and enable us to continue the reduction in our emissions.

Product innovation

Applying a Better World lens to our products and new product development initiatives has been a focus for a number of years and has led to some great products that improve energy efficiency for our customers and hence reduce emissions. Over the longer term, shifting towards greener materials will result in a greener supply chain and support the reduction in the purchased goods and services category.

Internal efficiencies

Recognising that Scope 3 covers a number of areas, there is more we can do within our own internal processes to reduce other categories of Scope 3. For example, we are looking at change in working practices to use electric vehicles for business travel, employee commuting and upstream transportation of materials and products.

Disclosure

This year, we publish our first Scope 3 assessment on page 79. This assessment has been conducted on a combination of volume data (where it has been available), spend data and other standard estimation techniques for the full year to 31 December 2021. We recognise the importance of data accuracy in this area and will be working to improve collection going forwards. Our assessment was developed using methodologies specified by the Greenhouse Gas Protocol and the UK's Environmental Reporting Guidelines, by our external environmental consultants Ricardo Energy & Environment. Enhancing our data and disclosure will involve collaboration with our suppliers and a focused approach from our supply chain teams as mentioned above.

Our Scope 3 inventory was calculated using methodologies specified by the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard, as listed below. Categories 8, 10, 13-15 are not applicable to IMI's business activities so have not been quantified.

Our Scope 3 emissions (as at 31 December 2021)

Category	Category name	Methodology followed	Total GHG emissions tCO ₂ e	%
1	Purchased goods and services	Average data based for key input materials. Spend-based for all other purchases	471,117	80.3%
2	Capital goods	Spend-based	32,402	5.5%
3	Fuel and energy related	Based on actual consumption of fuels and electricity	13,419	2.3%
4	Upstream transportation and distribution	Estimated from transport distances and shipment weights	18,370	3.1%
5	Waste generated in operations	Based on waste disposal quantities with assumptions on waste type and disposal route	2,606	0.4%
6	Business travel	Emissions based on actual journeys and distance	2,871	0.5%
7	Employee commuting	Estimated from employee numbers, with assumptions of travel distances and modes	18,730	3.2%
8	Leased assets (upstream)	Not applicable to IMI	-	-
9	Downstream transportation and distribution	Approximated from sales volumes	9,202	1.6%
10	Processing of sold goods	Not applicable to IMI	-	-
11	Use of products sold	Estimated from sales quantities and annual energy usage per electricity-using product, accounting for territory of sales (IMI Hydronic only)	17,386	3.0%
12	End of life treatment of sold products	Estimated from sold material quantities for key materials only, assumed disposal routes (recycled). Excludes some known areas such as packaging	526	0.1%
13	Leased assets (downstream)	Not applicable to IMI	-	-
14	Franchisees	Not applicable to IMI	-	-
15	Investments	Not applicable to IMI	-	-
Total			586,629	100.0%

Emerging issues

Avoided emissions

Many of our products help our customers reduce their energy consumption and hence increase the proportion of avoided emissions compared to an alternative solution. Avoided emissions are often referred to as 'Scope 4' emissions, but the assessment in this area is emerging and complex with no formal standard agreed to date. However, we recognise the importance of data capture in this area and its increasing focus from external stakeholders and will assess our ability to collect this in the future. We believe that calculating and managing avoided emissions, in addition to Scope 1, 2 & 3 emissions can be an effective way to accelerating climate action and encouraging sustainable innovation in the value chain.

Climate transition plan

We recognise the importance of developing a clear and thorough climate transition plan and will be working on this during 2023 ahead of the mandatory reporting in next year's annual report.

Biodiversity and the Task Force on Nature-related Financial Disclosures (TNFD)

We look forward to reviewing the TNFD's recommendations later in 2023 and will look to establish a framework compliant with the TNFD's requirements. We recognise we have a role to play in protecting our biodiversity, welcome the objectives of the TNFD and will include any relevant updates to our approach on both our website and our next Annual Report.



TCFD reporting

We continue to work to improve our climate-related disclosures, this includes supplementary information on our corporate website, www.imiplc.com (for example, the mapping of material disclosures against the required GRI requirements and the results of our materiality impact assessment). In accordance with the requirements of LR 9.8.67R (UK Listing Rules), IMI's climate-related disclosures are consistent with nine of the eleven recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We expect to make consistent disclosures in our 2023 Annual Report and Accounts in respect of:

- » Strategy part b in relation to the impact of climate-related risks and opportunities on our financial performance, position and planning. We are in the process of carrying out a quantitative assessment and plan to develop a clear and thorough climate transition plan during 2023; and
- » Strategy part c in relation to the assessment of organisational resilience in the face of climate change as we are in the process of quantifying the potential impact on our financial performance and position.

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
Governance			
a)	Board oversight of climate-related risks and opportunities	The Board has overall responsibility for IMI's environmental, social and governance agenda which include: » Setting our Creating a Better World strategy » Reviewing and approving the ESG framework, strategy, priorities » Determining and keeping under review the Company's ESG climate-related risks and opportunities and its risk appetite » Horizon scanning for emerging climate-related risks » Keeping under review the materiality of climate-related risk and its impact on the financial statements » Receiving regular updates on our sustainability milestones from the Better World team (for example progress on reductions in water, waste and GHG emissions) and feedback from the Investor Relations team on ESG expectations from shareholders and rating agencies » The Remuneration Committee continue to include CO₂ intensity reduction as core part of IMI's incentive plans. In addition, the Audit Committee review guidance from regulators to ensure our continued compliance with the reporting of our ESG strategy The Board is supported by our senior independent, non-executive director, Thomas Thune Anderson, who has considerable ESG experience and has designated responsibility to support the directors' collective responsibility to consider a wide range of stakeholder perspectives and drive IMI's ESG agenda when arriving at Board decisions.	Pages 44, 54 and 55, 86 and 87, 99, 104, 106, 110, 112, 144
b)	Management's role in assessing and managing climate-related risks	ESG Strategy execution is delegated to the Chief Executive, supported by the Executive Committee. The IMI Executive Committee, are regularly informed about climate-related issues by the Head of Sustainability (via their work with the Better World team their sub-committees and Ricardo Energy & Environment). In addition to these updates, the IMI Executive Committee monitors and reviews ESG progress, climate-related risk management processes and reviews bi-annually a detailed analysis of the Group's risk profile including supporting divisional data and the actions undertaken. The Executive Committee continue to review and approve: » All ESG achievements and targets for inclusion in the Annual Report » The ESG strategy and proposal to the Board » Updates on latest climate-related reporting requirements and monitoring of our external ESG rankings » Scope 3 work relating to the assessment of Scope 3 emissions and review of reduction plans and target setting » The approach to Inclusion & Diversity, health and safety, employee development and talent retention The Executive Committee will continue to improve its knowledge and understanding of climate related risks and opportunities and their related financial impact. Louise Waldek, Group General Counsel and Company Secretary, has specific responsibility for Executive sponsorship of the Better World team.	Pages 14, 48, 54 and 55, 78, 86 and 87, 121

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
Strategy			
a)	Climate-related risks and opportunities identified over the short, medium and long-term	IMI has identified four climate risks and three opportunities, which have been rated as having a high impact and a potentially high likelihood. The climate risk management timeframes are short-term 0-3 years, medium-term 3-10 years, long-term 10-30 years, and very long-term by 2100. These time horizons have been considered with reference to our internal financial planning timeframes. Risks » Reduced output and higher costs associated with the increased frequency and intensity of floods, storms, and other extreme weather events, caused by a 3°C increase in global temperatures (long-term) » Aggressive phasing out of certain plastics and metals (medium to long-term) » Decline of the Oil & Gas sector due to stricter regulation (medium-term) » Water shortages impacting the production of steel and plastics (medium to long-term) Opportunities » Demand for several of IMI's products and solutions may increase with the greater demand for energy efficient products and technologies (medium-term) » Likewise, IMI is well placed to provide innovative products to support the increased use of hydrogen in a low carbon economy (medium-term) » The greater demand for a circular economy may increase the demand for certain products within IMI Critical Engineering which enable the re-use of materials (medium-term) To capture all of IMI's global operations, the process for identifying and managing risks and opportunities includes the involvement of management and staff at the operating sites and across all divisions within the different geographies. Further work will be carried out to standardise the process for reviewing all climate risks and opportunities as well as further understand the varying level of risks across the business sectors and geographies within the next disclosure.	Pages 76 and 77, 86 to 93
b)	Impact of climate-related risks and opportunities on IMI's businesses, strategy and financial planning	In the medium to long-term IMI's sites could be impacted by physical climate risks. The physical climate risk analysis on page 77, using computer models, has identified those sites potentially at high levels of peril in the long-term. Further detailed onsite analysis of the risks and potential existing mitigations would be required before making any changes to IMI's resilience assumptions. » In 2022, IMI Critical Engineering saw a significant increase in aftermarket orders, in particular due to increased Oil & Gas activity. However, in the long-term the transition to zero-emissions is likely to see reduced demand in the Oil & Gas sector, particularly in new construction, representing 6% of Group sales. As a result of this, the division is continuing to advance its strategy into more new energy and actively deploying Growth Hub to support sustainable future growth » In the long-term (10-30+ years) IMI Critical could see a reduction in its Petrochemical business, which currently represents 6% of Group sales. If there is a significant shift away from using certain plastics, we expect this change to be slow and we continue to support our customers to reduce emissions in this area » In the medium-term (3-10 years) the transition to zero-emissions could impact the sale of some IMI Precision's Transportation products. The sustainable solutions section of this report highlights some of the work being performed to remove the use of hazardous materials, minimise or remove the use of lead and to keep on top of product compliance legislation. In addition, IMI is involved in supporting our customers with zero-emission hydrogen fuel cell technology » In the short and medium-term we continue to expect demand for our automation products, with Industrial Automation representing 22% of 2022 Group sales to increase to support the drive for increase automation with greater energy efficiency » Our IM Hydronic division, representing 17% of IMI's sales, supports its customers with energy efficiency in buildings. Due to the ongoing drive to reduce energy usage and regulatory changes supporting the reduction of energy usage, we see an opportunity for an acceleration of organic growth for the division » IMI is supporting customers across a number of applications related to hydrogen in the short and medium-term, we see a significant growth opportunity in the coming years » IMI Critical has received £43m of Growth Hub orders in 2022, much of which are supporting our customers to extend the life of the solutions we provide. We continue to see this as an ongoing short-term growth opportunity for the division In 2023, IMI will further develop how risks and opportunities are prioritised, cross-referencing to the risk management and any other relevant sections of the annual report where appropriate. IMI will also look to disclose the quantified outcomes of the scenario analysis to inform future financial planning.	Pages 8, 20 to 25, 29 and 30, 45, 70 and 71, 76 and 77, 171
c)	Resilience of IMI's strategy taking into consideration different climate-related scenarios, including 2°C or lower	Analysis of the resilience of the Board's strategy highlighted that none of the climate-related risks identified above would likely impact IMI in the short-term. The latest IMI strategic plan does take into account the potential impact of the truck market transitioning to a zero-emission market and the potential impact on the oil and gas market within IMI Critical Engineering, however due to IMI's extensive engineering expertise, climate change may also offer significant opportunities and therefore a significant proportion of the strategic response has been focused on the short to medium-term opportunities. IMI will look to disclose the quantified outcomes of the scenario analysis to inform future financial planning across the short, medium and long-term. IMI strives to continue to improve the quality and robustness of its scenario analysis outcomes and strengthen its adaptation and mitigation activities.	Pages 20 to 25

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
Risk management			
a)	IMI's processes for identifying and assessing climate-related risks	Working alongside our environmental consultants Ricardo Energy & Environment, in 2021 we carried out an analysis of climate-related risks and opportunities using the TCFD framework. The initial horizon scan looked at 13 climate related events structured around TCFD's four climate categories (Physical, Reputation, Market & Technology and Policy & Legal) and identified 63 potential climate-related risks & opportunities. The next step was to conduct a materiality assessment which looked at the extent to which each division/ location could be exposed to a particular climate event (climate sensitivity) and the existing ability to mitigate or take advantage of the climate event (adaptive capability). To enable a financial evaluation, each risk and opportunity was mapped against three financial materiality drivers (sales, operational costs and capital investment). The materiality assessment identified 20 key areas of focus. Those identified as a high priority risk or opportunity (i.e. significant financial impact and high score on the sensitivity vs capability matrix) were then assessed against the two climate scenarios mentioned on page 76. The two scenarios tried to represent: 1) Little public intervention resulting in significant physical and other climate change impacts 2) High public intervention limiting physical and other climate change impacts The scenarios were selected to ensure they aligned with TCFD methodology, would be acceptable to EU policy makers, are recognised worldwide and, rely on up-to-date projections. This likelihood analysis created the four climate risks and three opportunities which have been rated as having a high impact and a potentially high likelihood. IMI will continue to develop the processes for assessing the potential size and scope of identified climate-related risks and will detail the development of the financial TCFD materiality.	Pages 76 and 77, 86 and 87
b)	IMI's processes for managing climate-related risks	Climate-related risks form part of the overall risk management process and the Better World agenda. For example, further work has taken place in 2022, alongside our main external insurance provider to gain a greater understanding of the potential physical risks faced by IMI's larger sites as part of an ongoing project to determine the current mitigations in place and those that may be required in the future to manage the risks associated with extreme weather events. » Engineering and procurement teams continue to review the components within our products and where relevant, gain certifications on more sustainable components, reviewing sourcing policies to ensure good availability and pricing on materials » Our production and supply chain teams have been working, alongside external consultants to understand and review our product compliance against the increasing volume of new regulations and to understand what alternatives there are for various components (for example lead content in brass). All divisions have specially selected suppliers to investigate ESG topics (climate impact, human trafficking & slavery, organisational commitment and labour rights) through our compliance partner, Assent Inc. In 2023, we will engage with these 75 suppliers to identify emissions reduction programmes to support our Scope 3 goals, together with ensuring human rights are protected in the supply chain » To mitigate the risk of supply chain disruption caused by water shortages, our supply chain teams are working to ensure we have dual sourcing of key components and are treated as a priority customer via framework agreements with tier 1 suppliers	Pages 69, 76 and 77, 86 and 87
c)	How IMI's processes for identifying, assessing and managing climate-related risks are integrated into IMI's overall risk management	Climate-related risks determined and reviewed via the work of divisional risk champions, form part of several principal risks, and are included as part of risk management presentations to the Executive and the Board. As opposed to having a specific principal risk regarding climate change, the Board believes there are several principal risks which already cover the potential impact of climate change. » Business disruption due to natural disasters – which covers the physical risks of climate change » Failure to comply with legislation – including the risk that IMI were to breach country specific legislation on carbon initiatives, industry standards, material restrictions etc » Talent risk – the impact of a poor ESG strategy or reputational climate incidents would have on the ability to retain and attract premium talent » Failure to manage the supply chain – the impact on the cost, availability, and delivery times of key components due to disruptive transition risks towards low carbon energy efficient products » Organic growth – the ability to adapt to new customer problems and realise the climate opportunities identified IMI will continue to further develop how managing climate-related risks are integrated into the overall risk management framework, which we see as a continually evolving process.	Pages 86 to 93

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
Metrics and targets			
a)	Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process	Our purpose is Breakthrough Engineering for a better world, where we are committed in providing customers with the most sustainable products possible. To ensure IMI supports sustainability, our climate goals include reducing emissions and minimising our environmental impact. To help achieve this we have set up several climate-related metrics aimed at reducing our greenhouse gas emissions, water usage and waste. We have obtained limited level assurance over the accuracy of our greenhouse gas emissions from an independent third-party consultancy. As noted above, impact and likelihood alongside a materiality assessment are the metrics used to assess climate-related risks and opportunities. We have included details of the relevant percentage of business activities aligned with each risk/opportunity set out in page 81. In 2022 we included the halving of our CO₂ intensity (Scope 1 & 2) as part of our executive remuneration. See part c) below for further information. We recognise the importance of developing an internal carbon price as a critical forward-looking metric that can help us to manage climate-related transition risks and opportunities. We will be working on this during 2023 ahead of reporting in next year's Annual Report. Specific climate-related opportunities linked to research and development have not yet been measured but we will consider measuring this in the future.	Pages 48 to 50, 74 and 75, 78 and 79 part b) below Strategy part b), page 81
b)	Scope 1, 2 and 3 greenhouse gas emissions and related risks	Details of our achievements against our climate-related targets including CO₂ intensity can be found in the Creating a Better World section of this Annual Report.	Pages 48 to 50, 74 and 75, 78 and 79
c)	Targets used to manage climate-related risks and opportunities and performance against targets	Our purpose drives our strategy and our ambition, including our commitment to: » Halve our total Scope 1 & 2 CO₂ intensity by 2030 (based on a 2019 baseline) and be net zero for these emissions by 2040 » For Scope 3, we are targeting reducing our emissions by 25% by 2030 and be net zero by 2050 » Reduce our water intensity (m³ per 1,000 hours worked) by 10% by 2030 (compared to 2020) » Reduce our non-recycled hazardous waste by 50% by 2030 (compared to 2022) Since January 2022, shorter-term (annual) targets for Scope 1 & 2 CO₂ intensity reduction have formed part of our executive remuneration. From January 2023, annual targets for water intensity will be included as part of the personal objectives of the annual bonus for the Chief Executive and Executive Committee members. We will look to include shorter term targets for waste and Scope 3 CO₂ emissions in the future. Recent acquisitions, Adaptas, Bahr, CorSolutions and Heatmiser, continue to move IMI into more resilient markets with long-term growth prospects. Research and development expense continues to increase year on year to accelerate our organic growth opportunities, and we continue to see a wide range of opportunities available in our markets that will help our strategy to be resilient to climate-related risks.	Pages 48 to 50, 131, 134, 137, 144 Note 5

Non-financial information statement

We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Policies and standards which govern our approach	Additional information
Environmental matters	Environmental policy	Pages 70 to 79
Employees	IMI Code of Conduct	Page 53
	Speaking up; hotline for raising concerns	Pages 53, 92
	Health and safety policy	Pages 64 and 65
	Inclusion & Diversity policy	Pages 62 and 63, 121
	Wellbeing	Page 59
Social matters	IMI Corporate Tax strategy and Tax policy	IMI website
	Charitable donations	Page 59
	Volunteering	Page 59
Human rights	Modern Slavery statement, Responsible Minerals, Supply Chain Code of Conduct	IMI website
	Inclusion & Diversity policy	Pages 62 and 63, 121
Anti-corruption and anti-bribery	The IMI Code of Conduct includes our policy statements on a number of areas of compliance:- (1) No bribery and corruption (2) No facilitation payments (3) No political donations (4) No anti-competitive conduct (5) Use of appropriate charitable donations, gifts, hospitality & entertainment (6) Know your customer checks (7) Dealing with third parties (8) Managing conflicts of interest (9) Insider dealing & confidential information (10) Non-facilitation or tolerance of tax evasion (11) Compliance with export controls & sanctions (12) Doing the right thing and speaking up (13) Fraud detection and investigation	Page 53
Description of principal risks	-	Pages 88 to 93
Business model	-	Pages 10 and 11
Stakeholder engagement	-	Pages 38 to 45
Outcome of non-financial policies and standards	Carbon emissions reporting	Pages 70 to 79
	One Big Voice employee engagement survey results	Page 58
	Diversity reporting	Pages 62 and 63
	Health and Safety reporting	Pages 64 and 65
Due diligence processes implemented in pursuance of promotion non-financial policies and standards	Customer satisfaction surveys	
	Carbon emissions reporting and monitoring	
	Scrap and waste reduction measurement	
	Monitoring of expenses, hospitality and entertainment	
	Monitoring One Big Voice employee engagement survey and the follow up pulse surveys	
	All employees receive the IMI Code of Conduct	
	Hotline reports reviewed by the Board	
	Health and Safety reporting and monitoring	
	Modern slavery training and risk assessments	
	Compliance training	
	Compliance risk assessments and tailored programmes by division	
	Compliance implementation reviews and internal audits	
	Know your customer policy and due diligence reviews	
	Third party agent and distributors policy and due diligence reviews	
	Internal control declarations and compliance declarations	



How we manage risk

Our risk management processes are embedded throughout our businesses and are designed to identify, evaluate and manage the risks (including emerging risks) which could impact our performance, our reputation or our ability to execute our strategy successfully.

During the year: -

- » We continued to pay close attention to the impact of inflation, hedging and passing on changes in the cost of raw materials, whilst supporting those employees impacted the most by cost of living increases (see page 124)
- » We performed a deeper dive into the potential physical risks faced by our sites due to climate change
- » We were involved in the due diligence process for the acquisitions carried out in 2022
- » Following the start of conflict in Ukraine, we mapped the risks, exposures and mitigations surrounding IMI's operations in and around Russia and ensured IMI exited in the most efficient and measured way possible
- » We continued supporting the businesses around policies, guidance and additional supplies to help mitigate COVID-19, this was particularly key for our sites in China
- » We strengthened our Code of Conduct (the Code) and scoped training and guidance around its contents. This process will continue into 2023 with the launch of compulsory training on elements of the Code relevant to key sets of employees

Three lines of defence

Our risk management process forms a core element of our strategy reviews and monthly operational meetings, and is embedded in all our businesses and utilises all three lines of defence. It provides guidance on the identification, evaluation and management of risks, including emerging risks, which could impact our performance and our ability to implement our strategy. With each line of defence having a purpose, combined, they help us provide confidence to the Board and ultimately our shareholders that we have adequate mitigating controls and processes in place.

First line – risk ownership and management

This is provided by management and staff at the operating sites and divisions who are responsible for identifying and managing risks as part of their accountability for achieving IMI's objectives. This includes applying the IMI values, policies and procedures and internal controls.

Second line – monitoring and compliance

This is the oversight, review and challenge provided by division, functional and IMI Group management (including IMI Executive and Board). This provides the policies, frameworks, tools and support to enable risk and compliance to be managed by the first line.

Third line – independent assurance

This is primarily provided by the Group Assurance function. Sitting outside of the risk management and operational processes, its main role is to review and report on the effectiveness of the first two lines of defence in managing the risks to IMI. It also includes an element of the divisional audit team's work carried out under the oversight of Group Assurance.

Our governance framework

The Group operates a 'top-down, bottom-up' approach to risk management which allows the Board and the senior leadership team to actively assess strategic risks and monitor the measures used to mitigate, transfer or avoid such risks. It also ensures that operational risks are identified and managed at multiple levels and key information is communicated across the Group.

Board

- » Has overall responsibility for ensuring that we manage our risk exposure appropriately to achieve our strategic objectives and build sustainable shareholder value. This involves assessment of principal risks (including climate-related risks and opportunities) and emerging risks
- » Approves the strategy and determines our risk appetite and reviews the risk management processes we operate
- » Sets a framework of prudent and effective controls, which enable risk to be assessed and managed and ensures the Group operates responsibly, with effective controls in place
- » Every six months the Board carry out a robust assessment of the Company's emerging and principal risks (including climate-related risk and opportunities) and annually, the effectiveness of internal controls
- » Delegates responsibility for implementing and monitoring internal controls and other elements of risk management to its Committees and the Chief Executive and his executive team

Board committees

- » The Audit Committee has oversight of financial reporting, internal financial controls and assurance processes. The Committee keeps under review the effectiveness of internal financial controls and risk management systems and reports to the Board its views and any recommendations for improvement
- » The Nominations Committee oversees talent and succession risk
- » The Remuneration Committee oversees and adjusts, where necessary, remuneration and incentive structure risk

IMI Executive & divisional leadership

- » Has responsibility for ensuring risk management culture is integrated across the divisions and aligned to the Group's objectives and risk appetite
- » Monitors and reviews risk management processes and reviews bi-annually a detailed analysis of the Group's and divisional risk profiles, breakdown of the key controls, changes in the period and the actions and mitigations and future initiatives designed to manage the risks
- » During monthly meetings will receive updates from individual risk owners (for example updates on HR, HSE and ESG workstreams)

Operating businesses

- » Operational teams provide the first line of defence by following defined policies and ensuring the effective running of key operating systems, local ownership and accountability of risk ownership and mitigation
- » Local management operates local internal control systems and provides monthly updates on key risks, mitigation and controls through incorporation of risk profile data in monthly management reporting process

Emerging risks

The Board assesses the risks that could impact the Group which have not yet occurred but are at an early stage of becoming known and are expected to become more significant. All divisions monitor and review emerging risks as part of our monthly operational performance reviews and Executive Committee meetings. Consideration of emerging risks also forms part of our strategy review process.

Whilst the Board and the Executive Committee did not determine a specific emerging risk, we continue to be vigilant and ensure we have appropriate procedures in place for the early identification and quantification of risks, especially as we continue, through Growth Hub, to design new products and move into new markets.

Principal risks and uncertainties

Our principal risks

The principal risks facing the Group are shown in order of priority in the table below. This analysis covers how each risk (net of mitigating controls) could impact our strategy, our risk appetite to the particular risk, how our assessment has changed during 2022 and explains what we are doing to monitor and mitigate each risk area.

Our risk appetite

Risk appetite rating	Definition
Very prudent	No/very low tolerance to risk, regardless of the cost of the required controls.
Prudent	A low-risk approach via sufficient and proportional controls and mitigation, in the knowledge this will limit any potential reward.
Balanced	Applied in circumstances where there is a high chance of success, equal consideration is given to the achievement of strategic objectives and potential negative risk impact.
Risk reduction not carried out in instances of disproportional cost.	Elevated levels of risk accepted in the case of opportunities that offer improved returns.
Receptive	Elevated levels of risk accepted in the case of opportunities that offer improved returns.
Very receptive	High levels of risk accepted in the case of unproven or new projects that offer significant returns or growth potential.

Risk rating & appetite, link to strategy and key elements	Description and change in year	Risk mitigation including specific 2022 actions
1. Failure to manage the supply chain Risk rating VERY HIGH Impact: High Likelihood: High Risk appetite Prudent Link to strategy Customer satisfaction Complexity reduction Digital Sustainability Links to other risk elements Global macro-economic uncertainty & political instability Business disruption (climate change / natural disasters) ESG/Climate Change	Failure to manage the supply chain could have a material impact on our financial performance and reputation.  No change Whilst global economic demand has reduced in the last twelve months and some pinch-points within logistic networks have eased, the armed conflict in Ukraine, subsequent energy price shocks, severe weather events, scarcity of some key materials and the lingering disruption caused by COVID-19 lockdowns, still elevates the risks associated with receiving materials in the right place, at the right quality and at the right time.	The procurement strategy is to get the optimal balance between the use of best cost countries and having the supply chain localised to production teams. The divisional procurement teams continue to perform thorough reviews of our supplier base, qualify new materials, sign framework agreements where necessary, utilise tooling registers, work towards diversification of supply chains, and create safety inventory where needed. We utilise a compliance partner to ensure the regulatory compliance of our suppliers on such matters as conflict minerals, EU Reach, RoHS, US TSCA etc. Leadership teams also hold regular supply chain review meetings deploying escalation meetings with key suppliers where needed. Divisional procurement teams assess specific Supply Chain Code of Conduct risks and audit high risk suppliers for all aspects of supply chain risk including Modern Slavery. Sites also continue to update their business continuity arrangements for changing production processes with dual sourcing arrangements in place for key components. During the extended lockdown in Shanghai, weekly supply chain meetings were set up to utilise alternative suppliers and production facilities and to monitor logistics.

Risk rating & appetite, link to strategy and key elements	Description and change in year	Risk mitigation including specific 2022 actions
2. Global economic uncertainty and political instability Risk rating VERY HIGH Impact: High Likelihood: High Risk appetite Balanced Link to strategy Customer satisfaction Complexity reduction Sustainability Links to other risk elements Business disruption (climate change / natural disasters) Foreign currency fluctuations	The Group operates in diverse global markets and demand for our products is dependent on economic and sector-specific environments. A downturn in the global or a regional economy, brought on by economic cycles, political instability, health or environmental emergencies, could impact end market demand and as a result negatively impact revenue and our ability to deliver our strategy and achieve market expectations.  Increased Due to Russia's invasion of Ukraine, on 4 March 2022, we ended all new business in, and international deliveries to, Russia. On 27 May 2022 we completed the divestment of our Russian subsidiary to local management resulting in a loss on disposal for the Group of £4.8m. Predictions of global economic growth in the short to medium-term continue to reduce whilst many countries have experienced levels of inflation not seen in decades. IMI Precision's business is the most sensitive to economic cycles, whilst IMI Critical continues to face highly competitive markets and faces a structural decline in the new construction fossil power sector. Whilst IMI Hydronic is a shorter-cycle division it has a lower sensitivity to economic conditions but may be impacted by mild European winters.	We compile annual strategic plans and maintain a balanced portfolio operating across a range of markets, sectors and geographies with no single dependency. We also have contingency plans in place to enable changes in our operational footprint should geopolitical changes or other forms of disruption impact our ability to trade between various countries (for example European energy restrictions or further China lockdowns). Our divisions ensure their forecasting processes include scenario stress testing, reviews of sector metrics and getting closer to the customer to receive early indications of reduced customer demand to allow proactive and rapid management of plant output. Through greater digitisation and integration of data, divisional management have ongoing reviews of order books, milestones for major projects and customer credit ratings. These and other key metrics are fed back into monthly divisional and Executive meetings. We are conscious that significant increases in food and energy costs have disproportionately impacted the most vulnerable and therefore we have targeted pay increases to support our lower paid employees.
3. Competitive markets Risk rating HIGH Impact: Medium Likelihood: High Risk appetite Receptive Link to strategy Customer satisfaction Complexity reduction Innovation Sustainability Talent & engagement Digital Links to other risk elements Global macro-economic uncertainty & political instability Margin erosion Organic growth ESG/Climate Change	Competition in our core markets, from both existing and new competitors could create strong pricing pressures, potentially resulting in lost sales and reduced profits.  No change This year IMI Critical has seen a significant increase in Aftermarket orders for parts and upgrades, however climate change transitional risks could see a decline in the Oil & Gas sector in the medium-term.	We have an M&A strategy which looks to apply our expertise in attractive markets, in established and adjacent sectors with a strong link to our Better World strategy. This has been demonstrated through the recent purchases of Adaptas, Bahr Modulteknik, CorSolutions and Heatmiser. Our Growth Hub aims to create significant customer-pull and uncover new opportunities by solving our customers' key problems, through advanced applications engineering, helping us deliver more competitive products such as Adaptix, Hydrogreen, EroSolve, VIVO Electrolyser and TA Smart. We monitor competition risk monthly by reviewing progress against our strategic growth plans and the performance of our peers. Robust contractual terms ensure material price inflation is passed onto the end customer. The nature of IMI Critical's long-term projects enables efficient hedging of foreign currency and commodity prices. We maintain strong brands and defend our trademarks and brands and continue to develop our market leading applications engineering expertise. Our Value Today initiatives aim to maintain or even strengthen our competitive position through innovative solutions from Growth Hub, continuous process improvement, growth in the Aftermarket and an acceleration of IMI Hydronic's HVAC solutions due to the greater demand for energy efficiency.

Principal risks and uncertainties

Risk rating & appetite, link to strategy and key elements	Description and change in year	Risk mitigation including specific 2022 actions
4. Talent Risk rating HIGH Impact: Medium Likelihood: High Risk appetite Balanced Link to strategy Customer satisfaction Complexity reduction Talent & engagement Links to other risk elements ESG Global macro-economic uncertainty & political instability Health & safety	The inability to attract talent or retain a diverse set of employees with the required set of skills and experience in the desired territories.  No change Talent risk was raised to high at the end of 2021 due to the impact of the pandemic, the boost on economic growth and employment from the gradual reopening of developed economies, wage inflation and a potential scarcity in the desired skills for the type of talent IMI seeks. Workstreams on attraction, visibility and development ('Big Play on Talent') have been set up to mitigate the risk and improve IMI's attractiveness as an employer. Levels of regretted turnover and very positive employee engagement scores are encouraging. Whilst global economic demand may be waning, most economies have been close to historic lows for availability of labour and with most employers unlikely to maintain real wages in the short-term, the pressure to retain key talent remains.	The risk is regularly assessed by the proactive monitoring by HR Business Partners of regretted turnover, exit interviews, percentage of vacancies filled internally, performance objectives, talent reviews and succession plans. External consultants are used to ensure the appropriateness and competitiveness of remuneration. There has also been a greater use of flexible working and a wider range of voluntary employee benefits. The work on Inclusion & Diversity has now been embedded into the divisional leadership teams. Employee engagement continues to be a key part of the HR strategy, though Workplace our internal communications platform, the IMI Way Day, our new Global Employee Assistance Programme, our new Leadership programme and the annual One Big Voice survey, which this year continued to see an overall increase in employee satisfaction. Where pockets of improvement are identified, local management are required to draw up action plans for review.
5. Unauthorised access to our IT systems Risk rating HIGH Impact: Medium Likelihood: High Risk appetite Very prudent Link to strategy Complexity reduction Digital Links to other risk elements Legal compliance risk	As the digital and security threat environment is quickly evolving, we cannot guarantee that our actions are keeping pace with the constantly evolving threat environment. Unapproved access to our IT systems could result in loss of intellectual property, fraudulent activity, theft and business interruption.  Increased We continue to detect, block and remediate threats on an ongoing basis with a visible increase in the volume and complexity of threats especially in the wake of the conflict in Ukraine (including malware, ransomware, attempted data theft, credential theft, phishing and external hacking attempts). IMI Hydronic Engineering was the subject of such a disruptive attack in December 2022. Our preventative and mitigation defences, including robust system and data recovery plans, meant that operations were quickly restored and impacts to customers and customer service were limited. We continue to increase our activity and investments in preventative infrastructure, recovery planning, penetration testing, and employee training in order to minimise any impact of these ongoing threats.	We have a well-developed multi layered IT security strategy, that is reviewed regularly, and a formal update is given to the Board annually. The strategy includes the use of next generation firewalls, multi-factor authentication, internet filtering, endpoint and server protection using AI based malware and threat detection, email security, device control, penetration testing, 24/7 monitoring and rolling security awareness programme. We continue to implement improvements to our IT infrastructure to keep abreast of new threats that inform future security investment planning. We operate a security oversight / approval process regularly test our disaster recovery plans, maintain robust backups throughout the Group and retain the support of specialist consultants / service providers as required.

Risk rating & appetite, link to strategy and key elements	Description and change in year	Risk mitigation including specific 2022 actions
6. Organic Growth Risk rating HIGH Impact: High Likelihood: Medium Risk appetite Receptive Link to strategy Customer satisfaction Complexity reduction Innovation Sustainability Talent & engagement Digital Links to other risk elements Competitive pressures Global macro-economic uncertainty & political instability ESG / climate change	Failure to deliver market leading products on time and on budget, could impact our ability to grow.  Increased Our Better World strategy and increased customer intimacy are two of the levers for us to accelerate profitable organic growth. The Growth Hub programmes start with understanding the customer problem and allow us to identify, design, refine, and develop, the flexible, high performing and sustainable solutions demanded by our customers and wider society.	We continue to invest in new leadership talent into digital and our Growth Hub, with additional digital marketing resources promoting our brand and products. With the use of external experts, Growth Hub aims to innovate into new, sustainable markets solving acute industrial problems. Processes and governance are in place to avoid new product concentration risk, to ensure projects are scalable and relevant teams have the bandwidth to deliver successful new products/services effectively. Growth Hub looks at opportunities across all three horizons and all three divisions are looking to use more digital tools to enhance customer experience. We have established centres of design and technological excellence across our businesses. Each division has a new product development strategy which is regularly reviewed, with divisional engineering teams reporting on the performance of our existing products and new market or competitor developments.
7. Business disruption / Natural disasters Risk rating MEDIUM Impact: Medium Likelihood: Medium Risk appetite Very Prudent Link to strategy Customer satisfaction Complexity reduction Sustainability Digital Links to other risk elements ESG / Climate change Supply-chain Global macro-economic uncertainty & political instability	The risk to life or disruption to production caused by large scale events such as, extreme weather, pandemics, conflicts and disasters etc (where not covered by other specific risks, for example cyber).  Decreased The risk rating has been reduced from HIGH as the world continues to be better equipped to deal with the specific threat of COVID-19. The risk of disruption still remains elevated due to the ongoing impact of COVID-19 and other contagious respiratory illnesses, other pandemic threats as well as extreme weather events.	Throughout much of the first part of 2022, supported by a cross-function, cross divisional support team, the Executive team continued to review IMI's COVID-19 mitigation measures with monthly meetings supported by weekly updates. Management teams continue to review emergency response and business continuity plans to bolster operational resilience in order to minimise the impact of large-scale disruption. For example, our Indian operations supported our Chinese sites during the extended lockdowns. We have around the clock access to health and security services should a major incident occur. Further work was performed in 2022 to understand the potential physical risks our sites face under various climate change scenarios. Further information can be found on page 77.

Principal risks and uncertainties

Risk rating & appetite, link to strategy and key elements	Description and change in year	Risk mitigation including specific 2022 actions
8. Failure to deliver major transformational projects on time and on budget Risk rating MEDIUM Impact: Medium Likelihood: Medium Risk appetite Prudent Link to strategy Customer satisfaction Complexity reduction Digital	The Group is continually evolving and taking opportunities in response to external conditions and market pressures. Our current strategy includes large restructuring programmes and complex IT system installations. Failure to deliver the expected objectives on time and on budget, could have an adverse revenue and profit impact on the Group.  Decreased All three divisions in recent years have successfully completed change management programmes. The Group continues to review our operational footprint and will ensure knowledge from previous exercises are rolled into any future projects.	We have deep and extensive restructuring and integration expertise which see restructuring costs and realised benefits tracked monthly against target. We operate robust and proven processes to manage and monitor major projects (for example in 2022 IMI Precision completed the execution phases of their Fit for Growth and Customer First projects), including business cases which set out clear and measurable timetables and milestones, which are reviewed regularly by our Executive Committee and divisional management teams. Project management and governance processes underpin all major IT projects to support efficient ERP system roll outs (for example the move onto JDE version 9.2 by a number of sites during the year). Upon completion of a significant project, we undertake a post-investment appraisal to identify areas for improvement.
9. Failure to comply with legislation or a breach of our own high standards of ethical behaviour Risk rating MEDIUM Impact: High Likelihood: Low Risk appetite Very prudent Link to strategy Customer satisfaction Complexity reduction Sustainability Digital Links to other risk elements ESG / Climate change Health & safety Tax compliance	We have an established framework which demands the highest standards of ethics, legal and regulatory compliance across all our businesses. As we deliver sustainable profitable growth, it is essential that we maintain these standards. A breach of legislative requirements could result in financial and reputational damage.  No change Except for Russia, we continue to operate in similar markets as last year. The invasion of Ukraine saw a significant increase in export controls and sanctions and the global privacy landscape continues to develop. IMI's legal and compliance teams, supported by external specialists, worked to ensure IMI was fully compliant with international sanctions introduced following Russia's invasion of Ukraine. IMI ended all new business in and international deliveries to Russia on 4 March 2022 and divested its Russia subsidiary IMI International LLC on 27 May 2022. We conduct business through agents in IMI Critical Engineering and operate a detailed process to ensure agents comply with our high standards of business conduct. Detailed legal due diligence was conducted on all acquisitions in the year.	Each division assesses its own compliance risk and formulates an annual divisional compliance plan which is implemented by each of their General Counsel, with results reported to Group on a quarterly basis. Due diligence on third parties, trade sanctions and customers are the subject of standard operating procedures and carried out by the divisions using Group-wide software. Dedicated resources at both the Group and divisional level ensure employees are provided with the necessary training, guidelines, access to subject matter experts, and standard operating policies. In 2022, a revised and more comprehensive Code of Conduct was launched, in 13 languages. The Code is supported with high-level guidance for all employees followed by detailed training for relevant staff on individual elements of the Code. We continue to enhance the Group's data privacy framework. We operate a confidential independent hotline to report concerns. Reports are investigated thoroughly and where required; action is taken to resolve issues. The Group's Ethics & Compliance Committee meets monthly and reviews all hotline reports alongside any external complaints or internal referrals of serious accusations of breaches of the Code of Conduct. In 2022, the Committee reviewed 32 cases compared to 39 cases in 2021.

Risk rating & appetite, link to strategy and key elements	Description and change in year	Risk mitigation including specific 2022 actions
10. Quality issues leading to product recall, warranty issues, injury, damage or disruption to customers' business Risk rating MEDIUM Impact: Medium Likelihood: Medium Risk appetite Very Prudent Link to strategy Customer satisfaction Complexity reduction Innovation Digital Links to other risk elements Health & safety Legal compliance risk	Developing innovative and technologically advanced products is at the heart of IMI. The quality and safety of our products and services is of the highest importance and failure to deliver the quality required could result in negative financial and reputational damage.  No change This area continues to be a key focus for our businesses, by minimising the cost of quality and warranty claims.	Our Quality Management systems, quality operating policies, product quality plans, and escalation processes allow us to continually improve product quality. Across our operational platform we have well embedded process control, continuous improvement programmes, and Advanced Product Quality Planning processes. Our most critical projects include extensive testing of the finished product and customer sign-off. We have a detailed mapping of our engineering resources across our customers and geographies and elements of our product quality (product compliance and elements of our quality management systems) are audited by external third parties. Our sites often have weekly performance reviews and key statistics over the cost of quality are included in monthly operational reviews attended by IMI's Executive team. Should significant issues occur, a process which includes full root cause analysis, creation of action plans and lessons learnt debrief is put into action.
11. Failure to integrate acquisitions successfully and deliver the required synergies Risk rating MEDIUM Impact: Medium Likelihood: Medium Risk appetite Receptive Link to strategy Customer satisfaction Complexity reduction Digital Links to other risk elements Competitive markets Global macro-economic uncertainty & political instability	Underperforming acquisitions deliver below expectation synergies and reduced profit. If material, this can significantly impact shareholder value.  No change IMI has acquired four companies since December 2021. Adaptas Solutions – December 2021 Bahr Modultechnik – June 2022 CorSolutions – October 2022 Heatmiser – December 2022 We track these acquisitions to ensure they deliver value; the planned synergies and that IMI provides ongoing support and training for the local management teams.	We have in-house M&A expertise who operate a proven, structured integration process. The strategic review process helps identify value enhancing acquisitions which would align with the Group's strategy. Upon completion, a detailed 100-day process is used to ensure adequate resources are in place, progress is on schedule and the identified synergies (both hard and soft) are being realised. Monitoring of integration progress is reported to the Group monthly. The Board receives regular updates on progress and with the assistance of the internal assurance teams, carries out a review in year three after each acquisition.

Viability statement

Viability statement

The directors have assessed the viability of the Group over a relevant period, taking into account the Group's financial and trading position as summarised in this Annual Report, the principal risks and uncertainties set out on pages 88 to 93, the Group's going concern assessment set out on page 95 and the five-year business plan reviewed by the Board in September 2022. Based on this assessment, and other matters considered and reviewed by the Board, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period from the date of this Annual Report to 31 December 2027.

The directors determined that the period to 31 December 2027 constituted an appropriate period over which to make its assessment of viability. Whilst the directors have no reason to believe the Company will not be viable over a longer timing horizon, the five-year period to 31 December 2027 was chosen as it was aligned with the Company's business and strategic planning timing horizon and is a sensible period for such an assessment. It is believed this period provides readers of the Annual Report with an appropriately long-term view with which to assess the Company's prospects although future outcomes cannot be predicted with certainty.

The directors carried out a robust assessment of the principal risks facing the Group, considering those that could threaten its business model, future performance, solvency or liquidity.

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 Group, the Board highlights a number of factors that underpin its long-term prospects and viability. These include:

- » Purpose-led strategy **Breakthrough Engineering for a better world** delivering improved margins and sustainable, profitable growth
- » Well-balanced portfolio, bound by world class engineering capabilities that offers through-cycle resilience
- » Better World purpose aligns the Group to attractive growth markets, supported by global macro trends
- » Strong balance sheet offering strategic flexibility alongside disciplined financial objectives
- » Differentiated environmental profile – our solutions enable energy efficiency, sustainability, and safety

The business plan was used to assess the headroom on the Company's facilities and to model stress tests for ongoing covenant compliance under scenarios where its principal risks materialise. The analysis considered both 'running business' risks, such as reducing revenues and margins, as well as one-off 'event' risks such as product recalls.

The scenarios considered were as follows:

Scenario 1: A modest global macroeconomic recession in 2023 representing a 5% reduction in revenues.

Link to principal risks: Global economic or political instability.

Scenario 2: A product recall with a one-off cost of £200m.

Link to principal risks: Quality issues leading to product recall, warranty issues, injury, damage or disruption to customers' business.

Scenario 3: A severe global macroeconomic recession in 2023 representing a 16% reduction in revenues.

Link to principal risks: Failure to manage the supply chain; global economic or political instability; business disruption/natural disasters.

Scenario 4: This scenario considers the combined impact of scenario 2 and 3, both a £200m product recall and a 16% reduction in revenues due to macroeconomic recession.

Link to principal risks: Quality issues leading to product recall, warranty issues, injury, damage or disruption to customers' business; global economic or political instability; business disruption/natural disasters.

Finally, the Board considered a reverse stress test which demonstrated that a breach of covenants would not occur unless there was an extreme unforeseen event causing a revenue reduction of greater than 23% in the 12 months following approval of the Annual Report and Accounts. Mitigating actions considered for this reverse stress test include, but are not limited to, reducing working capital, restricting capital expenditure, reducing overhead spend and employee costs and cutting or suspending dividend payments to shareholders. The mitigating actions do not assume any special governmental support other than normally available schemes such as short-term working in certain countries.

The Board considered the Group's liquidity, available banking facilities and banking covenants, details of which are included in Note 1 to the financials statements. The Board also considered the Company's ability to raise capital in the future, as well as both the ongoing actions undertaken to prevent occurrence and the potential actions to mitigate the impact of any particular risk. In making its assessment, the Board recognised the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A summary of these risks can be found on pages 88 to 93.

The directors' assessment also recognised a number of key features of the Group's operations. The Group's wide geographical and sector diversification, and the spread of activities across many production sites, help minimise the risk of serious business interruption. Furthermore, our business model is structured so that the Group is not overly reliant on a few large customers. Our largest customer constitutes under 3% of Group revenue and our top 20 customers account for under 14% of Group revenue. In addition, our ability to flex our cost base reduces our exposure to sudden adverse economic conditions.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months following the approval of the Annual Report & Accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details are included within Note 1 to the financial statements.

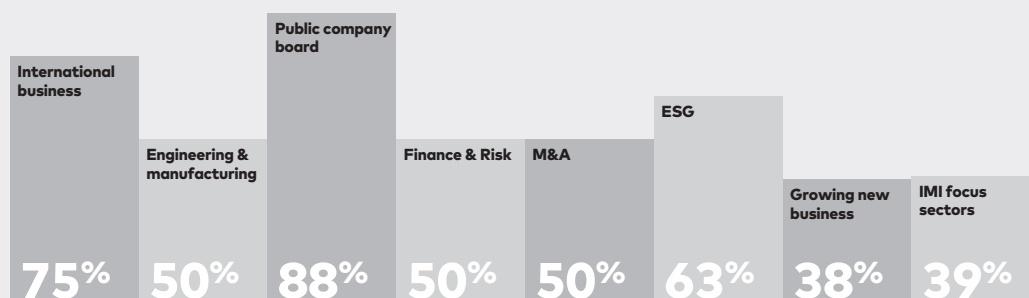
Board of Directors

	Nationality	Committee membership	Date of appointment	Expertise	Key external appointments	Specific contribution to the company's long-term success
Lord Smith of Kelvin Chair 	British	Nominations Committee – Chair	2015	Significant UK and international board experience Extensive knowledge of both engineering and manufacturing Strong track record in private equity, mergers and acquisitions Specialist capability in finance	Non-executive Chair of the British Business Bank plc	Extensive international business, sector and board level experience enables Lord Smith's valuable leadership of the Board and drives his commitment to robust corporate governance
Roy Twite Chief Executive 	British	Executive Committee	2019 as Chief Executive and 2007 as director	Proven organisational and engineering expertise Management capability having run all of IMI's divisions Extensive knowledge of end-markets and customer base	Non-executive director of Halma plc*	Drawing on his general management and operational experience, Roy brings clear strategic leadership, passion for and a deep understanding of the engineering sector, the Group's divisions and stakeholders to lead and inspire the Group
Daniel Shook Finance Director 	American British	Executive Committee	2015	Extensive financial management experience Extensive knowledge of complex process manufacturing across a range of industrial sectors Strong international perspective, having worked in a number of key geographies during his time with two leading global businesses		Daniel contributes his considerable global, financial and business development experience from large multinational companies to drive strong financial leadership and support the growth of the Group
Thomas Thune Andersen Senior independent non-executive director 	Danish	Nominations Committee Audit Committee Non-executive director responsible for employee engagement and ESG matters	2018	Experienced international business leader in sectors including oil, energy, marine and critical infrastructure Broad experience as a non-executive director of various public companies Special interest in ESG matters in particular corporate governance and climate change issues	Chair of Lloyds Register Group Chair of Orsted A/S* Non-executive director of Green Hydrogen Systems* Member of the Danish Committee for Good Corporate Governance Non-executive director of BW Group Ltd Chair of VRK Holdings A/S	Thomas brings a wealth of international business and board level experience to his role as Senior Independent Director. He draws on his broad knowledge and personal interest in sustainability and culture when performing his designated employee engagement and ESG activities, supporting the formulation and delivery of our ESG strategy

* Listed company directorship.

	Nationality	Committee membership	Date of appointment	Expertise	Key external appointments	Specific contribution to the company's long-term success
Isobel Sharp Independent non-executive director 	British	Audit Committee – Chair Nominations Committee	2015	Considerable accounting, audit, governance and transactions experience including time as a member of the UK Accounting Standards Board and the Reporting Review Panel Worked with many international businesses on strategy, risk and sustainability matters	Non-executive director and Audit Committee Chair of The Bankers Investment Trust PLC* Non-executive director of Balanced Commercial Property Trust Limited* Member of the International Advisory Board at Edinburgh University Business School	Isobel contributes her extensive financial experience and a strong understanding of the audit, governance, control and regulatory landscape to chair effectively the Audit Committee
Caroline Dowling Independent non-executive director 	Irish	Nominations Committee Remuneration Committee – Chair	2020	Successful executive career in the technology sector with an industry-leading Fortune Global 500 company with operations in 30 countries Senior executive leadership roles across international operations including supporting complex supply chains	Non-executive director of DCC plc* Non-executive director of Tyndall National Institute Non-executive director of CRH plc* Director of UNICEF Ireland	Caroline brings substantial, global board level experience and expertise in digital, technology and supply chain management. Her passion for social and humanitarian matters provides a valuable insight to ESG considerations. Caroline's experience serving on remuneration committees enables her to chair the Remuneration Committee effectively
Katie Jackson Independent non-executive director 	British	Nominations Committee Remuneration Committee	2018	Senior executive experience in major oil companies and investment banking Specialist knowledge of the Oil & Gas sector Excellent corporate finance experience including mergers and acquisitions	Executive Vice President Acquisition, Divestment and New Business Development at Shell plc Chair of POWERful Women	Drawing on her broad, international business and executive experience, Katie shares valuable insights on strategy, sustainability, M&A and emerging markets
Dr Ajai Puri Independent non-executive director 	American British	Audit Committee Nominations Committee Remuneration Committee	2021	Experienced in international business Expert in innovation, science and technology and marketing Holds a PhD in Food Science Worked for The Coca-Cola Company in a variety of roles in research and development, innovation, consumer marketing and general management, rising to Senior Vice President	Non-executive director of Britannia Industries Limited, India* Non-executive director of Olam International Limited and member of Audit, Capital and Investment, Corporate Responsibility and Sustainability Committee	Ajai brings significant global business and board level experience, as well as expertise in driving innovation and developing new business to support delivery of the Group's strategy

Strong level of experience as recorded in our new board skills matrix



Chair's Governance Letter



Dear Shareholder

The Board has worked closely with the Executive committee to deliver our strategy in the current economic and political climate. Guided by our purpose **Breakthrough Engineering for a better world**, the Board has focused on:

- » Progressing against our ESG commitments
- » Sustaining our inclusive safety culture, where employees feel engaged and able to speak up
- » Maintaining reliable customer service during supply chain pressures

I am confident that we have the right people and governance structures in place to deliver sustainable, profitable growth. In the Corporate Governance Report on pages 100 to 145 of this Annual Report, we describe our governance practices and the workings of the Board and its committees.

Financial Performance

2022 was another year of strong performance, our purpose-led strategy **Breakthrough Engineering for a better world** continues to drive sustainable, profitable growth across the Group. An overview of our results can be found on pages 32 to 36. In 2022 we completed three strategic acquisitions and continued our expansion into attractive growth markets. Further details can be found on pages 8 and 45.

Political and economic uncertainty

In March 2022 we announced our commitment to cease all new business in and international deliveries to Russia. In May 2022, the Board resolved to dispose of our Russian subsidiary to local management, further details of the Board's considerations regarding the disposal can be found on pages 45 of our s.172 statement. In support of the people of Ukraine, we set up donation points across our sites to collect items which were then shipped to a government coordination centre in Poland. IMI has also matched all donations across the business to the Ukraine UNICEF appeal. More information can be found on page 59 of the ESG report.

Purpose, values and culture

Throughout the financial year we have continued to invest in protecting and nurturing our culture to ensure it is a differentiator for our business. In a world that continues to be volatile, having a strong culture helps us manage through uncertainty. We operate a business where the safeguarding of our employees is a priority, where we collaborate to create a better world for our customers, communities and each other, and where we adapt to ensure our people, products and processes continue to thrive.

Our People

In the current economic and political landscape it is important that we remember to prioritise the wellbeing of our employees, by providing financial stability during the cost of living crisis and supporting their mental health. In the year, we introduced a global wellbeing programme for all employees. For more information on the support we provide to our employees please see pages 59 and 60.

ESG

With the support of our Better World team and Thomas Thune Andersen (our non-executive director with designated responsibility for ESG matters), we continue to make steady progress towards our ESG commitments.

During Q3 2022, an ESG Board engagement session was held where selected members of the Better World team invited questions, comments and discussion on our social initiatives which were presented during the session. Further information on these initiatives and our ESG ambitions can be found in our ESG report on pages 46 to 79, which includes our Scope 3 targets and the addition of our women in management target, both of which the Board approved in Q4 2022.

During 2021, the Remuneration Committee considered the inclusion of an objective ESG metric in our long-term incentive plan (LTIP). The committee agreed to include a metric which focuses on reduction of our CO₂ emissions intensity ratio which is completely aligned to our wider target of halving our CO₂ intensity by 2030. 2022 was the first LTIP grant to include this new metric, further information can be found on pages 131 of our Remuneration Committee report.

Stakeholder Engagement

Throughout the pandemic, virtual meetings worked well and allowed the Board to stay connected. Nonetheless, easing of COVID-19 restrictions across Europe have enabled us to resume a number of physical meetings. I am pleased to report that the Board has also been able to engage with a range of stakeholders in person this year.

In October 2022, along with the Board and Executive team, I visited Cagliari in Italy for the opening of our IMI Remosa site. I enjoyed seeing our purpose and culture in action. A number of our employees, suppliers and customers were invited to tour the site and meet the Board. It was a great opportunity for us to hear from our employees directly. Alongside our Chief Executive, I also visited IMI Orton in June 2022. We met with members of the local management team to discuss their customer focus and drive for Better World growth. Please see page 44 of our s.172 statement for more information. I look forward to visiting our Adaptas site with the rest of the Board in 2023.

On behalf of the Board, Thomas Thune Anderson (our non-executive director with designated responsibility for employee engagement) has attended meetings with our graduates and our European Communications Forum in the year. Thomas' engagement significantly contributes to the Board's understanding of how to support our people. Employee engagement over the year is summarised on page 110. This two-way dialogue is enhanced by our annual One Big voice employee survey, results of which can be found on page 58 of our ESG report. On behalf of the Board, I thank all our employees for taking the time to complete the survey, your insight helps the Board assess company culture and identify areas where we can improve.

Front and centre of our engagement approach is the IMI Way Day. It provides the opportunity for every site and every team member to down tools and come together for one day to celebrate their part in creating a better world for our customers, our people and our communities. Employees were able to meet in person this year and attend a number of local volunteering activities. For further details please see page 59.

AGM

Our AGM provides the opportunity for our shareholders to engage with our Board of Directors and hold them to account. In May 2022 we held our first physical AGM since the outbreak of the pandemic. We look forward to welcoming shareholders to our in person AGM this year. Further details can be found on page 146. Directors are available to answer shareholders' questions formally during the AGM or informally afterwards.

Board effectiveness

The Board conducted an internal review of the effectiveness of the Board and its Committees in 2022 using an anonymised questionnaire and Board discussion. Further details of the process and outcome of this evaluation can be found on page 112.

Lord Smith of Kelvin
Chair

2 March 2023

Corporate Governance Report

Code Compliance Statement

The Board is committed to maintaining good governance and confirms that, throughout the year ended 31 December 2022, it is satisfied the Company has applied the principles contained in the 2018 UK Corporate Governance Code (the 'Code') and complied with its provisions, with the exception of Provision 38. At the time of the introduction of the new Code, the Company had already signed a contract with the Finance Director that entitled him to a pension contribution equal to 20% of his annual salary. This was higher than the pension contribution available to the workforce. However, despite contractual obligations, the Remuneration Committee discussed this issue with the Finance Director and an agreement was reached whereby a phased reduction by 3% every year of the Finance Director's pension would be implemented. Therefore, since the introduction of Provision 38, the Company has been non-compliant for the above reason. During 2020, the Remuneration Committee engaged with principal shareholders, explained the reasons for non-compliance and assured them of the intention to be fully compliant by 2023. During 2022, the Finance Director received a cash allowance of 14% of salary. From 1 January 2023, the Finance Director will receive a cash allowance equivalent to 11% of base salary which is consistent with the average global employee pension opportunity for employees. Please see page 129 for more information. Our reporting on the application of the principles and against the provisions is contained in this Report and key cross references are summarised below. Further details appear in the Directors' Report and other cross-referenced sections of this Annual Report, all of which are incorporated by reference into this Report. A copy of the Code can be found at www.frc.org.uk.

Code	Supporting disclosures and cross-references
Board leadership & Company purpose	» Good corporate governance is vital to the long-term success of the Company. We work within our governance structure described in the IMI Governance Framework, which is summarised on pages 102 to 103 and is located on our website. We have a programme of business which focuses on financial and operational performance, strategic initiatives, our Better World agenda, people and leadership matters and risk management. We hold an annual strategy day. For more information about the Group's strategy, see the Strategic Report from pages 6 to 11 » Our Business Model is displayed on pages 10 and 11. Reporting on our purpose, values, strategy and culture is set out on page 109 » In line with our Inclusion & Diversity policy, our Board is made up of a diverse group of skilled and experienced individuals. Director biographies are shown on pages 96 and 97. Individual role descriptions can be found on page 104 » The Board ensures that the necessary resources are in place for the Company to meet its objectives and measures performance against them. The Board has established a framework of controls which enables risk to be assessed and managed. For more information on risk management and the risks faced by the Group, see the Risk Report on pages 86 to 93 » IMI has multiple stakeholders who are all important to the long-term success of our business. A description of engagement processes in place with shareholders, employees and other key stakeholders is contained on pages 38 to 45. Thomas Thune Andersen is the non-executive director with designated responsibility for employee engagement, which includes gathering the views of the workforce on behalf of the Board. Please see pages 104 and 110 for more information about his role and activities. Where engagement is not direct, it takes place via feedback from individual Directors and members of management. The relevance of each stakeholder group will depend on the particular matter requiring Board decision. Our Section 172(1) Statement is contained on pages 40 to 45. This demonstrates how the Board promotes the long-term sustainable success of the Company » Further information about our Better World strategy and how we impact wider society and contribute to society can be found in the ESG section of the Strategic Report on pages 46 to 79 and page 42 of our Section 172(1) statement » Our Code of Conduct sets out our values and the standards of behaviour we expect from everyone at IMI. The Code was updated, approved and launched in Q4 2022. We encourage people to report any breaches of the Code and other concerns through our IMI hotline. The Board reviews the operation of and reports from the IMI hotline. Details of key policies in place at IMI are listed on page 84. Details of our Speaking Up whistleblowing hotline arrangements are contained on page 53 and 92 » The Board has a formal system in place for Directors to declare a conflict or a potential conflict of interest. All Directors are asked to declare any conflicts at the start of each Board meeting and confirm their interests via an annual declaration. A statement of Directors' interests in Company shares is set out on page 139
Division of responsibilities	» A description of the different Board roles and responsibilities is set out on page 104. The outcomes of the reviews of independence of the non-executive directors and time commitments are set out on page 108 and page 122 respectively » Board composition (including an assessment of independence) is displayed on pages 96 and 97. No non-executive director has served for more than nine years » A summary of the process and findings of the 2022 Board evaluation can be found on page 112 » Led by the Senior Independent Director, the Chair's performance was reviewed. See page 112 for more information. The performance of all directors was reviewed by the Chair. For more information, please see page 112 » All Directors external appointments are subject to board approval. When considering approving an appointment, the Board takes into account conflicts of interest, the Directors performance and their ability to meet their time commitment to IMI. For more information please see page 122 » The Company Secretary supports the effective and efficient operation of the Board and its Committees. All Directors have access to the Company Secretary for advice, as well as access to independent professional advice at the Company's expense

Code	Supporting disclosures and cross-references
Composition, succession and evaluation	» Succession planning for the Board and certain senior management roles is described in the Nominations Committee Report on page 120 » Board composition is presented on page 121. Details of the Board skills matrix, to ensure the Board and its Committees have a combination of right skills, experience and knowledge necessary to oversee and support the management team in the execution of the Company's strategy, is on page 120 » The Board has a formal, rigorous and transparent Board appointment process. The Group's induction programme for any newly appointed directors is described on page 122 » A description of the Company's Inclusion & Diversity agenda is described in the Nominations Committee Report on page 121 and in the Strategic Report on page 62. Our Board Inclusion & Diversity Policy is summarised on page 121 » The outcome of the 2022 Board and Committee internally-facilitated annual evaluation, including progress on certain 2021 evaluation actions and agreed areas of focus for 2023, are set out on pages 112 and 122 » All directors are standing for re-election and further information (including details of their individual contribution to the long-term success of the Company) can be found on page 6 and 7 in the Notes to the AGM Notice
Audit, risk & internal control	» The Board reviews the main features and effectiveness of the Company's internal control and risk management framework. The Audit Committee's work in relation to internal financial controls is summarised on page 117 » At least twice a year, with the support of the Head of Group Risk Management & Compliance, the Board reviews the Group's principal and emerging risks. This is to ensure that they remain current and that, to the extent possible, there are mitigations in place to manage those risks in accordance with the Board's risk appetite to support the delivery of the Group's long-term strategic priorities. Reporting on our risk management systems and information about the risks and uncertainties that relate to our business are detailed on pages 86 to 93 of the Strategic Report » Our Audit Committee Report, describing how it is composed and how it has discharged its responsibilities, is contained on pages 114 to 118. A description of the Group's internal audit function is set out on page 117 and a report on the independence and effectiveness of the external auditors, Deloitte, can be found on pages 117 and 118 » The 'fair, balanced and understandable statement' is contained on page 149
Remuneration	» Our Remuneration Committee Report is contained on pages 124 to 145 » Following consultation with major shareholders, our Directors' Remuneration Policy was approved by shareholders in May 2021. The full Directors' Remuneration Policy can be found from page 85 of the 2020 Annual Report » Page 132 of the Remuneration Committee Report describes any discretion applied by the Remuneration Committee in the course of its work. No director or member of senior management is involved in determining his or her own pay » The views of a cross-section of employees on executive remuneration were obtained by Thomas Thune Andersen, our non-executive director with designated responsibility for employee engagement, during routine engagement activities. Feedback received was shared with the Board and the Remuneration Committee

Corporate Governance Report

IMI Governance Framework

In accordance with the Code, the Board has delegated certain roles and responsibilities to its principal Board Committees. While the Board retains overall responsibility, the Committees carry out deep dives into their areas of responsibility. Committee Chairs report back to the Board on the matters discussed, decisions taken, and, where appropriate, make recommendations to the Board on matters requiring its approval. Minutes of all Committee meetings are made available to all directors.

Details of the oversight of our ESG strategy can be found on page 55.

Board and Board Committees



IMI plc Board

Lord Smith of Kelvin (Company Chair)

Membership
Roy Twite
Daniel Shook
Isobel Sharp
Thomas Thune Andersen
Katie Jackson
Caroline Dowling
Dr Ajai Puri



Summary of key board activity in 2022
Turn to pages 106 and 107



Nominations Committee

Lord Smith of Kelvin (Chair)

Main responsibilities

- » Board and committee composition
- » Oversight of succession plans for the Board and the Executive Committee
- » Search for and recommendation of candidates for appointment as non-executive directors, Chief Executive and other executive director positions
- » Inclusion & Diversity policy, promotion of diversity and monitoring of progress

Membership
Thomas Thune Andersen
Caroline Dowling
Katie Jackson
Dr Ajai Puri
Isobel Sharp



Nominations Committee Report
Turn to page 120



Audit Committee

Isobel Sharp (Chair)

Membership
Thomas Thune Andersen
Dr Ajai Puri



Audit Committee Report
Turn to page 114



Executive Committee

Roy Twite (Chair)

Membership
Daniel Shook
Beth Ferreira
Jackie Hu
Phil Clifton
Liz Rose
Louise Waldek



Executive Committee diversity
Turn to page 109

The IMI Governance Framework sets out the Schedule of Matters Reserved for the Board and the Terms of Reference for each principal Board Committee. The IMI Governance Framework also describes the responsibilities of key positions on the Board and the Company Secretary. A complete copy is located on our website. We review and update the framework regularly to reflect developments in corporate governance and best corporate practice.

Main responsibilities

- » Promoting the long-term success of the Company for the benefit of its shareholders
- » Generating value for shareholders and contributing to wider society
- » Demonstrating ethical leadership, high standards of behaviour and overseeing good governance
- » Ensuring effective engagement with and encouraging participation from shareholders and key stakeholders

- » Setting and monitoring the Group's values, purpose and strategy and ensuring that these and its culture are aligned
- » Ensuring that the necessary resources are in place for the Group to meet its objectives and measure performance against them
- » Setting a framework of prudent and effective controls, which enable risk to be assessed and managed

- » Ensuring the Group is appropriately managed, operates responsibly, with effective controls in place
- » Ensuring that workforce policies and practices are consistent with the Group's values and support its long-term sustainable success
- » Reviewing management performance and the operating and financial performance of the Group

Main responsibilities

- » Oversight role in relation to financial statements
- » Reviewing significant areas of judgement and accounting policies
- » Reviewing the proposed statements on going concern and viability to appear in the Annual Report
- » Advising the Board on whether the draft Annual Report is fair, balanced and understandable
- » Monitoring announcements in respect of financial performance
- » Monitoring the effectiveness of internal financial controls
- » Reviewing financial risks including fraud risk
- » Oversight of internal audit and other key processes for monitoring internal financial control
- » Overseeing the external audit process, its objectivity, effectiveness and cost with responsibility for setting the audit fee
- » Making recommendations to the Board for the appointment of the auditor including oversight of any audit tender process



Remuneration Committee

Caroline Dowling (Chair)

Membership

Katie Jackson
Dr Ajai Puri

Main responsibilities

- » Define and recommend the Remuneration Policy for the Chair and members of the Executive Committee
- » Determine the individual remuneration packages for the Chair and members of the Executive Committee within the policy approved by shareholders
- » Set annual and long-term incentive metrics and awards and determine the outcomes for the members of the Executive Committee
- » Report on remuneration matters and constructively engage with shareholders
- » Assess risk in respect of remuneration and incentive structures in particular



Remuneration Committee Report
Turn to page 124

Main responsibilities

- » The Executive Committee is the senior management body for the Group, and takes its authority from the Chief Executive and is not a committee of the Board
- » The Committee meets monthly and more often as may be required. As part of the broad remit set by the Chief Executive it monitors and manages business performance, reviews progress against strategic objectives and formulates budgets and proposals on strategy and resource allocation for consideration by the Board. It plays a key part in risk assessment, risk management and monitoring processes and receives regular reports on ESG matters, human resources, health and safety, internal audit, compliance, legal, investor relations and other corporate affairs

Corporate Governance Report

Roles and responsibilities

Board Chair

Lord Smith of Kelvin

Main responsibilities

- » Creating the conditions for overall Board and individual director effectiveness
- » Promoting a culture of openness and debate
- » Setting a board agenda primarily focused on strategy, performance, value creation, culture, stakeholders and accountability
- » Ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals
- » Fostering constructive relations between executive and non-executive directors based on trust, mutual respect and open communications
- » Encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience and knowledge
- » Developing a productive working relationship with the Chief Executive, providing support and advice, while respecting executive responsibility
- » Leading the annual Board evaluation, with support from the Senior Independent Director as appropriate, and acting on the results
- » Ensuring the Board listens to the views of shareholders, the workforce, customers and other key stakeholders

Chief Executive

Roy Twite

Main responsibilities

- » Running of the business and corporate affairs of the Group under the authority delegated by the Board
- » Proposing Company strategy and annual budgets
- » Delivering the strategy as agreed by the Board
- » Leading the Executive team
- » Developing a productive working relationship with the Chair
- » Implementing Board decisions
- » Communicating to those working for the Group expectations in respect of the Group's culture, values and behaviours, and leading by example
- » Ensuring that operational policies and practices drive appropriate behaviour
- » Ensuring that effective business and financial controls and risk management processes are in place
- » Ensuring management provides the Board with accurate, timely and clear information

Senior Independent Director

Thomas Thune Andersen

Main responsibilities

- » Acting as a sounding board for the Chair
- » Leading the evaluation of the Chair
- » Ensuring an orderly succession planning process for the Chair, working with the Nominations Committee

Non-executive director with designated responsibility for Employee Engagement

Thomas Thune Andersen

Main responsibilities

- » Developing a balanced view of the issues and concerns of employees
- » Sharing employee views at Board meetings
- » Ensuring that the Board take appropriate steps to evaluate the impact of proposals and developments on employees
- » Where relevant and appropriate, providing feedback to employees on board decisions and direction during the engagement process
- » Soliciting the views of employees about executive remuneration and sharing feedback obtained with the Remuneration Committee

Non-executive director with designated responsibility for ESG matters

Thomas Thune Andersen

Main responsibilities

- » Developing a balanced view of ESG related issues and concerns
- » Providing thought leadership and supporting the Better World team
- » Sharing ESG related views learned in Board meetings
- » Ensuring that the Board take appropriate steps to evaluate the impact of proposals and developments (including internal and external market views) on ESG matters and related relevant stakeholder feedback

Company Secretary

Louise Waldek

Main responsibilities

- » Supporting the Chair
- » Ensuring that the Board operates in accordance with good corporate governance under the Corporate Governance Code and relevant regulatory requirements
- » Acting as secretary to all of the standing committees of the Board
- » Ensuring that the Board has a recognised procedure for any Director to obtain independent professional advice at the Company's expense and that all directors have access to the Company Secretary who is a qualified solicitor

Division of responsibilities

There is a clear division of responsibility between the Chair and Chief Executive, which is reflected in the IMI Corporate Governance Framework approved by the Board. The Chair is responsible for the leadership and effectiveness of the Board but does not have any executive powers or responsibilities. The Chief Executive leads the Executive Committee in running the businesses and implementing operational and strategic plans under authority delegated from the Board.

The Company's articles of association set out the Board's powers. In the IMI Corporate Governance Framework, the Board has clearly defined 'in writing' those matters which are reserved to it and the respective delegated authorities of its committees and it has also set written limits of authority for the Chief Executive. The Group has a clear organisational structure and well-established reporting and control disciplines. Managers of operating units assume responsibility for and exercise a high degree of autonomy in running day-to-day trading activities. They do this within a framework of clear rules, policies and delegated authorities regarding business conduct, approval of proposals for investment and material changes in operations and are subject to regular senior management reviews of performance. The Company's articles of association and the IMI Corporate Governance Framework can be found on our website.

Board & Committee attendances

During the year, the Board met on six occasions to cover scheduled business. A number of unscheduled meetings were held for specific projects. The table below shows the number of scheduled meetings attended and the maximum number of scheduled meetings that the directors could have attended. Only in exceptional circumstances would directors not attend Board and Committee meetings. Scheduled meetings are normally held in person.

Director	Board	% eligible attendance	Audit Committee	% eligible attendance	Nominations Committee	% eligible attendance	Remuneration Committee	% eligible attendance
Thomas Thune Andersen	6/6	100	4/4	100	4/4	100	n/a	n/a
Caroline Dowling	6/6	100	n/a	n/a	4/4	100	3/3	100
Katie Jackson	6/6	100	n/a	n/a	4/4	100	3/3	100
Dr Ajai Puri	6/6	100	4/4	100	4/4	100	3/3	100
Isobel Sharp	6/6	100	4/4	100	4/4	100	n/a	n/a
Lord Smith of Kelvin	6/6	100	n/a	n/a	4/4	100	n/a	n/a
Daniel Shook	6/6	100	n/a	n/a	n/a	n/a	n/a	n/a
Roy Twite	6/6	100	n/a	n/a	n/a	n/a	n/a	n/a

To date in 2023, the Board and each Committee has met once with all members in attendance.

Corporate Governance Report

Summary of 2022 Board activity

Activities	Outcomes	More Information
Strategy:		
Considered and challenged the Group's long-term strategic plans and priorities	Reaffirmed IMI's purpose and values. Approved IMI's strategy and key milestones	Pages 10 and 11 of the Strategic Report
Discussed and reviewed better world strategy, progress and proposals to set ESG related targets	In February 2022, the Board approved our Scope 1 & 2 net zero targets. Throughout the year, the Board received progress updates on ESG activity including the development of our ESG strategy, our progress against our KPIs and targets and details of our Scope 3 emissions and reduction plans. The Board reviewed analysis of the potential physical climate risks faced by our largest sites (see page 77) and approved our Creating a Better World strategy in December 2022. Please see page 44 for more information	Page 50 sets out our ESG progress in 2022 and targets
Received regular updates about strategic matters such as M&A transactions and business structuring decisions, including the integration of our recent acquisitions	After careful consideration, the Board approved the proposed acquisitions of Bahr, CorSolutions and Heatmiser. The Board received an update on the integration processes of Bahr and Adaptas which included a summary of feedback from employees at both sites	Page 45
Finance, Risk & Operations:		
Reviewed financial results during 2022	Approved the 2021 year-end results (including Annual Report & Accounts), 2022 half-year results and related announcements	
Reviewed dividend proposals	Approved final and interim dividends	Page 147
Reviewed draft going concern and long-term viability statement	Approved the going concern and long-term viability statement	Pages 94 and 95
Reviewed budgets and quarterly forecasts	Approved the 2023 budget	
Reviewed and debated the overall risk profile of the Group, including the principal risks, emerging risks and risk appetite	Approved the updates to the principal risks as shown in the Strategic Report including an update on climate risk assessment	Pages 88 to 93
Conducted a deep dive into IT security and cyber-crime risk	Oversight of activities to enhance the effectiveness of the Group's IT security controls	Page 90
Reviewed the effectiveness of risk management systems and internal controls	Risk management and internal control systems were considered to be effective	Page 115
Reviewed the annual treasury update	Approved Treasury Policy	Page 115
Reviewed tax strategy	Approved Tax Strategy	Page 115
Received regular Executive reports	Monitored performance and progress	
Board site visit to IMI Critical's facility in Cagliari	Enhanced the non-executive directors' knowledge of the Group. Engaged with local teams, suppliers and customers. Provided an opportunity to assess culture and learn about IMI's innovation in Hydrogen	Page 99
Discussed supply chain challenges	Received updates on efforts to consolidate spend with key suppliers and dual source where appropriate to provide more supply chain resilience.	

Activities	Outcomes	More Information
Leadership, People & Culture:		
Reviewed Health and Safety activities and performance	Reviewed health, safety and environmental performance and ongoing Group-led initiatives to enhance the safety culture and performance of the Group	Pages 64 and 65
Reviewed progress made to further our Inclusion & Diversity ambitions using culture dashboard of diversity, inclusion and equity indicators	Met the recommendations of the Parker Committee Review on ethnic diversity on the Board. Our Inclusion & Diversity policy is outlined on page 121	Page 121
Reviewed living wage in all locations	We have accelerated plans for employees to be paid at least in line with living wage indices and this has also been factored into our annual pay review process	Page 124
Reviewed a dashboard of cultural indicators and related information	Monitored and assessed culture and agreed it was aligned with the Company's purpose, values and strategy	Page 109
Reviewed succession plans for the Board, Executive Committee and wider leadership group and carried out a Group wide talent review	Emergency cover for the Committee chairs and members was agreed, taking into account the requirements of the 2018 Code and our Inclusion & Diversity policy	Page 120
Reviewed the outcome of the new One Big Voice employee survey and received a report from Thomas Thune Andersen in relation to his activities as the non-executive director with designated responsibility for employee engagement	The Board were informed of the key themes from the One Big Voice employee survey Thomas Thune Andersen reported on his activities as the non-executive director with designated responsibility for employee engagement and contributed relevant insight to boardroom discussions throughout the year	Page 58 Page 110
Approved budget for humanitarian activities	Budget approved for 2022	
Investors:		
Received and discussed investor updates from the Investor Relations team and the Company's brokers	Provided the Board with an indirect view of investor priorities and perceptions	Page 111
Governance:		
Reviewed methods of stakeholder engagement	Effective direct and indirect stakeholder engagement confirmed	Pages 38 to 45, 111
Reviewed and discussed the internal evaluation of the Board, its principal Board Committees and individual directors	Identified key findings, focus areas for 2023 and any training needs	Page 112
Reviewed the terms of reference of each principal Board Committee and the role descriptions of key roles	The review resulted in the Board approving a revised IMI Governance Framework to take effect from 1 March 2023	www.imiplc.com
Reviewed the approach and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chains	Approved the 2022 modern slavery and human trafficking statement	www.imiplc.com
Reviewed the effectiveness of the whistleblowing policies and processes and incidents under investigation and noted the activities within the business to prevent and detect fraud	Received an analysis of reports received via the IMI Hotline as well as comparisons against industry benchmarking data. Concluded that the whistleblowing policies and processes were effective and noted the activities within the business to protect and detect fraud.	Page 92
	Approved updates to the Group's Code of Conduct	Page 53
Reviewed director conflicts of interest, significant external appointments and time commitments	Effective board processes for conflicts of interest and taking on additional external appointments were confirmed	Pages 108, 122
	No concerns were raised regarding director time commitments	Page 122
	Approved Isobel Sharp's external appointment	
Reviewed 2022 AGM notice	Approved 2022 AGM notice	
Received legal and company secretary reports	Board apprised of key legal and governance matters across the Group	
Reviewed fees paid to the non-executive directors	The decision to determine fees to be paid to the non-executive directors was delegated to the Chair and the Chief Executive to ensure that no director was involved in decisions in respect of their own remuneration.	Single figure table on pages 128 and 138

Corporate Governance Report

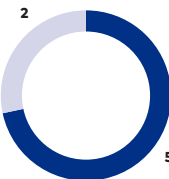
Board composition

Having the right mix of Board members is key to directing a Company towards continued shareholder value creation. The Board is currently composed of eight directors: the Chair; the Chief Executive; five independent non-executive directors and the Group Finance Director. All directors will stand for re-election at each Annual General Meeting. Detailed biographies of each current director, including the specific reasons why the contribution of each director is, and continues to be, important to the Company's long-term sustainable success can be found on pages 96 and 97. A summary of key areas of Board experience can be found at the bottom of page 97.

Board diversity

The non-executive directors are a diverse group from different backgrounds and nationalities and bring with them a wide range of skills and experience in commerce, finance and industry from around the world. The Board meets the targets set out in the Parker Review. Our approach to diversity is set out in more detail on pages 62, 63 and 121 and our Board Inclusion & Diversity Policy is set out in the Nominations Committee Report on page 121. The charts below represent the Board membership as at the date of this Annual Report.

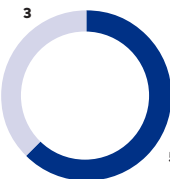
Non-executive / executive directors*



5 Independent non-executive directors
2 Executive directors

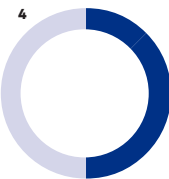
* Under the 2018 Code, the Chair is excluded when considering the independent non-executive composition of the Board.

Gender



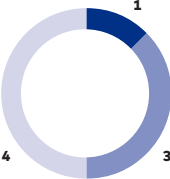
5 Male
3 Female

Nationality



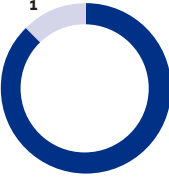
4 Other
4 British born

Age



1 40-49
3 50-59
4 60+

Ethnicity



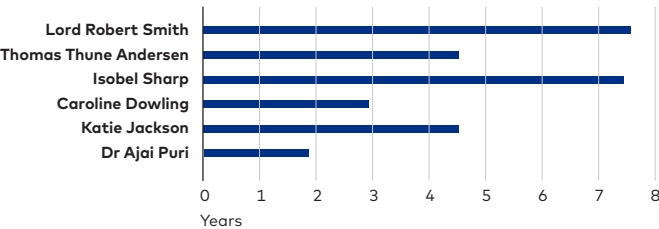
7 White
1 Asian

Independence of non-executive directors

All non-executive directors are asked to confirm their independence, external commitments and ability to commit sufficient time to their role at IMI as part of an annual declaration. The Nomination Committee considers that all of the non-executive directors are independent. The Chair was regarded as independent at the date of his appointment and is considered by the other members of the board to be objective in his leadership.

Dates of appointment

Length of tenure at 31 December 2022

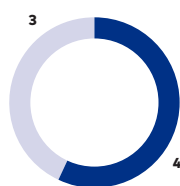


	Date of first appointment	Date of current letter of appointment
Thomas Thune Andersen	1 July 2018	21 February 2023
Caroline Dowling	1 January 2020	21 February 2023
Dr Ajai Puri	1 March 2021	21 February 2023
Katie Jackson	1 July 2018	21 February 2023
Isobel Sharp	1 September 2015	21 February 2023
Lord Robert Smith	7 May 2015	21 February 2023

Executive Committee

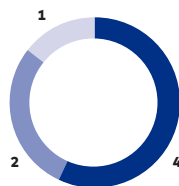
The Executive Committee is chaired by the Chief Executive and the other members are shown on page 9. It is the senior management body for the Group, and takes its authority from the Chief Executive and is not a committee of the Board. It is well balanced, experienced and diverse. It is 43% female (meeting the requirements of the FTSE Women Leaders Review (formerly Hampton-Alexander Review)) and is composed of three nationalities. The Executive Committee's role description can be found on page 103.

Gender



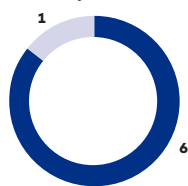
4 Male
3 Female

Nationality



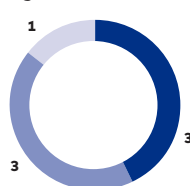
4 British
2 American
1 Singaporean

Ethnicity



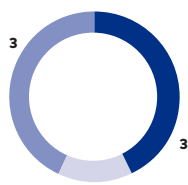
6 White
1 Asian

Age



3 40-49
3 50-59
1 60+

Tenure



3 0-5 years
1 6-10 years
3 11 years+

Purpose, Values & Culture

The Board endorses our purpose of **Breakthrough Engineering for a better world** and sets the strategy for the Group to align with this purpose. IMI's purpose is at the heart of everything we do, it is why we exist. We are committed to achieving profitable growth on a sustainable long-term basis while creating a better world for everyone we engage with – our customers, our employees, the communities we serve and operate in, and our shareholders. For more information about our purpose, please see pages 10 and 11 of the Strategic Report.

Our values are an important part of who we are, as they provide a culture and collective mindset for our entire organisation. These values underpin all that we do, and ensure we maintain the foundations that have enabled IMI's success throughout its 150-year heritage. For more information, please see page 10 of the Strategic Report.



Customer intimacy



One big team



Playing to win



Integrity

Our dashboard of cultural indicators supports the Board in its responsibility to monitor culture and ensure alignment with the Company's purpose, values and strategy. The dashboard comprises more than 20 metrics linked to the IMI values which individually and collectively provide cultural insights. These include customer net promoter scores, employee engagement scores, regretted turnover information, number of employees involved in our Growth Hub activities and details of hotline reports received. This year we added a new category, wellbeing. The dashboard is designed to help the Board identify any factors which indicate a negative culture or matters which could impede our ability to deliver our strategic objectives.

In addition to the Board's review of the culture dashboard and related information, there were a number of touchpoints in the annual cycle during which reports and presentations were provided to the Board and its Committees allowing for further consideration of these cultural indicators. Thomas Thune Andersen, in his role as non-executive director with designated responsibility for employee engagement, provided insights into the Group's culture based on his interactions with employees across the Group. Following a detailed review of culture which included considerations of the Group's values and insights from our non-executive director with designated responsibility for employee engagement, together with the annual review of our purpose and strategy, the Board affirmed that culture was aligned with IMI's purpose, values and strategy. We will continue to nurture our culture and ensure monitoring culture plays a key role in Thomas' employee engagement activities.

Corporate Governance Report

Board level employee engagement

Since March 2020 Thomas Thune Andersen has been the nominated non-executive director with designated responsibility for employee engagement.

The purpose of this role is to enhance the Board's understanding of the views of the IMI workforce, supporting the directors' collective responsibility to consider a wide range of stakeholder perspectives when arriving at Board decisions. It includes the following responsibilities:

- » Developing a balanced view of the issues and concerns of employees through various feedback channels such as Board site visits, employee forum groups, IMI Way Day focus groups and reverse mentoring for example, ensuring feedback is obtained from all divisions, all levels and all geographies
- » Sharing employee views learned in Board meetings on an ongoing basis and in written format at least once per year
- » Ensuring that the Board take appropriate steps to evaluate the impact of significant proposals and developments on employees
- » Where relevant and appropriate, providing feedback to employees on board decisions and direction during the engagement process
- » Soliciting the views of employees about executive remuneration and sharing feedback obtained with the Remuneration Committee

This role does not take on the responsibilities of an executive director, the Executive Committee, the HR team or act as a proxy. Although Board members actively and directly engage with our workforce through activities such as site visits and attendance at Growth Hub pitches, the Board felt that having a non-executive director with designated responsibility for employee engagement would enhance its ability to gather the views of the workforce in a more structured way, and enable a more focused approach to understanding the culture of the Group.

In 2022, Thomas attended the following sessions:

- » Focus group to explore in greater depth the findings of the One Big Voice pulse survey launched in February 2022
- » Graduate Induction presentations: our graduates were asked to present their 'Eureka' idea to tackle the energy crisis to Thomas, who then provided feedback to each presenter
- » Whole Board engagement session for ESG matters
- » Met with our Better World team to provide guidance on Inclusion & Diversity, Health & safety and Investments in CO₂ reduction
- » Attended and presented at the European Communications Forum (ECF)
- » Employee lunches: employees designated as talent were invited to meet with the Board for an informal lunch across our UK and Remosa sites
- » In October 2022 the whole Board and Executive team visited Sardinia for the opening of our IMI Remosa site. A number of our employees, suppliers and customers were invited to tour the site and meet our Board face to face



I am pleased to have been able to meet with a number of employees in person this year. Building on Board feedback from last year, we have engaged our younger employees in focus groups around a number of topics including communications, talent attraction and talent development opportunities. I would like to thank all those I spoke with for their openness, enthusiasm and transparency. There continues to be strong two way communication between the workforce and the Board.

Thomas Thune Andersen

Outcomes of Board level employee engagement:

- » Feedback from focus groups highlighted that areas of IMI's Code of Conduct could be improved. During the year we updated and enhanced our Code of Conduct, for further information please see page 53 of our ESG report
- » There is a strong desire among our employees to understand our efforts towards reducing our carbon emission and increasing the environment efficiencies of our sites. Our internal communication platform includes a designated 'Better World' group where all 10,000 employees can share their ideas for reducing our environmental impact. We will continue to use this platform to communicate our ESG targets and progress made towards these

Speaking Up

Details of the Group's speaking up arrangements are contained on pages 53 and 92 of the Strategic Report. The Board monitors operation of the Group's hotline, receives reports on activities and checks that appropriate investigation and follow up is carried out.

Shareholder engagement

The Board oversees shareholder engagement and maintains a balanced understanding of the issues and concerns of major shareholders. The Chief Executive and Finance Director have primary responsibility at Board level for investor relations and they, and the Head of Investor Relations, report to the Board on shareholder issues at a number of Board meetings during the year. Financial analysts' notes are circulated to the directors and the Board receives regular investor feedback reports from the Company's brokers and public relations advisers as well as from management. The understanding of investor views resulting from this feedback helps inform the Board's decision-making.

Dialogue is maintained with the principal shareholders, and the executive directors and/or the Head of Investor Relations meet regularly with institutional investors. Whilst the easing of COVID-19 restrictions has allowed us to resume in-person meetings with shareholders, virtual meetings remain an important tool for engaging with major investors, particularly those based overseas. As in previous years, we maintained a significant programme of such interactions, with existing and potential shareholders, this included a series of in-person meetings held with prospective investors in New York and Toronto. Smaller – often private – investors also have full and timely access to all IMI's presentations via the Group's website. All Directors are available to shareholders as needed. During the year a shareholder asked a specific remuneration question which was addressed by our Remuneration Committee Chair, Caroline Dowling, and another shareholder requested a meeting with selected members of the Better World team to discuss our ESG progress to date. The Chair of the Audit Committee is also available if required. A number of shareholders spoke with our Chief Executive, Group Finance Director and Investor Relations team. Feedback from the discussions was then communicated to the Board.

Consultation with our larger investors is very much concerned with the performance and strategy of the Group. Their feedback is shared with the Board so that it can be taken into account in Board discussions. Institutional investors have shown increasing interest in ESG matters and these are becoming a more common theme in investor meetings and information requests. We are also increasingly engaged in completing ESG rating questionnaires and surveys, of particular interest to our investors. More information on ESG matters appears on pages 46 to 79.

Due to the relaxation of COVID-19 restrictions we were able to invite shareholders to attend our Annual General Meeting in person. Shareholders can submit questions in advance of the AGM to our Investor Relations team (info@imiplc.com) who will endeavour to respond promptly. All Directors attend the AGM and are available to answer questions. Notice of the Annual General Meeting was issued more than twenty working days in advance of the meeting and the level of votes lodged for and against each resolution, together with details of abstentions, are shown on the IMI website. The Board values the support of shareholders and the poll results for all resolutions proposed at the Annual General Meeting were above 90% in favour in every case except for 88.87% approval of the remuneration report. Please see our Remuneration Committee Report on page 124 for more detail.

In addition to the Annual Report, the Company issues preliminary results and half-year results announcements, as well as two interim management statements between results announcements. The IMI website includes recordings of results presentations made by senior management, recent annual and half-year reports, interim management statements, other corporate announcements, and links to the websites of the Group's businesses.

Outcome of 2022 AGM

At the 2022 AGM, votes were cast in relation to approximately 83.64 per cent of the issued share capital (2021: 83.50 per cent; 2020: 84.2 per cent). All 21 resolutions proposed by the Board were passed by the required majority. There were no significant votes cast against the Board's recommendations. Votes cast in favour of the re-appointment of the Board directors were as follows:

Director	Votes
Lord Smith of Kelvin	95.54%
Roy Twite	96.66%
Daniel Shook	98.66%
Isobel Sharp	99.44%
Thomas Thune Andersen	96.59%
Katie Jackson	99.28%
Caroline Dowling	95.83%
Dr Ajai Puri	98.79%

Corporate Governance Report

Evaluation of the effectiveness of the Board, its principal Committees, the Chair & the directors

This year, supported by the Company Secretary and in consultation with the Chair and the board committee chairs, an internally facilitated evaluation was carried out. Questionnaires were created to gather information about the effectiveness of the Board and its Committees. Draft conclusions were discussed with the Chair and they were subsequently reviewed with the whole Board at its meeting in December 2022. The directors were satisfied that the Board is fulfilling its responsibilities appropriately, that the Board and its Committees were efficient and effective and that each director demonstrated a valuable contribution and a commitment to their role.

The senior independent director, Thomas Thune Andersen conducted a review of the Chair's performance with the other non-executive directors which found that the Chair's leadership of the Board was highly efficient and effective. The results of this review were shared with the Chair.

The Chair also met with the non-executive directors to review the performance of the Chief Executive. The Chair passed on to the Chief Executive appropriate feedback from the review of his performance.

The Chair conducted performance reviews of each individual director. Each director was found to be performing effectively, discharging his or her duties, and making a valuable contribution to the Board.

Details of the personal contribution of each board member can be found in the director biographies on pages 96 and 97.

In the 2021 Annual Report a small number of evaluation actions were reported, an update on the progress is provided in the table below:

Action	Update
Review the Board agenda to ensure it continued to meet increasing regulatory expectations and evolving best practice. Review the timing of key Board discussion matters in the annual cycle to ensure such discussions were scheduled most effectively	The Board and its Committee annually review and approve a yearly cycle. Best practice and regulatory expectations are considered during the review of each cycle.
Review Committee scope and membership	A full review of the composition of each Committee was carried out in the year. It was found that the appropriate Board members were on each Committee and no changes were recommended at this time. The remit of the Audit Committee will be kept under review until the impact of the BEIS consultation and Draft Audit Reform Bill is clearer.

In the 2022 evaluation, progress during the year was described in the following areas:

- » The Board recognised improvements in its consideration of stakeholders and ESG strategy when making decisions
- » The Board provided good feedback for Board site visits taken in the year, praising opportunities to meet with customers, suppliers and key stakeholders
- » The Board noted improved alignment between the Company's culture and ESG strategy and appreciated increased engagement with the Better World team

Following discussion of the report, the Board considered areas to focus on in 2023 in order to enhance the Board's operation. The main recommendations were:

- » Maintain its focus on succession planning at Board and senior management level
- » Continue progress made to ensure meaningful, two way engagement takes place with key stakeholders
- » Increase the number of Audit Committee meetings in order to meet enhanced regulatory requirements

The chairs of the three principal Board Committees each received a report from the internal evaluation exercise, the reports were then reviewed at the respective Committee meeting in December. All were found to be operating effectively and minor suggestions to improve performance were noted. Further information can be found in the evaluation section of the Committee Reports.

Approved by the Board and signed on its behalf by:

Louise Waldek
Company Secretary

2 March 2023



Audit Committee Report



Dear Shareholder

I am pleased to present this report on the work of the Audit Committee over the last year. The Committee's principal responsibilities are to monitor the integrity of the Group's financial reporting and financial statements, to review the effectiveness of internal financial controls, to monitor and review the effectiveness of internal audit, and to make recommendations to the Board on the appointment of an external auditor. The Committee acts in an oversight role for Annual Reports, financial statements and announcements with extended financial content, all of which are prepared by management. The full terms of reference of the Committee, which were reviewed during the year, can be found in the IMI Corporate Governance Framework on the Company's website.

The Committee invested more time in 2022 compared to prior years, driven principally by business activity. The accounting for the exit of Russia, the 2022 acquisitions of Bahr Modultechnik, Heatmiser and CorSolutions and the December 2021 acquisition of Adaptas were on the agenda. We have revisited internal control matters to ensure the business continues to enhance its overall control environment and as preparation for expected changes to UK governance requirements. In particular, we have reviewed the processes, controls and assurance over non-financial risks including the risk of material fraud. We have seen how new tools such as an automation tool for balance sheet reconciliations are strengthening the control environment. We challenged detailed aspects of the Group's policy for treatment of adjusting items in Alternative Performance Measures ('APMs'). We have reviewed the significant restructuring activity and the provisions for rationalisation at the year end, satisfying ourselves that the treatment of those items disclosed as adjusting is appropriate. The Committee has monitored the audit process to ensure external audit effectiveness remains at the highest level and the Committee continues to welcome fresh insights and challenges from our external auditors.

Members of the Audit Committee

Dr Ajai Puri, Thomas Thune Andersen and I were members of the Audit Committee throughout the year. All of the Committee members are regarded by the Board as independent non-executive directors and details of our experience are included on pages 96 and 97. I have chaired the Audit Committee since 1 October 2017, having become a member on 1 September 2015. In my role as Chair, I have significant interactions throughout the year with the Finance Director, the Company Secretary and other key senior executives, review in advance papers and agendas for meetings of the Committee and meet with our external auditor prior to each Committee meeting.

I am a chartered accountant, I spent my early career in the accounting and audit profession and the Committee, and the Board, are satisfied that I have significant recent and relevant financial experience.

The Board is also satisfied that the Committee members have experience at Audit Committee level and collectively the Committee has the financial, commercial and auditing skills, experience and objectivity to be an effective Audit Committee. Furthermore, Committee members attend as appropriate external training sessions to update our knowledge and in 2022 Deloitte delivered two technical updates tailored for the Committee, with a particular focus on enhancing TCFD disclosures, the ongoing governmental work on audit and corporate governance matters and the FRC's 'Key matters for 2022/2023 reports and accounts'.

The Committee invites the following to join appropriate parts of its meetings: the Chief Executive, the Finance Director, the Group Financial Controller, the Director of Group Assurance and the external auditor. In addition, the Chair and other non-executive directors are welcome to attend, and usually join, the meetings. The Secretary to the Committee is the Group General Counsel and Company Secretary.

The Committee meets alone with the external auditor and with the Director of Group Assurance. The Committee has the power to call on any employee to attend.

Main areas of activity

The Audit Committee met four times in 2022. For two meetings the focus was on the forthcoming results reporting.

All meetings included a review of current accounting matters within the Group, internal audit reports and external audit matters. These activities are detailed in the following sections.

During the year, the Committee reviewed the proposed amendments for the treatment of adjusting items in Alternative Performance Measures ('APMs'). At its meeting in July 2022 the accounting for the exit of Russia was reviewed and approved.

The Committee continues to seek out with management constructive opportunities for improvement in the effectiveness of internal financial controls. A number of relevant initiatives were implemented in 2022, including the piloting of an automation tool for balance sheet reconciliations, which facilitates improvements in both external audit efficiency and internal controls. Looking beyond pure financial controls the Committee requested and received a review of the processes, controls and assurance over non-financial risks including the risk of material fraud.

In 2022, the Committee performed a deep dive into the control environment of the Group, with a review of the Internal Control Declaration (ICD) and the associated evidence binder which sites maintain. The Committee welcomed the overall improvement in the ICD assessment scores and the actions being taken in those areas where there is scope for improvement. This review helped the Committee gain additional comfort around the quality of the finance function within the Group. Management has worked to strengthen finance teams and refreshed the talent pipeline for succession planning. Key appointments were made within IMI's recent acquisitions to ensure the newly acquired businesses build financial controls in line with IMI's standards.

The Committee monitors changes in senior finance roles and challenges management to ensure continuity of financial reporting standards following team changes and in particular this year to consider how particular talent challenges in certain geographies have been met. In 2022, management achieved successful internal transitions of key senior finance roles.

An update on tax affairs and compliance from the Head of Group Tax was received by the Committee and the Corporate Tax Strategy which is available on our website was approved by the Committee.

This year's discussion with the Group Treasurer focused on the Group's funding relationships and strategy. The Committee reviewed and approved for submission to the Board the statements on going concern and viability, which are on page 95 and 94 respectively. During 2022, this involved regular assessment of the impact of supply chain uncertainties, the Russia / Ukraine war, and inflationary pressures. The Committee was satisfied with the going concern and viability statements taking comfort in particular from the resilience demonstrated by IMI's businesses in recent periods, the relative strength of the Company's balance sheet and the borrowing facilities in place.

The Committee reviewed management's approach to preparing the Annual Report and Accounts with the European Single Electronic Format ('ESEF') tagging. Management continues to use an outsourced provider with expertise to complete the initial tagging prior to finalisation internally.

Over the years, IMI has always kept a record of the sources of information in the front half of the Annual Report. More recently this was put into an Evidence Binder to be consistent with the binders which sites maintain on internal control matters. For this year end, the Committee carried out a deeper dive into this Evidence Binder and welcomed the assurance gained on the front half information.

The Committee advises the Board on the fair, balanced and understandable requirements for the Annual Report and half year results statement. In the Annual Report, the fair, balanced and understandable criteria are also a review area for the external auditor, who has not reported any exceptions. The Statement of directors' responsibilities on page 149 includes confirmation by the Board that it considers this Annual Report, taken as a whole, to be fair, balanced and understandable.

Deloitte was reappointed to be the Group's external auditor for the year ended 31 December 2022.

Audit Committee Report

Significant judgements and estimations in the financial statements

In preparing the accounts, there are a number of areas requiring the exercise by management of judgement and estimation. These matters were the subject of appropriate detailed analysis and commentary in papers and reports to the Committee from management and the external auditor. The Committee reviewed the significant accounting areas involving such judgements and estimates and these are described below.

Significant accounting matters

Revenue recognition

The Committee discussed the timing of revenue recognition on some of the Group's larger contracts. This is an area of focus on which the external auditor reported to the Committee. Having reviewed management's process and the external auditor's comments, the Committee concluded that revenues were appropriately reflected in the financial statements. Note 2 to the financial statements provides further information.

Adjusting items

The Committee considered both the items treated as adjusting and their application in APMs. In addition, this is an area of focus on which the external auditor reported to the Committee. Management considers adjusting items a critical judgement. The Committee reviewed all adjusting items, in particular the treatment of restructuring costs, the exit of Russia, acquired intangible amortisation and related tax adjustments.

It considered both the amounts and appropriateness of restructuring costs of £25.9m and provisions of £17.8m disclosed as being adjusting items, and reviewed them by project, to seek confirmation that they were non-recurring.

The Committee reviewed tax related adjusting items, and concluded management's treatment was appropriate.

The Committee concluded there had been adherence to the company's adjusting items policy.

Impairment of goodwill and intangibles arising from acquisitions

The Committee considered the level of goodwill and intangible assets held on the Group's balance sheet for recent and past acquisitions and whether, given the future prospects of these businesses, the carrying value in each case remained appropriate.

The year end balance sheet includes goodwill of £733.7m and intangible assets arising on acquisitions of £193.3m.

During 2022, the Committee considered management's proposed amendments to the methodology used to calculate the discount rate for the purposes of impairment testing and concluded this was appropriate. Due to the complexity and volatility involved in calculating the rates, Evelyn Partners was engaged during the year to perform the calculation and to report to management on this, a move which was welcomed by the Audit Committee.

Impairment was also an area of focus for the external auditor who reported its findings to the Committee and also concurred with the assessment that no impairments were required. Note 11 to the financial statements provides details regarding the Group's intangible assets and goodwill.

The Committee reviewed the acquisition accounting for the three acquisitions in 2022 (Bahr Modultechnik, Heatmiser and CorSolutions), and one acquisition in December 2021 (Adaptas) for which preliminary numbers were included in the 2021 financial statements and final numbers in the 2022 interim report. It concluded that the fair value accounting for the acquisitions was appropriate.

Inventory valuation

The year end balance sheet includes inventories of £416.3m after £52.5m of provisions. The Committee reviewed the judgements applied to standard costing valuations and provisions against excess and obsolete inventory and concurred with management's assessment.

Inventory valuation was a key audit matter for the external auditor, in respect of which it reported to the Committee that inventory valuation across the Group is considered appropriate. Note 15 to the financial statements provides details of inventory valuation.

Tax

The Committee reviewed the adequacy of taxation provisions for uncertain matters. Further details on these areas can be found in Notes 3 and 9 respectively.

Key sources of estimation uncertainty

Pensions

The Committee also reviewed the appropriateness of the accounting treatment in respect of pension scheme liabilities, including the actuarial assumptions used, which provide a key source of estimation uncertainty, and the impact of one-off special pension events. The Committee also received a report reflecting appropriate expert input from the external auditor, which concluded that the accounting for pensions proposed by management was not materially misstated.

The Committee supported management's ongoing efforts to de-risk the Group's pension obligations, with the UK pension liability now fully bought in. Further details can be found in Note 14.

Control environment

The Committee reviewed the overall control environment during the year and considered the different responsibilities for site, region, divisional and Group teams. The Committee welcomed the pilot to automate balance sheet reconciliations, which helped facilitate an improved control environment and risk-based approach to controls.

The Internal Control Declaration evaluations for the businesses improved year on year.

The Committee considered the existing control framework and continued to support management's efforts to deploy the balance sheet automation tool across the organisation following an initial pilot in 2022. The Committee reviewed non-financial areas such as the establishment of a new business support centre in Poland for the IMI Hydronic division.

Internal audit

The Committee received reports from, and monitored the work of, the Group's internal audit function, known as Group Assurance. Group Assurance has a direct reporting line to the Committee and also reports through the Finance Director to the Chief Executive. Group Assurance work is primarily directed towards financial control audits but also covers other selected areas including project planning and implementation for major business changes and internal control declarations, which cover financial and non-financial controls.

In addition to the sites reviewed in the year, the principal projects assured in 2022 were: the Group's increasing use of digital tools and included: central review of the Group-wide travel and expenses system; Price Increase Retention, IT system implementation within the Divisions; Inventory Excess and Obsolete provisions and Capital and Rationalisation project reviews. Group Assurance works closely with the divisions to implement monitoring and review processes to complement the internal and external audit coverage. In 2022, Group Assurance assisted in the integration of Adaptas Solutions into the IMI internal control policies and procedures.

Locations to be reviewed each year are selected on a risk assessed basis, discussed and agreed with the Committee and take account of the external audit plan. In 2022, as in any other year, minor adjustments were made to the plan to meet changes in the business with the Audit Committee being consulted on amendments at all of its meetings. The completion of actions arising from internal audits and reviews is monitored by the Committee and the track record for timely completion of actions is excellent.

During the year, 37 internal audit reviews were completed with 35 of these supported by divisional finance managers. The majority of the 2022 internal audit plan included a physical visit as part of the review. As in prior years, a flexible approach and use of remote audit procedures were used to improve efficiency and ensure emerging issues were addressed. The involvement of divisional financial managers in the internal audit process continues to enhance the quality of audits and the sharing of best practice. For all audit reviews, Group Assurance maintains the final determination on scoring and actions.

The Group Assurance team is led centrally by experienced, senior internal audit professionals and across the Group there are over 100 staff trained to conduct internal financial control audits. The annual plan and resourcing for internal audit were approved by the Committee and take account of the enhanced monitoring and review activity within the divisions. The scope of internal audits covers certain operational and commercial risks in addition to financial controls. Experienced financial managers from the divisions work on combined audits covering financial, operational and commercial matters. Group Assurance has trained divisional finance managers in financial control auditing skills and provided a toolkit to enable them to carry out financial control audits at other sites in their division. Financial control evidence binders are used across the Group to help improve internal controls and to make internal audits more efficient. The binders also support transition and continuity in the event of any changes in finance staff.

The Committee reviewed the effectiveness of Group Assurance with management and received input from the external auditor. The Committee supports the co-sourcing model, with the Group Assurance team working together with experienced financial managers from the divisions to enhance the effectiveness of assurance processes. An area for improvement in 2023 which was identified for the Group Assurance team is to develop further its capability to carry out operational and commercial risk reviews. The improvement actions for 2022 were made, most notably with the advancement of electronic evidence binders including sharing of best practice examples for key controls from the best sites.

The Committee has welcomed the way in which staff involved in Group Assurance activities have coped not only with some challenging circumstances in 2022 but also with the new acquisitions so that the level of assurance gained from its activities during the year is equivalent to previous years.

External audit independence and performance review

The Committee approved the proposed external audit approach and its scope based on the size and level of risk of the entities concerned. The Group and the external auditor take a risk-based approach to audit and other assurance activity. The key audit matters identified by Deloitte are set out in its report on pages 152 to 161 and were reviewed by the Committee in approving the audit scope and plan.

The Committee considered the independence and objectivity of the external auditor to be satisfactory. In assessing auditor independence, the Committee had regard to the Financial Reporting Council's (FRC) best practice guidance for audit committees. In addition, the external auditor confirmed that its ethics and independence policies complied with the requirements of the FRC's Ethical Standard. To maintain the objectivity of the audit process, the external audit partner responsible for the Group is rotated within the audit firm at least every five years and the current Senior Statutory Auditor, Dean Cook, was first appointed for the 2021 audit.

Audit Committee Report

The policy on the engagement of the external auditor for non-audit work reflects regulatory requirements. It requires approval by the Committee Chair for any non-audit engagement for which the estimated fees exceed £10,000. The Finance Director monitors any proposed non-audit engagements of Deloitte and refers to the Chair for approval as appropriate. The policy does not allow work to be placed with the auditor if it could compromise auditor independence, such as functioning in the role of management. Non-audit fees paid to the auditor were £0.1m (2021: £0.1m), which represents 3% of the audit fee and demonstrates the tight control which is maintained in this area. The only significant non-audit engagement during the year was in respect of the interim results review, which is technically not statutory audit work but is typically placed with the audit firm, and was approved by the Committee.

The Committee considers the level and nature of non-audit work to be modest and not to compromise the independence of the external auditor. The Committee is satisfied that Deloitte is fully independent from management and free of conflicts of interest.

Pursuant to the power granted at the 2022 Annual General Meeting, the Committee reviewed and approved the proposed audit fee payable to Deloitte.

The Committee formally reviewed the effectiveness of the 2021 external audit process. As in other years, a questionnaire, sent to over 30 business unit finance directors and interviews with members of the Committee and selected executives were used to review the effectiveness of the external audit process. Based on the results of the questionnaire and feedback received, the Committee believes the 2021 external audit process has been good and effective. To enhance further the external audit process, certain improvement actions were identified, and plans were put in place by Deloitte to address these during the 2022 audit. Deloitte made improvements in key action areas and we are satisfied with the progress made. The Committee also reviewed the FRC's Audit Quality Review report regarding Deloitte. In 2023, the review process will be enhanced to strengthen the focus on how the Group contributes to an effective external audit process.

Statement of compliance

IMI confirms that it was in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitor Tender Processes and Audit Committee Responsibilities) Order 2014 during the year ended 31 December 2022.

Audit tendering

Current legislation will require an audit tender by not later than 2031 and the Company retains the freedom to tender earlier. The Committee considers it would be appropriate to conduct an external audit tender process commencing in the year before any change of auditor is made and therefore not later than 2030 in any event.

Committee attendance and evaluation

Director	Audit Committee meetings	% attended where eligible
Isobel Sharp (Chair)	4/4	100
Ajai Puri	4/4	100
Thomas Thune Andersen	4/4	100

The Committee reviewed its own performance and terms of reference. It received positive feedback on its performance from the internally facilitated evaluation exercise carried out for the Board and each of its standing committees. It was agreed to increase the number of Committee meetings to allow consideration for new regulatory requirements, if required. Minor amendments were made to the terms of reference which are available on the Group's website. The Committee is very aware of the current external debates on the roles and responsibilities of auditors and audit committees. It is vigilant in reviewing its work to meeting changing business needs as well as external developments.

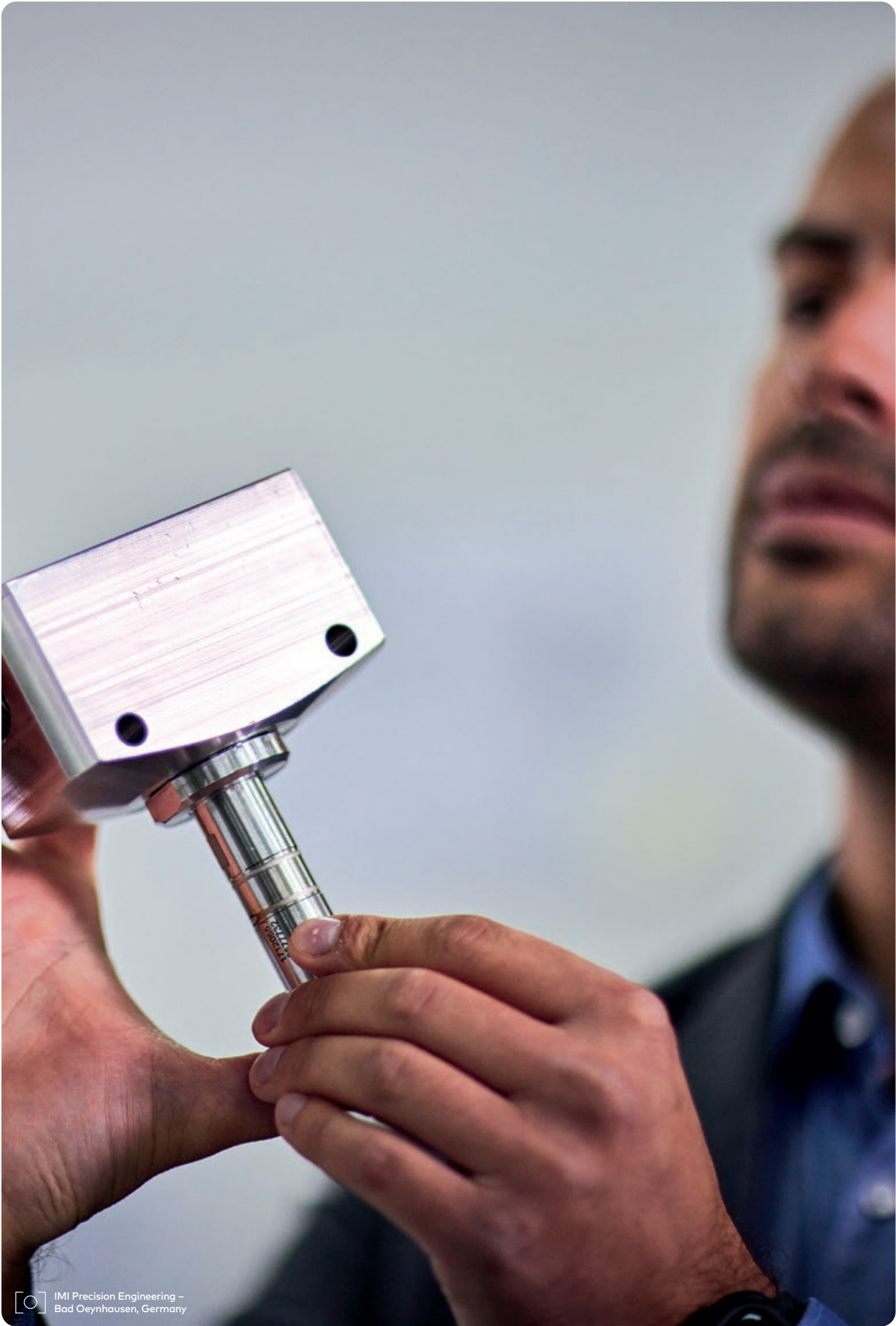
The Committee approved this report on its work.

Yours faithfully

Isobel Sharp

Chair of the Audit Committee

2 March 2023



Nominations Committee Report



Dear Shareholder

I am pleased to make my report as Chair of the Nominations Committee. This report is intended to give an account of the Committee and its activities. The core responsibilities of the Committee include:

- » Reviewing Board composition
- » Leading the recruitment process and making recommendations for appointments at Board level
- » Overseeing the development of a diverse pipeline for succession to the Board and Executive Committee
- » Oversight of appointments to the Executive Committee
- » Identifying and developing internal talent

The Committee reviewed and refreshed its Terms of Reference, which were approved by the Board to take effect from 1 March 2023. The full terms of reference of the Committee can be found in the IMI Corporate Governance Framework on the Company's website.

Composition

All members of the Committee are independent non-executive directors of the Board. The Company Secretary and the Group HR Director attend all meetings of the Committee. The Chief Executive is not a member of the Committee but is invited to attend all meetings. Neither the Chair, nor the Chief Executive, would participate in the recruitment of their own successor.

Attendance

In the year the Committee held four meetings. The table below shows the number of meetings each member attended:

Director	Nomination committee meetings	% attended where eligible
Lord Smith of Kelvin (Chair)	4/4	100
Thomas Thune Andersen	4/4	100
Caroline Dowling	4/4	100
Katie Jackson	4/4	100
Dr Ajai Puri	4/4	100
Isobel Sharp	4/4	100

Main areas of activity

Succession planning and Board appointments

There were no new appointments to the Board in 2022. The Committee has undertaken a comprehensive review of Board composition supported by the development of our skills and experience matrix. The Board reviews the Directors skills and tenure, taking into account the evolving strategic needs of the business. During its review, the Committee identifies any areas where the Board's composition, diversity, skills and experience could be strengthened and these are taken into account during succession planning. The Committee also agreed changes to the Board's succession plan in emergency situations.

At the October meeting, the Committee reviewed talent development and succession planning for the leadership group. The Board also met with some of our high potential talent during informal lunches at our UK and Cagliari sites. We have seen a steady increase in gender diversity of those individuals considered to be high potential.

Inclusion & Diversity

Having the right mix of Board members is key to directing IMI towards continued shareholder value creation. In the year we have reviewed the Board membership to ensure there is a good mix of relevant skills and experience, as well as diversity of background, outlook and tenure. Our Board Inclusion & Diversity policy, summarised in the box to the right hand side, provides a high level indication of our approach to Inclusion & Diversity in Board and senior management roles. The full policy is available on our website.

Last year, the Committee's oversight role in relation to Inclusion & Diversity was enhanced through the development of a culture dashboard. The dashboard which reports on performance and progress against relevant equity, Inclusion & Diversity targets, is presented to the Committee annually. Indicators on the dashboard included gender pay gap metrics, equal pay confirmations, and performance against external gender and ethnicity targets. The dashboard also collated relevant scores from the One Big Voice employee survey which provided insights into equality and inclusion.

The Board is committed to gender and ethnic diversity. The Board meets the targets set out in the Parker Review. At Board level, half the directors are non-British born and there are four nationalities. There is also a broad mix of backgrounds and experience as detailed on pages 96 to 97 and 108. In addition, we are fully compliant with the Parker Review's target to appoint at least one Board member from an ethnic minority background and three of the non-executive directors are female. At 37.5%, we currently fall below FCA guidance that women should hold at least 40% of seats on the Board. We also do not currently meet guidance that at least one of the senior board positions should be held by a woman. The Board recognises the importance of all diversity and remains committed to driving further progress in this space. We will continue to review the composition of the Board and the Executive Committee to support and meet recommendations set out in the FTSE Women Leaders Review published in February 2022. Our Executive Committee has 43% female membership and includes three nationalities. As at 31 December 2022, 27% of direct reports to the Executive Committee were female.

During the year, the Board applied our Inclusion & Diversity policy in the following decisions:

- » Determining emergency succession plans for the Committee chairs and members
- » During the review of the Board and Executive's short, medium and long-term succession pipeline
- » The percentage of female representation in the Executive Committee's direct reports has increased from 18% in 2021 to 27%, in 2022. This significant increase shows the application of our Inclusion & Diversity policy across the Group

Our Inclusion & Diversity policy

The Company acknowledges the value of diversity in its widest sense and its contribution towards effective Board operations and decisions. Our vision is for IMI to be inclusive and to attract, develop, retain and promote a diverse workforce which reflects the best local talent in each location.

The Group operates an Inclusion & Diversity Policy which is reviewed each year to ensure we continue to make progress against our objectives. Taking account of its changing strategic needs, the Board will ensure:

- » The Board and its Committees have the appropriate balance, composition and mix of skills, experience, independence and knowledge to ensure their continued effectiveness, having regard to external guidance on diversity
- » A pipeline is maintained promoting diversity for succession to the Board, Executive Committee and leadership group positions
- » Only executive search consultancies who have signed up to the voluntary code of conduct for executive search firms on gender diversity on corporate boards are engaged when seeking appointments to the Board so that the selection processes provide access to a diverse range of candidates
- » Appointments to the Board are made on the basis of merit, with regards for suitability for role, Board balance and composition and the required mix of skills, background and experience – diversity will be a consideration
- » Policies adopted by the Group promote diversity in the broadest sense
- » Adequate and appropriate disclosure of:
 - This Policy and Inclusion & Diversity initiatives the Group has in place and the steps it is taking to promote diversity at Board level and across the Company including a description of progress made
 - The composition and structure of the Board
 - The gender balance of those in the Executive Committee, their direct reports and the Leadership Group
 - The process of appointments to the Board

This policy is reviewed from time to time to monitor progress being made to assess its effectiveness.

Nominations Committee Report

Non-executive director induction

A formal induction process for new non-executive directors is well established and is the responsibility of the Chair with support from the Chief Executive and Company Secretary.

Business familiarisation is at the core of induction and continuing development for non-executive directors at IMI and is centered around gaining an understanding of the business and getting to know the wider management team. In normal circumstances, non-executive directors are expected to visit business units around the Group and to meet face-to-face with senior operating management and key corporate staff. Site visits allow business familiarisation and are also a good opportunity to engage with a wider range of employees.

Membership & Diversity of Board Committees

All Committees have female representation and all members of the Remuneration and Audit Committees are independent non-executive directors. In the year the Committee reviewed and approved emergency cover for the Chair and members of each Committee, with consideration to the requirements of the 2018 Corporate Governance Code and our Inclusion & Diversity policy.

Review of time commitments and contributions

The appointments of the Chair and non-executive directors are made on the basis of a formal letter of appointment including a stated minimum time commitment judged appropriate by the Committee. In accepting their appointment to the Board of IMI, non-executive directors confirm they are able to allocate sufficient time to discharge their duties effectively. No director has raised concerns over the time commitment required of them to fulfil their duties. Details of other significant appointments of each director are contained in the biographies on pages 96 and 97. Prior to accepting additional external positions, non-executive directors are asked to confirm they can continue to meet their time commitment and discharge their obligations to IMI. The Committee considers that the time given to IMI by each non-executive director is sufficient and the Board is satisfied that no director is overcommitted and unable to fulfil his or her responsibilities. The Board is satisfied that I have the necessary time to devote to my role as Chair. In the year the Board approved Isobel Sharp's external appointment to Balanced Commercial Property Trust Limited. The Board reviewed Isobel's other commitments and was satisfied that Isobel can continue to meet her time commitments to IMI. Details of the individual contribution of each director can be found in the biographies on pages 96 and 97.

Re-election at AGM

All of the directors standing are recommended for re-election at the Annual General Meeting, following Board approval of the recommendations made by the Committee in this regard.

Further information (including a description of the personal contribution of each director) can be found in the Notes to the AGM Notice or in the director biographies on pages 96 and 97.

Board continuing development

Appropriate training and other continuing professional development is available to all non-executive directors and regular updates are given during the year where relevant to the business arising at Board and Committee meetings. In the year tailored best practice updates were provided, the Audit Committee received a technical update on ESG and TCFD disclosures from our auditors whilst our Remuneration consultants presented a review of the AGM season to the Remuneration Committee. Non-executive directors are encouraged to undertake appropriate external training and most directors did attend external training during the year.

Committee evaluation

The most recent external evaluation was conducted in 2020 by Egon Zehnder, who also facilitated the evaluation exercise carried out in 2017. In 2022, supported by the Company Secretary, the Committee conducted an internal review of its performance using Board discussion and anonymous self-assessment questions. A combination of closed and open questions were used to gather feedback from the Board. Progress made on evaluation actions reported in the 2021 Annual Report is shown in the following table:

Action	Progress
Maintain current levels of gender and ethnic diversity on the Board and Executive Committee	Our culture dashboard, which reports on performance and progress against relevant equity, Inclusion & Diversity targets, is presented to the Committee annually.
Continue emphasis on succession planning in 2022	At the July meeting the Committee agreed updates to the emergency cover as well as the Board's short to medium-term succession plan.
Enhance exposure to high potential individuals across the Group to support the next level of succession candidates and pipeline	The Board met with some of our high potential talent during informal lunches at our UK and Cagliari sites.

Following discussion of the results of the 2022 Evaluation, the Committee agreed to continue its focus on Board succession plans which take into account greater diversity requirements. In addition the Committee agreed to strengthen the succession pipeline for senior management positions. Details of the evaluation of the Board can be found on page 112.

Yours faithfully

Lord Smith of Kelvin

Chair of the Nominations Committee

2 March 2023



Statement from the Chair of the Remuneration Committee



On behalf of the Board, I am pleased to present the Annual Directors' Remuneration Report for the year ended 31 December 2022. This is my second report as Remuneration Committee Chair following my appointment on 1 September 2021.

Remuneration in 2022

Context

2022 was Roy Twite's third full year as Chief Executive and we continue to make excellent progress to deliver on our strategy. We are creating value for all of our stakeholders through customer satisfaction, market-led innovation and complexity reduction. The Committee is confident that its decisions have been well judged and meaningful in ways that ensure that the success of the Company fairly cascades down throughout the organisation and aligns the wider workforce with the Chief Executive.

The Committee was pleased to see that 88.87% of shareholder votes at the 2022 Annual General Meeting supported the Committee's implementation of the current Remuneration Policy.

Economic environment

Our stretching 2022 annual incentive targets were set with the ambition to achieve significant growth on 2021 results. Whilst 2022 was a year of significant macro-economic disruption, there has been no cause to adjust targets.

Pay for performance

Our focus this year has been to ensure employees are supported during the cost of living crisis, while making sure our remuneration arrangements remain appropriate with a strong pay for performance relationship between the Policy and its implementation. A high proportion of our executive directors' remuneration remains closely tied to business performance.

The Committee select performance measures that align to our purpose and strategy, with strong links to our reportable KPIs. More information is provided on page 131. When setting stretching performance targets the Committee takes into account a number of factors, including the strategic plan, annual budget, analysts' forecasts, alignment with the wider workforce and economic conditions. Our objective is always to set stretching targets while ensuring that strong underlying performance, which can sometimes be obscured by external macro-economic conditions, is recognised.

When assessing the level of performance achieved, the Committee considers wider circumstances to ensure incentive outcomes are a fair reflection of actual performance. Further information about the process we follow when setting targets and assessing performance is set out on page 132.

Key strategic and performance highlights in 2022 include:

- » Group revenue of £2,049m increased by 10% and adjusted operating margin increased by 80bps, statutory operating margin increased by 120bps
- » Group adjusted profit before tax increased from £307m to £346m, statutory profit before tax increased from £245m to £285m
- » Adjusted basic EPS increased from 92.0p to 105.5p

The Alternative Performance Measures referred to above are defined in Note 3.

Cost of living increases

We have been concerned about the impact of rising inflation on our employees and have taken steps during the year to focus our resource on those employees most in need of support. These actions include:

- » Conducting a mid-year pay review, using living wage indices in each of our main countries to help us assess employee pay against rising cost of living standards. An out of cycle pay increase was awarded to those employees most in need.
- » We have already accelerated plans for employees to be paid at least in line with living wage indices and this has also been factored into our annual pay review process. For example, as a minimum, we will meet the recently published UK Living Wage Foundation benchmark of £10.90 per hour from 1 January 2023.
- » A key element of our 2023 pay philosophy is to focus our resource to those who may need it most. Our approach to this varies in different geographies but we have been able to support our lowest paid workers by offering supplementary pay awards or utilising a graded pay structure so higher percentage increases can be paid to our lowest paid workers. As a Committee we are happy with the approach the Company has taken with the wider workforce which has resulted in an average UK pay award of 6.1%, which included an average base salary increase of 5.4% plus additional one-off awards to our lowest paid workers. The base salary increases effective from 1 January 2023 for the Chief Executive and Finance Director have been reviewed and agreed at 4.5%, which is below that of the UK average employees.

Incentive outcomes

Annual incentives paid to executive directors in respect of performance in 2022 were based on achievement of stretching targets relating to Group adjusted profit before tax and strategic and personal objectives, incorporating ESG metrics. The Committee determined annual incentive outcomes ranging between 49.0% and 49.8% of maximum for the executive directors, which fairly reflects business, individual performance and is aligned with the wider stakeholder experience.

The 2020 IMI Incentive Plan ('IIP') award was granted on 16 March 2020 and is due to vest on 16 March 2023. The Committee is conscious of the guidance from various investor bodies around considering a potential executive benefit or "windfall" gain arising from share award grants around the time of the stock market dip at the onset of the COVID-19 pandemic in March 2020.

In determining the level of vesting under the award the Committee has full discretion to adjust the vesting based on business performance factors and the share price. The Committee carefully considered the potential for perceived windfall gains to be made under the 2020 IIP and determined that no adjustment shall be made. In making this determination the committee considered the historic share price performance compared to that of the FTSE250 both 12 months prior to the 2020 award and during the vesting period. The Committee concluded that the share price at grant was materially higher than the lowest share price recorded at the start of the COVID-19 pandemic and that recent share price performance reflects the Company's performance (which has outperformed that of the FTSE250 and in the opinion of the Committee reflects the strong underlying performance of the business) and hence does not constitute a windfall.

The 2020 IIP award which was subject to stretching return on capital employed, Group adjusted profit before tax (PBT) growth and relative Total Shareholder Return (TSR) targets measured over three financial years will vest at 66.8% in March 2023.

As part of its determination of incentive outcomes, the Committee considered the underlying performance of the business, external factors such as macro-economic conditions and shareholder experience during the performance period.

Acquisitions and Disposals

The Committee also considered the impact of acquisitions and disposals made in 2022 on incentive outcomes.

Bahr Modultechnik GmbH (Bahr) was acquired on 9 June 2022, CorSolutions LLC was acquired on 27 October 2022, and Heatmiser UK Limited was acquired on 23 December 2022. The 2022 impact to Group PBT of each acquisition was not deemed to be material and so no adjustment was made to annual incentive targets. The Group PBT outcome was adjusted to exclude the impact of these acquisitions.

The Committee also considered the impact of the acquisitions on the 2020 IIP award which is due to vest in March 2023. Due to the timing of the acquisition, including Heatmiser in the vesting outcomes would have no impact on Operating Profit, but increases Capital Invested, which would result in a slightly lower ROIC vesting outcome. In line with the principles of our Remuneration Policy relating to corporate transactions, the Committee concluded that the Heatmiser acquisition should not lead to an adverse impact on remuneration outcomes, and have therefore excluded Heatmiser from the 2020 IIP award outcome. Both Bahr and CorSolutions are included in the vesting outcomes.

On 27 May 2022 IMI completed the disposal of its Russian entity IMI International LLC. Group Profit Before Tax outcomes were adjusted to include the budget operating profit for the remaining months of 2022. This is consistent with the approach taken for other disposals. No adjustment has been made to IIP vesting outcomes.

Group Assurance performed an internal assurance review of the annual incentive and the 2020 IIP award outcomes.

The Committee concluded that the above outcomes were a fair reflection of performance and did not consider it necessary to exercise its discretion to adjust the level of incentives payable according to the performance targets. Full details on the targets set and performance against them can be found on pages 132 to 135 in respect of the annual incentive and page 136 for the 2020 IIP award.

Remuneration in 2023

Policy implementation

Salary increases effective 1 January 2023 considered a range of factors including the increases for the wider workforce, the financial performance of the Group, prevailing economic conditions and the cost of living crisis. For 2023 the Chief Executive and Finance Director received a 4.5% increase. The base salary for the Chief Executive will be increased to £794,200 in 2023, and the Finance Director base salary will be increased to £529,100. The Chair and non-executive director fees (base fees and additional responsibilities fees) were also reviewed and increased by 4.5%, with effect from 1 January 2023.

Policy Review

The Committee intends to undertake a review of current policy in 2023, before its expiration at the 2024 AGM when a new policy will be presented for shareholder approval. At the core of the review will be the alignment of policy with our strategic direction, the remuneration related provisions of the Code and evolving investor views. The policy review will consider wider workforce remuneration and policies when making decisions on executive remuneration and how the policy aligns with ESG considerations and our ambition to deliver a better world.

Yours faithfully

Caroline Dowling

Chair of the Remuneration Committee

2 March 2023

Annual Directors' Remuneration Report

On behalf of the Board, the Remuneration Committee (the 'Committee') presents the Annual Directors' Remuneration Report, which will be put to shareholders for an advisory (non-binding) vote at the Annual General Meeting to be held on 4 May 2023. The report includes details of the work of the Committee, the pay received during the year in accordance with our current Directors' Remuneration Policy, approved by shareholders at the Annual General Meeting in May 2021. A copy of the approved Directors' Remuneration Policy is included in the 2020 Annual Report which can be found on the IMI website and is summarised on pages 143 to 145 of this Annual Report.

The Committee

Composition

The members of the Committee throughout the year were Caroline Dowling (Chair), Katie Jackson and Dr Ajai Puri. In accordance with the UK Corporate Governance Code, all members are independent non-executive directors. Caroline Dowling meets the requirements of the UK Corporate Governance Code having more than 12 months' previous experience on a remuneration committee before being appointed Remuneration Committee Chair.

The remaining members of the Board, the Group Human Resources Director, the Head of Group Reward and the Company's independent remuneration consultants also attend meetings by invitation. The Company Secretary attended each meeting as Secretary to the Committee. No director participates in any discussion relating to their own remuneration.

Responsibility

The Committee determines the Remuneration Policy and rewards for the executive directors and other members of the Executive Committee and the Chair. The Committee also considers the levels of pay and benefits across the Group. A copy of the Committee's terms of reference (which were reviewed and refreshed in 2022) are included in the IMI Corporate Governance Framework and are available on our website.

External advisers to the Committee

Independent remuneration consultant, Willis Towers Watson, is formally appointed by the Committee and provided advice on executive remuneration to the Committee in 2022. The Committee noted that the firm are actuaries and administrators for IMI's UK Pension arrangements. The Committee is comfortable that these activities do not represent a conflict of interest and that objective and independent advice continues to be received by the Committee from the dedicated team servicing it at Willis Towers Watson.

The fees charged by Willis Towers Watson in respect of advice and services to the Committee totalled £72,000 in 2022.

Willis Towers Watson are signatories to the Remuneration Consultants' Code of Conduct in the UK.

A summary of the Committee's activities during 2022

The Committee held three formal meetings during the year; attendance can be viewed in the table adjacent. The principal agenda items were as follows:

- » A review of total compensation packages of the members of the Executive Committee taking into account wider workforce remuneration and related policies
- » Approval of achievements and outcomes under the incentive plans
- » Consideration of the fees for the Chair
- » Approval of the 2022 share awards to members of the Executive Committee
- » Prospective review of the performance metrics and targets for the 2023 incentive cycle
- » Consideration of prevalence of ESG within strategy and current linkage to incentives*, paying particular attention to clarity, simplicity, risk, predictability, proportionality and alignment to culture
- » Consideration of the guiding principles used by the Committee when applying discretion to remuneration outcomes
- » Approval of the reintroduction of the All-employee US Stock Purchase Plan in 2022
- » Review of wider workforce pay and equal pay
- » Review of IMI's gender and ethnicity pay gap data for 2022
- » Review of IMI's pay ratio of the Chief Executive to UK employees
- » Consideration of how Director pay aligns with that of the wider workforce
- » Review of remuneration policies and practices to ensure they remain compatible with the Company's purpose, values and strategy
- » Review of the performance of the independent remuneration consultants to the Committee
- » Review of risks as they relate to executive compensation
- » Review of the Committee's own performance, constitution and terms of reference
- » Review of executive director's service agreements

* There is an Environmental, Social & Governance (ESG) underpin included in the annual bonus to provide discretion for the Committee to take into account any relevant ESG matters when determining bonus outcomes and an ESG specific metric in the long-term incentive plan. These mechanisms ensure that the incentive structures include ESG in both the short and long-term strategy and reward Executives for positive ESG actions and appropriate outcomes.

Attendance

Director	Remuneration Committee meetings	% attended where eligible
Caroline Dowling (Chair)	3/3	100
Katie Jackson	3/3	100
Dr Ajai Puri	3/3	100

Annual General Meeting voting outcomes

The following table summarises the details of votes cast for and against the 2021 Annual Directors' Remuneration Report along with the number of votes withheld. The Committee will continue to consider the views of, and feedback from, shareholders when determining and reporting on remuneration arrangements.

Voting item	Votes for	Votes against	Votes withheld
Directors' Remuneration Report (2022 AGM)	88.87%	11.13%	0.19%
Directors' Remuneration Policy (2021 AGM)	93.40%	6.60%	1.0%

Annual Directors' Remuneration Report

Executive single figure table (audited)

Director		Fixed pay (£000)			Annual variable pay (£000)	Long-term variable pay (£000)	Other items in the nature of remuneration (£000)	Total (£000)	Total fixed pay (£000)	Total variable pay (£000)
		Base salary	Pension ¹	Taxable benefits	Annual incentive bonus	IMI Incentive Plan ('IIP')	All-employee share plans			
See page		Page 129	Page 129	Page 129	Pages 132 to 135	Page 136	Page 138			
Roy Twite	2022	760	84	32	757	2,073	4	3,709	876	2,833
	2021	731	80	25	1,427	1,709	6	3,978	836	3,142
Daniel Shook	2022	506	71	52	372	791	4	1,795	629	1,166
	2021	465	79	47	681	948	7	2,227	591	1,636

¹ Daniel Shook's pension allowance will reduce as per the following schedule: from 1 January 2021: 17% of salary; from 1 January 2022: 14% of salary; and from 1 January 2023: 11% of salary.

Roy Twite served on the Board of Halma plc during the year and received fees of £75,000 in respect of this appointment, which he retained.

Daniel Shook served on the Board of Ultra Electronics Holdings plc until 1 August 2022, during this period he received fees of £40,515 in respect of his appointment, which he retained.

These figures have been calculated as follows:

Base salary and fees:	the actual salary receivable for the year.	Share price assumptions:	for shares vesting in 2023, that related to performance in the three years to 31 December 2022, the average share price over the final three months of 2022 (1,305.38 pence) is used to estimate the value of shares on vesting. The value attributed to share price appreciation in respect of the 2020 award (based on the three month average share price at 31 December 2022) was £789,204 for Roy Twite and £300,971 for Daniel Shook. This equates to 38% of the total award vested for both Executive Directors.
Pension:	the cash allowance paid in lieu of pension.	All-employee share plans:	the value of free shares at award and dividends under the Employee Share Ownership Plan in the relevant financial year and the intrinsic value of Save as You Earn share options on the date of grant in the relevant financial year (applying a 10% discount as permitted under the Save as You Earn Share Plan).
Taxable benefits:	the gross value of all taxable benefits (or benefits that would be taxable for a person tax resident in the UK) received in the year.	Total fixed pay:	Sum of fixed pay columns.
Annual incentive bonus:	the value of the annual incentive payable for performance in respect of the relevant financial year (up to half is automatically delivered in the form of deferred bonus share awards, when the executive director does not meet their share ownership requirement), however, the plan rules permit payments to be made wholly in cash.	Total variable pay:	Sum of annual incentive bonus, IMI Incentive Plan ('IIP'), all-employee share plans, and dividend equivalent payments (if applicable).
IMI Incentive Plan ('IIP'):	the value on vesting of the nil cost options that were subject to performance conditions over the three-year period ending on 31 December in the relevant financial year (see share price assumptions to the right).		

Executive remuneration received in respect of 2022

Base salary

Consistent with prior years, salary increases effective 1 January 2022 considered a range of factors including the increases for the wider workforce, the financial performance of the Group and prevailing economic conditions. The average increase for UK employees in 2022 was 4%.

For 2022 the Chief Executive received 4%. Consistent with the approach taken for other high performing employees, the Committee awarded the Finance Director a 9% base salary increase in recognition of his outstanding performance in role and taking into account the competitiveness of salary and total package relative to peers. Base salary levels were set at £760,000 for the Chief Executive and £506,300 for the Finance Director.

Pension

Effective from the date of his appointment as Chief Executive, Roy Twite received a cash allowance equivalent to 11% of base salary which is consistent with the average global employee pension opportunity for employees.

Daniel Shook, Finance Director received a cash allowance of 14% of salary. His allowance reduced by 3% on 1 January 2023 to 11% of base salary which is consistent with the average global employee pension opportunity for employees. For further information please see page 100 of the Corporate Governance Report.

Pension benefits for past service

Roy Twite was previously an active member of the defined benefit IMI Pension Fund, the assets and liabilities under which were transferred to either the IMI 2014 Pensioner Fund or the IMI 2014 Deferred Fund ('the Fund') in 2014. He opted out with effect from 1 February 2007, before he became an executive director, and as a result he retains past pensionable service up to that date in the Fund.

The key elements of the benefits in the Fund are summarised below:

- » The normal retirement age under the Fund is 62 and Roy Twite may retire from employment with IMI any time after age 60 without an actuarial reduction applied to his pension
- » On death after retirement, a dependant's pension is provided equal to 50% of the member's pension
- » Should he die within the first five years of retirement, the dependant's pension is increased to 100% of the member's pension for the remainder of the five-year period
- » Pensions in payment more than any guaranteed minimum pension, are increased each year in line with price inflation up to a maximum of 5% in respect of pension built up before 1 January 2006, and 2.5% in respect of pension built up after 1 January 2006

	Accrued pension in the Fund as at 31 December 2022 £000pa	Accrued pension in the Fund as at 31 December 2021 £000pa
Roy Twite	83	79

Benefits

During the year the executive directors received several benefits, which are summarised below.

	Roy Twite		Daniel Shook	
	2022	2021	2022	2021
Non-cash benefits (£000)	12	5	38	33
Company car and fuel allowance (£000)	20	20	14	14
Allowances and reimbursement (£000)	-	-	-	-
Total	32	25	52	47

In addition to the above benefits and allowances that are included in the single figure table (refer to table on page 128), the executive directors are also beneficiaries of company policies that have no taxable value, including directors' and officers' insurance, death in service cover, travel insurance and personal accident cover.

Annual Directors' Remuneration Report

How our remuneration policy aligns to the factors set out in the UK Corporate Governance Code 2018

The table below shows how our policy addresses the remuneration factors set out in provision 40 of the 2018 UK Corporate Governance Code.

Remuneration factors	How IMI addresses these factors
Clarity	Our policy is designed to ensure pay for performance, be aligned to our strategy and be transparent. We believe this is clearly communicated to our stakeholders and understood by them.
Simplicity	Executive Director remuneration is comprised of distinct elements: fixed pay, annual bonus award and the long-term incentive award.
Risk	A number of features within the Remuneration Policy exist to manage different kinds of risks; these include: » Malus and clawback provisions » Post-employment shareholding requirement » Deferral of remuneration and holding periods » Remuneration Committee discretion to override formulaic outturns to ensure incentive outcomes reflect underlying business performance and shareholder experience » Limits on awards specified within the policy and plan rules
Predictability	Target ranges and potential maximum payments under each element of remuneration are disclosed in our policy and to the participants. The Committee regularly reviews the performance of inflight awards, so it understands the likely outcomes.
Proportionality	Poor performance should not be rewarded. Therefore, a key portion of remuneration is linked to performance and requires achievement against challenging and stretching targets.
Alignment to Culture	The Committee believes our remuneration structure is appropriately aligned to our values as demonstrated by the table opposite.

IMI Incentive Plans

Our remuneration Policy is aimed at enabling our business model and aligned to the delivery of the strategy. The table below sets out our KPIs and how these incentivise and reward our executives for achievement of the KPIs.

	KPI	Why it is important and how is it incentivised?	Annual bonus	IIP
 Customer intimacy	Organic sales growth*	» Important part of building sustainable value for shareholders » Fundamental to achieving sustainable profitable growth » Growth hub bookings / revenue targets included in personal objectives	√	
	Adjusted operating profit*	» Generates value for our shareholders and create more opportunity to invest further » Group PBT is a core annual bonus performance metric	√	
 Playing to win	Cash conversion*	» Supports investment in our business and enables IMI to provide returns to shareholders through dividends » Ensures a strong balance sheet, giving customers and suppliers confidence in the future of IMI » Free cash flow management will be considered by the Remuneration Committee when determining the annual bonus performance	√	
	Return on invested capital	» Indication of IMI's ability to deploy capital effectively » ROIC is a core IIP performance metric		√
	Adjusted earnings per share	» Creating consistent long-term value for shareholders » EPS is a core IIP performance metric		√
 One big team	Employee engagement*	» Key to retaining the existing skills and promoting and attracting employees who bring new ideas and capabilities » Employee engagement targets are explicitly included in Directors personal objectives for the annual bonus plan	√	
 Integrity	Total Recordable Incident Frequency Rate*	» The health and safety of all who work at IMI is paramount » Closely linked to our business success, including attracting and retaining the best talent » Each director has a specific Total Recordable Incident Frequency Rate personal objective for the annual bonus plan » The annual bonus plan has an ESG underpin which could result in reduced vesting outcomes if IMI underperform	√	
	CO ₂ Intensity*	» Our purpose Breakthrough Engineering for a better world drives our strategy and our ambition, including our commitment to halve our total CO ₂ intensity by 2030 (based on 2019 Scope 1 & 2 emissions) » Each director has a specific CO ₂ intensity target included as a personal objective for the annual bonus plan » CO ₂ Intensity reduction (Scope 1 & 2) is a core IIP performance metric	√	√

* Whilst these measures are not explicit annual incentive bonus metrics, they contribute significantly towards adjusted profit before tax, a core annual incentive bonus metric.

Annual Directors' Remuneration Report

Annual incentive bonus

In setting targets and assessing performance the following process is adopted by the Committee:



As per the Policy, the Committee reviews and selects performance measures, targets and ranges annually, which take account of the economic conditions, strategy and the priorities of IMI at the time.

1. Set performance measures aligned with strategy and budget

The Committee reviewed and selected performance measures for 2022 that were fully aligned to the business strategy and the annual budget as approved by the Board in December 2021. The 2022 annual incentive bonus focused on just one financial metric and non-financial metric.

These included:

- » Group adjusted profit before tax (80%)
- » Strategic and personal objectives (20%)

Free cash flow was also monitored and, if it materially underperformed against budget, the Committee may consider applying downward discretion.

There was also an Environmental, Social & Governance (ESG) underpin to provide discretion for the Committee to take into account any relevant ESG matters when determining bonus outcomes.

For 2023, see page 143 for information regarding the financial metric.

2. Set stretching performance targets

In setting stretching performance targets the Committee considered a range of influencing factors that included the strategic plan, the annual budget, analysts' forecasts, economic conditions including the ongoing impact of COVID-19, individuals' areas of responsibilities and the Committee's expectations over the relevant period. Notwithstanding stretching targets are set at the outset, the Committee will also consider the application of discretion at the end of the performance period if relevant.

The performance target range itself was established based on the annual budget and required significant outperformance for executive directors to achieve the maximum.

3. Assess performance

Results were ahead of expectations:

- » Group revenue of £2,049m increased by 10% and adjusted operating margin increased by 80bps, statutory operating margin increased by 120bps
- » Group adjusted profit before tax increased from £307m to £346m, statutory profit before tax increased from £245m to £285m
- » Adjusted basic EPS increased from 92.0p to 105.5p

The Alternative Performance Measures referred to above are defined in Note 3.

4. Take account of wider circumstances

The Committee believes that the range of measures used to assess performance of the annual incentive bonus ensures that performance is assessed using a balanced approach, that is fully aligned with the business strategy.

The Committee also considers the wider workforce remuneration and policies when making decisions on executive remuneration. Given the performance noted above and wider operational achievements, the Committee is comfortable that the 2022 annual incentive bonus outcomes represent a fair reward for performance delivered.

5. Discretion to override formulaic outcomes and to apply malus and clawback

Depending on the circumstances, the Committee may exercise judgement in assessing performance and determining the level of achievement.

The Committee has full discretion to override formulaic outcomes, reduce the amount of any annual bonus, reduce the number of shares (subject to any form of share award) and/or to require a repayment to the Company in the event it is discovered that the Company has misstated its financial results, there has been an error or miscalculation in respect of an award, there has been gross misconduct, there is erroneous or misleading data or in any other circumstances as the Committee sees fit. Such other circumstances may include, but are not limited to, serious reputational damage or corporate failure.

The Committee has considered the position and determined that for 2022 it is not appropriate for any reason to exercise the discretion to override formulaic outcomes or recover amounts previously awarded.

Summarised in the table below is the achievement against Group targets applicable for Roy Twite and Daniel Shook.

Director	Measure	Maximum opportunity (% of bonus opportunity)	Performance targets			Actual performance (£m)	Actual performance (% out of 100)	Actual performance as a percentage of metric weighting
			Threshold	Target	Maximum			
All executive directors	Group adjusted profit before tax ¹	80%	£304.4m	£338.2m	£355.1m	£330.4m	38%	31%
	Strategic and personal objectives	20%	See table on pages 134 and 135					
		100%						

¹ Adjusted Group profit before tax, as set out in the Consolidated Income Statement on page 162, adjusted for the impact of foreign exchange, acquisitions and disposals.

Strategic and personal objectives

As part of the strategic growth plan, the Committee sets each executive director several strategic and personal objectives each year. Performance against these objectives is assessed using a combination of quantitative and qualitative reference points to ensure a robust assessment process. Mid-way through the year the executive is reviewed against their progress towards achieving the strategic and personal objectives with a full review undertaken by the Committee at the end of the performance period. As well as performance against strategic and personal objectives, the Committee considers the wider performance of the Group.

Annual Directors' Remuneration Report

A summary of the strategic and personal objectives set for 2022 and the performance against them is provided in the table below.

Director	2022 Strategic and personal objectives	Commentary	Weighting (% of maximum)	Performance achieved (% of maximum)
Roy Twite	Strategic growth: Fully deploy the agreed strategy, executing the major strategic projects on time, and to budget. Continue to develop acquisition options and relationships across all three divisions, ensuring successful acquisitions have robust integration planning, financial controls and resourcing.	» The IMI strategy continues to be deployed successfully. Profits have increased by 13% to £346m despite challenging market conditions » Revenues have increased by 10%, and IMI Critical Engineering Aftermarket orders have grown by 16%, accelerated by the upgrade valve strategy » Growth Hub orders have substantially increased to £52m in 2022 compared to £23m in 2021. Our innovation capability in all three divisions is building as momentum grows » Three acquisitions were completed in 2022: Bahr, CorSolutions and Heatmiser. All three acquisitions have robust integration plans and resourcing in place » Complexity-reducing rationalisation projects as communicated to the Board and City are delivering ahead of schedule	20%	95%
	Strengthen organisation: Continue to build the IMI Executive team and accelerate its performance. Build succession to the Executive including the Chief Executive and drive succession depth across the organisation.	» The IMI Executive team continues to operate effectively with a strong culture of collaboration and supportiveness, resulting in effective talent deployment and best practice sharing » Internal succession plans are in place, with strong candidates for Chief Executive and Executive team members		
	Deliver projects: Focus the entire management team on key strategic projects, delivering profitable growth through Breakthrough Engineering for a better world , and delivering at pace four workstreams focused on talent: attraction, visibility, development and retention.	» IMI continues to win new Better World business in Life Sciences, Energy, Energy Efficient buildings and zero/ low emission trucks, with organic sales growth of 4% » The focus on our Customer First project in IMI Precision Engineering allowed us to streamline the organisation around key market segments including the APAC region, to facilitate the drive for profitable growth » Wide ranging improvements made to the IMI talent processes have unified our external recruitment messaging under the IMI brand, improved talent visibility by redesigning the talent review process and introduced a brand new Leadership Development Programme in conjunction with IMD » Leadership group retention remained very strong across IMI		
	 Environment: Focus on elevating the visibility of IMI's progress, and developing our tangible metrics and targets. Continue to monitor and review that HSE, quality and risk improvement plans are robust and delivered across the three divisions.	» IMI's carbon intensity improved (Scope 1 & 2) from 2.30CO ₂ e in 2021 to 2.09tCO ₂ e per 1,000 hours worked in 2022 » Plans have been developed in 2022 for Scope 3 emission reductions, targeting a 25% reduction by 2030 (from a 2019 base) and a net zero target by 2050 » IMI's CDP climate rating improved to B and we maintained AA for MSCI » IMI's health and safety culture continues to improve. In 2022 79% of employees said they felt comfortable challenging any behaviour that may be unsafe compared to 70% in 2021. Over 30,000 hazards were identified by our workforce (up 29%) and 93% of them were closed out within 30 days » The accident rate per hour worked across the group improved to 0.35 from 0.56 in 2021		
	Social: Further improve communication and engagement and drive a culture of wellbeing by enabling employees to understand and embrace our wellbeing strategy and how it aligns to IMI's core values.	» The IMI employee engagement score has increased from 77% to 80% in 2022 » Many wellbeing activities were supported across our businesses including mental health first aiders, mental health awareness sessions, unconscious bias training and celebrating major religious and cultural events		
	Governance: Ensure that quality and risk improvement plans are robust and delivered across the three divisions. Achieve positive momentum in the key metrics in each case.	» Customer focus and service remained good across the divisions, despite the global supply chain disruptions. Risk mitigation actions in the supply chain, including our own factories and warehouses, have proved to be effective » Product quality improved again with IMI's overall cost of quality as a percentage of sales falling		

Director	2022 Strategic and personal objectives	Commentary	Weighting (% of maximum)	Performance achieved (% of maximum)
Daniel Shook	Strengthen organisation: Support and continue to develop the finance leadership team. Successfully transition Adaptas into the IMI Finance control environment. Drive a culture of wellbeing at IMI.	» IMI continues to have a strong and committed finance team. In 2022 we identified and hired a strong candidate for the IMI Hydronic Engineering CFO role, and continued to advance the development of our finance leadership team » Robust integration plans for Adaptas have been established and are progressing well » The IMI Wellbeing programme is now established globally and employee awareness is growing	20%	91%
	Deliver projects: Successfully deliver key strategic projects. Advance the finance process automation project through the pilot phase, engage and support Growth Hub initiatives to deliver at least £50m of orders in 2022, and deliver at pace four workstreams focused on talent: attraction, visibility, development and retention.	» The new finance process automation project pilot was completed successfully, and full implementation is being carried out across the divisions » Growth Hub orders have substantially increased to £52m in 2022 » All four Talent workstreams were delivered successfully, serving to unite IMI as One Big Team and deliver meaningful improvements to the talent process		
	Environment: Ensure ESG activity and reporting is delivered to a high standard. Develop a targeted action plan for optimal ESG index recognition. Avoid any Lost Time Accidents at IMI HQ in 2022.	» A strong team is now established with responsibility for environmental data reporting. Reporting has been enhanced to include Scope 3 emission reductions, targeting a 25% reduction by 2030 (from a 2019 base) and a net zero target by 2050 » IMI's CDP climate rating improved to B and we maintained AA for MSCI » We achieved zero Lost Time Accidents at IMI HQ in 2022		
	Social: Improve overall diversity and succession pipeline within the Finance function.	» We have developed a strong talent pipeline of diverse candidates within the Finance function		
	Governance: Deliver improved internal financial controls scores and maintain a robust controls framework. Ensure Deloitte are fully embedded as IMI's external auditor.	» Our internal financial controls scores have further improved in 2022 with all but two sites meeting target scores, demonstrating clear progress since last year » Deloitte are now fully embedded		

Performance under the financial metric (80% of the total annual incentive bonus achievement) and the strategic and personal objectives (20% of the total annual incentive bonus achievement) and the total achievement (% of maximum) is set out below:

Director	Actual performance of financial metrics (%)	Performance achieved under the strategic and personal objectives (%)	2022 maximum bonus achieved (% of maximum)
Roy Twite	30.8%	19.0%	49.8%
Daniel Shook	30.8%	18.2%	49.0%

Based on the performance described above, the annual incentive bonus outcomes for 2022 are set out below:

Director	2022 maximum bonus opportunity (% of salary)	2022 maximum bonus achieved (% of maximum)	Total bonus awarded (£000)	Total bonus awarded (% of salary)	Achievement of share ownership guidelines at 31 Dec 2022 ¹	Bonus delivered in form of cash (£000)	Bonus delivered in form of share awards (£000) ¹
Roy Twite	200%	49.8%	757	99.5%	174%	757	-
Daniel Shook	150%	49.0%	372	73.5%	159%	372	-

¹ Deferred bonus share awards are made where the executive director is yet to reach their share ownership guidance. Details of the share ownership guidelines can be found on page 137.

Annual Directors' Remuneration Report

Awards vesting under the IIP

In March 2020, performance share awards were made to the executive directors under the IIP. The vesting of the awards was subject to the achievement of three independent performance conditions as described below, measured over the three-years ended 31 December 2022. The 2020 IIP award will vest in March 2023 at 66.8% of maximum.

Director	Initial award	Value on date of award ¹ (£000)	Number of initial shares vesting	Additional dividend equivalent shares	Total shares vesting	Value of shares on vesting ² (£000)
Roy Twite	222,662	1,800	148,738	10,062	158,800	2,073
Daniel Shook	84,917	686	56,724	3,836	60,560	791

¹ The three-day average mid-market price on the date of award was 808.40 pence

² The price on vesting is unknown at this time and so the total number of shares vesting is valued at the average price over the last quarter of 2022 which was 1,305.38 pence

Return on invested capital (ROIC)

This metric is the same as that presented in 2020, however it was previously referred to as Return on Capital Employed and has been renamed to Return on Invested Capital to better describe the metric. References to capital employed have also been updated to capital invested.

One third of the award was subject to the achievement of ROIC. This measure is defined as adjusted operating profit as a percentage of the average invested capital during the financial year ended 31 December 2022. Invested capital being net assets adjusted to remove net debt (including lease liabilities recognised under IFRS 16), derivative assets and liabilities, restructuring provisions, employee benefit assets and liabilities and deferred tax on employee benefits, and to reverse historical impairments of goodwill and amortisation of acquired intangible assets. It compares the earnings of the Group with the capital employed. ROIC was chosen as a measure as it represents how well the Group has used its investment made by shareholders and capital from creditors to generate a profit.

The portion of the share award that will vest related to ROIC performance in the final year of the performance period. For ROIC of less than 11.5% no award under this element will vest. 25% of the award will vest for ROIC of 11.5%, rising on a straight-line basis to full vesting for ROIC of 14.5%. At the end of the performance period return on invested capital was 13.1%, which excludes the invested capital of Heatmiser which completed on 23 December 2022, resulting in this element vesting at 21.4%.

Total Shareholder Return (TSR)

One third of the award was subject to the achievement of a relative TSR performance measure against a defined group of companies adjusted during the performance period, to take account of merger and acquisition activity during the performance period in line with the Committee's established guidelines. TSR is defined as the movement in share price during the performance period, measured in local currency, with adjustment to take account of changes in capital structure and dividends, which are assumed to be reinvested in shares on the ex-dividend date. TSR was chosen as a measure as it is an external, relative benchmark for performance that aligns executives' rewards with the creation of shareholder value.

The portion of the award that will vest related to TSR depends on where IMI ranks in the comparator group. For a TSR rank that is below median, no award under this element will vest. 25% of the award will vest for median TSR, rising on a straight-line basis to full vesting for upper quartile TSR. At the end of the three-year performance period, the Group ranked 9th of the peer group. The resultant vesting outcome for this element of the award is 12.0%.

Adjusted earnings per share (EPS)

One third of the award was subject to the achievement of the adjusted EPS growth measure. This measure is defined as the compound annual growth rate in adjusted EPS over three financial years, adjusted for any exceptional items, including significant acquisition and disposal and foreign exchange movements, at the Committee's discretion.

Adjusted EPS growth is a key measure for IMI as it gives an indication of the strength of the Group's financial performance and shows the amount available to reinvest into the business and pay a return to shareholders through dividends. For growth of less than 3% per annum, no award under this element will vest. 25% of the award will vest for growth of 3% per annum rising on a straight-line basis to full vesting for growth of 10% per annum.

Over the three-year performance period ended 31 December 2022, IMI delivered Group profit before tax growth of 13.0%. The resultant vesting outcome for this element of the award is 33.3%.

Deferred bonus share awards

In March 2020, deferred bonus share awards were also made under the IIP which vest in March 2023. These are in the form of share awards used for mandatory bonus deferral into shares of up to 50% of annual bonus payable, where the executive director is yet to reach their share ownership guideline.

Discretion to override formulaic outcomes and to apply malus and clawback

Depending on the circumstances, the Committee may exercise judgement in assessing performance and determining the level of achievement.

The Committee has full discretion to override formulaic outcomes and to reduce the amount of any IIP award, to reduce the number of shares subject to any form of share award and/or to impose an obligation to make a payment to the Company in the event that:

- » The Company misstated financial results
- » The Company suffers serious reputational damage
- » There was an error or miscalculation in determining the size of the award
- » There was gross misconduct by an executive; and/or
- » The Remuneration Committee has made decisions using erroneous or misleading data; or
- » In such other circumstances as the Committee sees fit

The Committee has considered the position and determined that for 2022 it is not appropriate for any reason to exercise the discretion to override the formulaic outcome of the 2020 IIP awards or recover amounts previously awarded.

Share ownership guidelines

It is a requirement of the Policy that executive directors are subject to guidelines which require them to build a shareholding in IMI worth at least 250% of salary for Roy Twite and 200% of salary for Daniel Shook.

The Policy permits the Committee discretion to determine that up to 50% of any annual bonus earned is deferred into shares until the share ownership guideline is achieved together with 50% of any vested share awards. Each executive is then required to maintain this share ownership guideline (subject to allowances for share price fluctuations and changes in base salary thereafter).

When assessing compliance with this guideline the Committee reviews both the level of beneficial share ownership and vested but unexercised share incentive awards on a post-tax basis.

The Committee has determined that as both Roy Twite and Daniel Shook have met their guidelines (as at 31 December 2022) as outlined above, their entire 2022 bonus will be delivered in cash.

Post-employment shareholding guidelines

Our policy (approved by shareholders at the 2021 AGM) includes post-employment shareholding requirements which require executive directors to hold 100% of their shareholding requirement (or if less, all shares held) for two years following departure. This is implemented by signed agreement. The Committee will have discretion to allow sale where there are exceptional circumstances.

Share interests granted to executive directors during 2022 (audited)

Grants made under the IIP

Performance share award grants under the IIP were made on 11 March 2022 in the form of nil-cost options. Awards are due to vest on 11 March 2025, subject to the performance metrics described in the 2021 Annual Report: Adjusted EPS growth (30%), relative TSR (30%), ROIC (30%), and total CO₂ intensity (Scope 1 & 2) reduction against the 2019 base figure (10%). After vesting, a holding period of two years applies subject to the sale of shares as required to meet tax liabilities arising on vesting.

The performance targets, which consider the Group's approach to implementing accounting changes under IFRS 16, and vesting scale that apply to the 2022 IIP awards are as follows:

	Relative TSR	Adjusted EPS	ROIC	Total CO ₂ intensity	Level of vesting
Threshold	Median	3%	11%	2019 base -17% (2.31 tCO ₂ e per 1,000 hours worked)	25%
Maximum	Upper quartile	10%	13%	2019 base -32% (1.89 tCO ₂ e per 1,000 hours worked)	100%
Weighting	30%	30%	30%	10%	

The following performance share award grants were approved and made in 2022:

	IIP shares awarded	Value on date of award ¹ (£000)	Award as a percentage of salary
Roy Twite	143,144	1,900	250%
Daniel Shook	57,216	759	150%

¹ The three day average mid-market price on the date of award was 1,327.33 pence.

The IIP is also used to grant deferred bonus awards exercisable after three years to satisfy bonuses delivered in the form of shares. Details of these additional IIP awards made in 2022 are shown in the table on page 139 under the 'without performance conditions' column. No performance conditions apply to these awards.

Annual Directors' Remuneration Report

For share awards granted in 2022 the TSR group included 18 companies to ensure 2022 alignment with our peers and comparison to companies with similar products, customers and global spread. The 2022 peer group includes the following companies which is consistent with our 2021 peer group, and in line with the Committee's guidelines:

TSR comparator group companies		
Belimo	Ingersoll-Rand US Inc	SMC
Circor	ITT	Smiths Group
Curtiss-Wright	Morgan Advanced Materials	Spectris
Eaton	Parker-Hannifin	Spirax Sarco
Emerson Electric	Rockwell Automation	SPX
Flowserve	Rotork	The Weir Group

All-employee share plans

Executive directors are eligible to participate in the all-employee share plans on the same terms as other eligible employees at IMI.

		All-Employee Share Ownership Plan		IMI Sharesave Scheme		Dividends (£000)	Total value under the all-employee share plans (£000)
		Number of shares awarded	Value of free share award ¹ (£000)	Number of options awarded	Value of options ² (£000)		
Roy Twite	2022	279	4	-	-	-	4
	2021	259	4	1,542	2	-	6
Daniel Shook	2022	279	4	-	-	-	4
	2021	259	4	2,571	3	-	7

¹ In 2022 free shares were awarded at a share price of 1,290.00 pence (1,389.33 pence in 2021).

² In 2021 SAYE awards were made at a 10% discount and the value shown is the intrinsic gain at the date of grant, calculated in accordance with the single figure requirements (on page 128).

Chair's and non-executive directors' single figure table (audited)

The following table summarises the total fixed fees and benefits paid to the Chair and non-executive directors in respect of the financial years ended 31 December 2022 and 31 December 2021.

Director	2022 (£000)				2021 (£000)			
	Base fees	Additional fees	Taxable benefits ¹	Total	Base fees	Additional fees	Taxable benefits ¹	Total
Lord Smith of Kelvin ⁷	380	-	7	387	311	-	3	314
Carl-Peter Forster ²	-	-	-	-	45	19	-	64
Isobel Sharp ⁴	71	17	5	93	68	17	2	87
Thomas Thune Andersen ⁶	71	22	10	103	68	14	5	87
Katie Jackson	71	-	5	76	68	-	2	70
Caroline Dowling ³	71	17	6	94	68	6	3	77
Dr Ajai Puri ⁵	71	-	5	76	57	-	6	63

¹ Taxable benefits includes travel and hotel expenses plus tax costs associated with Board meetings held at IMI HQ.

² Includes fee for Senior Independent Director and Remuneration Committee Chair (pro-rated in 2021 following departure from the Board on 31 August 2021).

³ Includes fee for Remuneration Committee Chair (pro-rated in 2021 following appointment as Remuneration Committee Chair on 1 September 2021).

⁴ Includes fee for Audit Committee Chair.

⁵ Dr Ajai Puri was appointed to the Board on 1 March 2021. 2021 fees represent pro-rated amount.

⁶ Includes fee for Senior Independent Director (pro-rated in 2021 following appointment as Senior Independent Director on 1 September 2021) and non-executive director with responsibility for employee engagement and for ESG matters.

⁷ As a consequence of the Company being near to its Articles' of Association limit on payments it may make to Directors, the Chair, Lord Smith of Kelvin agreed to a £27,778 underpayment of his £338,500 fee in 2021. The Chair was repaid in 2022 and the total 2022 fee of £380,000 reflects this repayment. However, the Chair's total 2022 fees (excluding this repayment) were £352,000, reflecting the 4.0% applied to the 2021 full year fee, as detailed in the 2021 Annual Report. Shareholder approval was obtained at the 2022 AGM to increase the payment limit within our Articles' of Association.

Directors' shareholdings and share interests (audited)

The following table summarises the share interests of any director who served during the year as at 31 December 2022 or at the date of leaving the Board.

During the period 31 December 2022 to 2 March 2023 there were no changes in the interests of any current director from those shown save for purchases within the IMI All-Employee Share Ownership Plan on 10 January 2023 of 10 shares on behalf of Roy Twite and 9 shares on behalf of Daniel Shook at 1,420.00 pence per share, and 14 February 2023 of 10 shares on behalf of Roy Twite and 8 shares on behalf of Daniel Shook at 1,552.50 pence per share.

Director	Total interests	Beneficial interests	Scheme interests					All-employee share plans
			Nil-cost options					
			With performance conditions		Without performance conditions (deferred bonus share awards)			
			Unvested ¹	Vested but unexercised	Unvested	Vested but unexercised		
Roy Twite	800,482	241,878	527,644	-	21,386	-	9,574	
Daniel Shook	336,247	121,027	203,895	-	8,185	-	3,140	
Lord Smith of Kelvin	14,300	14,300	-	-	-	-	-	
Isobel Sharp	3,000	3,000	-	-	-	-	-	
Thomas Thune Andersen	2,625	2,625	-	-	-	-	-	
Katie Jackson	2,846	2,846	-	-	-	-	-	
Caroline Dowling	3,014	3,014	-	-	-	-	-	
Dr Ajai Puri	3,000	3,000	-	-	-	-	-	

¹ Vesting dates of share awards are shown in Note 6, page 180.

Relative importance of spend on pay

The following information is intended to provide additional context regarding the total remuneration for executive directors.

	2022 (£m)	2021 (£m)	Change
Dividends	62.2	61.8	1%
Total employment costs for Group (see Note 5 on page 179)	602.6	593.7	1%

Annual Directors' Remuneration Report

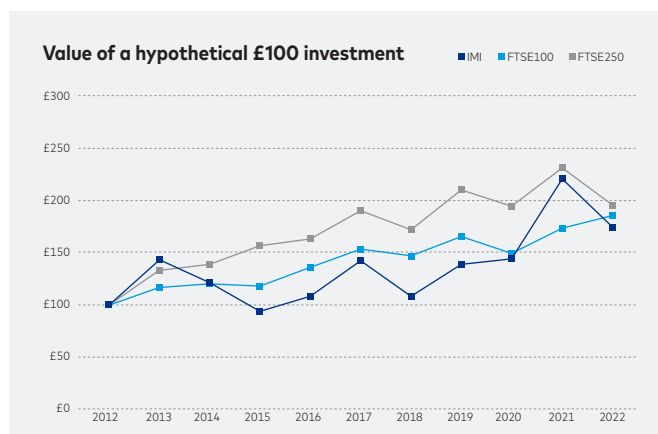
Historical performance and remuneration

In addition to considering executive remuneration in the context of internal comparisons, the Committee reviews historical outcomes under the variable pay plans.

The graph compares IMI's TSR to the FTSE100 and FTSE250 over the last ten years. We compare performance to the FTSE100 as IMI has been included in the index in the past and it is a position where IMI aspires to be.

TSR measures the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends (source: CapIQ), with data averaged over the final 30 days of each financial year.

As the graph adjacent illustrates, IMI's absolute and relative TSR performance has been robust over the last ten years.



The following table summarises the total remuneration for the Chief Executive over the last ten years, and the outcomes of short and long-term incentive plans as a percentage of maximum.

Financial year ended 31 December	2013 ¹	2014 ²	2015 ²	2016 ²	2017 ²	2018 ²	2019 ³	2020 ³	2021 ³	2022 ³
Total remuneration (single figure, £000)	6,688	1,567	1,667	1,901	2,773	3,047	1,707	2,455	3,978	3,709
Annual variable pay (% of maximum)	62%	36%	40%	50%	95%	75%	43%	73%	98%	50%
Long-term variable pay (% of maximum) - Share Matching Plan	100%	-	-	-	-	-	-	-	-	-
Long-term variable pay (% of maximum) - Performance Share Plan	82.6%	-	-	3.5	-	-	-	-	-	-
Long-term variable pay (% of maximum) - IMI Incentive Plan	-	-	-	-	-	29.2%	47.1%	58.8%	75.3%	66.8%

¹ Represents remuneration for Martin Lamb, who was Chief Executive from before 2010 until 31 December 2013.

² Represents remuneration for Mark Selway, who was appointed Chief Executive on 1 January 2014.

³ Represents remuneration for Roy Twite, who was appointed Chief Executive on 9 May 2019.

Annual percentage change in remuneration of directors and employees

The Committee actively considers any increases in base pay for the Chief Executive and other directors relative to the broader IMI employee population. Benefits and bonus payments are not typically comparable given they are driven by a broad range of factors, such as geographical location, local practices, eligibility, individual circumstances and role.

The following table summarises the annual percentage change of each director's remuneration compared to:

- » The annual percentage change of the average remuneration of the Group's employees, calculated on a full-time equivalent basis
- » The performance of the Group over the same preceding financial year

During 2020 the Board accepted a 20% cut in annual salary/fees for three months owing to the pandemic. This impacts both the 2020 and 2021 comparison. The annual salary/fee increase applied to the Board in 2021 was 1.5%.

	2020			2021			2022		
	Annual Salary/Fees	Benefits	Annual bonus	Annual Salary/Fees	Benefits ⁶	Annual bonus	Annual Salary/Fees	Benefits ⁶	Annual bonus
Executive Directors									
Roy Twite ¹	7.5%	-23.3%	103.7%	6.9%	8.7%	35.8%	4.0%	28.0%	-47.0%
Daniel Shook	-3.1%	-14.6%	101.6%	6.9%	34.3%	36.2%	9.0%	10.6%	-45.4%
Chair									
Lord Smith of Kelvin ²	-3.1%	-85.7%		-1.9%	200.0%		22.2%	133.3%	
Non-executive directors									
Isobel Sharp	-3.7%	-50.0%		7.6%	100.0%		4.0%	150.0%	
Thomas Thune Andersen ³	1.5%	-87.5%		22.4%	400.0%		13.5%	100.0%	
Katie Jackson	-4.5%	-75.0%		7.9%	100.0%		4.0%	150.0%	
Caroline Dowling ⁴				17.5%			20.0%	100.0%	
Dr Ajai Puri ⁵							24.8%	-16.7%	
Average Pay of UK HQ employees	3.75%	0.1%	92.0%	4.40%	3.6%	68.8%	8.3%	3.9%	-44.0%

¹ Roy Twite was appointed as Chief Executive in May 2019. The percentage change in 2020 is a result of the 2019 Directors single figure table which includes income earned before Roy was appointed as Chief Executive.

² As a consequence of the Company being near to its Articles' of Association limit on payments it may make to Directors, the Chair, Lord Smith of Kelvin agreed to a £27,778 underpayment of his £338,500 fee in 2021. The Chair was repaid in 2022 and the total 2022 fee of £380,000 reflects this repayment. However, the Chair's total 2022 fees (excluding this repayment) were £352,000, reflecting the 4% applied to the full year fee, as detailed in the 2021 Annual Report. Shareholder approval was obtained at the 2022 AGM to increase the payment limit within our Articles' of Association.

³ Senior Independent Director fee pro-rated in 2021 following appointment on 1 September 2021.

⁴ Chair of the Remuneration Committee fee pro-rated in 2021 following appointment on 1 September 2021.

⁵ Dr Ajai Puri was appointed to the Board on 1 March 2021. Fees represented pro-rated amounts.

⁶ Benefits include travel to board meetings held at IMI plc Head Office. In 2021 board meetings were held remotely.

All UK head office employees. This comparison excludes our international workforce which we feel would not provide a true comparison given differing local market factors. There have been no payments to past directors.

Annual Directors' Remuneration Report

Pay ratio reporting

Pay ratio legislation requires quoted companies with 250 or more employees to publish information on the pay ratio of the Group Chief Executive to UK employees. In line with the new regulatory requirements, the table below sets out the ratio at median, 25th and 75th percentile of the total remuneration received by the Group Chief Executive compared to the total remuneration received by our UK employees – as well as comparing to base salary only. Total remuneration reflects all remuneration received by an individual in respect of the relevant years, and includes salary, benefits, pension, and value received from incentive plans.

Financial year	Methodology	Total remuneration		
		P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2022	Option C	112:1	86:1	50:1
2021	Option C	116:1	95:1	63:1
2020	Option C	85:1	67:1	45:1
2019	Option C	83:1	62:1	45:1

- » The 2022 Chief Executive single figure is calculated considering the Chief Executive's remuneration calculation includes base salary, fees, pension, taxable benefits, annual bonus and shares paid during 2022
- » As is permitted by Option C of the regulations, the Gender Pay Gap data for 2022 based on a snapshot in April 2022 was used to identify our three quartile employees, P25, P50 and P75. Having identified P25, P50 and P75, we chose to review the single figure data for an additional ten employees at each of the quartiles for the full year ended on 31 December 2022
- » The remuneration calculation included base salary, allowances, pension, taxable benefits, annual bonus and shares. This method provides a like-for-like comparison with the Chief Executive's single figure total for the 2022 calendar year. Gathering data on more than three employees provides a better opportunity to capture all pay and benefits of employees to get a true median value at each of the three bandings
- » Our principles for pay setting and progression in our wider workforce are the same as for our executives – total reward being sufficiently competitive to attract and retain high-calibre individuals without over-paying and providing the opportunity for individual development and career progression, to attract and retain great talent. The pay ratios reflect how remuneration arrangements differ as accountability increases for more senior roles within the organisation and the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the Chief Executive
- » We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. All IMI employees receive competitive pay and benefits and have the opportunity for annual pay increases and career progression and development opportunities
- » Changes to the ratio in 2022 compared to 2021 are largely attributable to the impact of variable pay

The total pay and benefits and base salary component of the total pay and benefits figures are as follows:

2022	Base salary (£)	Total pay and benefits (£)
Chief Executive remuneration	760,000	3,708,566
25th Percentile employee	30,050	33,076
50th Percentile employee	30,761	42,916
75th Percentile employee	55,988	74,331

Implementation of the Policy for 2023

Summary of Policy	Implementation in the year to 31 December 2023
Base salary Reviewed annually with changes normally effective from January. The Committee takes into account the level of increase for the wider workforce, market data, business performance, external economic factors, the complexity of the business and the role, cost, and the incumbent's experience and performance.	Consistent with prior years, salary increases effective 1 January 2023 considered a range of factors including the increases for the wider workforce, the financial performance of the Group and prevailing economic conditions. For 2023 the Chief Executive and Finance Director received a 4.5% base salary increase which, given the context of the cost of living crisis and considering how we direct our resources, is 1.6% lower than the general pay award applied to UK employees of 6.1%. The base salary for the Chief Executive will be increased to £794,200 in 2023, and the base salary for the Finance Director will be £529,100 in 2023.
Pension A cash allowance in lieu of pension is paid monthly. To the extent required by law, part of this allowance will be paid into a defined contribution pension arrangement. With the Committee's approval the executive directors may redirect all or part of the balance of this allowance into a defined contribution pension arrangement. Pension for any newly hired executive to be linked to average workforce levels (currently 11%). Legacy obligations for executive directors receiving pension above workforce levels will be brought in line with workforce by 1 January 2023.	From 1 January 2023, all Executive Directors will receive 11% of salary which is aligned to that of the average employee and that of the Investment Association guidelines.
Benefits The policy provides a normal range of benefits to executive directors. The value of benefits vary year-on-year depending on the age and health of the individual, the cost of providing them and the geography in which the executive is based. However, the range of benefits is not expected to change from year to year.	In line with the Policy, each Executive Director receives: » Car allowance » Life insurance » Private health insurance including medical screen as appropriate » Other ancillary benefits including tax advice
Annual Bonus Based on annual performance relative to set targets. Drives and rewards performance against annual financial, strategic and operational goals, which are consistent with the medium to long-term strategic goals of IMI. Considers individual behaviours and contributions. If the executive has not achieved their share ownership guideline, up to half of any bonus shall be invested into IMI shares for at least three years. Once the share ownership guideline is met, an executive can then elect to receive their bonus in cash and/or shares. Dividends (or equivalent value payments) accrue and are payable in cash or shares when shares are released. Recovery provisions are included in the plan rules allowing for malus and clawback.	During 2022 the Committee reviewed the appropriateness of continuing with the metrics that applied to the 2022 annual bonus to ensure alignment with IMI's strategy. The Committee determined that the 2023 annual bonus will be contingent on a Profit Before Tax growth target alongside strategic and personal objectives for each executive director. There will be a weighting of 80% to financial metrics and 20% to strategic and personal objectives. Free cash flow will be considered by the Committee when determining annual bonus outcomes. The ESG underpin will continue to be considered to allow the Committee to take into account any relevant ESG matter when determining remuneration outcomes. The Committee will continue to monitor the underlying performance of the business when determining bonus outcomes. Due to the commercially sensitive nature of the financial targets and strategic and personal objectives, they will be disclosed retrospectively in next year's report along with performance against them. The maximum bonus opportunity will be set at 200% of salary for Roy Twite. The annual bonus opportunity for Daniel Shook will be set at 150% of base salary. On-target bonus is set at 50% of maximum bonus opportunity.

Annual Directors' Remuneration Report

Implementation of the Policy for 2023 (continued)

Summary of Policy	Implementation in the year to 31 December 2023																								
Performance shares awarded under the IMI Incentive Plan Incentivises long- term value creation, aligning the interests of executives and shareholders through share awards. Performance metrics support the long-term strategy of IMI and the vehicle and time horizon provides a retention tool for key executives. The Committee can make annual share-based awards. Dividends (or equivalent value payments) accrue and are payable in cash or shares in respect of vested awards. Any vested performance share awards will be subject to a sale restriction for a period of 2 years from the date of vesting, subject to the executive being permitted to sell such number of shares as may be required to settle tax liabilities as they may arise. In addition the share ownership guidelines apply. Recovery provisions are included in the plan rules allowing for malus and clawback.	At the same time as the review of annual bonus metrics, the Committee also reviewed those attached to IIP awards. The Committee continues to believe that this will ensure that executives are only rewarded if underlying earnings are increased over the performance period and shareholder returns outperform peers. 2023 awards will be set at 250% for Roy Twite and 150% for Daniel Shook and will be subject to a two-year post-vesting holding period, extending the total time horizon to five years from grant. The Committee considered whether the performance metrics for LTIP awards remain appropriate before concluding that the existing metrics of TSR, EPS and Return on Invested Capital (ROIC*), and CO₂ intensity remain aligned with strategy. Consistent with the previous year, TSR, EPS and ROIC will each have a 30% weighting, and CO₂ intensity will have a 10% weighting. TSR metrics remain unchanged but having taken into account internal budgets and analyst consensus estimates available at the time the targets were set the Committee decided that the maximum target for EPS will remain unchanged at 10.0% in 2023. The Committee feels that given economic uncertainty, EPS threshold will remain the same as 2022 at 3.0%. In addition, the Committee decided that both the maximum and threshold target for ROIC should remain unchanged at 11.0% to 13.0%. Further, the Committee retains discretion to determine, should the 2023 LTIP vest, whether the formulaic outcome is a fair reflection of underlying business performance and consistent with the shareholder experience over the performance period and if not, to adjust the formulaic outcome accordingly. The performance targets that will apply to the 2023 IIP awards are as follows: <table><tr><th></th><th>Relative TSR</th><th>Adjusted EPS</th><th>ROIC</th><th>Total CO₂ intensity</th><th>Level of vesting</th></tr><tr><td>Threshold</td><td>Median</td><td>3%</td><td>11%</td><td>2019 base -21% (2.18 tCO₂e per 1,000 hours worked)</td><td>25%</td></tr><tr><td>Maximum</td><td>Upper quartile</td><td>10%</td><td>13%</td><td>2019 base -36% (1.77 tCO₂e per 1,000 hours worked)</td><td>100%</td></tr><tr><td>Weighting</td><td>30%</td><td>30%</td><td>30%</td><td>10%</td><td></td></tr></table>		Relative TSR	Adjusted EPS	ROIC	Total CO ₂ intensity	Level of vesting	Threshold	Median	3%	11%	2019 base -21% (2.18 tCO ₂ e per 1,000 hours worked)	25%	Maximum	Upper quartile	10%	13%	2019 base -36% (1.77 tCO ₂ e per 1,000 hours worked)	100%	Weighting	30%	30%	30%	10%	
	Relative TSR	Adjusted EPS	ROIC	Total CO ₂ intensity	Level of vesting																				
Threshold	Median	3%	11%	2019 base -21% (2.18 tCO ₂ e per 1,000 hours worked)	25%																				
Maximum	Upper quartile	10%	13%	2019 base -36% (1.77 tCO ₂ e per 1,000 hours worked)	100%																				
Weighting	30%	30%	30%	10%																					
Share ownership guidelines It is a requirement of the remuneration policy that executive directors are subject to guidelines which require them to build a shareholding in IMI worth at least 250% of salary for the Chief Executive, and 200% of salary for the Finance Director (and other executive directors if applicable). Policy permits the Committee to determine that up to 50% of any annual bonus earned may be deferred into shares until the share ownership guideline is achieved together with up to 50% of any vested performance share awards. Each executive is then required to maintain at least this share ownership guideline level (subject to allowances for share price fluctuations and changes in base salary thereafter). When assessing compliance with this guideline the Committee reviews both the level of beneficial share ownership and vested but unexercised share incentive awards on a post-tax basis.	The share Ownership Guidelines are: » Chief Executive – 250% of base salary » Finance Director – 200% of base salary Post-employment shareholding guidelines Our policy (approved by shareholders at the 2021 AGM) includes post-employment shareholding requirements which require executive directors to hold 100% of their shareholding requirement (or if less, all shares held) for two years following departure. This will be implemented by signed agreement. The Committee will have discretion to allow sale where there are exceptional reasons.																								

Summary of Policy	Implementation in the year to 31 December 2023
Malus and Clawback The provisions enable the Committee to reduce future annual bonus payments, reduce the number of shares under any form of share award, and/or require the individual to make a payment to the Company on terms deemed to be fair and reasonable by the Committee.	The Committee has the power to operate malus and/or clawback provisions in the event that: » The Company misstated financial results » The Company suffers serious reputational damage » If there was an error or miscalculation in determining the size of the award » Gross misconduct by an executive; and/or » The Remuneration Committee has made decisions using erroneous or misleading data
Other policy items	For a description of policy items such as: » Appointments to the Board » Loss of office (including change of control) Please refer to the Directors' Remuneration Policy published in the 2020 Annual Report.

Service contracts

The unexpired terms of the non-executive directors' service contracts can be reviewed in the Board's Corporate Governance Report on page 108.

Fees for the Chair and non-executive directors

The Chair and non-executive directors' remuneration increased by 4.5% with effect from 1 January 2023 which, given the context of the cost of living crisis and considering how we direct our resources, is lower than the general increase applied to both UK employees and that of the whole Group.

Committee evaluation

The Committee reviewed its own performance and terms of reference and received positive feedback, with no recommended changes, from the evaluation exercise carried out in respect of the Board and each of its committees. Details of the internal evaluation can be found on page 112 of the Corporate Governance Statement.

The Committee approved this report on its work.

Caroline Dowling

Chair of the Remuneration Committee
for and on behalf of the Board

2 March 2023

Directors' Report

Statutory & Other Information

The directors present their management report, including the Strategic Report, together with the audited financial statements of IMI plc (the Company) and its subsidiaries (together, the Group), for the year ended 31 December 2022.

Amendment of Articles of Association	The Company's Articles of Association may only be amended by special resolution of the Company at a general meeting of its shareholders.
Annual General Meeting	The Annual General Meeting will be held on 4 May 2023. Full details of the resolutions to be proposed to our shareholders, and accompanying explanatory notes are contained in our Notice of the Annual General Meeting, a copy of which will be published on our website. At our 2023 AGM, resolutions will be proposed, among other matters: » to receive the Annual Report & Accounts » to approve the Directors' Remuneration Report » to declare a final dividend » to reappoint Deloitte LLP as auditor and set the auditor's remuneration » to approve the directors' general authority to allot shares » to grant the authority to issue shares without first applying statutory rights of pre-emption » to authorise the Company to make market purchases of its own shares » to authorise the making of limited political donations by the Company and its subsidiaries » to enable the Company to continue to hold general meetings on not less than 14 clear days' notice
Branches	The Company does not have any branches outside the UK.
Business relationships	A summary of how the Company has engaged with suppliers, customers and other third parties can be found on pages 38 to 42. Details of how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the Company during the financial year are contained in the section 172(1) statement on pages 43 to 45. Further information on our payment practices with suppliers can be found on the government's reporting portal. Our statement on slavery and human trafficking can be found on our website at https://www.imiplc.com/sites/imi-corp-rev2/files/modern-slavery-act-statement-2022.pdf .
Change of control	The Company and its subsidiaries are party to a number of agreements that may allow the counterparties to alter or terminate the arrangements on a change of control of the Company following a takeover bid, such as commercial contracts and employee share plans. Other than as referred to in the next paragraph, none of these are considered by the Company to be significant in terms of its likely impact on the Group as a whole. In the event of a change of control of the Company, the Group's main funding agreements allow the lenders to renegotiate terms or give notice of repayment for all outstanding amounts under the relevant facilities. The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment specifically resulting from a takeover, although the provisions of the Company's share schemes include a discretion to allow awards granted to directors and employees under such schemes to vest in those circumstances.
Corporate Governance Statement	The Corporate Governance report on pages 100 to 145 is hereby incorporated by reference into this Directors' Report and includes details of our application of the principles and reporting against the provisions of the UK Corporate Governance Code. Our statement includes a description of the main features of our internal control and risk management systems in relation to the financial reporting process and forms part of this Directors' Report. A copy of the 2018 version of the UK Corporate Governance Code, as applicable to the company for the year ended 31 December 2022, can be found at the Financial Reporting Council's website frc.org.uk .
Directors	The names and biographies of our directors who served during the financial year ended 31 December 2022 can be found on pages 96 and 97. The rules for the appointment and replacement of directors are set out in the Company's Articles of Association. Each new appointee to the Board is required to stand for election at the next Annual General Meeting following their appointment. In addition, the Company's Articles of Association require each director to stand for re-election every year.
Directors' indemnities and insurance	The Company maintains directors' and officers' liability insurance and all directors of the Company benefit from qualifying third party indemnity provisions which were in place during the financial year. At the date of this Annual Report there are such indemnity arrangements with each director in respect of the costs of defending civil, criminal and regulatory proceedings brought against them, as a director or employee, subject always to the limitations set by the Companies Act 2006. The Group operates pension schemes in the UK which provide retirement and death benefits for employees and former employees of the Group. The corporate trustee of the pension schemes is IMI Pensions Trust Limited, a subsidiary of the Company. Qualifying pension scheme indemnity provisions, as defined in section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2022 and remain in force for the benefit of each of the directors of the corporate trustee of the pension schemes. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of the corporate trustee of the pension schemes. The Group also has in place third party qualifying indemnity provisions, as defined in section 234 of the Companies Act 2006, in favour of certain employees who discharge responsibilities for various wholly-owned subsidiary companies and these indemnities are given on a similar basis to the above.
Directors' interests	Details of the interests in the Company's shares held by our directors and persons connected with them (including interests under share option and incentive schemes), are shown in the Directors' Remuneration Report on page 139 and are hereby incorporated by reference into this Directors' Report.

Directors' powers	The powers of the directors are determined by UK legislation and the Articles of Association of the Company in force from time to time. The directors were authorised to allot and issue ordinary shares and to make market purchases of the Company's ordinary shares by resolutions of the Company passed at its Annual General Meeting held on 5 May 2022. The current authorities will expire at the conclusion of the next Annual General Meeting to be held on 4 May 2023, at which new authorities will be sought. Further details of authorities the Company is seeking for the allotment, issue and purchase of its ordinary shares will be set out in the separate Notice of Annual General Meeting.																				
Disclosure of information to the auditor	Each director confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.																				
Dividends	The directors recommend a final dividend of 17.4p per ordinary share for the year ended 31 December 2022. Subject to shareholder approval by our shareholders at our Annual General Meeting on 4 May 2023, the final dividend will be paid on 12 May 2023 to shareholders on the register at the close of business on 11 April 2023. Together with the interim dividend of 8.3p per ordinary share paid on 16 September 2022, this gives a total dividend for the 2022 financial year of 25.7p per ordinary share. The interim and final dividends paid in respect of the 2021 financial year were 7.9p per ordinary share and 15.8p per ordinary share respectively (2021 total dividends paid of 23.7p).																				
Employee matters	Details of how we engage with our workforce, how we provide them with relevant information and take account their interests in decision-making can be found in our on pages 38 to 45. Our Section 172(1) statement can be found on pages 43 to 45. A description of how our directors have engaged with the workforce is set out on page 110. Our approach to investing in and rewarding the workforce is set out on pages 59 to 60. Details of employee share schemes are set out in Note 6 of the financial statements on page 180. Details of the arrangements in place under which employees can raise any matter of concern are set out on pages 53 and 92. Every effort is made to ensure that applications for employment from disabled employees are fully and fairly considered and that disabled employees have equal opportunity in training, succession planning and promotion. Further disclosures relating to employee diversity, employee engagement and related policies are set out on pages 62 to 63. Our Board Inclusion & Diversity policy is summarised on page 121.																				
Environmental matters	Information on our greenhouse gas emissions energy consumption and energy efficiency actions required to be disclosed by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/410 is set out in the Sustainability report on pages 70 to 79. Such information is incorporated into this report by reference and is deemed to form part of this Directors' Report.																				
Events occurring after the reporting period	There have been no important events affecting the Company or any member of the Group since 31 December 2022.																				
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in Note 17 on pages 207 and 208.																				
Information required by UK Listing Rule 9.8.4 as appropriate to the Company	<table><tr><th>Listing Rule statement</th><th>Detail</th><th>Note reference of financial statements/page number</th></tr><tr><td>9.8.4R (12)</td><td>Shareholder waiver of future dividends</td><td>page 148</td></tr><tr><td>9.8.4R (4)</td><td>Long-term incentive schemes</td><td>pages 143 and 144</td></tr><tr><td>9.8.4R (5)</td><td>Directors' waiver of emoluments</td><td>pages 128 and 138</td></tr></table>			Listing Rule statement	Detail	Note reference of financial statements/page number	9.8.4R (12)	Shareholder waiver of future dividends	page 148	9.8.4R (4)	Long-term incentive schemes	pages 143 and 144	9.8.4R (5)	Directors' waiver of emoluments	pages 128 and 138						
	Listing Rule statement	Detail	Note reference of financial statements/page number																		
	9.8.4R (12)	Shareholder waiver of future dividends	page 148																		
	9.8.4R (4)	Long-term incentive schemes	pages 143 and 144																		
9.8.4R (5)	Directors' waiver of emoluments	pages 128 and 138																			
Major shareholdings	Information provided to the Company pursuant to the Disclosure Guidance and Transparency Rules is published on a regulatory information service and on the Company's website. As at 31 December 2022, the following voting interests in the ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, had been notified to the Company: <table><tr><th>Name of shareholder</th><th>Percent of issued share capital</th><th>Direct or indirect nature of holding</th></tr><tr><td>Massachusetts Financial Services Company</td><td>9.89</td><td>Indirect</td></tr><tr><td>Ameriprise Financial Inc.</td><td>5.04</td><td>Indirect</td></tr><tr><td>Standard Life Investments (Holdings) Limited</td><td>4.97</td><td>Indirect</td></tr><tr><td>BlackRock, Inc.</td><td>4.99</td><td>Indirect</td></tr><tr><td>Legal & General Group plc</td><td>3.03</td><td>Direct</td></tr></table> Between 31 December 2022 and the date of this Annual Report, no changes in the voting interests have been notified to the Company in accordance with the Disclosure Guidance and Transparency Rules save for notifications received from BlackRock, Inc on 9 January 2023 that its interests totalled 5% and on 18 January 2023 that its interests totalled below 5% and Ameriprise Financial, Inc. on 25 January 2023 that its interests totalled below 5%.			Name of shareholder	Percent of issued share capital	Direct or indirect nature of holding	Massachusetts Financial Services Company	9.89	Indirect	Ameriprise Financial Inc.	5.04	Indirect	Standard Life Investments (Holdings) Limited	4.97	Indirect	BlackRock, Inc.	4.99	Indirect	Legal & General Group plc	3.03	Direct
Name of shareholder	Percent of issued share capital	Direct or indirect nature of holding																			
Massachusetts Financial Services Company	9.89	Indirect																			
Ameriprise Financial Inc.	5.04	Indirect																			
Standard Life Investments (Holdings) Limited	4.97	Indirect																			
BlackRock, Inc.	4.99	Indirect																			
Legal & General Group plc	3.03	Direct																			

Directors' Report

Political donations	No political donations were made during the year.
Purchase of own shares	The Company was granted authority at the Annual General Meeting held on 5 May 2022 to purchase up to 26,000,000 of its ordinary shares. This authority will expire at the conclusion of the next Annual General Meeting to be held on 4 May 2023, where shareholders will be asked to give a similar authority, details of which will be given in the Notice of Annual General Meeting. We did not purchase any shares under this authority during the year.
Related party transactions	Details of related party transactions are in Note 26 on page 223.
Research and development	See Note 5 to the financial statements on page 179 for an indication of research and development activities of the Group. More information about our investment in Growth Hub projects can be found on page 61.
Share Capital	As at 31 December 2022, the Company's issued share capital was £78,585,129.14 divided into 275,047,952 ordinary shares of 28 4/7p each. Details of the share capital of the Company are set out in Note 22 to the financial statements on page 219. The Company's ordinary shares are listed on the London Stock Exchange. During the year 123,261 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in Note 6 to the financial statements. Shares acquired by employees under employee share schemes rank equally with the other shares in issue and have no special rights. As at 31 December 2022, 2,408,356 shares were held in an employee trust for use in relation to certain executive incentive plans representing 0.9% of the issued share capital (excluding treasury shares) at that time. The independent trustee of the trust has the same rights as any other shareholder other than as specifically restricted in the governing trust deed. The trust has agreed to waive any right to all dividend payments now and in the future. Participants in option schemes do not hold any voting rights on the shares until the date of exercise. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK, from the Company's website or by writing to the Company Secretary. Changes to the Articles of Association must be approved by a special resolution of the shareholders (75% majority required) in accordance with the legislation in force at the time. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Holders of ordinary shares are entitled to receive the Company's report and accounts, to attend, speak and vote at general meetings of the Company, and to appoint proxies to exercise their rights. Holders of ordinary shares may receive a dividend and in a liquidation, may share in the assets of the Company. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or propose resolutions at Annual General Meetings. Voting rights for ordinary shares held in treasury are suspended and the treasury shares carry no rights to receive dividends or other distributions of assets. There are no restrictions on the transfer of ordinary shares in the Company other than: » Certain restrictions as may from time to time be imposed by laws and regulations (for example insider trading laws, in accordance with the Companies Act 2006, Listing Rules or the City Code on Takeover and Mergers) » Pursuant to the Company's share dealing code whereby the directors and certain employees of the Company require approval to deal in the Company's shares The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of ordinary shares or on voting rights. None of the ordinary shares carry any special rights with regard to control of the Company. The only restrictions on voting rights are those that apply to the ordinary shares held in treasury. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than 48 hours (excluding any non-working days) before a general meeting, or (subject to the Company's Articles of Association) any adjournment thereof.
Strategic report	Certain information required to be included in the Directors' Report has been set out in the Strategic report. The Strategic report required by the Companies Act 2006 can be found on pages 6 to 95. The report sets out the business model (pages 10 and 11), strategy (pages 10 and 11) and likely future developments (pages 16 to 25). It contains a review of the business and describes the development and performance of the Group's business during the financial year and the position at the end of the financial year. It also contains a description of the principal risks and uncertainties facing the Group (pages 88 to 93). Such information is incorporated into this report by reference and is deemed to form part of this Directors' Report.
Treasury shares	As at 31 December 2022, 14,248,836 ordinary shares (nominal value £4,071,096) were held in treasury representing 5% of the issued share capital (excluding treasury shares) at that time. The number of shares held in treasury during the year ended 31 December 2022 was constant.

Approved by the Board and signed on its behalf by:

Louise Waldek

Company Secretary

2 March 2023

IMI is registered in England No. 714275

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Annual Report and the financial statements.

The directors are responsible for preparing the Annual Report, which includes the Directors' Report, the Strategic Report, Remuneration Report and Corporate Governance Statement, and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows for that period. In preparing those financial statements, the directors are required to:

- » Select suitable accounting policies and then apply them consistently
- » Make judgements and estimates that are reasonable
- » Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- » State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- » State for the parent company financial statements whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement under the Disclosure and Transparency Rules

We confirm that to the best of our knowledge:

- » The Group and parent company financial statements in this Annual Report, which have been prepared in accordance with applicable UK law and with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- » The Annual Report (which includes the Directors' Report and the Strategic Report) includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face

The directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Roy Twite
Chief Executive

2 March 2023

Daniel Shook
Group Finance Director

2 March 2023



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Independent Auditor's Report to the Members of IMI plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of IMI 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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 parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the related Notes 1 to 27 for the consolidated financial statements; and
- the related Notes C1 to C10 for the parent company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • overstatement of revenue throughout inappropriate cut-off in the IMI Critical Engineering division; and • valuation of inventory. Whilst we identified the classification of adjusting items as an audit risk, we did not consider it a key audit matter in the current year. Our key audit matter in relation to inventory in the current year is in respect of the risk of valuation. In the prior year our inventory key audit matter focussed on the provision for excess and obsolete inventory in the IMI Critical Engineering and IMI Precision Engineering divisions. The broader scope in the current year reflects the increase in the carrying value of inventory to £416.3 million (FY21: £335.2 million).
Materiality	The materiality that we used for the Group financial statements was £15.0 million (2021: £13.0 million) which was determined on the basis of 5% of forecast pre-tax profit adjusted for restructuring costs.
Scoping	Full scope audit work was performed on 3 (2021: 8) reporting components, and audits of specified balances and specified audit procedures were undertaken on a further 45 (2021: 39) reporting components. These in-scope components account for 70% (2021: 73%) of Group revenue. Certain components are loss making, including those which are solely cost centres. When considering the absolute value of each component's profit or loss for the period, the in-scope components accounted for 76% (2021: 77%) of total pre-tax absolute results.

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:

- obtaining an understanding of the Group's financing facilities including the nature of facilities, repayment terms, covenants and expected renewal of financing arrangements;
- challenging the assumptions used in the Board approved forecasts by reference to historical performance and other supporting evidence such as market data;
- recalculating the amount of headroom in the forecasts (in liquidity terms and against the relevant covenant limits);
- assessing the appropriateness of the sensitivity analysis and reverse stress tests performed by management; and
- assessing the appropriateness of the disclosures made by management.

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.

Independent Auditor's Report to the Members of IMI plc

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. Overstatement of revenue through inappropriate cut-off in the IMI Critical Engineering division

Key audit matter description	The Group recognised revenue of £2,049 million (FY21: £1,866 million), principally through the provision of goods and services accounted for under IFRS 15, as described in the Audit Committee Report and Note 2c to the financial statements. We have performed a risk assessment of the Group's revenue streams to understand the revenue cycles across each business. We identified a key audit matter in relation to the risk, due to either fraud or error, of inappropriate cut-off of revenue in the IMI Critical Engineering division (see Note 4) owing to the fact that more revenue is generated in December as compared to other months in the year.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the relevant controls over revenue, and controls that specifically address the cut-off risk; • assessed the level of credit notes and statutory adjustments raised post year-end (both in FY22 and FY23 to date) to look for evidence of significant reversals of revenue in the subsequent period; and • tested a sample of transactions around the year end to assess whether revenue was being recognised in the correct period.
Key observations	We consider the year-end cut-off of revenue recognised in the IMI Critical Engineering division is appropriate.

5.2. Inventory valuation

Key audit matter description	The Group's inventory balance as at 31 December 2022 was £416.3 million (FY21: £335.2 million). As described in the Financial Review on page 35 the Group has increased inventories to maintain service levels to customers in light of supply chain challenges. Inventory valuation is considered a significant accounting matter by the Audit Committee on page 116. As such, we have identified a key audit matter to focus on the inventory valuation risk, including: consideration of the provision for excess or obsolete (E&O) inventory; judgements relating to the manufacturing costs of inventory and overhead absorption; and physical verification of inventory. As disclosed in Note 15, the provision for E&O inventory as at 31 December 2022 was £52.5 million (FY21: £46.2 million). The Group's provision policy for E&O inventory is determined by considering expected usage levels of inventory, based on historical sales, as well as forward looking judgements such as forecast sales associated with new products. Where local management judgement is applied, Group level review and approval is required. Judgement is applied to the cost of inventories, in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and location. The manufacturing cost primarily relate to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the relevant controls relating to the E&O provision; • challenged the assumptions underpinning the judgements applied in determining the E&O provision, and assessed whether the policy is being applied consistently across the Group; • challenged the key assumptions concerning overhead absorption by assessing the appropriateness of absorbed costs against the requirements of IAS 2; and • attended physical inventory counts at 24 locations to test, on a sample basis, the existence of inventory and assess for any indicators of impairment.
Key observations	Based on our procedures performed, we are satisfied that the carrying value of inventory as at 31 December 2022 is appropriate.

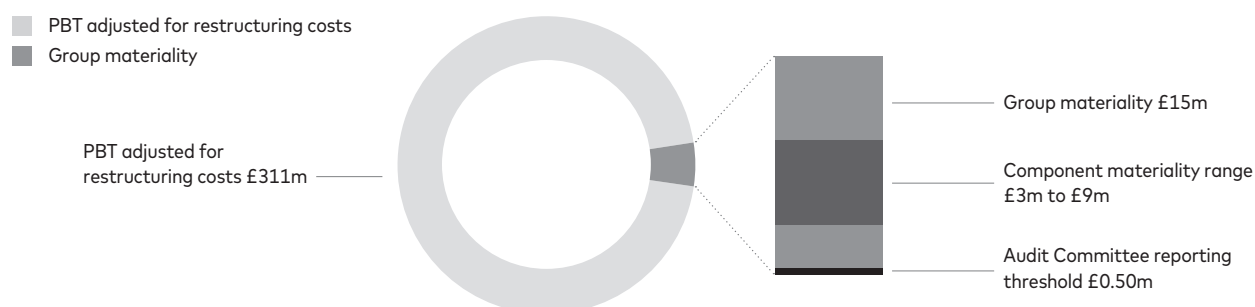
6. Our application of materiality

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
Materiality	£15.0 million (2021: £13.0 million)	£10.6 million (2021: £10.9 million)
Basis for determining materiality	5% of forecast pre-tax profit adjusted for restructuring costs (2021: same).	2% of net assets (2021: same).
Rationale for the benchmark applied	Profit before tax is a key metric for users of the financial statements and reflects the way business performance is reported and assessed by external users of the financial statements. The Group has incurred significant restructuring costs as an adjusting item therefore we believe it is appropriate to adjust for these costs in determining an appropriate level of materiality.	The parent company does not generate external sales therefore we have determined net assets to be the appropriate basis.



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
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality for the Group and parent company, we considered the following factors: • the control environment in place across the Group; • the level of oversight at both a Group and divisional level over the local entity financial reporting processes; • the low level of corrected and uncorrected misstatements identified in the prior year audit; and • the stability and experience of key management personnel in senior roles at Group and divisional levels.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £500,000 (2021: £260,000), 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.

Independent Auditor’s Report
to the Members of IMI plc

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group operates in over 50 locations across the world. 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.

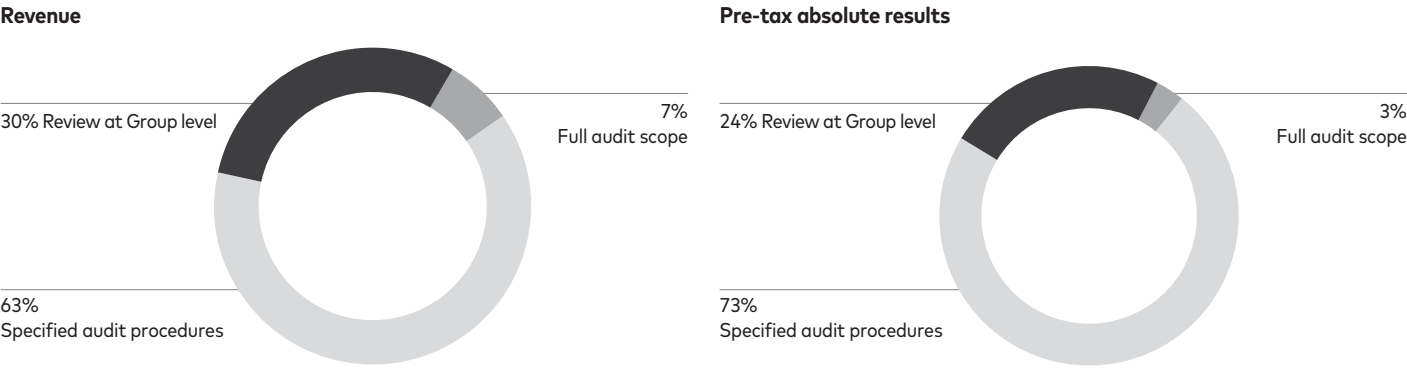
Based on that assessment, we focused our Group audit scope across all three divisions: IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering.

These three divisions comprise of many individual reporting components, which represent the lowest level at which management prepares financial information that is included in the Financial Statements. The parent company is located in the UK and is audited directly by the Group audit team.

We have considered reporting components based on their contribution to Group revenue and profit, as well as qualitative considerations such as results of recent internal audit reviews undertaken by the Group Assurance function, and an understanding of any recent or projected restructuring or relocation activities in specific locations.

Full scope audit work was completed on 3 (2022: 8) components and audits of specified balances or specified audit procedures were undertaken at a further 45 (2022: 39) components. Each reporting component in scope was subject to an audit materiality level between £3 million (2022: £2million) and £9 million (2022: £6 million).

These in-scope components account for 70% (2021: 73%) of Group revenue. Certain components are loss making, including those which are solely cost centres. When considering the absolute value of each component's profit or loss for the period, the in-scope components accounted for 76% (2021: 77%) of total pre-tax absolute results. At a Group level, further substantive audit work was performed over the consolidation and analytical review procedures were performed over all components not in scope.



7.2. Our consideration of the control environment

The Group uses a number of different IT systems across the reporting components and we worked with our IT specialists to obtain an understanding of the general IT controls for relevant systems. Following this, we focused our testing on the three core financial IT systems that underpin the three divisions and which the majority of entities either utilise or plan to migrate to in the future.

Our approach was principally designed to inform our risk assessment and, as such, we obtained an understanding of relevant IT controls and tested the operating effectiveness of general IT controls across the three core systems. During the year management remediated control deficiencies identified in the prior year.

In regard to the unauthorised access to the IT systems reported in the Strategic report on page 90, we evaluated the significance of the breach and the impact on our audit approach.

Given the disaggregated nature of the Group, we continue to adopt a largely substantive audit approach.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

As noted on page 88 the Group has assessed the risk and opportunities relevant to climate change and whilst the Group has not identified a separate principal risk in relation to the potential risk of climate change, it is incorporated into several existing principal risks.

We have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Whilst the directors have acknowledged the risks posed by climate change, they have assessed that climate change does not represent a key source of estimation uncertainty in the financial statements as at 31 December 2022.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement. Our procedures included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The audit work on all components was performed by Deloitte member firms. The component work was performed under the direction and supervision of the Group audit team.

The extent of our involvement which commenced from the planning phase included:

- setting the scope of the work to be performed by the component auditors and assessment of their 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;
- hosting a webinar for all component auditors at the planning stage of the audit to highlight key aspects of the audit instructions and expectations of the Group audit team;
- providing direction on instructions specific to individual components during visits by senior members of the Group audit team to 10 sites during the year;
- providing direction on enquiries made by the component auditors through online and telephone conversations;
- attendance at audit planning and close calls at components selected through a risk-based approach; and
- a risk-based approach to the review of specific component auditors' engagement files by senior members of the Group engagement team.

Independent Auditor's Report to the Members of IMI plc

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. 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, Group Assurance, 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; and
 - 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, and IT 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: overstatement of revenue through inappropriate cut-off in the IMI Critical Engineering division and classification of adjusting items. 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, the Listing Rules in the UK, 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.

11.2. Audit response to risks identified

As a result of performing the above, we identified overstatement of revenue through inappropriate cut-off in the IMI Critical Engineering division as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to the 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;
- in addressing the risk of incorrect classification of adjusting items, reviewing the Group's policy for adjusting items, assessing the nature and quantum of the items identified, and evaluating the appropriateness of the classification against the Group's policy; 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 component audit teams and internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the Members of IMI plc

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 95;
- 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 94;
- the directors' statement on fair, balanced and understandable set out on page 149;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 88;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and
- the section describing the work of the Audit Committee set out on page 114.

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 at the Annual General Meeting on 6 May 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the year ended 31 December 2022.

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Dean Cook MA FCA
Senior statutory auditor

For and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom
3 March 2023

Consolidated income statement

For the year ended 31 December 2022

	Notes	2022			2021		
		Adjusted £m	Adjusting items (Note 3) £m	Statutory £m	Adjusted £m	Adjusting items (Note 3) £m	Statutory £m
Revenue	4	2,049		2,049	1,866		1,866
Cost of sales		(1,110.9)	(1.2)	(1,112.1)	(1,004.3)	(0.3)	(1,004.6)
Gross profit		938.1	(1.2)	936.9	861.7	(0.3)	861.4
Net operating costs	5	(574.3)	(64.4)	(638.7)	(543.6)	(67.3)	(610.9)
Operating profit		363.8	(65.6)	298.2	318.1	(67.6)	250.5
Financial income	8	4.6		4.6	2.4		2.4
Financial expense	8	(23.8)		(23.8)	(14.5)		(14.5)
Gains on instruments measured at fair value through profit or loss (Note 1)			4.9	4.9		5.2	5.2
Net financial income relating to defined benefit pension schemes	14	1.5		1.5	1.0		1.0
Net financial (expense)/income		(17.7)	4.9	(12.8)	(11.1)	5.2	(5.9)
Profit before tax		346.1	(60.7)	285.4	307.0	(62.4)	244.6
Taxation	9	(73.7)	14.6	(59.1)	(61.4)	13.1	(48.3)
Profit after tax		272.4	(46.1)	226.3	245.6	(49.3)	196.3
Earnings per share	7						
Basic – from profit for the year				87.6p			73.5p
Diluted – from profit for the year				87.2p			73.2p

All activities relate to continuing operations and are all attributable to the owners of the Company.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022		2021	
		£m	£m	£m	£m
Profit for the year			226.3		196.3
Items that will not subsequently be reclassified to profit and loss					
Re-measurement (loss)/gain on defined benefit plans	14	(82.7)		70.9	
Related taxation effect	9	20.4		(18.4)	
Effect of taxation rate change on previously recognised items	9	-		15.8	
			(62.3)		68.3
Items that may be reclassified to profit and loss					
(Loss)/gain arising on hedging instruments designated in hedges of the net assets in foreign operation	17	(7.5)		20.0	
Gain/(loss) on exchange differences on translation of foreign operations net of funding revaluations		40.9		(33.8)	
Gain on exchange differences reclassified to income statement on disposal of operations		0.6		0.1	
Related tax (charge)/credit on items that may subsequently be reclassified to profit and loss	9	(0.3)		1.2	
			33.7		(12.5)
Other comprehensive (loss)/income for the year, net of taxation			(28.6)		55.8
Total comprehensive income for the year, net of taxation			197.7		252.1
Attributable to:					
Equity holders of the parent			197.7		252.1

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2021		81.8	14.3	174.4	22.6	506.4	799.5
Profit for the year						196.3	196.3
Other comprehensive (expense)/income excluding related taxation effect					(13.7)	70.9	57.2
Related taxation effect					1.2	(2.6)	(1.4)
Total comprehensive (expense)/income					(12.5)	264.6	252.1
Issue of share capital	22	-	0.9				0.9
Dividends paid	10					(61.8)	(61.8)
Share-based payments (net of tax)	6					15.0	15.0
Cancellation of Treasury shares	22	(3.2)		3.2			-
Shares acquired for:							
employee share scheme trust						(26.6)	(26.6)
share buyback programme						(200.0)	(200.0)
As at 31 December 2021		78.6	15.2	177.6	10.1	497.6	779.1
Changes in equity in 2022							
Profit for the year						226.3	226.3
Other comprehensive income/(expense) excluding related taxation effect					34.0	(82.7)	(48.7)
Related taxation effect					(0.3)	20.4	20.1
Total comprehensive income					33.7	164.0	197.7
Issue of share capital	22	-	1.2				1.2
Dividends paid	10					(62.2)	(62.2)
Share-based payments (net of tax)	6					9.8	9.8
Shares acquired for:							
employee share scheme trust						(20.0)	(20.0)
As at 31 December 2022		78.6	16.4	177.6	43.8	589.2	905.6

Consolidated balance sheet

At 31 December 2022

	Notes	2022 £m	2021 £m
Assets			
Goodwill	11	733.7	533.6
Other intangible assets	11	270.5	234.5
Property, plant and equipment	12	299.2	267.7
Right of use assets	13	107.0	91.5
Employee benefit assets	14	28.5	129.0
Deferred tax assets	9	24.5	39.7
Other receivables		2.6	1.9
Total non-current assets		1,466.0	1,297.9
Inventories	15	416.3	335.2
Trade and other receivables	16	484.9	414.0
Derivative financial assets	17	15.7	10.0
Current tax		2.0	14.2
Investments	17	2.0	2.9
Cash and cash equivalents	19	133.0	94.6
Total current assets		1,053.9	870.9
Total assets		2,519.9	2,168.8
Liabilities			
Trade and other payables	21	(437.7)	(400.4)
Bank overdraft	19	(93.8)	(65.5)
Interest-bearing loans and borrowings	19	(150.1)	(127.7)
Lease liabilities	13	(25.8)	(23.9)
Provisions	20	(27.2)	(38.1)
Current tax		(70.1)	(66.0)
Derivative financial liabilities	17	(13.8)	(6.3)
Total current liabilities		(818.5)	(727.9)
Interest-bearing loans and borrowings	19	(595.4)	(430.3)
Lease liabilities	13	(79.9)	(70.0)
Employee benefit obligations	14	(47.4)	(66.5)
Provisions	20	(15.3)	(18.3)
Deferred tax liabilities	9	(47.9)	(70.2)
Other payables	21	(9.9)	(6.5)
Total non-current liabilities		(795.8)	(661.8)
Total liabilities		(1,614.3)	(1,389.7)
Net assets		905.6	779.1
Share capital	22	78.6	78.6
Share premium		16.4	15.2
Other reserves		221.4	187.7
Retained earnings		589.2	497.6
Total equity		905.6	779.1

Approved by the Board of Directors on 2 March 2023 and signed on its behalf by:

Lord Smith of Kelvin

Chair

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Operating profit for the year		298.2	250.5
Adjustments for:			
Depreciation and amortisation	11, 12, 13	122.2	99.5
(Reversal of impairment)/impairment of property, plant and equipment and intangible assets	11, 12, 13	(1.6)	5.5
Loss on disposal of subsidiaries	24	4.8	3.8
Loss/(profit) on sale of property, plant and equipment	12	1.7	(1.3)
Equity-settled share-based payment expense	6	11.7	12.0
Increase in inventories	15	(47.6)	(37.3)
Increase in trade and other receivables	16	(38.8)	(44.0)
Increase in trade and other payables	21	1.3	30.7
Decrease in provisions (Note 1)	20	(16.0)	(1.2)
Increase in employee benefits (Note 1)	14	2.2	3.0
Settlement of transactional derivatives	17	(2.3)	5.9
Cash generated from operations		335.8	327.1
Income taxes paid	9	(48.6)	(50.9)
Cash generated from operations after tax		287.2	276.2
Additional pension scheme funding	14	(3.5)	(7.0)
Net cash from operating activities		283.7	269.2
Cash flows from investing activities			
Interest received	8	4.6	2.4
Proceeds from sale of property, plant and equipment	12	2.9	4.6
Settlement of effective net investment hedge derivatives	17	(6.3)	20.5
Acquisitions of subsidiaries net of cash	23	(201.2)	(202.1)
Acquisition of property, plant and equipment and non-acquired intangibles	11, 12	(71.3)	(57.5)
Proceeds from disposal of subsidiaries net of cash	24	(2.1)	0.1
Net cash from investing activities		(273.4)	(232.0)
Cash flows from financing activities			
Interest paid	8	(23.8)	(14.5)
Proceeds from shares issued from employee share scheme trust (Note 1)	22	-	3.4
Shares acquired for employee share scheme trust (Note 1)	22	(20.0)	(30.0)
Share buyback programme including acquisition expenses	22	-	(200.0)
Proceeds from the issue of share capital for employee share schemes	22	1.2	1.0
Drawdown of borrowings	19	259.1	208.0
Repayment of borrowings	19	(121.3)	-
Principal elements of lease payments	13	(32.3)	(30.0)
Dividends paid to equity shareholders	10	(62.2)	(61.8)
Net cash from financing activities		0.7	(123.9)
Net increase/(decrease) in cash and cash equivalents	19	11.0	(86.7)
Cash and cash equivalents at the start of the year	19	29.1	134.4
Effect of exchange rate fluctuations		(0.9)	(18.6)
Cash and cash equivalents at the end of the year		39.2	29.1
Reconciliation of cash and cash equivalents			
Cash and cash equivalents		133.0	94.6
Bank overdraft		(93.8)	(65.5)
Cash and cash equivalents at the end of the period		39.2	29.1

Notes to the cash flow appear in Note 19.

Notes to the consolidated financial statements

1. Basis of preparation

Introduction

IMI plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the 'Group'). The Company financial statements present information about the Company as a separate entity and not about the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK. The Company financial statements have been prepared in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006 and these are presented on pages 224 and 225. The financial statements were approved by the Board of Directors on 2 March 2023.

Basis of accounting

The financial statements are presented in Pounds Sterling (which is the Company's functional currency), rounded to the nearest hundred thousand, except revenues, which are rounded to the nearest whole million. They are prepared on the historical cost basis except for derivative financial instruments; financial assets classified as fair value through profit and loss or other comprehensive income; assets and liabilities acquired through business combinations, which are stated at fair value and retirement benefits. Non-current assets and liabilities held for sale are stated at the lower of their carrying amounts and their fair values less costs to sell.

The accounting policies described in the notes to the financial statements have been applied consistently throughout the Group for the purposes of these consolidated financial statements.

(i) New or amended UK Endorsed Accounting Standards adopted by the Group during 2022

Noted below are the amended and new International Financial Reporting Standards which became effective for the Group as of 1 January 2022, none of which have a material impact on the financial statements:

- Amendments to IAS 16: Property, Plant and Equipment – proceeds before intended use
- Annual Improvements to IFRS Standards 2018-2020 (May 2020)
- Amendments to IFRS 3 (May 2020): Reference to the Conceptual Framework
- Amendments to IAS 37 (May 2020): Onerous Contracts – costs of fulfilling a contract

(ii) New accounting standards in issue but not yet effective

New standards and interpretations that are in issue but not yet effective are listed below:

- Amendments to IFRS 16: Covid-19 related rent concessions beyond 30 June 2021
- Amendments to IFRS 17: Insurance contracts
- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IAS 1: Classification of liabilities as current or non-current – deferral of effective date
- Amendments to IFRS 4: Extension of the temporary exemption from applying IFRS 9
- Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies
- Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 8: Definition of accounting estimates
- Amendments to IFRS 17: Initial application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IFRS 16: Lease liability in a sale and leaseback

The adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. The Group's business activities, together with the factors likely to affect its business development, performance and position are set out in the Strategic Report. Principal risks are detailed on pages 88 to 93. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these financial statements. In addition, Note 18 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 exposures to credit risk and liquidity risk. Note 14 to the financial statements addresses the management of the funding risks of the Group's employee benefit obligations.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months following the approval of the Annual Report & Accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The directors have considered the current macroeconomic conditions. The Group is well diversified and maintains a balanced portfolio operating across a range of markets, sectors and geographies with no single dependency. Performance in each of IMI's three divisions has been robust during the year.

Across the Group, supply chain disruptions have been well managed and alternative suppliers or contingency stocks have addressed the few instances of part shortages.

During this period of uncertainty, the Group continues to maintain a robust financial position. At 31 December 2022, the group had cash and cash equivalents of £39.2m and undrawn committed facilities of £200m in the form of Revolving Credit Facilities (RCF), of which £110m is due for renewal in 2023 (£50m already renewed in February 2023), £84m in 2024 and £6m in 2025. Forecasts indicate that the Group can operate within the level of facilities in place without the need to obtain any new facilities in the twelve-month period following the approval of the Annual Report & Accounts.

The directors have assessed the viability of the Group (page 94) and reviewed detailed cash flow forecasts for a period of at least twelve months following the date of approval of the Annual Report & Accounts. After applying a reverse stress test on the Group's banking covenants and making comparisons to the detailed forecasts, the directors have a reasonable expectation that the financial headroom will not be exhausted during this period.

Covenant compliance reviews are undertaken to ensure that the Group remains fully within the covenant limits. Funding covenants currently require EBITDA to be no less than 4.0 times interest and net debt to be no more than 3.0 times EBITDA. Those covenant ratios, at 31 December 2022, were 23.8 times and 1.8 times, respectively.

A reverse stress test shows that for there to be a breach of covenants during the twelve-month period following the approval of the Annual Report & Accounts, forecast revenue would need to fall by 23% and forecast EBITDA by 39% after taking into account the mitigating actions that would be undertaken in these circumstances. The mitigating actions include, but are not limited to, reducing working capital, restricting capital expenditure, reducing overhead spend and employee costs, cutting or suspending dividend payments to shareholders.

Re-presentations

The following re-presentations have been included in the following financial statements in the current year and as a result, 2021 comparatives have been re-presented accordingly:

Consolidated income statement

'Net financial income/(expense) relating to financial instruments' which was previously recorded within 'Financial income' or 'Financial expense' is now disclosed as 'Gains/(losses) on instruments measured at fair value through profit or loss'. Prior year comparatives have been re-presented.

Consolidated statement of cash flows

The 'Increase/(decrease) in provisions and employee benefits' within 'Cash flows from operating activities' are now disclosed separately as 'Increase/(decrease) in provisions' and 'Increase/(decrease) in employee benefits'. Prior year comparatives have been re-presented.

The 'Proceeds/(expenditure) for shares acquired for employee share scheme trust' within 'Cash flows from financing activities' is now split into 'Proceeds from shares issued from employee share scheme trust' and 'Shares acquired for employee share scheme trust'. Prior year comparatives have been re-presented.

2. Significant accounting policies

Where appropriate, the significant accounting policies are presented in the note to which it applies to aid the reader's understanding of their application. Set out below are the significant accounting policies which do not have a specific note.

A. Subsidiaries

The Group financial statements consolidate the financial statements of IMI plc and the entities it controls (its subsidiaries) for the year to 31 December 2022. The Group has no significant interests which are accounted for as associates or joint ventures.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including any goodwill relating to the subsidiary) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Taxation on the above accounting entries would also be recognised, where applicable.

B. Use of critical judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

i. Critical judgements

The critical judgements are the selection of the Alternative Performance Measures and lease term determination disclosed in Notes 3 and 13 respectively.

ii. Key sources of estimation uncertainty

The Group bases its assumptions and estimates on information available when the consolidated financial statements are prepared. Market changes or circumstances arising beyond the control of the Group are reflected in the assumptions and estimates when they occur. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed in Note 14 'Retirement benefits'.

iii. Changes in critical judgements and key sources of estimation uncertainty

Management has reassessed the critical judgements and key sources of estimation uncertainty presented in the 2021 Annual Report & Accounts and concluded that, in the current year, no changes are required in the consideration of what constitutes key judgements and estimates.

C. Revenue recognition

Revenue is recognised when obligations under the terms of a contract with our customer are satisfied. This generally occurs when the goods are transferred, or the services are provided, to our customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales and other taxes collected from customers are excluded from revenue. The nature of the equipment, valve and other contracts into which the Group enters means that:

- the contracts usually contain distinct performance obligations, each of which transfers control of the goods to the customer. Where such distinct performance obligations are present, revenue is recognised on each element in accordance with the policy on the sale of goods; and
- the service element of the contract is usually insignificant in relation to the total contract value and is often provided on a short-term or one-off basis. Where this is the case, revenue is recognised when the service is complete.

As a result of the above, the significant majority of the Group's revenue is recognised on a sale of goods basis. Each of the divisional revenue streams set out in Note 4 can consist of the sale of goods, the provision of services or a combination of the two. The specific methods used to recognise the different forms of revenue earned by the Group are set out below:

i. Sale of goods

Revenue from the sale of goods is recognised in the income statement net of returns, trade discounts and volume rebates when control has been transferred to our customer. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

In IMI Hydronic, the amount of consideration received and the revenue recognised varies in line with discounts and promotions offered to our customers and their customers. The level of estimation uncertainty associated with variable consideration is minimal, as discounts and rebates are accounted for at the point of sale and adjusted as required at each financial year end.

The timing of the transfer of control to our customer varies depending on the nature of the products sold and the individual terms of the contract of sale. Sales made under internationally accepted trade terms, Incoterms 2020, are recognised as revenue when the Group has completed the primary duties required to transfer control as defined by the International Chamber of Commerce Official Rules for the Interpretation of Trade Terms. Sales made outside Incoterms 2020 are generally recognised on delivery to the customer. In limited instances, a customer may request that the Group retains physical possession of an asset for a period after control has been transferred to the customer. In these circumstances, the Group provides this storage as a service to the customer and therefore revenue is recognised prior to delivery of the asset.

ii. Rendering of services

Servicing relates to repairs and maintenance activity that is completed at our customer sites within our installed base. Revenue from the rendering of services is usually insignificant in relation to the total contract value and is generally provided on a short-term or one-off basis. Accordingly, revenue is usually recognised when the service is complete.

Where this is not the case, revenue from services rendered is recognised in proportion to the stage of completion of the service at the balance sheet date.

The stage of completion is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured. Installation fees are similarly recognised by reference to the stage of completion on the installation unless they are incidental to the sale of the goods, in which case they are recognised when the goods are sold.

iii. Combined services and goods

When a transaction combines a supply of goods with the provision of a significant service, distinct performance obligations are identified and recognised in line with the applicable policy. Revenue from a service that is incidental to the supply of goods is recognised at the same time as the revenue from the supply of goods.

D. Foreign currencies

i. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translating transactions at the exchange rate ruling on the transaction date are reflected in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into sterling at foreign exchange rates ruling at the balance sheet date.

ii. Foreign operations

The income statements of overseas subsidiary undertakings are translated at the appropriate average rate of exchange for the year and the adjustment to year end rates is taken directly to reserves.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the balance sheet date.

Foreign exchange differences arising on retranslation are recognised directly as a separate component of equity. Since 1 January 2004, the Group's date of transition to IFRS, such differences have been recognised in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

E. Financial instruments and fair value hedging

Financial instruments are initially recorded at fair value plus directly attributable transaction costs unless the instrument is a derivative not designated as a hedge (see below). Subsequent measurement depends on the designation of the instrument, which follows the categories in IFRS 9:

- short-term borrowings and overdrafts are classified as financial liabilities at amortised cost;
- derivatives, comprising interest rate swaps, foreign exchange contracts and options, metals futures contracts and any embedded derivatives, are classified as 'fair value through profit or loss' under IFRS 9, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in net financial income or expense;
- long-term loans and other interest bearing borrowings are generally held at amortised cost using the effective interest rate method. Where the long-term loan is hedged, generally by an interest rate swap, and the hedge is regarded as effective, the carrying value of the long-term loan is adjusted for changes in fair value of the hedge;
- trade receivables are stated at cost as reduced by appropriate impairment allowances for expected irrecoverable amounts;
- trade payables are stated at cost;
- financial assets and liabilities are recognised on the balance sheet only when the Group becomes a party to the contractual provisions of the instrument; and
- fair value through other comprehensive income (FVTOCI) financial instruments are carried at fair value with gains and losses being recognised in equity, and represent investments.

i. Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. Significant accounting policies (continued)

When the Group exchanges with the existing lender one debt instrument into another one, with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

ii. Derecognition of hedging arrangements

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

F. Other hedging

i. Hedge of monetary assets and liabilities, financial commitments or forecast transactions

Where a derivative financial instrument is used as an economic hedge of the foreign exchange or metals commodity price exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IFRS 9, no hedge accounting is applied and any gain or loss resulting from changes in fair value of the hedging instrument is recognised in net financial income or expense.

Where such a derivative is a formally designated hedge of a forecast transaction for accounting purposes, movements in the value of the derivative are recognised directly in other comprehensive income to the extent the hedge is effective. The Group assesses the effectiveness of the hedge based on the expected fair value of the amount to be received and the movement in the fair value of the derivative designated as the hedge.

For segmental reporting purposes, changes in the fair value of economic hedges that are not designated hedges, which relate to current year trading, together with the gains and losses on their settlement, are allocated to the operating profit of the relevant business segment.

ii. Hedge of net investment in foreign operations

Where a foreign currency liability or derivative financial instrument is a formally designated hedge of a net investment in a foreign operation, foreign exchange differences arising on translation of the foreign currency liability or changes in the fair value of the financial instrument are recognised directly in equity via other comprehensive income, to the extent the hedge is effective. The Group assesses the effectiveness of its net investment hedges based on fair value changes of its net assets, including relevant goodwill designated as foreign currency assets, and the fair value changes of both the debt designated as a hedge and the relevant financial instrument.

G. Investments not held for trading

Investments that are designated as being not held for trading are initially recognised at fair value. Subsequently, the fair value of the investment is reassessed at each balance sheet date with movements in the fair value recognised in other comprehensive income. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

H. Discontinued operations

When the Group has assets and liabilities that have been sold in the year or are likely to be sold rather than being held for continuing use, these assets and liabilities are included in current assets and liabilities and denoted 'held for sale' rather than in their usual categories. They are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on the initial classification of assets held for sale are included in the income statement, even for assets measured at fair value, as are impairment losses on subsequent remeasurement and any reversal thereof. Once classified as held for sale, assets are no longer depreciated or amortised.

If they represent a significant enough proportion of the Group, they are also treated as discontinued operations. A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of, is held for sale or is a subsidiary acquired exclusively with a view to re-sale. This means that their trading performance, i.e. their revenues, costs and other items of income and expense, are no longer reported within the headline figures in the income statement and are instead reported in a separate line, net of tax, called 'discontinued operations'. These amounts no longer form part of continuing earnings per share. Comparative figures are re-presented to be shown on the same basis.

This enables the income statement for the current and prior year to be presented on a consistent basis and to convey a more forward-looking version of the results for the year.

3. Alternative Performance Measures ('APMs') & adjusting items

Accounting policy

The Group's policy is to exclude items from underlying performance that are considered to be significant in nature (i.e. outside of the normal course of business) and/or quantum and where treatment as an adjusting item provides stakeholders with additional useful information to assess period-on-period trading performance of the Group.

The Group believes APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Committee. Some of these measures are also used for the purpose of setting remuneration targets and for banking covenants.

The adjusting items in the income statement and the reasons these are considered to be adjusting items are detailed below:

- Costs associated with major restructuring projects – these costs are reported as adjusting items on the basis that they are significant in quantum, relate to specific, approved strategic initiatives following reviews of our organisation structure during the period and to provide stakeholders with comparability of underlying results from one period to the next. Restructuring costs which are not considered to be major or one-off are included within underlying results in the consolidated income statement.
- Impairment losses – impairment losses treated as adjusting items include those which are large in quantum or one-off in nature and as a result are not considered to be usual operating costs of the Group. In addition to this, impairment losses associated with major restructuring projects are considered to be part of the overall project and therefore follow the same treatment as restructuring projects, as described above. Impairment losses incurred, which are not significant or do not form part of a major restructuring project are recorded as adjusted items. All impairment losses recorded as adjusting items in the current and prior period relate to restructuring projects treated as adjusting items.
- Gains and losses on property disposals – significant quantum gains and losses on property disposals are not considered to relate to the underlying trading of the business and are therefore treated as adjusting items. All gains and losses on property disposals associated with major restructuring projects are considered to be part of the overall project and therefore follow the same treatment as restructuring projects, as described above.
- Acquired intangible amortisation – the amortisation charge is not considered to be related to the underlying performance of the Group and can fluctuate materially period-on-period as new businesses are acquired. All acquired intangible amortisation is treated as an adjusting item due to its nature. The trading results of acquired businesses are included in the adjusted results.
- Gains and losses on disposal of subsidiaries – due to their one-off nature and large quantum, gains and losses on disposals are treated as adjusting items. If these gains or losses are not considered to be one-off or material, these amounts would be included within underlying results. This also includes the impact from the exit from Russia – the loss on disposal of the Group's Russian subsidiary and impairment of assets related to Russian contracts.
- The reversal of gains and losses on economic hedges – gains and losses on economic hedges are treated as an adjusting item on a qualitative basis. The adjusting item reverses the treatment taken locally by the Group's businesses, where the impact of foreign currency forwards and commodity hedges are booked at the hedged rate in the adjusted results of the local businesses. In compliance with IFRS 9 'Financial Instruments', these do not meet the requirement of an effective hedge and are therefore adjusted to be booked at the spot rate. The recognition of the gain and losses on the hedged items is recorded as a financing item, including any unrealised gains and losses.
- Other acquisition costs – for an acquired business, the acquisition costs which are primarily advisor and legal fees and the one-off write-off of the inventory uplift to fair value do not reflect trading performance and so are treated as adjusting items to ensure consistency between periods.
- Special pension events – due to their one-off nature and typically large quantum, special pension events are treated as adjusting items. Special pension events which are not significant are recorded as adjusting items. There are no special pension events recorded as adjusting items in the current or prior period.
- Tax effect on adjusting items above – any tax effect of the above items is treated as an adjusting item.
- Other tax items – an assessment is made, on a case-by-case basis, for one-off tax items which significantly impact the Group's results to determine whether the item should be treated as an adjusting item.

The policies outlined above are consistent with the policies adopted in the previous period.

Movements in revenue and adjusted operating profit are given on an organic basis (see definition below) so that performance is not distorted by acquisitions, disposals and movements in exchange rates.

The directors' commentary discusses these APMs to remove the effects of items of both income and expense that are considered different in nature from the underlying trading and normal quantum and where treatment as an adjusting item provide stakeholders with additional information to assess period-on-period trading.

Critical judgement

Management have applied judgement in the selection of the APMs used in the Annual Report & Accounts. The APMs presented are used in discussions with the investment analyst community and by the Board and management to monitor the trading performance of the Group.

3. Alternative Performance Measures ('APMs') & adjusting items (continued)

The table below details the definition of each APM and a reference to where it can be reconciled to the equivalent statutory measure.

APM	Definition	Reconciliation to statutory measure
Adjusted profit before tax	Adjusted profit before tax is statutory profit before tax before adjusting items as shown on the income statement.	See income statement on page 162.
Adjusted net interest cost	Adjusted net interest cost is statutory net interest costs before adjusting items as shown on the income statement.	See income statement on page 162.
Adjusted earnings per share	Adjusted earnings per share is defined within the table in Note 7.	See Note 7.
Adjusted effective tax rate	The adjusted effective tax rate is the tax impact on adjusted profit before tax divided by adjusted profit before tax.	See Note 9.
Adjusted EBITDA	This measure reflects adjusted profit after tax before interest, tax, depreciation, amortisation and impairment.	See Note 19.
Adjusted operating profit	Adjusted operating profit is statutory operating profit before adjusting items as shown on the income statement.	See income statement on page 162 and segmental reporting in Note 4.
Adjusted operating margin	Adjusted operating margin is adjusted operating profit divided by revenue.	
Adjusted net financing costs	Adjusted net financing costs is interest received and interest paid including the impact on interest costs on leases before gains on instruments measured at fair value through profit or loss (other economic hedges) and net financial income relating to defined benefit pension schemes.	
Organic revenue growth Organic adjusted operating profit	These two measures remove the impact of adjusting items, acquisitions, disposals and movements in exchange rates and are reconciled in Note 4.	
Adjusted operating cash flow	This measure reflects cash generated from operations as shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus cash received from the sale of property, plant and equipment, the sale of investments less the repayment of principal amounts of lease payments excluding the cash impact of adjusting items.	See Note 19.
Net debt	Net debt is defined as the cash and cash equivalents, overdrafts, interest-bearing loans and borrowings and lease liabilities.	See Note 19.
Net debt: adjusted EBITDA	Net debt divided by adjusted EBITDA as defined above.	See Note 19.
Free cash flow before corporate activity	This measure is a sub-total in the reconciliation of adjusted EBITDA to net debt and is presented to assist the reader to understand the nature of the current year's cash flows excluding dividends, share buybacks and the purchase and issuance of own shares.	

Outlined below are the adjusting items impacting the current and prior year results.

	Key	2022 £m	2021 £m
Recognised in arriving at operating profit			
Reversal of net economic hedge contract losses/(gains)	a)	3.0	(6.0)
Restructuring costs and associated impairment losses*	b)	(25.9)	(39.7)
Loss on disposal of subsidiary	c)	-	(3.8)
Acquired intangible amortisation and other acquisition costs	d)	(33.7)	(18.1)
Exit from Russia	e)	(9.0)	-
		(65.6)	(67.6)
Recognised in net financial expense			
Gains on instruments measured at fair value through profit or loss	a)	4.9	5.2
Recognised in taxation			
Tax impact of adjusting items above	f)	14.6	15.1
Change in UK tax rate	f)	-	(18.6)
Resolution of tax authority audit	f)	-	16.6
		14.6	13.1

(a) Reversal of net economic hedge contract losses/gains – for segmental reporting purposes, changes in the fair value of economic hedges which are not designated as hedges for accounting purposes, together with the gains and losses on their settlement, are included in the revenue and adjusted operating profit of the relevant business segment. The adjusting items at the operating level reverse this treatment. The financing adjusting items reflect the change in value or settlement of these contracts with the financial institutions with whom they were transacted.

(b) Restructuring costs and associated impairment losses – the restructuring costs of £25.9m primarily relate to IMI Precision Engineering and were for the Customer First project (across a number of businesses) and the rationalisation of four facilities. These ongoing significant restructuring projects are due to be completed in 2023, with the overall programme expected to be largely complete during 2024, although the Group will always seek and execute projects that improve its competitive position.

Restructuring costs and associated impairment losses of £39.7m were recognised in 2021. These included costs of £35.6m, of which £4.6m related to impairment losses within IMI Precision Engineering, primarily for the rationalisation of a factory in Europe, which was under consultation with the Works Council, and the Customer First project, which both simplify the structure of the division and ensures the business structure is aligned to our customer base. In IMI Critical Engineering there were costs of £0.8m relating to the finalisation of the ongoing projects announced in 2020. In IMI Hydronic Engineering there were costs of £3.3m for the finalisation of the ongoing projects announced in 2020 and a new project announced in 2021 to simplify finance processes through a shared service centre in Poland.

(c) Loss on disposal of subsidiary – following the disposal of IMI Interativa in July 2021, the Group recorded a loss on disposal of £3.8m. Further details are included in Note 24.

(d) Acquired intangible amortisation and other acquisition items – of the total £33.7m, the acquired intangible amortisation charge was £29.5m (2021: £15.0m) which largely relates to the amortisation of the intangible assets recognised on the acquisitions of Adaptas and Bahr. Other acquisition costs of £4.2m primarily related to professional fees associated with the acquisition of Heatmiser and Bahr and the Adaptas IFRS 3 release of the fair value uplift to inventory, recognised to cost of sales. Other acquisition costs of £3.1m for 2021 primarily related to professional fees associated with the acquisition of Adaptas in December 2021.

(e) Exit from Russia – the Group's decision to end all new business in Russia resulted in a charge of £9.0m. The Group recorded a loss on disposal of its Russian subsidiary of £4.8m. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

(f) Taxation – the tax effect of the above items has been recognised as an adjusting item and amounts to £14.6m (2021: £15.1m). The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of April 2023, which was substantively enacted on 24 May 2021. In 2021, the impact of this on the Group's deferred tax liabilities of £18.6m was recorded as an adjusting item. A credit of £16.6m due to the release of provisions in respect of exposures related to prior years which are no longer expected to arise, including the closure of open years with tax authorities was also recorded as an adjusting item within the income statement in 2021.

* 'Restructuring costs and associated impairment losses' were previously reported separately as 'Restructuring costs' and 'Impairment losses'. These amounts are now reported together as they relate to the same projects.

4. Segmental information

Segmental information is presented in the consolidated financial statements for each of the Group's operating segments. The operating segment reporting format reflects the Group's management and internal reporting structures and represents the information that was presented to the chief operating decision-maker, being the Executive Committee. As described on page 10, each of the Group's three divisions has a number of key brands across its main markets and operational locations. For the purposes of reportable segmental information, operating segments are aggregated into the Group's three divisions, as the nature of the products, production processes and types of customer are similar within each division. Inter-segmental revenue is insignificant.

IMI Precision Engineering

IMI Precision Engineering specialises in the design and manufacture of motion and fluid control technologies where precision, speed and reliability are essential to the processes in which they are involved.

IMI Critical Engineering

IMI Critical Engineering is a world-leading provider of flow control solutions that enable vital energy and process industries to operate safely, cleanly, reliably and more efficiently. Our products control the flow of steam, gas and liquids in harsh environments and are designed to withstand temperature and pressure extremes as well as intensely abrasive or corrosive cyclical operations.

IMI Hydronic Engineering

IMI Hydronic Engineering is a leading provider of technologies that deliver operational and energy efficient water-based heating and cooling systems for the residential and commercial building sectors.

Performance is measured by the Executive Committee based on adjusted operating profit and organic revenue growth which are defined in Note 3. These two measures represent the two short-term key performance indicators for the Group.

Businesses enter into forward currency and metal contracts to provide economic hedges against the impact on profitability of swings in rates and values in accordance with the Group's policy to minimise the risk of volatility in revenues, costs and margins. Adjusted operating profits are therefore charged/credited with the impact of these contracts. In accordance with IFRS 9, these contracts do not meet the requirements for hedge accounting and gains and losses are reversed out of operating profit and are recorded in net financial income and expense for the purposes of the consolidated income statement.

The following table illustrates how the results for the segments reconcile to the overall results reported in the income statement.

	Revenue		Operating profit		Operating margin	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 %	2021 %
IMI Precision Engineering	986	836	182.6	148.9	18.5%	17.8%
IMI Critical Engineering	713	691	135.5	125.0	19.0%	18.1%
IMI Hydronic Engineering	350	339	71.1	68.1	20.3%	20.1%
Corporate costs			(25.4)	(23.9)		
Total revenue/operating profit and margin	2,049	1,866	363.8	318.1	17.8%	17.0%
Reversal of net economic hedge contract losses/(gains)			3.0	(6.0)		
Restructuring costs and associated impairment losses*			(25.9)	(39.7)		
Loss on disposal of subsidiary			-	(3.8)		
Acquired intangible amortisation and other acquisition items			(33.7)	(18.1)		
Exit from Russia			(9.0)	-		
Statutory revenue/operating profit	2,049	1,866	298.2	250.5		
Net financial expense			(12.8)	(5.9)		
Statutory profit before tax			285.4	244.6		

* 'Restructuring costs and associated impairment losses' were previously reported separately as 'Restructuring costs' and 'Impairment losses'. These amounts are now reported together as they relate to the same projects.

The following table shows a reconciliation of divisional adjusted operating profit to statutory operating profit:

	IMI Precision Engineering		IMI Critical Engineering		IMI Hydronic Engineering		Corporate		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Revenue	986	836	713	691	350	339			2,049	1,866
Adjusted operating profit	182.6	148.9	135.5	125.0	71.1	68.1	(25.4)	(23.9)	363.8	318.1
Reconciliation to statutory operating profit:										
Reversal of net economic hedge contract losses/(gains)	(2.4)	(3.4)	3.1	(1.9)	2.3	(0.7)			3.0	(6.0)
Restructuring costs and associated impairment losses	(24.8)	(35.6)	(0.4)	(0.8)	(0.7)	(3.3)			(25.9)	(39.7)
Loss on disposal of subsidiary				(3.8)					-	(3.8)
Acquired intangible amortisation and other acquisition items	(25.1)	(10.3)	(6.6)	(7.8)	(2.0)				(33.7)	(18.1)
Exit from Russia	(0.2)		(3.9)		(0.1)		(4.8)		(9.0)	-
Statutory operating profit	130.1	99.6	127.7	110.7	70.6	64.1	(30.2)	(23.9)	298.2	250.5
Statutory operating margin (%)	13.2%	11.9%	17.9%	16.0%	20.2%	18.9%			14.6%	13.4%

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, acquisitions and disposals compared to 2021:

	Year ended 31 December 2021				Year ended 31 December 2022				
	As adjusted	Disposals	Exchange	Organic	As adjusted	Acquisitions	Organic	Adjusted growth (%)	Organic growth (%)
Revenue									
IMI Precision Engineering	836	(3)	41	874	986	(70)	916	18%	5%
IMI Critical Engineering	691	(16)	23	698	713		713	3%	2%
IMI Hydronic Engineering	339	(5)	3	337	350		350	3%	4%
Total	1,866	(24)	67	1,909	2,049	(70)	1,979	10%	4%
Adjusted operating profit									
IMI Precision Engineering	148.9	(0.5)	7.4	155.8	182.6	(12.4)	170.2	23%	9%
IMI Critical Engineering	125.0	(3.3)	5.0	126.7	135.5		135.5	8%	7%
IMI Hydronic Engineering	68.1	(0.4)	(0.2)	67.5	71.1		71.1	4%	5%
Corporate costs	(23.9)			(23.9)	(25.4)		(25.4)		
Total	318.1	(4.2)	12.2	326.1	363.8	(12.4)	351.4	14%	8%
Adjusted operating profit margin (%)	17.0%			17.1%	17.8%		17.8%		

4. Segmental information (continued)

The following table illustrates how the segmental assets and liabilities reconcile to the overall total assets and liabilities reported in the balance sheet:

	Assets		Liabilities	
	2022 £m	2021 £m	2022 £m	2021 £m
IMI Precision Engineering	1,038.9	916.1	201.8	202.4
IMI Critical Engineering	894.1	714.6	262.5	231.2
IMI Hydronic Engineering	373.5	233.5	98.0	90.9
Total segmental assets/liabilities (including lease liabilities)	2,306.5	1,864.2	562.3	524.5
Corporate items	23.4	24.2	47.3	39.0
Employee benefits	28.5	129.0	47.4	66.5
Investments	2.0	2.9	-	-
Net debt items (excluding lease liabilities)	133.0	94.6	839.3	623.5
Net taxation	26.5	53.9	118.0	136.2
Total assets and liabilities in Group balance sheet	2,519.9	2,168.8	1,614.3	1,389.7

The following table includes other information to show how certain costs are allocated between the segments of the Group:

	Adjusting restructuring costs and associated impairment losses		Capital expenditure		Amortisation**		Depreciation ***	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
IMI Precision Engineering	24.8	35.6	42.0	29.9	28.7	11.2	38.5	32.7
IMI Critical Engineering	0.4	0.8	15.8	9.8	13.2	14.7	20.7	20.5
IMI Hydronic Engineering	0.7	3.3	12.8	17.8	5.9	5.3	14.2	14.3
	25.9	39.7	70.4	57.5	47.8	31.2	73.4	67.5
Corporate costs			0.7	-	0.2	-	0.8	0.8
Total	25.9	39.7	71.3	57.5	48.0	31.2	74.2	68.3

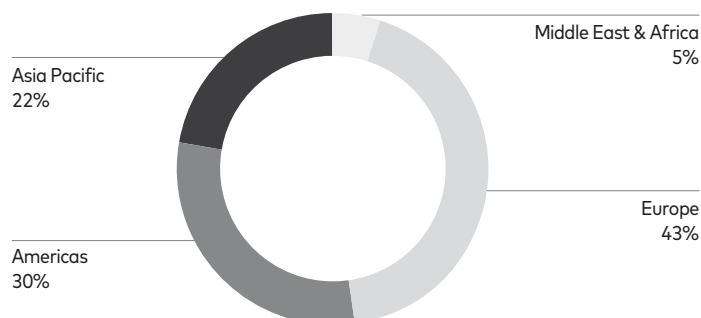
** The amortisation figures above include the amortisation of acquired intangibles. £22.9m (2021: £7.2m) is included in respect of IMI Precision Engineering, £6.6m (2021: £7.8m) is included in respect of IMI Critical Engineering and £nil (2021: £nil) is included in respect of IMI Hydronic Engineering.

*** The depreciation figures above include the impact of IFRS 16 'Leases': £0.6m in respect of Corporate (2021: £0.6m), £15.1m in respect of IMI Precision Engineering (2021: £12.3m), £9.6m in respect of IMI Critical Engineering (2021: £8.5m) and £7.0m in respect of IMI Hydronic Engineering (2021: £6.9m).

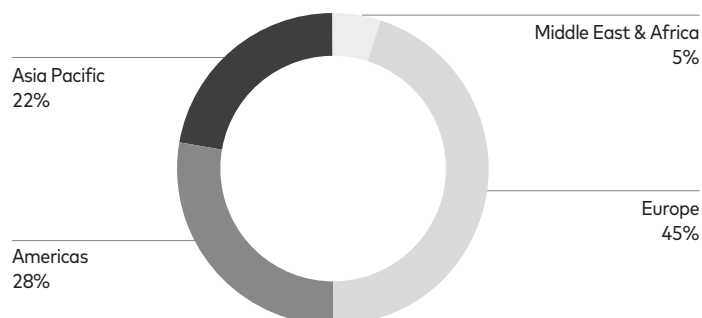
The following table shows a geographical analysis of how the Group's revenue is derived by destination:

	2022 £m	2021 £m
UK	93	83
Germany	265	238
Rest of Europe	520	520
Total Europe	878	841
USA	536	410
Rest of Americas	91	116
Total Americas	627	526
China	179	165
Rest of Asia Pacific	271	244
Total Asia Pacific	450	409
Middle East & Africa	94	90
Total revenue	2,049	1,866

Revenue by geography (2022)



Revenue by geography (2021)



The following table shows a geographical analysis of the location of the Group's intangible assets, property, plant and equipment and right of use assets:

	2022 £m	2021**** £m
UK	180.1	78.4
Germany	306.8	202.4
Rest of Europe	307.4	278.6
USA	521.3	483.4
Asia Pacific	64.5	57.7
Rest of World	30.3	26.8
Total	1,410.4	1,127.3

**** Prior year comparatives have been reclassified to match the geographical allocation for Group revenue.

4. Segmental information (continued)

The Group's revenue streams are disaggregated in the table below:

Sector	2022 Revenue £m	2021 Revenue £m
IMI Precision Engineering		
Industrial Automation	459	413
Life Sciences	152	91
Process Control	152	119
Precision Fluid OEM	304	210
Commercial Vehicle	186	180
Rail	37	33
Transportation	223	213
Total IMI Precision Engineering	986	836
IMI Critical Engineering		
Power	153	144
Refining & Petrochemical	118	105
Oil & Gas	57	45
Nuclear	46	57
Marine	14	11
Other	23	17
Aftermarket	411	379
Refining & Petrochemical	100	108
Oil & Gas	69	77
Power	61	66
Marine	26	22
Nuclear	6	3
Other	40	36
New Construction	302	312
Total IMI Critical Engineering	713	691
IMI Hydronic Engineering*		
TA	151	144
Heimeier	124	121
Pneumatex	66	61
Other	9	13
Total IMI Hydronic Engineering	350	339
Total revenue	2,049	1,866
Sale of goods	1,977	1,806
Sale of services	72	60
Total revenue	2,049	1,866

*Prior period IMI Hydronic Engineering results have been restated to reflect a £15m reclassification between TA and Heimeier.

5. Net operating costs

Operating profit is stated after charging/(crediting):

	2022 £m	2021 £m
Net foreign exchange gains included in operating profit	(3.2)	(5.1)
Research and development expense	70.3	49.7
Amortisation of intangible assets	48.0	31.2
Impairment of intangible assets treated as adjusting items	0.2	-
Impairment of intangible assets	0.5	0.1
Depreciation of owned property, plant and equipment	41.9	40.0
(Reversal of impairment)/impairment of owned property, plant and equipment treated as adjusting items	(2.3)	4.6
(Reversal of impairment)/impairment of owned property, plant and equipment	(0.6)	0.8
Depreciation of right of use assets	32.3	28.3
Cost of inventories recognised as an expense	1,112.1	1,004.6
Loss/(profit) on disposal of property, plant and equipment	1.7	(1.3)

Operating costs by function

The following table shows how much of the operating costs disclosed in the income statement relate to selling and distribution costs and administrative expenses:

	2022 £m	2021 £m
Selling and distribution costs*	(207.2)	(187.3)
Administrative expenses*	(367.1)	(356.3)
	(574.3)	(543.6)

* £45.8m included in selling and distribution costs in prior period has been reclassified to administrative expenses to better reflect the underlying transactions.

Employee information

The average number of people employed by the Group during the year was:

	2022	2021
IMI Precision Engineering	6,001	5,740
IMI Critical Engineering	3,106	3,117
IMI Hydronic Engineering	1,942	1,969
Corporate	80	90
Total Group	11,129	10,916

The aggregate employment cost charged to operating profit for the year was:

	2022 £m	2021 £m
Wages and salaries	505.9	491.9
Share-based payments	11.7	12.0
Social security costs	76.7	80.3
Pension costs**	8.3	9.5
Total	602.6	593.7

** There are no special pension events included in 2022 pension costs (2021: £nil, see Note 3).

The aggregate gains made by directors on the exercise of share options was £2.6m (2021: £1.6m). The remuneration, as defined in the Companies Act 2006 Schedule 5, for the executive directors comprises fixed and annual variable pay as set out in the table on page 128 of the Remuneration Report. For details of the non-executive directors' remuneration please refer to page 138 of the Remuneration Report.

Research and development expenditure

The cost of research and development expenditure charged directly to the income statement was £70.3m (2021: £49.7m). Included within this is amortisation of capitalised intangible development costs which amounted to £8.2m (2021: £7.1m) and across the Group a further £5.9m (2021: £4.6m) was capitalised in the year.

Exchange on operating activities net of hedging arrangements

The transactional foreign exchange gains in the Group were £3.2m (2021: gains of £5.1m).

Audit fees

The Group engages its auditor, Deloitte, to perform other assurance assignments in addition to their statutory audit duties where their expertise, experience and knowledge of the Group should enable them to perform these assignments more efficiently than other similar service providers.

The Group's policy on such assignments is set out in the Audit Committee Report on page 118. Fees earned by Deloitte and its associates during the year are set out below:

	2022 £m	2021 £m
Fees earned by the Company's auditor for the audit of the Company's Annual Accounts	0.2	0.2
The audit of the Company's subsidiaries, pursuant to legislation	2.9	2.5
Other assurance services	0.1	0.1
Total	3.2	2.8

6. Share-based payments

The Group operates a number of equity and equity-related compensation benefits to reward its employees. The estimated cost of awarding these share options is charged to the income statement over the period that the Group benefits from the employees' services. This cost is then added back to retained earnings, to reflect that there is no overall impact on the Group's balance sheet until the shares are issued to the employees when the options are exercised.

The individual share option schemes, the number of options outstanding under each of them, the estimated cost of these options recognised in the income statement and the assumptions used in arriving at this estimated cost are described below.

Accounting policy

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense each year. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value of the options is determined based on the Monte Carlo and Black-Scholes option-pricing models.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement.

For newly issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Outstanding share options

At 31 December 2022, options to purchase ordinary shares had been granted to, but not yet exercised by, participants of IMI share option schemes as follows:

	Date of grant	Number of shares	Price	Dates from which exercisable
IMI Sharesave Scheme	21.04.17	1,516	1106.00p	01.08.20 or 01.08.22
	04.04.18	11,335	1012.68p	01.08.21 or 01.08.23
	04.04.19	33,303	884.16p	01.08.22 or 01.08.24
	02.04.20	56,579	904.66p	01.08.23 or 01.08.25
	02.04.21	68,400	1166.58p	01.08.24 or 01.08.26
	31.03.22	97,876	1260.00p	01.08.25 or 01.08.27
		269,009		
Purchase Plans	15.08.22	83,380	1155.78p	15.08.24
		83,380		
IMI Incentive Plan	07.05.15	754	-	07.05.17 or 07.05.18
	09.03.16	4,735	-	09.03.18 or 09.03.19
	09.03.17	8,160	-	09.03.19 or 09.03.20
	12.03.18	7,850	-	12.03.20 or 12.03.21
	18.03.19	76,907	-	18.03.21 or 18.03.22
	16.03.20	1,114,366	-	16.03.23
	22.03.21	781,063	-	22.03.24
	18.03.22	883,186	-	09.03.25
		2,877,021		
IMI Share Option Plan	12.03.13	76,300	1322.70p	12.03.16
	22.10.13	9,000	1518.33p	22.10.16
	11.03.14	82,000	1467.00p	11.03.17
		167,300		
Total		3,396,710		

Schemes under which options are outstanding

The options in the adjacent table relate to the following share-based payment schemes:

IMI Sharesave Scheme ('SAYE')

This scheme is open to the majority of the Group's UK employees, including the executive directors, and allows the grant of options to all participants at a discount of up to 20% below the market price. Such schemes are not subject to performance conditions and offer tax incentives to encourage employees to use their own money to purchase IMI shares. SAYE options may be exercised within six months of the date they first become exercisable.

Global Employee Share Purchase Plans ('GESPP')

These plans were introduced in 2011 for the US and Germany. The German and US GESPP's offer the opportunity to buy shares in IMI at a fixed price at a future date. The German GESPP mirrors the UK Sharesave Scheme, with a minimum/maximum savings limit per month and contract duration of three to five years. The US GESPP also operates in a similar way to the UK Sharesave Scheme, with a minimum/maximum savings limit per month, but the contract duration is for a fixed period of two years and different taxation conditions apply for the exercise period. No further awards are intended to be granted under the German GESPP.

IMI Share Option Plan ('SOP')

Share option awards were made from 2009 to selected senior managers and certain other employees under the SOP. These awards are not subject to performance conditions, but are subject to a three year vesting period. The purpose of the SOP is to give selected IMI employees (who are not executive directors of the Company) the opportunity to share the benefits of share price growth and to increase their IMI shareholding.

Other share-based payment arrangements

The Group also operates the following employee share plans:

Share Incentive Plan ('SIP')

The SIP is open to the majority of the Group's UK employees, including the executive directors. This scheme covers two separate opportunities for employees to share in IMI's success as follows:

- Partnership shares – allows employees to invest up to the statutory maximum from pre-tax pay, which is used to buy IMI shares.
- Free shares – allows a grant of shares to employees each year, up to the statutory maximum.

Shares acquired or awarded under the SIP are not subject to performance conditions and offer tax incentives to encourage employees to build up their shareholdings with the Company.

The IMI Incentive Plan ('IIP')

In light of the expiry in 2015 of both the PSP and SMP, the IIP was introduced to act as the Company's sole senior executive long-term incentive plan. The IIP acts as an umbrella plan which allows the Company to grant different types of awards to different employee groups in an efficient way. The IIP is to be used annually to grant 'Performance Share Awards' in respect of ordinary shares to the executive directors and other members of senior management subject to performance conditions. The IIP will also be used annually to grant 'Bonus Share Awards' below board level. The IIP also gives the Company the ability to grant 'Restricted Stock Unit Awards' and 'Share Options'. It is currently intended that Restricted Stock Unit Awards and share options will only be granted in response to specific business requirements.

Options granted during the year

	Number of options granted (thousand)	Weighted average option price	Normal exercisable date
SAYE			
2019	200	884p	2022-2025
2020	68	905p	2023-2026
2021	75	1167p	2024-2027
2022	103	1260p	2025-2028
GESPP			
2019	33	903p	2021
2020	43	956p	2022
2021	-	-	2023
2022	85	1156p	2024
IIP			
2019	845	-	2021-2022
2020	1,466	-	2022-2023
2021	891	-	2023-2024
2022	929	-	2024-2025

6. Share-based payments (continued)

Movement in outstanding options in the year

	Options not granted at nil cost ¹			Options granted at nil cost ²	Total
	Number of options (thousand)	Range of option prices	Weighted average option price	Number of options (thousand)	Number of options (thousand)
Outstanding at 1 January 2021	966	845-1518p	1098p	3,048	4,014
Exercisable at 1 January 2021	586	971-1518p	1216p	167	753
Granted	75	1167p	1167p	978	1,053
Exercised	395	845-1467p	1085p	500	895
Lapsed	108	845-1467p	1101p	461	569
Outstanding at 31 December 2021	538	845-1518p	1116p	3,065	3,603
Exercisable at 31 December 2021	222	845-1518p	1325p	272	494
Granted	188	1156-1260p	1213p	1,033	1,221
Exercised	142	845-1467p	947p	533	675
Lapsed	65	845-1467p	1025p	306	371
Outstanding at 31 December 2022	519	884-1518p	1209p	3,255	3,774
Exercisable at 31 December 2022	180	884-1518p	1197p	477	657

¹ Options not granted at nil cost include options granted under the following schemes: IMI Sharesave Scheme, Global Employee Share Purchase Plans and IMI Share Option Plan.

² Options granted at nil cost are those granted under the Performance Share Plan, Share Matching Plan and IMI Incentive Plan.

Share-based payment charge for the year

The total expense recognised for the year arising from share-based payments was £11.7m (2021: £12.0m) which comprises a charge of £15.5m (2021: £15.3m) for the year offset by a credit of £3.8m (2021: £3.3m) in respect of lapses.

£2.7m (2021: £2.5m) of the total charge and £0.5m (2021: £0.7m) of the total credit is in respect of options granted to directors.

Share-based payment valuation methodology

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted, based on Black-Scholes and Monte Carlo option pricing models. The assumptions used for grants in 2022 included a dividend yield of 2.0% (2021: 1.7%), expected share price volatility of 32% (2021: 25%), a weighted average expected life of 3.5 years (2021: 3.5 years) and a weighted average interest rate of 1.75% (2021: 0.1%). The expected volatility is wholly based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Other share-based payment disclosures

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 is 4.8 years (2021: 7.1 years) and the weighted average fair value of share options granted in the year at their grant date was £13.01 (2021: £12.18).

The weighted average share price at the date of exercise of share options exercised during the year was £14.71 (2021: £14.84).

7. Earnings per ordinary share

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share (excluding those held in the Employee Benefit Trust or by the Company).

Basic EPS measures are calculated as the Group profit for the year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. Diluted EPS takes into account the dilutive effect of all outstanding share options priced below the market price, in arriving at the number of shares used in its calculation.

Both of these measures are also presented on an adjusted basis to assist the reader of the financial statements and provide insight into the performance of the Group. The note below demonstrates how this calculation has been performed.

	Key	2022 million	2021 million
Weighted average number of shares for the purpose of basic earnings per share	A	258.3	266.9
Dilutive effect of employee share options		1.2	1.1
Weighted average number of shares for the purpose of diluted earnings per share	B	259.5	268.0

	Key	£m	£m
Statutory profit for the year	C	226.3	196.3
Total adjusting items charges included in profit before tax		60.7	62.4
Total adjusting items credits included in taxation		(14.6)	(13.1)
Earnings for adjusted EPS	D	272.4	245.6

	Key	2022	2021
Statutory EPS measures			
Statutory basic EPS	C/A	87.6p	73.5p
Statutory diluted EPS	C/B	87.2p	73.2p
Adjusted EPS measures			
Adjusted basic EPS	D/A	105.5p	92.0p
Adjusted diluted EPS	D/B	105.0p	91.6p

8. Net financing costs

Accounting policy

Financial income comprises interest receivable on funds invested, income from investments and gains on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date that the dividend is declared.

Financial expense comprises interest payable on borrowings calculated using the effective interest rate method, the interest related element of derivatives and losses on financial instruments that are recognised in the income statement. The interest expense component of lease payments is recognised in the income statement applying territory specific incremental borrowing rates.

Net finance expense relating to defined benefit pension schemes represents the assumed interest on the difference between employee benefit plan liabilities and the employee benefit plan assets.

The finance income or expense on mark-to-market movements on interest and foreign exchange derivatives and other financing costs are excluded from adjusted earnings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

	2022			2021		
	Interest £m	Financial instruments £m	Total £m	Interest £m	Financial instruments £m	Total £m
Recognised in the income statement						
Interest income on bank deposits	4.6		4.6	2.4		2.4
Financial income	4.6	-	4.6	2.4	-	2.4
Interest expense on interest-bearing loans and borrowings	(21.0)		(21.0)	(11.7)		(11.7)
Interest expense on leases	(2.8)		(2.8)	(2.8)		(2.8)
Financial expense	(23.8)	-	(23.8)	(14.5)	-	(14.5)
Recognised in other comprehensive income						
Gains on instruments measured at fair value through profit or loss:						
Other economic hedges*		4.9	4.9		5.2	5.2
Net financial income relating to defined benefit pension schemes	1.5		1.5	1.0		1.0
Net financial (expense)/income	(17.7)	4.9	(12.8)	(11.1)	5.2	(5.9)

*Gains and losses on financial instruments measured at fair value through profit or loss were previously reported separately under 'Financial income' and 'Financial expense'. These amounts are now reported under 'Gains/(losses) on instruments measured at fair value through profit or loss' and prior year comparatives have been represented as they relate to the same underlying transactions.

Included in financial instruments are current year trading gains and losses on economically effective transactions which for management reporting purposes are included in adjusted revenue and operating profit (see Note 3). For statutory purposes, these are shown within net financial income and expense above. Gains or losses for future year transactions are in respect of financial instruments held by the Group to provide stability of future trading cash flows.

	2022 £m	2021 £m
Recognised in other comprehensive income		
(Loss)/gain arising on hedging instruments designated in hedges of the net assets in foreign operations	(7.5)	20.0
Exchange differences on translation of foreign operations net of funding revaluations	40.9	(33.8)
Exchange differences reclassified to income statement on disposal of operations	0.6	0.1
Income tax on items recognised in other comprehensive income	(0.3)	1.2
Total items recognised in other comprehensive income (net of tax)	33.7	(12.5)
Recognised in statement of changes in equity		
Translation reserve	33.7	(12.5)

9. Taxation

IMI operates through subsidiary companies all around the world that pay many different taxes such as corporate income taxes, VAT, payroll withholdings, social security contributions, customs import duties and excise duties. This note aggregates only those corporate income taxes that are or will be levied on the profits of IMI plc and its subsidiary companies for periods leading up to and including the balance sheet date. The profits of each company are subject to certain adjustments as specified by applicable tax laws in each country to arrive at the tax liability that is expected to result on its tax returns. Where these adjustments have future tax impact then deferred taxes may also be recorded.

Accounting policy

Current tax payable/receivable represents the expected tax payable/receivable on the taxable profits for the year, using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments in respect of prior years.

Deferred tax is provided, using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the timing of the reversal of the differences can be controlled and it is probable that the differences will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

In common with many multinational companies, IMI faces tax audits in jurisdictions around the world, including in relation to transfer pricing of goods and services between associated entities within the Group, the outcomes of which are uncertain. These tax audits may be subject to inter-government negotiations. The matters under discussion are often complex and can take many years to resolve. Tax liabilities are recorded based on management's estimate of either the most likely amount or the expected amount depending on which method is expected to better reflect the resolution of the uncertainty.

regular basis of any material or significant tax matters, so that appropriate action can be effected. Through IMI Workplace and Knowledge Library, the Group communicates policies, procedures, guidance and best practices to improve the management of taxation across its subsidiary companies worldwide.

Compliance: IMI pays and collects significant amounts of taxes around the world as a result of its business activities. It seeks to manage its taxation obligations worldwide in compliance with all applicable tax laws and regulations, as well as fully in line with the Group's Code of Conduct. Accordingly, the tax contribution by the individual businesses is monitored and robust standard tax compliance processes operate together with appropriate financial controls to ensure that all tax returns are complete, accurate and filed on a timely basis with the tax authorities around the world and the declared taxes paid on time. Furthermore, the preparation and filing of the corporate income tax returns for IMI subsidiary companies worldwide have been largely outsourced to one tax advisory firm.

Tax laws are often complex, which can lead to inconsistent interpretations by different stakeholders. Where this occurs, IMI may reduce uncertainty and controversy through various actions, including proactive discussion with the fiscal authorities to obtain early resolution and securing external tax advice to ensure the robust interpretation of tax laws and practices.

The Group Tax Policy is fully aligned with the Group's Code of Conduct, which requires the Group and its employees and agents to act in compliance with applicable laws and with fairness and integrity in all of its business dealings. IMI has a zero-tolerance approach to tax evasion and the facilitation of tax evasion. Consideration of UK legislation regarding third party tax evasion has also been incorporated into the Group's prevention procedures, including employee training.

Fairness: IMI seeks to record its profits across the subsidiary companies around the world on an arm's length basis in accordance with internationally accepted best practices, recognising the relative contributions of people, assets, intellectual property and risks borne by the various businesses. The resulting allocation of profits is regularly tested for compliance with this standard.

IMI has taken action to ensure that it meets the enhanced transfer pricing disclosures and documentation requirements by tax authorities as a result of the Base Erosion & Profit Shifting (commonly referred to as 'BEPS') initiative by the OECD.

Value: IMI manages the impact of taxation on its businesses in a responsible manner by only adopting legitimate and commercial positions. In doing so, the Group may make use of legitimate tax incentives, exemptions and statutory alternatives offered by governments and will look to ensure that it is not taxed more than once on the same profit. As a UK headquartered group, IMI's profits are ultimately subject to UK taxation, although as the Group pays significant taxes overseas, the overall effective tax rate for the Group is marginally above the UK statutory tax rate.

Transparency: IMI aims to build positive working relationships with tax authorities by co-operating in a constructive, open and timely manner. IMI seeks to disclose its tax affairs in its published accounts and taxation returns fully in accordance with the applicable standards and, where appropriate, will supplement its tax disclosures with further information to better inform, and to be transparent to, its stakeholders.

Risk: IMI engages external support to manage tax risks and achieve the strategic objectives outlined above. Tax risks are regularly assessed for all companies within the Group, promptly addressed and reported so that they may be appropriately provided and disclosed in the relevant accounts and tax returns. To the extent that identified tax risks are material they will be reported to the Executive Committee through the Group's process for strategic risk management as described on page 86.

Tax governance, risk and strategy

IMI recognises its corporate responsibility to ensure that all businesses within the IMI Group follow responsible tax practices to enhance long-term shareholder value whilst also contributing to the public expenditure and the overall welfare of the communities in which it operates. Accordingly, the IMI Tax Policy sets the core principles of compliance, fairness, value and transparency for the management of the Group's tax affairs.

This Policy has been approved by the Board, fully communicated to subsidiary businesses and is reviewed to ensure responsible business practices across the Group are maintained. The Group Finance Director has primary responsibility for all tax matters and keeps the Board apprised of any significant issues or changes to the Tax Policy. A robust tax governance framework has also been established under which the Executive Committee and the IMI Board are apprised on a

9. Taxation (continued)

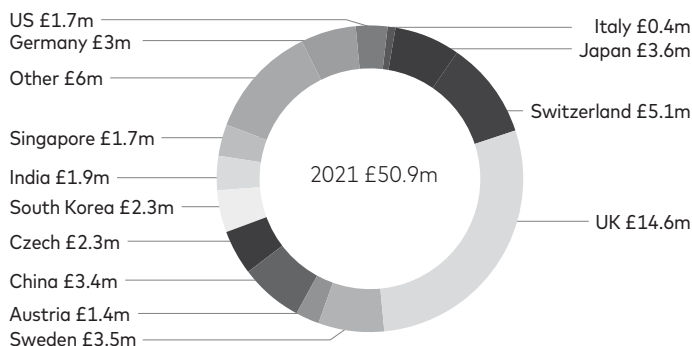
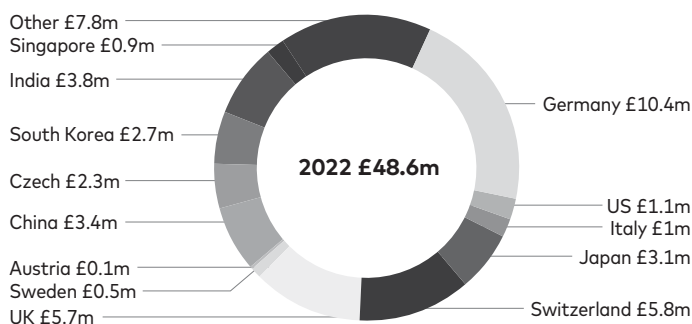
UK Corporation tax

The rate of corporation tax in the UK for 2022 was 19% (2021: 19%). As from 1 April 2023, it will increase from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2021: 25%).

Tax payments

During the year, the Group made payments of corporate income tax of £48.6m (2021: £50.9m), principally arising as follows:

Jurisdiction of companies making corporate income tax payments:



There is normally an element of volatility in the annual payments of corporate income taxes due to the timing of assessments, acquisition and disposals, exceptional items and payments on account in the many countries in which the Group operates. Changes in the jurisdictions in which profits are earned can have an impact on cashflow levels which may take time to be reflected in the tax cashflow.

The level of payments made during 2022 decreased slightly compared to 2021. Sweden and the UK decreased due to the recovery of tax debtors. German payments for 2022 now represent a more normal level having recovered tax debtors in earlier periods. Other territorial movements in payments largely reflect shifts in trading.

In addition, the Group makes substantial other tax payments relating to employment, consumption, procurement and investment to tax authorities around the world.

Recognised in the income statement

This section sets out the current and deferred tax charges, which together comprise the total tax charge in the income statement.

	2022 £m	2021 £m
Current tax charge		
Current year charge	63.0	53.9
Adjustments in respect of prior years	(1.9)	(11.1)
	61.1	42.8
Deferred taxation		
Origination and reversal of temporary differences	(2.0)	5.5
Total income tax charge	59.1	48.3

Reconciliation of effective tax rate

As IMI's head office and parent company is domiciled in the UK, the Group references its effective tax rate to the UK corporation tax rate, despite only a small portion of the Group's business being in the UK. Therefore, the following tax reconciliation applies the UK corporation tax rate for the year to profit before tax, both before and after adjusting items. The resulting tax charge is reconciled to the actual tax charge for the Group, by taking account of specific tax adjustments as follows:

	2022			2021		
	Adjusted £m	Adjusting items £m	Statutory £m	Adjusted £m	Adjusting items £m	Statutory £m
Profit before tax	346.1	(60.7)	285.4	307.0	(62.4)	244.6
Income tax using the Company's domestic rate of tax of 19.00% (2021: 19.00%)	65.8	(11.5)	54.3	58.3	(11.9)	46.4
Effects of:						
Non-deductible items	3.0	0.4	3.4	1.4	0.8	2.2
Non taxable loss on disposal of businesses	-	0.9	0.9	-	0.7	0.7
Utilisation of losses on which no deferred tax had been recognised	(1.0)	-	(1.0)	(0.4)	-	(0.4)
Current year losses for which no deferred tax asset has been recognised	0.2	-	0.2	0.3	0.1	0.4
Recognition of deferred tax asset on previously unprovided timing differences	(0.8)	-	(0.8)	(2.8)	-	(2.8)
Change in future tax rate on deferred tax	-	-	-	-	18.6	18.6
Differing tax rates	12.5	(4.4)	8.1	6.2	(4.8)	1.4
Adjustments to prior year current and deferred tax charges	(6.0)	-	(6.0)	(1.6)	(16.6)	(18.2)
Total tax in income statement	73.7	(14.6)	59.1	61.4	(13.1)	48.3
Income tax expense reported in the consolidated income statement	73.7	(14.6)	59.1	61.4	(13.1)	48.3
Effective rate of tax:	21.3%		20.7%	20.0%		19.7%

Events after the reporting period

In the Autumn Statement of November 2022, the UK government reconfirmed its intention to introduce legislation to give effect to the OECD Inclusive Framework agreement that there should be a minimum global corporate income tax rate of 15%. Based on current proposals this would apply to IMI from 1 January 2024. It therefore does not impact IMI's results for 2022, and it is not expected to have a material impact on IMI's financial statements for subsequent years. However, this will continue to be monitored.

Recognised outside of the income statement

In addition to amounts charged to the income statement, some current tax and deferred tax is charged/(credited) directly to equity or through other comprehensive income, which can be analysed as follows:

	2022 £m	2021 £m
Deferred tax:		
On equity-settled transactions	1.9	(2.5)
On re-measurement gains and on defined benefit plans	(20.4)	18.4
Effect of rate change on previously recognised items	-	(15.8)
	(18.5)	0.1
Current tax:		
On change in value of effective net investment hedge derivatives	0.3	(1.2)
On equity-settled transactions	-	(0.5)
	(18.2)	(1.6)
Of which the following amounts are charged/(credited):		
to the statement of comprehensive income	(20.1)	1.4
to the statement of changes in equity	1.9	(3.0)
	(18.2)	(1.6)

9. Taxation (continued)

Recognised deferred tax assets and liabilities

Deferred taxes record the tax consequences of temporary differences between the accounting and taxation recognition of certain items, as explained below:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Intangible and tangible fixed assets	6.2	11.1	(64.7)	(59.8)	(58.5)	(48.7)
Inventories	5.5	4.5	(1.7)	(1.2)	3.8	3.3
Revaluation of derivatives	0.5	0.1	(0.8)	(0.7)	(0.3)	(0.6)
Pension and share-based payments	12.1	18.9	(7.1)	(32.8)	5.0	(13.9)
Short-term timing differences	30.7	28.8	(5.8)	(3.8)	24.9	25.0
Other tax credits and losses	1.7	4.4	-	-	1.7	4.4
	56.7	67.8	(80.1)	(98.3)	(23.4)	(30.5)
Offsetting within tax jurisdictions	(32.2)	(28.1)	32.2	28.1	-	-
Total deferred tax assets and liabilities	24.5	39.7	(47.9)	(70.2)	(23.4)	(30.5)

The movement in the net deferred tax balances has been recognised in the financial statements as analysed below:

	Balance at 1 Jan 22 £m	Recognised in the income statement £m	Recognised outside the income statement £m	Exchange £m	Acquisitions / disposals £m	Balance at 31 Dec 22 £m
Intangible and tangible fixed assets	(48.7)	(5.4)		(4.4)		(58.5)
Inventories	3.3	0.4		0.1		3.8
Revaluation of derivatives	(0.6)	0.3				(0.3)
Pension and share-based payments	(13.9)	(0.2)	18.5	0.6		5.0
Short-term timing differences	25.0	9.7		1.6	(11.4)	24.9
Other tax credits and losses	4.4	(2.8)		0.1		1.7
Net deferred tax (liability)/asset	(30.5)	2.0	18.5	(2.0)	(11.4)	(23.4)

	Balance at 1 Jan 21 £m	Recognised in the income statement £m	Recognised outside the income statement £m	Exchange £m	Acquisitions / disposals £m	Balance at 31 Dec 21 £m
Intangible and tangible fixed assets	(31.3)	12.3		0.6	(30.3)	(48.7)
Inventories	2.1	1.0		(0.1)	0.3	3.3
Revaluation of derivatives	(1.1)	0.5				(0.6)
Pension and share-based payments	7.0	(20.1)	(0.1)	(0.7)		(13.9)
Short-term timing differences	24.2	(0.3)		(0.4)	1.5	25.0
Other tax credits and losses	1.5	1.1		(0.2)	2.0	4.4
Net deferred tax asset/(liability)	2.4	(5.5)	(0.1)	(0.8)	(26.5)	(30.5)

All exchange movements are taken through the translation reserve.

Unrecognised deferred tax assets and liabilities

Deferred assets are reviewed at each reporting date. Deferred tax assets have not been recognised for the following temporary differences:

	2022		2021	
	Gross amount £m	Tax effected £m	Gross amount £m	Tax effected £m
Tax losses expiring:				
Within 10 years	7.4	1.8	8.5	2.1
Available indefinitely	46.0	12.0	43.3	11.4
Capital losses expiring:				
Within 10 years	-	-	-	-
Available indefinitely	119.2	29.9	118.9	29.8
Surplus interest expiring:				
Within 10 years	0.5	0.1	-	-
Available indefinitely	-	-	13.2	3.4
	173.1	43.8	183.9	46.7

Deferred tax assets have not been recognised for these temporary differences due to uncertainty over suitable future taxable profits and therefore their ability to be recovered. In assessing the probability of recovery, the Group assesses the likelihood of them being recovered within a reasonably foreseeable timeframe, being typically a minimum of five years, taking into account the future expected profit profile business model of the relevant company and country. The Group also considers the nature of the losses and interest, and any potential legislative restrictions on use. In some instances, these amounts are yet to be accepted by the tax authorities and could be challenged. The majority of these amounts have no expiry date as noted in the table above.

It is likely that the majority of unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption. However, £112.9m (2021: £128.4m) of those earnings may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £6.6m (2021: £7.5m) of which £3.2m (2021: £2.2m) has been provided on the basis that the Group expects to remit these amounts.

10. Dividends

Accounting policy

Dividends are recognised as a liability in the period in which they are approved by shareholders.

Dividends

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	2022 £m	2021 £m
Current year final dividend - 17.4p per qualifying ordinary share (2021: 15.8p)	45.1	40.9

The following dividends were declared and paid by the Group during the year:

	2022 £m	2021 £m
Prior year final dividend paid - 15.8p per qualifying ordinary share (2021 final year dividend: 15.0p)	40.8	40.8
Current year interim dividend paid - 8.3p per qualifying ordinary share (2021: 7.9p)	21.4	21.0
	62.2	61.8

Dividend policy and share buybacks

As part of the capital management process, the Group ensures that adequate reserves are available in IMI plc in order to meet proposed shareholder dividends, the purchase of shares for employee share scheme incentives and any on-market share buyback programme.

The Group does not have a formal dividend policy or pay out ratio. The Group's aim is to continue with progressive dividends which typically increase at a steady rate for both the interim and final dividend payments. In the event that the Board cannot identify sufficient investment opportunities through capital expenditure, organic growth initiatives and acquisitions, the return of funds to shareholders through share buybacks or special dividends will be considered. It should be noted that a number of shares are regularly bought in the market by an employee benefit trust in order to hedge the exposure under certain management incentive plans. Details of these purchases are shown in Note 22 to the financial statements.

11. Intangible assets

Accounting policy

Intangible assets are disclosed as acquired intangible assets and non-acquired intangible assets. Amortisation of acquired intangible assets is treated as an adjusting item as described in Note 3 as the impact of any acquisitions, which are clearly identifiable, can materially impact the net book value, from period to period.

i. Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The value of the goodwill can arise from a number of sources, but in relation to our more recent acquisitions, it has been represented by post-acquisition synergies and the skills and knowledge of the workforce.

ii. Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised provided benefits are probable, cost can be reliably measured and if, and only if, the product or process is technically and commercially feasible and the Group has sufficient resources and intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 'Impairment') and is included in the other acquired or other non-acquired category of intangible assets depending on its origin.

iii. Software development costs

Software applications and systems that are not an integral part of their host computer equipment are capitalised on initial recognition as intangible assets at cost. Cost comprises the purchase price plus directly attributable costs incurred on development of the asset to bring it into use. Following initial recognition, software development costs are carried at cost less any accumulated amortisation (see below) and accumulated impairment losses (see accounting policy 'Impairment') and are included in the other acquired or other non-acquired category of intangible assets depending on their origin.

iv. Customer relationships and other acquired intangible assets

Customer relationships and other intangible assets that are acquired by the Group as part of a business combination are stated at their fair value calculated by reference to the net present value of future benefits accruing to the Group from utilisation of the asset, discounted at an appropriate discount rate.

Expenditure on other internally generated intangible assets is recognised in the income statement as an expense as incurred.

v. Amortisation of intangible assets other than goodwill

Amortisation is charged to the income statement on a straight-line basis (other than for customer relationships and order book, which are charged on a sum of digits basis) over the estimated useful lives of the intangible assets. Amortisation commences from the date the intangible asset becomes available for use. The estimated useful lives for:

- Capitalised development costs are the life of the intangible asset (usually a maximum of 17 years)
- Software development costs are the life of the intangible asset (up to 17 years)
- Customer relationships are the life of the intangible asset (up to 17 years)
- Other intangible assets (including order books, brands and software) are the life of the intangible asset (up to 10 years)

The Group splits its intangible assets between those arising on acquisitions and those which do not, because the amortisation of acquired intangibles is recognised as an adjusting item in the income statement.

Analysis of intangible assets

	Goodwill	Acquired customer relationships**	Other acquired intangibles**	Other non-acquired intangibles*	Non-acquired intangibles under construction	Other intangible assets
	£m	£m	£m	£m	£m	£m
Cost						
As at 1 January 2021	487.4	244.0	132.3	170.2	9.8	556.3
Exchange adjustments	(14.7)	(7.9)	(5.2)	(3.0)	(0.8)	(16.9)
Acquisitions	97.4	51.4	58.2			109.6
Additions				4.5	6.8	11.3
Transfers from assets in the course of construction				6.9	(6.9)	-
Disposals	(0.5)	(3.6)	(0.3)	(6.4)		(10.3)
As at 31 December 2021	569.6	283.9	185.0	172.2	8.9	650.0
Exchange adjustments	48.3	21.2	22.3	12.7	(0.7)	55.5
Acquisitions (Note 23)	153.5	30.9	16.5			47.4
Additions				7.0	7.1	14.1
Transfers from assets in the course of construction				9.3	(9.3)	-
Disposals				(6.0)		(6.0)
As at 31 December 2022	771.4	336.0	223.8	195.2	6.0	761.0
Amortisation						
As at 1 January 2021	37.9	204.8	106.7	94.5		406.0
Exchange adjustments	(1.9)	(7.7)	(3.7)	(0.9)		(12.3)
Disposals		(3.3)	(0.3)	(5.9)		(9.5)
Impairment charge				0.1		0.1
Amortisation for year		10.5	4.5	16.2		31.2
As at 31 December 2021	36.0	204.3	107.2	104.0	-	415.5
Exchange adjustments	1.7	14.0	11.5	6.8		32.3
Acquisitions						-
Disposals				(6.0)		(6.0)
Impairment charge				0.7		0.7
Amortisation for year		17.2	12.3	18.5		48.0
As at 31 December 2022	37.7	235.5	131.0	124.0	-	490.5
Net book value at 31 December 2021	533.6	79.6	77.8	68.2	8.9	234.5
Net book value at 31 December 2022	733.7	100.5	92.8	71.2	6.0	270.5

* Other non-acquired intangibles includes capitalised development costs with a carrying value of £33.1m (2021: £34.5m) and capitalised software costs with a carrying value of £38.1m (2021: £33.7m).

** An amount included in other acquired intangibles in prior period has been reclassified to acquired customer relationships as part of finalisation of provisional accounting for Adaptas.

11. Intangible assets (continued)

Goodwill impairment testing

Accounting policy

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of 'CGUs'). The composition of CGUs reflects both the way in which cash inflows are generated and the internal reporting structure. Where our businesses operate closely with each other we will continue to review whether they should be treated as a single CGU. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and shall not be larger than an operating segment before aggregation.

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 of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Impairment

The carrying values of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether impairment indicators exist.

If indicators exist, the recoverable amount of the asset or all assets within its CGU is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its CGU unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For goodwill and assets that are not yet available for use, the recoverable amount is evaluated at each balance sheet date.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, an individual assessment is made of the estimated future cash flows generated for each CGU derived from the Group's long-term forecasts for the next five years. These are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management believe that this approach, including the use of the indefinite cash flow projection, is appropriate based upon both historical experience and because it is one of the bases management utilise to evaluate the fair value of investment opportunities. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash generating unit to which the asset belongs.

Reversals of impairment

Impairments of goodwill are non-reversible. In respect of other assets, an impairment loss is reversed if at the balance sheet date there are indications that the loss has decreased or no longer exists following a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group has 12 (2021:13) cash generating units to which goodwill is allocated.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cash flow projections from financial budgets, forecasts and plans approved by the Board covering a five-year period and include a terminal value multiple. The projected cash flows reflect the latest expectation of demand for products and services, including consideration of the future impacts of climate change which is considered as part of the Group's five-year strategic planning process.

The key assumptions in these calculations are the long-term growth rates and the discount rates applied to forecast cash flows in addition to the achievement of the forecasts themselves. Long-term growth rates are based on long-term economic forecasts for growth in the manufacturing sector in the geographical regions in which the cash generating unit operates. Pre-tax discount rates specific to each cash generating unit are calculated by adjusting country and region-specific post-tax weighted average cost of capital ('WACC') for specific country risk premium, the Group's size risk premium and tax rate relevant to the jurisdiction in which the cash flows are generated.

This exercise resulted in the use of the following ranges of values for the key assumptions:

	2022 %	2021 %
Discount rate	8.8 – 13.3	7.3 – 11.2
Long-term growth rate	1.2 – 2.0	1.5 – 2.0

For the purpose of assessing the significance of CGUs, the Group uses a threshold of 10% of the total goodwill balance. The recoverable amount of the CGUs is determined from a value in use calculation and the key assumptions used in this calculation are the discount rate, growth rate and operating cash flows. These estimates are determined using the methodology discussed above and for those CGUs considered to be significant; outlined in the table below:

2022	Goodwill £m	Discount rate %	Growth rate %
CGU			
IMI Precision – Fluid OEM*	208.9	10.3	2.0
IMI Critical – Petrochemical & Isolation	117.4	10.0	2.0
IMI Critical – Control Valves	99.6	13.3	2.0
2021			
CGU			
IMI Critical – Petrochemical & Isolation	110.6	10.9	2.0
IMI Critical – Control Valves	95.9	10.8	2.0
IMI Precision Americas – Fluid Technologies	59.0	10.9	1.7

* IMI Precision Fluid OEM CGU is a new group of CGUs in the current year that combines IMI Precision Americas – Fluid Technologies, IMI Precision EMEA – Fluid Technologies and Adaptas.

The goodwill balance of Heatmiser UK Ltd of £102.2m has not been included in the 2022 analysis above due to provisional accounting used for the purchase price allocation.

The carrying amount of Goodwill allocated to CGUs deemed to be non-significant is £307.8m (2021: £268.1m).

Sensitivity to changes in assumptions

The key estimates reflect the combination of assumptions used, including the long-term growth rates and the discount rate applied to forecast cash flows in addition to the achievement of the forecasts themselves.

The Directors do not consider that any reasonably possible changes to the key assumptions would cause the carrying amount to exceed the recoverable amount of the CGU.

The aggregate amount of goodwill arising from acquisitions prior to 1 January 2004 which had been deducted from the profit and loss reserves and incorporated into the IFRS transitional balance sheet as at 1 January 2004, amounted to £364m. The cumulative impairment recognised in relation to goodwill is £41m (2021: £41m).

12. Property, plant and equipment

This note details the physical assets used by the Group to generate revenues and profits, in addition to those disclosed in Note 13 'Leases'. These assets include manufacturing, distribution and office sites, and equipment used in the manufacture of the Group's products. The cost of these assets represents the amount initially paid for them.

Accounting policy

Freehold land and assets in the course of construction are not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 11).

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Costs in respect of tooling owned by the Group for clearly identifiable new products are capitalised net of any contribution received from customers and are included in plant and equipment.

Depreciation is charged to the income statement, from the date the asset is brought in to use, on a straight-line basis (unless such a basis is not aligned with the anticipated benefit) so as to write down the cost of assets to residual values over the period of their estimated useful lives within the following ranges:

- Freehold buildings - 25 to 50 years
- Plant and equipment - 3 to 20 years

Assets in the course of construction comprise assets which are not currently ready to be brought in to use. Assets under construction are not depreciated.

If there has been a technological change or decline in business performance the directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value, a one-off impairment charge is made against profit.

	Land & buildings £m	Plant & equipment £m	Assets in the course of construction £m	Total £m
Cost				
As at 1 January 2021	189.6	698.2	16.9	904.7
Exchange adjustments	(5.6)	(27.3)	(1.4)	(34.3)
Acquisitions (Note 23)	4.1	5.0	0.5	9.6
Additions	1.1	20.6	24.5	46.2
Transfers from assets in the course of construction	1.8	12.1	(13.9)	-
Disposals	(4.3)	(33.9)		(38.2)
As at 31 December 2021	186.7	674.7	26.6	888.0
Exchange adjustments	8.7	43.9	(0.4)	52.2
Acquisitions (Note 23)	2.9	1.8	0.2	4.9
Additions	3.6	23.7	29.9	57.2
Transfers from assets in the course of construction	0.8	24.4	(25.2)	-
Disposals	(4.3)	(32.8)	(0.1)	(37.2)
As at 31 December 2022	198.4	735.7	31.0	965.1
Depreciation				
As at 1 January 2021	97.0	541.7		638.7
Exchange adjustments	(0.6)	(28.3)		(28.9)
Disposals	(2.6)	(32.3)		(34.9)
Impairment charge	3.1	2.3		5.4
Depreciation	3.7	36.3		40.0
As at 31 December 2021	100.6	519.7	-	620.3
Exchange adjustments	3.6	35.6		39.2
Disposals	(2.1)	(30.5)		(32.6)
Reversal of impairment	(1.9)	(1.0)		(2.9)
Depreciation	4.7	37.2		41.9
As at 31 December 2022	104.9	561.0	-	665.9
NBV at 31 December 2021	86.1	155.0	26.6	267.7
NBV at 31 December 2022	93.5	174.7	31.0	299.2

A reversal of impairment £2.9m occurred during the year (2021: an impairment charge of £5.4m). The recoverable amount of these assets has been determined using their fair value less costs to sell, estimated by both internal and external valuation specialists.

Group contracts in respect of future capital expenditure which had been placed at the balance sheet date amounted to £3.7m (2021: £3.4m).

13. Leases

Accounting policy

The Group leases various properties, plant, equipment and cars. Rental contracts are negotiated individually and have a range of initial terms and may have extension options. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of:

- i. fixed payments less any lease incentives receivable;
- ii. variable lease payments that are based on an index or a rate;
- iii. amounts expected to be payable by the Group under residual value guarantees;
- iv. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- v. payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the entity's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising:

- i. the amount of the initial measurement of lease liability;
- ii. any lease payments made at or before the commencement date less any lease incentives received; and
- iii. restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options - Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgement

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of £nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £8.3m (2021: £11.0m).

13. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land & buildings £m	Plant & equipment £m	Total £m
As at 1 January 2021	72.6	13.0	85.6
Additions	14.9	5.0	19.9
Acquisitions	3.8	0.1	3.9
Extensions	12.4	0.7	13.1
Payment changes	0.5	0.1	0.6
Terminations	(1.5)	(0.4)	(1.9)
Depreciation expense	(20.9)	(7.4)	(28.3)
Exchange	(0.9)	(0.5)	(1.4)
As at 31 December 2021	80.9	10.6	91.5
Additions	27.9	7.3	35.2
Acquisitions	-	0.1	0.1
Extensions	8.0	1.0	9.0
Payment changes	1.6	0.2	1.8
Terminations	(0.5)	(0.2)	(0.7)
Impairment	(0.6)	-	(0.6)
Depreciation expense	(25.0)	(7.3)	(32.3)
Exchange	2.5	0.5	3.0
As at 31 December 2022	94.8	12.2	107.0

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Land & buildings £m	Plant & equipment £m	Total £m
As at 1 January 2021	75.5	12.8	88.3
Additions	14.6	5.1	19.7
Acquisitions	3.8	0.1	3.9
Extensions	12.1	0.7	12.8
Payment changes	(0.8)	0.1	(0.7)
Terminations	(1.5)	(0.3)	(1.8)
Accretion of interest	2.6	0.2	2.8
Payments	(22.3)	(7.7)	(30.0)
Exchange	(0.8)	(0.3)	(1.1)
As at 31 December 2021	83.2	10.7	93.9
Additions	23.7	7.3	31.0
Acquisitions	-	0.1	0.1
Extensions	8.1	1.0	9.1
Payment changes	1.7	0.2	1.9
Terminations	(0.5)	(0.2)	(0.7)
Accretion of interest	2.6	0.2	2.8
Payments	(27.2)	(7.9)	(35.1)
Exchange	2.2	0.5	2.7
As at 31 December 2022	93.8	11.9	105.7
Current	20.0	5.8	25.8
Non-current	73.8	6.1	79.9

The following are the amounts recognised in the income statement:

	2022 £m	2021 £m
Depreciation expense of right-of-use assets	(32.3)	(28.3)
Interest expense on lease liabilities	(2.8)	(2.8)
Total amount recognised in profit or loss	(35.1)	(31.1)

Practical expedients applied

The Group has used the following practical expedients permitted by the standard:

- i. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

No practical expedient has been applied in relation to short-term leases and low value assets and is not expected to be used in subsequent periods.

Future cash outflows that the Group is potentially exposed to in relation to the measurement of lease liabilities which have not been reflected is £nil (2021: £nil).

14. Retirement benefits

Accounting policy

i. Defined contribution ('DC') pension plans

Arrangements where the employer pays fixed contributions into an external fund on behalf of the employee (who is responsible for making the investment decision and therefore assumes the risks and rewards of fund performance). Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

ii. Defined benefit ('DB') pension plans

A defined benefit pension plan is a pension arrangement in which the employer promises a specified annual benefit on retirement that is pre-determined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. In some cases, this benefit is paid as a lump sum on leaving the Company or while in the service of the Company rather than as a pension. The Group underwrites one or more risks in meeting these obligations and therefore any net liability or surplus in these arrangements is shown on the Group balance sheet.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. The discount rate is the yield at the balance sheet date on high quality corporate bonds of the appropriate currency that have durations approximating those of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. At each year end the Company and the local actuaries consider whether the plans are affected by the asset ceiling requirements. When the calculation results in a net asset to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan and restricted by any relevant asset ceiling. Any deduction made by the tax authorities in the event of a refund of a surplus would be regarded by the Group as an income tax.

When the benefits of a plan are improved, the expense is recognised immediately in the income statement. Re-measurement gains and losses are recognised immediately in equity and disclosed in the statement of comprehensive income.

iii. Long-term service and other post-employment benefits

The Group's net obligation in respect of long-term service and other post-employment benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on high quality bonds of the appropriate currency that have durations approximating those of the Group's obligations.

Key source of estimation uncertainty

Key source of estimation uncertainty –The present value of the Group's defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation, future salary increases, mortality rates and future pension increases. The assumptions used and analysis of their sensitivity is set out below. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Summary information

Net pension deficit: £18.9m (2021: surplus of £62.5m)

The assets and liabilities of the defined benefit schemes are aggregated, recognised in the consolidated balance sheet and shown within non-current liabilities or in non-current assets if a scheme is in surplus and it is deemed recoverable.

Number of DB arrangements: 70 (2021: 70)

There has been no change to the number of schemes during the year.

The following table shows a summary of the geographical profile of the Group's defined benefit schemes:

	Quantity 2022	Quantity 2021	Assets £m	Liabilities £m	Net surplus/ (deficit) £m
Australia	3	3		(0.4)	(0.4)
Austria	6	6		(2.4)	(2.4)
France	3	3	0.2	(0.9)	(0.7)
Germany	30	30	7.0	(42.8)	(35.8)
India	6	6		(1.2)	(1.2)
Italy	6	6		(2.2)	(2.2)
Mexico	5	5		(0.8)	(0.8)
Spain	2	2			
Switzerland	5	5	74.0	(73.9)	0.1
UAE	1	1		(1.3)	(1.3)
US*	2	2		(2.6)	(2.6)
UK	1	1	325.3	(296.9)	28.4
	70	70	406.5	(425.4)	(18.9)

* The US deficit above excludes £1.8m of assets relating to unqualified plans classified as investments (see Note 17).

As at 31 December 2022, the Group has recognised a net defined benefit surplus of £28.4m (2021: £129.0m) for the UK Deferred Fund. No asset ceiling has been applied to the net surplus recognised since the Group has an unconditional right to a refund of surplus assets following the settlement of the liabilities.

The Group provides pension benefits through a mixture of funded and unfunded DB and DC arrangements. Assessments of the obligations of the defined benefit plans are carried out by actuaries, based on the projected unit credit method. A historical split of the types of defined benefit schemes in operation is as follows:

Type of scheme	Qty No.	Assets £m	% of total assets	Liabilities £m	% of total liabilities
2022					
Final salary*	25	325.9	79%	(333.6)	78%
Cash balance**	12	79.1	19%	(76.3)	18%
Jubilee Awards***	14	-	0%	(2.7)	1%
Other	19	7.2	2%	(12.8)	3%
Total	70	412.2	100%	(425.4)	100%
Asset ceiling		(5.7)			
Revised assets		406.5			
2021					
Final salary*	25	632.5	88%	(549.2)	84%
Cash balance**	12	80.6	11%	(87.1)	13%
Jubilee Awards***	14	-	0%	(3.0)	0%
Other	19	6.6	1%	(17.9)	3%
Total	70	719.7	100%	(657.2)	100%

* **Final salary scheme:** The pension available to a member in a final salary arrangement will be a proportion of the member's salary at or around their retirement date. This proportion will be determined by the member's length of pensionable service, their accrual rate and any particular circumstances under which the member retires (for example early ill-health retirement).

** **Cash balance:** A cash balance scheme is a form of defined benefit pension under which the member has the right to a defined lump sum on retirement rather than a defined amount of pension receivable. For example a cash balance plan may have minimum or guaranteed rates of return on pension contributions. The amount of pension to which that lump sum may be converted is determined by the annuity rates prevailing at the time of conversion.

*** **Jubilee Awards:** Jubilee plans provide for cash award payments which are based on completed lengths of service. These payments are often made on cessation of service with the company, subject to a minimum period of service.

14. Retirement benefits (continued)

Asset profile of schemes

The following table sets out the profile of the overall assets of the schemes (to give an indication of their risk profile), the comparative amounts of the funded and unfunded defined benefit liabilities ('DBOs') and a split of the balance sheet impact between schemes with a net pension surplus and a net pension deficit.

	2022 £m	2021 £m
Quoted equities	24.7	27.8
Quoted bonds	23.3	256.8
Total quoted assets	48.0	284.6
Unquoted equities	103.3	120.8
Insurance policies*	272.0	254.7
Property	19.5	20.0
Other**	(30.6)	39.6
Total unquoted assets	364.2	435.1
Fair value of assets	412.2	719.7
Restriction due to asset ceiling	(5.7)	-
DBOs for funded schemes	(378.3)	(598.1)
DBOs for unfunded schemes	(47.1)	(59.1)
Surplus/(deficit) for DBOs	(18.9)	62.5
Schemes in net pension deficit	(47.4)	(66.5)
Schemes in net pension surplus	28.5	129.0

* The value of the insurance policies match the value of the IAS 19 liabilities insured.

** 'Other' assets primarily consists of cash, currency swaps and UK commercial real estate debt.

The overseas assets of £86.9m (2021: £87.8m) comprise equities of £24.7m (2021: £27.8m), bonds of £21.0m (2021: £20.2m), insurance of £7.5m (2021: £4.1m), property of £19.5m (2021: £19.2m) and other assets of £14.2m (2021: £16.5m). This excludes the impact of the restriction due to the asset ceiling of £5.7m (2021: £nil) associated with schemes in Switzerland and Germany.

Funded: The majority of the Group defined benefit and other post-employment benefit arrangements are funded, which means they are linked to specific plan assets that have been segregated in a trust or foundation.

Unfunded: Plans that are not funded are those that are not backed by segregated assets. These include some pension plans but also a number of other long-term arrangements for the benefit of our employees, with benefits payable while they are employed by the Group but more than 12 months after the related service is rendered. Actuarial gains and losses on other long-term arrangements are recognised in the income statement in the period in which they arise.

Average duration by geography

The following table shows the weighted average number of years (or duration) over which pension benefits are expected to be paid.

Location	2022	2021
UK	15.4	21.7
Switzerland	14.1	16.8
US	5.1	5.5
Eurozone	11.9	14.6

The UK Funds

The United Kingdom constitutes 70% (2021: 77%) of total defined benefit liabilities and 80% (2021: 88%) of total defined benefit assets. Historically, the IMI Pension Fund offered final salary benefits to UK employees until it closed to new entrants in 2005 and to future accrual on 31 December 2010. In December 2014, winding-up procedures commenced and those members who were not eligible or did not take up the offer of a single cash lump sum transferred to one of two new Funds (IMI 2014 Pensioner Fund or the IMI 2014 Deferred Fund – 'the UK Funds'). Ongoing pension benefits in the UK are provided via the Trustee's defined contribution plan - The IMI Retirement Savings Plan. All UK pension assets are run on behalf of the Trustee by the Board of the IMI Common Investment Fund.

Liability management

During 2022, the Group completed an insurance buy-in exercise for the remaining uninsured members. The Trustees agreed to defer part of the premium owed to the insurance company for this buy-in and the outstanding amount is expected to be paid over the next 5 years. The present value of the deferred premium has been deducted from the total asset value for the current year. Consistent with the accounting treatment of previous buy-in transactions, the impact has been recognised in the other comprehensive income statement.

During 2021, the Group completed a bulk insurance buy-in exercise in relation to certain members of the UK Deferred Fund. The difference between the value of the liabilities insured and the cost of the premium to insure them of £26.4m was recognised as a loss in other comprehensive income.

Contributions

The March 2021 Valuation was completed in December 2021 and the Funds' Actuary certified that no deficit funding contributions would be required over and above the projected investment returns and the scheduled payments, of £7.0m per annum, due from the Scottish Limited Partnerships until the earlier of full funding of the UK Deferred Fund or 2030.

During 2022, the Group ceased contributions to the Scottish Limited Partnership as the UK Deferred Fund is fully funded. The final payment of £3.5m for 2021 was made in February 2022.

Specific effect on the financial statements

The corresponding entries for increases and decreases in the net pension deficit reported in the balance sheet are reflected as follows:

- i. **Cash flow statement:** When the Group makes cash contributions to fund the pension deficit/surplus they are reflected in the cash flow statement and reduce the net deficit/increase the net surplus.
- ii. **Income statement:** Movements in the overall net pension deficit/surplus are recognised in the income statement when they relate to changes in the overall pension promise, due to either an additional period of service (known as 'current service cost'), changes to pension terms in the scheme rules (known as 'past service cost'), or closure of all or part of a scheme (known as settlements and curtailments). The interest charge/income on the net deficit/surplus position is also recognised in the income statement.
- iii. **Other comprehensive income (OCI):** Movements in the overall net pension deficit/surplus are recognised through OCI when they relate to changes in actuarial assumptions or the difference ('experience gain or loss') between previous assumptions and actual results.

The table below reconciles the movement in the UK and overseas net defined benefit (obligation)/surplus between 1 January 2022 and 31 December 2022.

	UK £m	Overseas £m	Total £m
Net defined benefit surplus/(obligation) at 1 January 2022	129.0	(66.5)	62.5
Movement recognised in:			
Income statement	2.3	(6.0)	(3.7)
OCI	(102.9)	20.2	(82.7)
Cash flow statement	-	8.2	8.2
Exchange movements	-	(3.2)	(3.2)
Net defined benefit surplus/(obligation) at 31 December 2022	28.4	(47.3)	(18.9)

Risks faced by the schemes

The main risks that the Group face in respect of the UK Deferred Fund, which makes up 70% of the Group's liabilities, are:

Risk	Description/mitigation
Interest rate risk	Under IAS 19, the discount rate should be set with reference to the yield on high quality corporate bonds (typically taken to mean those rated AA) of term appropriate to the duration of the liabilities. A decrease in corporate bond yields and therefore the resulting discount rate, leads to a higher value being placed on the pension liabilities. The Trustees' investment strategy for the UK Deferred Fund includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. The Trustees have a target to hedge 100% of interest rate risk. The Trustee's investment managers measure and monitor the hedging arrangements in place and the latest performance report shows this target is being met. Note that the Scheme hedges interest rate risk on a scheme funding basis (relative to gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge. The Scheme's exposure to corporate bonds mitigates this risk to some extent.
Inflation risk	In the UK Deferred Fund, a large proportion of the benefits are linked to inflation. Therefore, an increase in inflation would lead to higher benefits being paid than expected. To mitigate this risk, the UK Deferred Fund aims to hedge 100% of the Fund's liabilities against inflation risk. The Trustee's investment managers measure and monitor the hedging arrangements in place and the latest performance report shows this target is being met.
Investment risk	The UK Deferred Fund holds investments in asset classes, such as private equity and property, which have volatile market values. These assets are expected to provide better returns than Government bonds over the long-term. However, the short-term volatility can cause additional funding to be required, if a deficit emerges. As these investments make up around 27% of the total assets, the risk to the Group is relatively small.
Mortality risk	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities. An increase of one year in life expectancy for the UK Deferred Fund would act to increase liabilities by c.£10.4m. The Group has an objective to insure benefits as members retire in order to reduce mortality risk.

14. Retirement benefits (continued)

Cash flow impacts

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Amounts from employees	-	2.3	2.3	-	2.2	2.2
Amounts from employers	3.5	2.9	6.4	7.0	2.7	9.7
Benefits and settlements paid directly by the Group	-	5.3	5.3	-	4.1	4.1
Total	3.5	10.5	14.0	7.0	9.0	16.0

The expected contributions to the DB arrangements in 2023 are £2.9m of normal employer contributions and £2.4m of normal employee contributions, both in relation to overseas pension funds.

Other comprehensive income

Movements in pension assets and liabilities that arise during the year from changes in actuarial assumptions, or because actual experience is different from the actuarial assumptions, are recognised in equity via other comprehensive income. These movements are analysed below:

	2022				2021			
	UK £m	Overseas post employment £m	Overseas non-post employment £m	Total £m	UK £m	Overseas post employment £m	Overseas non-post employment £m	Total £m
Change in discount rate	203.9	26.0		229.9	49.9	8.0		57.9
Change in inflation	2.2	9.3		11.5	(16.0)	-		(16.0)
Change in other assumptions	2.3	-		2.3	5.4	3.2		8.6
Actuarial experience - Liabilities	(2.1)	(1.2)		(3.3)	3.6	1.4		5.0
Asset experience	(309.2)	(8.5)		(317.7)	8.0	7.4		15.4
Actuarial (losses)/gains in the year	(102.9)	25.6		(77.3)	50.9	20.0		70.9
Change in the asset ceiling		(5.4)		(5.4)				-
Exchange (losses)/gains		(2.8)	(0.4)	(3.2)		4.0	0.3	4.3
(Losses)/gains recognised through equity	(102.9)	17.4	(0.4)	(85.9)	50.9	24.0	0.3	75.2

IMI takes advice from actuaries regarding the appropriateness of the assumptions used to determine the present value of the defined benefit obligations. These assumptions include the discount rate applied to the assets and liabilities, the life expectancy of the members, their expected salary and pension increases and inflation. The assumptions used for this purpose in these financial statements are summarised below:

	Weighted Averages					
	31 Dec 2022		31 Dec 2021		31 Dec 2020	
	UK* % pa	Overseas % pa	UK** % pa	Overseas % pa	UK % pa	Overseas % pa
Inflation – RPI	3.4	n/a	3.4	n/a	3.1	n/a
Inflation – CPI (pre-2030)	2.4	1.5	2.4	1.3	2.1	1.3
Inflation – CPI (post-2030)	3.4	1.5	3.4	1.3	3.1	1.3
Discount rate	4.8	3.0	1.9	0.8	1.4	0.4
Expected salary increases	n/a	1.8	n/a	1.7	n/a	1.6
Rate of pension increases	3.3	0.5	3.3	0.7	3.1	0.7

* Assumptions based on 31 December 2022 market conditions and based on the weighted average of various buy-in policy assumptions.

** Assumptions based on 31 December 2021 UK market conditions excluding buy-ins.

	2022 Years	2021 Years	2020 Years
Life expectancy (IMI Pension Fund only)***			
Current male pensioners	21.5	21.8	21.8
Current female pensioners	23.9	24.1	24.6
Future male pensioners	22.8	23.1	23.5
Future female pensioners	25.4	25.6	26.4

*** Life expectancies are based on members with a pension size of £5k-£20k for male members and £1k-£8k for female members.

The mortality assumptions used for the UK Funds above reflect its scheme specific experience, together with an allowance for improvements over time. The experience was reviewed as part of the formal triennial actuarial valuation carried out as at 31 March 2021. The assumptions used as at 31 December 2022 have been based on the results of this review, with the allowance for improvements over time updated to reflect the latest data available.

The table below illustrates how the UK Funds' net pension surplus would decrease (excluding the impact of inflation rate and interest rate hedging), as at 31 December 2022, in the event of the following reasonable changes in the key assumptions above.

UK	2022 £m	2021 £m
Discount rate 0.1% pa lower*	5.0	11.0
Inflation-linked pension increases 0.1% pa higher	4.0	0.0
Increase of one year in life expectancy from age 65	10.0	18.0
10% fall in non-bond-like assets**	11.0	37.0

* Due to the volatility of the discount rate year on year, sensitivities using a percentage of 0.1% are shown to provide the users of the accounts the ability to adjust the sensitivities as they consider necessary.

** Fund assets excluding cash, bonds and insurance policies.

In each case all other assumptions are unchanged.

The table below shows how the net pension deficit for IMI's non-UK plans would increase, in the event of the following reasonable changes in the key assumptions above.

Non-UK	2022 £m	2021 £m
Discount rate 0.1% pa lower	1.4	2.5
Salary increases 0.1% higher	0.3	0.3
Increase of one year in life expectancy at age 65	2.7	4.2

Income statement

In accordance with IAS 19, pension costs recorded through the income statement primarily represent the increase in the DBO based on employee service during the year and the interest on the net liability or surplus for DBOs in respect of employee service in previous years. The table below shows the cost reported in the income statement in respect of pension obligations (excluding defined benefit contributions):

	2022				2021			
	UK £m	Overseas post employment £m	Overseas non-post employment £m	Total £m	UK £m	Overseas post employment £m	Overseas non-post employment £m	Total £m
Current service cost		4.5	0.8	5.3		5.1	0.8	5.9
Settlement/curtailment gain				-	(0.4)			(0.4)
Recognition of gains			(0.1)	(0.1)				-
Pension expense/(income) - operating costs	-	4.5	0.7	5.2	(0.4)	5.1	0.8	5.5
Interest on DBO	9.2	1.1	0.1	10.4	9.0	0.6	0.1	9.7
Interest on assets	(11.5)	(0.4)		(11.9)	(10.6)	(0.1)		(10.7)
Interest (income)/expense - financing costs	(2.3)	0.7	0.1	(1.5)	(1.6)	0.5	0.1	(1.0)

14. Retirement benefits (continued)

Overall reconciliation of changes in the net (liability)/surplus for DBOs

	2022				2021		
	DBO £m	Assets £m	Asset ceiling £m	Net DB asset/ (liability) £m	DBO £m	Assets £m	Net DB asset/ (liability) £m
Brought forward at start of year	(657.2)	719.7	-	62.5	(740.8)	718.8	(22.0)
Income statement (charges)/credits							
Current service cost	(5.3)			(5.3)	(5.9)		(5.9)
Settlements	1.2	(1.2)		-	25.3	(24.9)	0.4
Net interest (cost)/income on net DB (liability)/asset	(10.4)	11.9		1.5	(9.7)	10.7	1.0
Immediate recognition of gains/(losses) – other long-term benefits	0.1			0.1			-
Total charged to income statement	(14.4)	10.7	-	(3.7)	9.7	(14.2)	(4.5)
Remeasurements recognised in other comprehensive income							
Actuarial (loss)/gain due to actuarial experience	(3.3)			(3.3)	5.0		5.0
Actuarial gain due to financial assumption changes	241.6			241.6	41.9		41.9
Actuarial gain due to demographic assumption changes	2.2			2.2	8.6		8.6
Return on plan assets* less than discount rate		(317.8)		(317.8)		15.4	15.4
Change in asset ceiling			(5.4)	(5.4)			-
Total remeasurements recognised in other comprehensive income	240.5	(317.8)	(5.4)	(82.7)	55.5	15.4	70.9
Cash flows in the year							
Employer contributions		2.9		2.9		9.7	9.7
Employee contributions	(2.3)	2.3		-	(2.2)	2.2	-
Benefits paid directly by the Company	5.3			5.3	4.1		4.1
Benefits paid from plan assets	13.6	(13.6)		-	10.8	(10.8)	-
Net cash inflow/(outflow)	16.6	(8.4)	-	8.2	12.7	1.1	13.8
Other movements							
Changes in exchange rates	(10.9)	8.0	(0.3)	(3.2)	5.7	(1.4)	4.3
Total other movements	(10.9)	8.0	(0.3)	(3.2)	5.7	(1.4)	4.3
Carried forward at end of year	(425.4)	412.2	(5.7)	(18.9)	(657.2)	719.7	62.5

* Net of management costs.

15. Inventories

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Due to the varying nature of the Group's operations, both first in, first out and weighted average methodologies are employed. In respect of work in progress and finished goods, cost includes all direct costs of production and the appropriate proportion of production overheads.

The Group sells a wide range of highly technical products and whilst they are designed and engineered to a high degree of precision and to customer specifications, there is a risk of products requiring modification, which can lead to excess or obsolete inventory. The amount of inventory provision recognised is disclosed below:

Inventories

	2022 £m	2021 £m
Raw materials and consumables	169.0	135.4
Work in progress	136.7	107.0
Finished goods	110.6	92.8
	416.3	335.2
Inventories are stated after:		
Allowance for impairment	52.5	46.2

In 2022, the cost of inventories recognised as an expense (being segmental cost of sales) amounted to £1,112.1m (2021: £1,004.6m).

In 2022, the write-down of inventories to net realisable value amounted to £0.1m (2021: £0.4m). The reversal of write-downs amounted to £nil (2021: £nil).

Write-downs and reversals in both years relate to ongoing assessments of inventory obsolescence, excess inventory holding and inventory resale values across all of the Group's businesses.

16. Trade and other receivables

Accounting policy

The recoverable amount of the Group's receivables other than financial assets held at fair value is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration of less than one year are not discounted.

The expected credit loss is calculated based on the ageing of individual customers receivables, giving consideration to the geographical location in which they operate, historical collectability and the customer's financial position, where this information is known.

Trade and other receivables

	2022 £m	2021 £m
Current		
Trade receivables	368.5	325.4
Prepayments*	23.6	29.6
Accrued income*	2.3	0.3
Other receivables	90.5	58.7
	484.9	414.0
Receivables are stated after:		
Allowance for impairment	16.4	15.7

* 'Prepayments' and 'Accrued income' are now disclosed separately given their quantum. Prior period comparatives have been re-presented.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents held by the Group's banks and other financial assets. At the end of 2022 these totalled £526.1m (2021: £446.0m).

Managing credit risk arising from customers

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. Our largest single customer accounted for 2% of our 2022 revenues (2021: 3%).

Geographically there is no unusual concentration of credit risk. The Group's contract approval procedure ensures that large contracts are signed off at executive director level at which time the risk profile of the contract, including potential credit and foreign exchange risks, is reviewed. Credit risk is minimised through due diligence on potential customers, appropriate credit limits, cash flow management and the use of documentary credits where appropriate.

Exposure to credit risk in respect of trade receivables

	Carrying amount	
	2022 £m	2021 £m
UK	18.1	12.9
Germany	33.0	24.9
Rest of Europe	98.3	83.3
USA	75.7	62.5
Asia Pacific	95.6	93.4
Rest of World	47.8	48.4
	368.5	325.4

The maximum exposure to credit risk for trade receivables at the reporting date by segment was as follows:

	Carrying amount	
	2022 £m	2021 £m
IMI Precision Engineering	164.2	128.3
IMI Critical Engineering	147.1	153.8
IMI Hydronic Engineering	57.2	43.3
	368.5	325.4

Impairment provisions for trade receivables

The ageing of trade receivables at the reporting date was:

	2022		2021	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	317.0	(0.1)	285.8	(0.3)
Past due 1-30 days	30.7	(0.9)	24.5	(1.0)
Past due 31-90 days	14.4	(0.9)	9.2	(1.1)
Past due over 90 days	22.8	(14.5)	21.6	(13.3)
Total	384.9	(16.4)	341.1	(15.7)

The net movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 £m	2021 £m
Net balance at 1 January	15.7	19.5
Acquisitions	(0.4)	(0.1)
Utilised during the year	2.0	(3.0)
Charged to the income statement	(0.1)	1.7
Released	(1.6)	(1.3)
Exchange	0.8	(1.1)
Net balance at 31 December	16.4	15.7

Managing credit risk arising from counterparties

A group of relationship banks provides the bulk of the banking services, with pre-approved credit limits set for each institution. Financial derivatives are entered into with these core banks and the credit exposure to these instruments is included when considering the credit exposure to the counterparties. At the end of 2022, credit exposure including cash deposited did not exceed £16.0m with any single institution (2021: £15.8m).

17. Financial assets and liabilities

Financial instruments included in the financial statements are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations. The Group generally calculates its own fair values using comparable observed market prices and a valuation model using the respective and relevant market data for the instrument being valued.

The table below sets out the Group's accounting classification of each class of financial assets and liabilities, and their fair values at 31 December 2022 and 31 December 2021. Under IFRS 9, all derivative financial instruments not in a hedge relationship are classified as derivatives at fair value through the income statement. The Group does not use derivatives for speculative purposes and transacts all derivatives with suitable investment grade counterparties. All transactions in derivative financial instruments are undertaken to manage the risks arising from the Group's business activities.

	Fair value			At amortised cost £m	Total carrying value £m	Fair value if different £m
	Designated at fair value £m	Other derivatives at fair value £m	Financial assets at fair value* £m			
2022						
Cash and cash equivalents			133.0		133.0	
Bank overdrafts				(93.8)	(93.8)	
Borrowings due within one year				(150.1)	(150.1)	(150.1)
Borrowings due after one year				(595.4)	(595.4)	(554.2)
Lease liabilities				(105.7)	(105.7)	
Trade and other payables**				(447.6)	(447.6)	
Trade receivables				368.5	368.5	
Investments			2.0		2.0	
Other current financial assets/(liabilities)						
Derivative assets***		15.7			15.7	
Derivative liabilities****	(3.9)	(9.9)			(13.8)	
Total	(3.9)	5.8	135.0	(1,024.1)	(887.2)	
2021						
Cash and cash equivalents			94.6		94.6	
Bank overdrafts				(65.5)	(65.5)	
Borrowings due within one year				(127.7)	(127.7)	(128.3)
Borrowings due after one year				(430.3)	(430.3)	(446.6)
Lease liabilities				(93.9)	(93.9)	
Trade and other payables**				(406.9)	(406.9)	
Trade receivables				325.4	325.4	
Investments			2.9		2.9	
Other current financial assets/(liabilities)						
Derivative assets***	4.9	5.1			10.0	
Derivative liabilities****		(6.3)			(6.3)	
Total	4.9	(1.2)	97.5	(798.9)	(697.7)	

* This classification includes items for which the movement in fair value will be recognised in both profit and loss and other comprehensive income.

** Trade and other payables exclude corporation tax and include liabilities of £9.9m (2021: £6.5m) falling due after more than one year.

*** Includes £2.6m (2021: £0.1m) falling due after more than one year.

**** Derivative liabilities include liabilities of £0.4m (2021: £0.2m) falling due after more than one year: £0.4m in 1-2 years and £nil in 2-3 years (2021: £0.1m in 1-2 years and £0.1m in 2-3 years). Derivative liabilities designated at fair value represent the fair value of unsettled net investment hedge derivatives. The decrease in value of net investment hedge derivatives in the year of £8.8m is shown in the consolidated statement of comprehensive income.

The increase in other derivative assets and liabilities at fair value of £7.0m is recognised in the income statement and consists of a £7.8m increase of unsettled net foreign currency and metal forward contracts, which are not designated as hedges for accounting purposes and a decrease of £0.8m of forward contracts to be utilised against specific trade receivables and trade payables.

There are no other financial liabilities included within payables disclosed above.

17. Financial assets and liabilities (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Group's financial instruments held at fair value (excluding cash):

	Quoted prices in active markets for identical assets and liabilities Level 1 £m	Significant other observable inputs Level 2 £m	Unobservable inputs Level 3 £m	Total £m
As at 31 December 2022				
Financial assets measured at fair value				
Equity instruments*	2.0			2.0
Foreign currency forward contracts		15.7		15.7
	2.0	15.7		7.7
Financial liabilities measured at fair value				
Foreign currency forward contracts		(13.8)		(13.8)
		(13.8)		(13.8)
As at 31 December 2021				
Financial assets measured at fair value				
Equity instruments*	2.9			2.9
Foreign currency forward contracts		10.0		10.0
	2.9	10.0		12.9
Financial liabilities measured at fair value				
Foreign currency forward contracts		(6.3)		(6.3)
		(6.3)		(6.3)

* Equity instruments primarily relate to investments in funds in order to satisfy long-term benefit arrangements.

Valuation techniques for level 2 inputs

Derivative assets and liabilities of £15.7m and £13.8m respectively are valued by level 2 techniques. The valuations are derived from discounted contractual cash flows using observable, and directly relevant, market interest rates and foreign exchange rates from market data providers.

Valuation techniques for level 3 inputs

At 31 December 2022, the Group held one external investment at fair value using significant unobservable (level 3) inputs. The valuation is derived using the cash flows of the investment which indicate a fair value of £nil.

Valuation methodology

Cash and cash equivalents, bank overdrafts, trade payables and trade receivables are carried at their book values as this approximates to their fair value due to the short-term nature of the instruments.

Long-term and short-term borrowings, apart from any which are subject to hedging arrangements, are carried at amortised cost as it is the intention that they will not be repaid prior to maturity, where this option exists. The fair values are evaluated by the Group based on parameters such as interest rates and relevant credit spreads.

Long-term borrowings which are subject to hedging arrangements are valued using appropriate discount rates to value the relevant hedged cash flows.

Derivative assets and liabilities, including foreign exchange forward contracts, interest rate swaps and metal hedges, are valued using comparable observed market prices and a valuation model using foreign exchange spot and forward rates, interest rate curves and forward rate curves for the underlying commodities.

18. Financial risk management

Overview

The Group's activities expose it to a variety of financial risks: interest rate, foreign exchange and base metal price movements in addition to funding and liquidity risks. The financial instruments used to manage these risks themselves introduce exposure to market risk and liquidity risk.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. As described in the Corporate Governance Report on page 101 the Executive Committee monitors risk and internal controls and the Audit Committee monitors financial risk, while the other Board committees also play a part in contributing to the oversight of risk.

The Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the financial risks faced by the Group. The Group Assurance department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The following sections discuss the management of specific financial risk factors in detail, including market risk, foreign exchange risk, interest rate risk, commodity risk and liquidity risk. The management of credit risk is disclosed in Note 16.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income and cash flows or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Under the management of the central Treasury function, the Group enters into derivatives in the ordinary course of business and also manages financial liabilities in order to mitigate market risks. All such transactions are carried out within the guidelines set by the Board and are undertaken only if they relate to underlying exposures.

Foreign exchange risk

The Group publishes consolidated accounts in sterling but conducts much of its global business in other currencies. As a result it is subject to the risks associated with foreign exchange movements affecting transaction costs ('transactional risk'), translation of foreign profits ('profit translation risk') and translation of the underlying net assets of foreign operations ('asset translation risk').

Management of transactional risk

The Group's wide geographical spread both in terms of cost base and customer locations helps to reduce the impact on profitability of swings in exchange rates as well as creating opportunities for central netting of exposures. It is the Group's policy to minimise risk to exchange rate movements affecting sales and purchases by economically hedging or netting currency exposures at the time of commitment, or when there is a high probability of future commitment, using currency instruments (primarily forward exchange contracts). A proportion of forecast exposures are hedged depending on the level of confidence and hedging is periodically adjusted following regular reviews. On this basis over 50% of the Group's annual exposures to transactional risk are likely to be hedged at any point in time and the Group's net transactional exposure to different currencies varies from time to time.

Management of profit translation risk

The Group is exposed to the translation of profits denominated in foreign currencies into the sterling-based income statement. The interest cost related to the currency liabilities hedging the asset base provides a partial hedge to this exposure. Short-term currency option contracts may be used to provide limited protection against sterling strength on an opportunistic basis. The translation of US dollar and euro-based profits represent the most significant translation exposures for the Group.

Management of asset translation risk

The Group hedges its net investments in its major overseas operations by way of external currency loans and forward currency contracts. The intention is to manage the Group's exposure to gains and losses in Group equity resulting from retranslation of currency net assets at balance sheet dates.

To the extent that an instrument used to hedge a net investment in a foreign operation is determined to be an effective hedge, the gain or loss arising is recognised directly in the translation reserves. Any ineffective portion is recognised immediately in the income statement.

The Group have designated £288m (2021: £360m) of loans in a net investment hedge of USD net assets and £381m (2021: £193m) of EUR net assets. No ineffectiveness was recorded (2021: nil) and a loss of £8.8m (2021: £0.5m loss) was taken to the translation reserve. The amount accumulated in this reserve in respect of gains/losses arising on hedging instruments designated in net investment hedges up to 31 December 2022 was an accumulated loss of £1.2m (2021: accumulated profit of £7.6m).

18. Financial risk management (continued)

Currency profile of assets and liabilities

	Cash*	Debt	Lease liabilities	Exchange contracts	Assets and liabilities subject to interest rate risk	Other net assets**	Total net assets	Total net assets
	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m	2021 £m
Sterling	(68)	(77)	(16)	209	48	143	191	207
US dollar	(4)	(288)	(9)		(301)	669	368	178
Euro	52	(381)	(31)	(106)	(466)	530	64	163
Other	59		(50)	(103)	(94)	377	283	231
Total	39	(746)	(106)	-	(813)	1,719	906	779

* Cash is stated net of overdrafts.

** Other net assets includes leased assets: £14.9m Sterling (2021: £16.5m), £8.1m US Dollar (2021: £10.6m), £33.3m Euro (2021: £15.5m) and £50.7m Other (2021: £48.9m).

Exchange contracts and non-sterling debt are financial instruments used as currency hedges of overseas net assets.

Interest rate risk

The Group is exposed to a number of global interest rates through assets and liabilities denominated in jurisdictions to which these rates are applied, most notably US, Eurozone and UK rates. The Group is exposed to these because market movements in these rates will increase or decrease the interest charge recognised in the Group income statement.

Management of interest rate risk

The Group adopts a policy of maintaining a portion of its liabilities at fixed interest rates and reviewing the balance of the floating rate exposure to ensure that if interest rates rise globally the effect on the Group's income statement is manageable.

Interest rates are managed using fixed and floating rate debt and financial instruments including interest rate swaps. Floating rate liabilities comprise short-term debt which bears interest at short-term bank rates and the liability side of exchange contracts where the interest element is based primarily on three-month inter-bank rates.

All cash surpluses are invested for short periods and are treated as floating rate investments.

Non-interest bearing financial assets and liabilities including short-term trade receivables and payables have been excluded from the following analysis.

Interest rate risk profile

The following table shows how much of our cash, interest-bearing liabilities and exchange contracts attract both fixed and floating rate interest charges, and how this is analysed between currencies:

	Debt and exchange contracts* 2022 £m	Cash and exchange contracts 2022 £m	Assets subject to interest rate risk* 2022 £m	Floating rate 2022 £m	Fixed rate 2022 £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed years
Sterling	(94)	141	47	47			
US dollar	(297)	(4)	(301)	(136)	(165)	3.9	3.6
Euro	(517)	52	(465)	(84)	(381)	2.3	5.0
Other	(153)	59	(94)	(94)			
Total	(1,061)	248	(813)	(267)	(546)		

* Net of lease liabilities; £16m Sterling, £9m US Dollar, £31m Euro and £50m Other.

	Debt and exchange contracts** 2021 £m	Cash and exchange contracts 2021 £m	Assets subject to interest rate risk** 2021 £m	Floating rate 2021 £m	Fixed rate 2021 £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed years
Sterling	(20)	19	(1)	(1)			
US dollar	(371)	196	(175)	(15)	(160)	4.1	4.4
Euro	(440)	41	(399)	(206)	(193)	1.4	4.3
Other	(142)	94	(48)	(48)			
Total	(973)	350	(623)	(270)	(353)		

** Net of lease liabilities; £17m Sterling, £11m US Dollar, £15m Euro and £51m Other.

Market risk sensitivity analysis on financial instruments

In estimating the sensitivity of the financial instruments all other variables are held constant to determine the impact on profit before tax and equity. The analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The values shown in the table below are estimates of the impact on financial instruments only. Actual results in the future may differ materially from these estimates. As such this table should not be considered as a projection of likely future gains and losses in these financial instruments.

Sensitivity table

The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur only to the financial derivatives and do not reflect the opposite movement from the impact of the specific change on the underlying business that they are designed to hedge.

	1% decrease in interest rates £m	1% increase in interest rates £m	10% weakening in sterling £m	10% strengthening in sterling £m	10% decrease in base metal costs £m	10% increase in base metal costs £m
At 31 December 2022						
Impact on income statement: gain/(loss)	2.0	(2.0)	(11.3)	11.3		
Impact on equity: (loss)/gain			(77.2)	77.2		
At 31 December 2021						
Impact on income statement: gain/(loss)	2.0	(2.0)	(11.3)	11.3	0.2	(0.2)
Impact on equity: (loss)/gain			(53.7)	53.7		

18. Financial risk management (continued)

Commodity risk

The Group's operating companies purchase metal and metal components and are therefore exposed to changes in commodity prices.

The Group manages this exposure through a centralised process hedging copper, zinc and aluminium using a combination of financial contracts and local supply agreements designed to minimise the volatility of short-term margins.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have adequate resources to meet its liabilities when they fall due, with sufficient headroom to cope with abnormal market conditions. This position is reviewed on a quarterly basis.

Funding for the Group is co-ordinated centrally by the Treasury function and comprises committed bilateral facilities with a core group of banks, and a series of US loan note issues. The level of facilities is maintained such that facilities and term loans exceed the forecast peak gross debt of the Group over a rolling 12-month view by an appropriate amount taking into account market conditions and corporate activity, including acquisitions, organic growth plans and share buybacks. In addition, we undertake regular covenant compliance reviews to ensure that we remain fully within those covenant limits. At the end of 2022 the Group had undrawn committed facilities totaling £200m (2021: £230m) and was holding cash and cash equivalents of £133m (2021: £95m). There are no significant seasonal funding requirements or capital intensive investment areas for the Group.

Capital management

Overview

Capital management concerns the decision as to how the Group's activities are financed and specifically, how much of the Group capital is provided by borrowings (or debt) and how much of it is financed with equity raised from the issue of share capital.

The Board's policy is to maintain a balance sheet with a broad capital base and the strength to sustain the future development of the business including acquisitions.

The capital base of the Group includes total equity and reserves and net debt. Employee benefit obligations net of deferred tax form part of the extended capital base. Management of this element of the capital base is discussed further in Note 14 of the financial statements. Undrawn committed funding facilities are maintained as described in Note 19 to provide additional capital for growth (including acquisitions and organic investments) and liquidity requirements as discussed above.

Capital base

	2022 £m	2021 £m
Total equity	906	779
Gross debt including overdrafts	839	624
Gross cash	(133)	(95)
Capital base	1,612	1,308
Employee benefits and deferred tax assets	53	169
Extended capital base	1,665	1,477
Undrawn funding facilities	200	230
Available capital base	1,865	1,707

Part of the capital base is held in currencies to broadly match the currency base of the assets being funded as described in the asset translation risk section.

Debt or equity

The balance between debt and equity in the capital base of the Group is considered regularly by the Board in light of market conditions, business forecasts, growth opportunities and the ratio of net debt to adjusted EBITDA. Funding covenants currently limit net debt to a maximum of 3.0 times EBITDA. The net debt to EBITDA ratio at the end of 2022 was 1.8 times (2021: 1.5 times). Through the life of our five-year plan, the Board would consider appropriate acquisitions that could take net debt up to 2.5 times EBITDA on acquisition, provided that a clear plan exists to reduce this ratio back to under 2.0 times. It is expected that at these levels our debt would continue to be perceived as investment grade. The potential benefits to equity shareholders of greater leverage are offset by higher risk and the cost and availability of funding. The Board will consider raising additional equity in the event that it is required to support the capital base of the Group.

Weighted average cost of capital

The Group currently uses a post-tax weighted average cost of capital ('WACC') of 8% (2021: 7%) as a benchmark for investment returns. This is reviewed regularly in the light of changes in market rates. The Board tracks the Group's return on invested capital and seeks to ensure that it consistently delivers returns in excess of the WACC.

19. Net debt

Net debt is the Group's key measure used to evaluate total outstanding debt, net of the current cash resources. Some of the Group's borrowings (and cash) are held in foreign currencies. Movements in foreign exchange rates affect the sterling value of the net debt. Cash and cash equivalents comprise cash balances and call deposits. 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 and cash equivalents for the purpose of the statement of cash flows.

Movement in net debt

	2022 £m	2021 £m
Adjusted EBITDA*	457.0	403.5
Working capital movements	(85.1)	(50.6)
Capital and development expenditure	(71.3)	(57.5)
Provisions and employee benefit movements**	1.5	(0.5)
Principal elements of lease payments	(32.3)	(30.0)
Other	20.2	9.0
Adjusted operating cash flow***	290.0	273.9
Adjusting items	(52.6)	(35.6)
Tax paid	(48.6)	(50.9)
Interest	(19.2)	(12.1)
Derivatives	(8.6)	26.4
Additional pension scheme funding	(3.5)	(7.0)
Free cash flow before corporate activity	157.5	194.7
Dividends paid to equity shareholders	(62.2)	(61.8)
Acquisition of subsidiaries	(213.3)	(203.9)
Disposal of subsidiaries	-	0.1
Net purchase of own shares and share buyback programme	(18.8)	(225.6)
Net cash flow (excluding debt movements)	(136.8)	(296.5)

* Adjusted profit after tax £272.4m before interest £17.7m, tax £73.7m, depreciation £74.2m, amortisation £18.5m and impairment on property, plant and equipment and non-acquired intangible assets £0.5m.

** Movement in provisions and employee benefits as per the statement of cash flows £13.8m adjusted for the movement in the restructuring provisions £15.3m.

*** Adjusted operating cash flow is the cash generated from the operations shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus cash received from the sale of property, plant and equipment and the sale of investments, excluding the cash impact of adjusting items. This measure best reflects the operating cash flows of the Group.

Reconciliation of net cash to movement in net debt

	2022 £m	2021 £m
Net increase/(decrease) in cash and cash equivalents excluding foreign exchange	11.0	(86.7)
Less: cash acquired/disposed	(10.0)	(1.8)
Net drawdown of borrowings excluding foreign exchange and net debt disposed/acquired	(137.8)	(208.0)
Increase in net debt before acquisitions, disposals and foreign exchange	(136.8)	(296.5)
Net cash acquired/disposed	10.0	-
Currency translation differences	(50.6)	(4.5)
Movement in lease liabilities	(11.8)	(5.6)
Movement in net debt in the year	(189.2)	(306.6)
Net debt at the start of the year	(622.8)	(316.2)
Net debt at the end of the year	(812.0)	(622.8)

19. Net debt (continued)

Reconciliation of adjusted operating cash flow to cash flow statement

	2022 £m	2021 £m
Cash generated from operations	335.8	327.1
Principal lease payments	(32.3)	(30.0)
Settlement of transactional derivatives	2.3	(5.9)
Acquisition of property, plant and equipment and non-acquired intangibles	(71.3)	(57.5)
Adjusting items	52.6	35.6
Proceeds from sale of property, plant and equipment	2.9	4.6
Adjusted operating cash flow	290.0	273.9

Reconciliation of cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents in current assets	133.0	94.6
Bank overdraft in current liabilities	(93.8)	(65.5)
Cash and cash equivalents	39.2	29.1

Analysis of net debt

	Cash and cash equivalents £m	Borrowings and finance leases due		Lease creditors £m	Total net debt £m
		within one year £m	after more than one year £m		
At 1 January 2021	134.4		(362.3)	(88.3)	(316.2)
Lease additions, extensions, terminations and payment changes				(33.9)	(33.9)
Lease payments and interest				27.2	27.2
Cash flow excluding settlement of currency derivatives hedging balance sheet and net cash/debt disposed of/acquired	(122.2)	(126.7)	(81.3)		(330.2)
Cash/debt acquired	1.8	(1.8)			
Settlement of currency derivatives hedging balance sheet	20.5				20.5
Currency translation differences	(5.4)	0.8	13.3	1.1	9.8
At 31 December 2021	29.1	(127.7)	(430.3)	(93.9)	(622.8)
Lease additions, extensions, terminations and payment changes				(41.4)	(41.4)
Lease payments and interest				32.3	32.3
Cash flow excluding settlement of currency derivatives hedging balance sheet and net cash/debt disposed of/acquired	2.5	(21.1)	(123.1)		(141.7)
Cash/debt acquired	10.0				10.0
Settlement of currency derivatives hedging balance sheet	(6.3)				(6.3)
Currency translation differences	3.9	(1.3)	(42.0)	(2.7)	42.1
At 31 December 2022	39.2	(150.1)	(595.4)	(105.7)	(812.0)

Undrawn committed facilities

The Group has various undrawn committed borrowing facilities. The facilities available at 31 December in respect of which all conditions precedent had been met were as follows:

	2022 £m	2021 £m
Expiring between one and two years	193.5	145.4
Expiring after more than two years	6.0	84.2
Total	199.5	229.6

The weighted average life of these facilities is 0.9 years (2021: 1.7 years).

Terms and debt repayment schedule

The terms and conditions of cash and cash equivalents, outstanding loans, lease liabilities and derivative financial liabilities were as follows:

	Effective interest rate %	Carrying value £m	Contractual cash flows £m	0 to <1 year £m	1 to <2 years £m	2 to <3 years £m	3 to <4 years £m	4 to <5 years £m	5 years and over £m
2022									
Cash and cash equivalents	Floating	133.0	133.0	133.0					
Revolving credit facilities	Floating	(100.5)	(100.5)	(100.5)					
Term loan 2023	Floating	(49.6)	(49.6)	(49.6)					
Term loan 2024	Floating	(49.6)	(49.6)	(24.8)	(24.8)				
US loan notes 2025	1.39%	(132.7)	(138.1)	(1.8)	(1.8)	(134.5)			
US loan notes 2026	3.86%	(103.3)	(119.3)	(4.0)	(4.0)	(4.0)	(107.3)		
US loan notes 2027	3.92%	(62.0)	(74.0)	(2.4)	(2.4)	(2.4)	(2.4)	(64.4)	
US loan notes 2028	1.53%	(70.8)	(77.4)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(71.9)
US loan notes 2029	3.30%	(88.5)	(108.8)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(94.3)
US loan notes 2030	3.40%	(88.5)	(112.5)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(97.5)
Bank overdrafts	Floating	(93.8)	(93.8)	(93.8)					
Lease liabilities	Various	(105.7)	(105.7)	(25.8)	(22.1)	(15.8)	(11.8)	(9.9)	(20.3)
Derivative financial liabilities		(13.8)	(13.8)	(13.4)	(0.4)				
Total		(825.8)	(910.1)	(190.1)	(62.5)	(163.7)	(128.5)	(81.3)	(284.0)
2021									
Cash and cash equivalents	Floating	94.6	94.6	94.6					
Revolving credit facilities	Floating	(70.3)	(70.3)	(70.3)					
Term loan 2024	Floating	(133.3)	(133.3)	(44.4)	(44.4)	(44.5)			
Acquired loan note		(1.8)	(1.8)	(1.8)					
US loan notes 2022	7.17%	(11.1)	(12.7)	(12.7)					
US loan notes 2025	1.39%	(126.1)	(133.3)	(1.8)	(1.8)	(1.8)	(127.9)		
US loan notes 2026	3.86%	(92.6)	(110.6)	(3.6)	(3.6)	(3.6)	(3.6)	(96.2)	
US loan notes 2027	3.92%	(55.6)	(68.8)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(57.8)
US loan notes 2028	1.53%	(67.2)	(74.2)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(69.2)
Bank overdrafts	Floating	(65.5)	(65.5)	(65.5)					
Lease liabilities	Various	(93.9)	(93.9)	(23.9)	(18.3)	(14.0)	(9.2)	(7.4)	(21.1)
Derivative financial liabilities		(6.3)	(6.3)	(6.1)	(0.1)	(0.1)			
Total		(629.1)	(676.1)	(138.7)	(71.4)	(67.2)	(143.9)	(106.8)	(148.1)

Contractual cash flows include undiscounted committed interest cash flows and, where the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date.

19. Net debt (continued)

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	1 Jan 2022 £m	Financing cash flows* £m	Non-cash changes				31 Dec 22 £m
			Acquisition of subsidiary £m	New leases £m	Exchange £m	Other** £m	
2022							
Revolving credit facilities	(70.3)	(35.0)			4.8		(100.5)
Term loan 2023 and 2024	(133.3)	24.0			10.1		(99.2)
Acquired loan	(1.8)	1.8					-
US loan notes	(352.6)	(221.9)			28.7		(545.8)
Bank overdrafts	(65.5)	(28.3)					(93.8)
Lease liabilities	(93.9)	35.1		(41.4)	(2.7)	(2.8)	(105.7)
Total	(717.4)	(224.3)	-	(41.4)	40.9	(2.8)	(945.0)

	1 Jan 2021 £m	Financing cash flows* £m	Non-cash changes				31 Dec 21 £m
			Acquisition of subsidiary £m	New leases £m	Exchange £m	Other** £m	
2021							
Revolving credit facilities	-	(71.7)			1.4		(70.3)
Term loan 2024	-	(136.2)			2.9		(133.3)
Acquired loan	-		(1.8)				(1.8)
US loan notes	(362.3)				9.7		(352.6)
Bank overdrafts	(73.5)	8.0					(65.5)
Lease liabilities	(88.3)	30.0		(33.9)	1.1	(2.8)	(93.9)
Total	(524.1)	(169.9)	(1.8)	(33.9)	15.1	(2.8)	(717.4)

* Financing cash flows exclude the impact of interest paid

** Includes IFRS 16 interest payments

Interest-bearing loans and borrowings

The Group borrows money from financial institutions in the form of bonds and other financial instruments. These generally have fixed interest rates and are for a fixed term or are drawn from committed borrowing facilities that generally have floating interest rates. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 18.

	2022 £m	2021 £m
Current liabilities		
Unsecured loan notes and other loans	150.1	127.7
Lease liabilities	25.8	23.9
Total	175.9	151.6
Non-current liabilities		
Unsecured loan notes and other loans	595.4	430.3
Lease liabilities	79.9	70.0
Total	675.3	500.3

20. Provisions

Accounting policy

A provision is recorded instead of a payable when uncertainty exists over the timing and amount of the cash outflow. Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are valued at management's best estimate of the amount required to settle the present obligation at the balance sheet date.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

The recognition of a provision requires estimation. The principal estimates made in respect of the Group's provisions using the best estimate methodology (with the exception of provisions indemnities as noted below) concern the timing and amount of payments required to:

- cover the costs of known restructuring projects;
- reimburse customers for potential product warranty claims;
- ensure that current and former manufacturing sites meet relevant environmental standards;
- reflect the estimated outcome of ongoing legal disputes; and
- provide against indemnities following the disposal of subsidiaries.

Analysis of the Group's provisions:

	Restructuring £m	Trade warranties £m	Environmental & legal £m	Total £m
Current	27.8	9.9	0.4	38.1
Non-current	3.8	8.6	5.9	18.3
At 1 January 2022	31.6	18.5	6.3	56.4
Arising during the year	28.9	2.0	3.0	33.9
Released during the year	-	-	(2.5)	(2.5)
Utilised during the year	(44.2)	(3.2)	-	(47.4)
Exchange adjustment	1.5	0.6	-	2.1
At 31 December 2022	17.8	17.9	6.8	42.5
Current	17.6	9.2	0.4	27.2
Non-current	0.2	8.7	6.4	15.3
	17.8	17.9	6.8	42.5

Restructuring

The restructuring provision reflects residual amounts committed but not spent in relation to a number of specific projects that are discussed further in Note 3, where the cost is a reliable estimate of the obligation. The opening balance of £31.6m relates to a closure of a factory in Europe within our IMI Precision Engineering division and the Customer First project, which both simplify the structure of the division and ensures the business structure is aligned to our customer base. The utilised balance includes £44.2m of cash settlements. Arising during the year primarily relates to the ongoing projects from prior year. The provision as at 31 December 2022 of £17.8m primarily relates to the expected redundancy payments for facility closures with the majority of the resulting outflow expected during 2023.

Trade warranties

The Group sells a wide range of highly technical products and whilst they are designed and engineered to a high degree of precision and to customer specifications, there is a risk of products requiring modification, which can lead to warranty claims. Trade warranties are given in the normal course of business and cover a range of periods, typically one to two years, with the expected amounts falling due in less than and greater than one year separately analysed above. The provision represents the directors' best estimate of the Group's liability based on past experience.

Environmental & legal

Environmental and legal provisions recognise the Group's obligation to remediate contaminated land at a number of current and former sites, together with current legal cases for which a settlement is considered probable. Due to the long-term nature of the liabilities, the timescales are uncertain and the provisions represent the directors' best estimates of these costs.

21. Trade and other payables

	2022 £m	2021 £m
Current		
Trade payables	150.9	120.3
Social security and other taxation	34.8	27.1
Accruals*	43.9	23.6
Deferred income*	-	-
Progress billings and advance payments from customers	71.9	73.2
Other payables*	136.2	156.2
	437.7	400.4
Non-current		
Other payables	9.9	6.5
	447.6	406.9

* 'Accruals', 'Deferred income' and 'Other payables' have been disclosed separately given their quantum. Prior period comparatives have been re-presented.

22. Share capital

The movement in the number of ordinary shares of 28 4/7p each issued by IMI plc is as follows:

Number and value of shares

	2022		2021	
	Ordinary Shares 28 4/7p per share		Ordinary Shares 28 4/7p per share	
	Number (m)	Value (£m)	Number (m)	Value (£m)
In issue at the start of the year	274.9	78.6	286.5	81.8
Issued to satisfy employee share schemes	0.1	-	0.1	-
Share cancellations	-	-	(11.7)	(3.2)
In issue at the end of the year	275.0	78.6	274.9	78.6

All issued share capital at 31 December 2022 and 2021 is fully paid and conveys the same rights.

Share movements in the year

Movements in shares due to share issues and purchases during the year were as follows:

	Number of ordinary shares of 28 4/7p each (million)			
	Employee Benefit Trust	Treasury	Other	Total
In issue at 31 December 2021	1.8	14.3	258.8	274.9
New issues to satisfy employee share scheme awards	-	-	0.1	0.1
Market purchases	1.4	-	(1.4)	-
Shares allocated under employee share schemes	(0.8)	-	0.8	-
At 31 December 2022	2.4	14.3	258.3	275.0

During the year 0.1m (2021: 0.1m) shares were issued under employee share schemes realising £1.2m (2021: £1.0m).

Employee Benefit Trust

The Employee Benefit Trust made market purchases of a total of 1.4m (2021: 1.7m) shares with an aggregate market value of £20.0m (2021: £30.0m) and a nominal value of £0.4m (2021: £0.5m). Associated transaction costs amounted to £nil (2021: £nil).

Share options exercised in 2022 were settled using the shares in the Group's Employee Benefit Trust. In 2022, 0.8m (2021: 1.0m) shares were issued for cash of £nil (2021: £3.4m).

Of the 16.7m (2021: 16.1m) shares held within retained earnings, 2.4m (2021: 1.8m) shares with an aggregate market value of £30.9m (2021: £27.9m) are held in trust to satisfy employee share scheme vesting.

Share buyback

In 2021, on-market purchases of 11.7m shares were conducted relating to the share buyback programme. The aggregate market value of these shares at the dates of purchase were £200.0m, which includes dealing costs related to these purchases of £1.9m.

23. Acquisitions

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In particular, an estimate has been made of the forecast future sales under pre-existing commercial relationships which have been discounted at an appropriate discount rate to value the commercial relationships and brand intangibles.

The acquisitions have been accounted for as a business combination.

During the year ended 31 December 2022, the Group made three acquisitions, namely:

- Bahr Modultechnik GmbH ("Bahr")
- CorSolutions LLC ("CorSolutions")
- Heatmiser UK Ltd ("Heatmiser")

Below and adjacent are summaries of the assets acquired and liabilities assumed and the purchase consideration of:

- a) the total of acquisitions;
- b) Bahr Modultechnik GmbH ("Bahr");
- c) CorSolutions LLC ("CorSolutions");
- d) Heatmiser UK Ltd ("Heatmiser"); and
- e) Prior year acquisitions

As at the date of approval of the financial statements, the acquisition accounting for all prior year acquisitions is complete.

The accounting for all current year acquisitions is provisional, relating to finalisation of the initial consideration which is subject to agreement of certain contractual adjustments and certain other provisional balances.

a) Total of acquisitions

	Total £m
Intangible assets	47.4
Property, plant and equipment	4.9
Inventories	9.4
Trade and other receivables	9.3
Cash and cash equivalents	12.1
Trade and other payables	(7.2)
Current taxation	(1.2)
Deferred taxation	(11.3)
Total identified net assets at fair value	63.4
Goodwill arising on acquisition	153.5
Purchase consideration	216.9

b) Bahr Modultechnik GmbH ("Bahr")

	Fair value at 9 June 2022 £m
Intangible assets	38.6
Property, plant and equipment	4.7
Inventories	3.1
Trade and other receivables	1.5
Cash and cash equivalents	4.7
Trade and other payables	(1.6)
Current taxation	(1.0)
Deferred taxation	(11.3)
Total identified net assets at fair value	38.7
Goodwill arising on acquisition	49.6
Purchase consideration transferred	88.3

On 9 June 2022 the Group acquired 100% of the share capital, and associated voting rights, of Bahr Modultechnik GmbH ("Bahr") for cash consideration of £88.3m. Bahr is a leading provider of highly configured modular electric linear motion systems, based on a broad portfolio of specialist components and is based in Luhden, Germany.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, synergies and the future growth opportunities that the businesses provide to the Group's operations. Acquisition costs of £0.9m were recognised in the income statement in 2022.

The revenue and adjusted operating profit included in the income statement for 2022 contributed by Bahr were £7.8m and £1.8m respectively. If the acquisition had taken place on 1 January 2022, Bahr would have contributed revenue and adjusted operating profit of £14m and £4.3m respectively.

c) CorSolutions LLC ("CorSolutions")

	Fair value at 27 October 2022 £m
Intangible assets	8.8
Inventories	0.6
Deferred taxation	-
Total identified net assets at fair value	9.4
Goodwill arising on acquisition	1.7
Purchase consideration	11.1

On 27 October 2022 the Group acquired 100% of the share capital, and associated voting rights, of CorSolutions LLC ("CorSolutions") for initial cash consideration of £7.5m and an expected earn-out of £3.6m. CorSolutions is a leading innovator in micro-fluid flow control and is based in Ithaca, New York.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, synergies and the future growth opportunities that the businesses provide to the Group's operations. Acquisition costs of £nil were recognised in the income statement in 2022.

The revenue and adjusted operating loss included in the income statement for 2022 contributed by CorSolutions were £0.2m and £0.3m respectively. If the acquisition had taken place on 1 January 2022, CorSolutions would have contributed revenue and adjusted operating profit of £1.3m and £0.5m respectively.

d) Heatmiser UK Ltd ("Heatmiser")

	Fair value at 23 December 2022 £m
Property, plant and equipment	0.2
Inventories	5.7
Trade and other receivables	7.8
Cash and cash equivalents	7.4
Trade and other payables	(5.6)
Current taxation	(0.2)
Total identified net assets at fair value	15.3
Goodwill arising on acquisition	102.2
Purchase consideration transferred	117.5

On 23 December 2022 the Group acquired 100% of the share capital, and associated voting rights, of Heatmiser UK Ltd ("Heatmiser") for initial cash consideration of £117.5m, with up to a further £8.0m payable based on future financial performance. Heatmiser is a leading UK smart thermostatic control manufacturer and is based in Blackburn, UK.

Due to the timing of the acquisition, the analysis of acquired intangibles has not yet been completed so all of the purchase price aside from the operating balance sheet is allocated to goodwill as permitted when an acquisition is close to a period end. The provisional purchase price allocation will be completed in the first half of 2023. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, synergies and the future growth opportunities that the businesses provide to the Group's operations. Acquisition costs of £2.0m were recognised in the income statement in 2022.

There was no revenue and adjusted operating profit contributed by Heatmiser to be included in the income statement for 2022. If the acquisition had taken place on 1 January 2022, Heatmiser would have contributed revenue and adjusted operating profit of £24.0m and £9.5m respectively.

e) Acquisitions in 2021

On 20 December 2021 the Group acquired 100% of the share capital, and associated voting rights, of Adaptas Solutions ("Adaptas") for cash consideration of £203.9m. Adaptas is a manufacturer of mission critical mass spectrometry subsystems and components and is based in North America with facilities in the UK, Australia and China.

This acquisition has been accounted for as a business combination. Our accounting has been finalised and there are no changes to the provisional fair value amounts recognised in the 2021 Annual Report & Accounts in respect of the identified assets acquired and liabilities assumed.

24. Disposals

Disposals in 2022

The Group disposed of its Russian subsidiary IMI International LLC on 27 May 2022 for proceeds of £nil resulting in a loss on disposal for the Group of £4.8m after disposing of £3.3m of net assets and incurring £0.9m of associated disposal costs. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

The exit from Russia is presented in the income statement as an adjusting item but it is not disclosed as a discontinued item because it did not represent a separate major line of business.

	27 May 2022 £m
Net assets disposed	(3.3)
Costs of disposal	(0.9)
Foreign exchange loss reclassified on disposal	(0.6)
Loss on disposal	(4.8)
Net cash flow arising on disposal	
Cash costs of disposal	(0.9)
Net cash flow arising on disposal of operations	(0.9)

Disposals in 2021

In 2021, the Group disposed of Interativa Industria, Comercio e Representacoes Ltda.

This disposal resulted in a loss of £3.8m and is presented in the income statement as an adjusting item as it meets our definition of adjusting items based on its nature and quantum. The loss on disposal is not disclosed within discontinued operations because this business did not represent a separate major line of business.

A summary of the proceeds received, assets disposed and resulting loss on disposal is included in the table below:

	23 July 2021 £m
Sale consideration	0.2
Net assets disposed	(3.8)
Costs of disposal	(0.1)
Foreign exchange loss reclassified on disposal	(0.1)
Loss on disposal	(3.8)
Net cash flow arising on disposal	
Sale consideration	0.2
Cash costs of disposal	(0.1)
Net cash flow arising on disposal of operations	0.1

25. Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision because significant subjectivity exists regarding its outcome.

Group contingent liabilities relating to guarantees in the normal course of business and other items amounted to £132m (2021: £112m).

26. Related party transactions

Related parties include the key management personnel. The Board, including the non-executive directors are considered to be the key management personnel of the Group.

	2022 £m	2021 £m
Short-term employee benefits*	3.5	4.3
Share-based payments**	2.2	1.8
Total	5.7	6.1

* Short-term employee benefits comprise salary, including employers' social contributions, benefits earned during the year and bonuses awarded for the year.

** For details of the share-based payment charge for key management personnel, see Note 6.

Transactions with associated companies

	2022 £m	2021 £m
Sales to associated companies	-	0.5
Purchases from associated companies	-	-
Accounts receivable	-	-
Accounts payable	-	-
Total	-	0.5

There are no other related party transactions.

27. Subsequent events

Events that occur in the period between 31 December and the date of approval of the Annual Report can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December. If the event is an adjusting event, then an adjustment to the results is made. If a non-adjusting event after the year end is material, non-disclosure could influence decisions that readers of the financial statements make. Accordingly, for each material non-adjusting event after the reporting period we disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

There were no adjusting or non-adjusting subsequent events after the balance sheet date of 31 December 2022.

Company balance sheet

At 31 December 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	C5	533.0	547.0
		533.0	547.0
Current assets			
Debtors	C6	18.3	12.1
Deferred tax assets	C7	5.5	6.8
Cash at bank and in hand		1.6	2.0
		25.4	20.9
Creditors: amounts falling due within one year			
Other creditors	C8	(4.3)	(2.2)
Net current assets		21.1	18.7
Total assets less current liabilities		554.1	565.7
Net assets		554.1	565.7
Capital and reserves			
Called up share capital	C9	78.6	78.6
Share premium account		16.4	15.2
Capital redemption reserve		177.6	177.6
Profit and loss account		281.5	294.3
Equity shareholders' funds		554.1	565.7

The Company reported a profit for the financial year ended 31 December 2022 of £59.6m (2021: £276.0m).

Approved by the Board of Directors on 2 March 2023 and signed on its behalf by:

Lord Smith of Kelvin
Chair

Company statement of changes in equity for the year

	Share capital £m	Share premium £m	Redemption reserve £m	Retained earnings £m	Parent equity £m
At 1 January 2021	81.8	14.3	174.4	291.9	562.4
Retained profit for the year				276.0	276.0
Dividends paid on ordinary shares				(61.8)	(61.8)
Shares issued in the year	-	0.9			0.9
Share-based payments				14.8	14.8
Cancellation of Treasury shares	(3.2)		3.2		-
Shares acquired for:					
employee share scheme trust				(26.6)	(26.6)
share buyback programme				(200.0)	(200.0)
At 31 December 2021	78.6	15.2	177.6	294.3	565.7
Retained profit for the year				59.6	59.6
Dividends paid on ordinary shares*				(62.2)	(62.2)
Shares issued in the year	-	1.2			1.2
Share-based payments				9.8	9.8
Shares acquired for:					
employee share scheme trust*				(20.0)	(20.0)
At 31 December 2022	78.6	16.4	177.6	281.5	554.1

* Details of treasury and employee trust share scheme movements are contained in Note 22 of the Group financial statements and details of dividends paid and proposed in the year are shown in Note C4.

All of the retained earnings held at both 31 December 2022 and 31 December 2021 are considered to be distributable reserves.

Company notes to the financial statements

C1. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements, except where otherwise noted below:

Basis of accounting

The financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

The Company has not presented a separate profit and loss account as permitted by Section 408 of the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment';
- b) the requirements of IFRS 7 'Financial Instruments';
- c) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- e) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1;
- f) the requirements of IAS 7 'Statement of Cash Flows';
- g) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- h) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures'; and
- i) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member. Related party transactions with the Company's key management personnel are disclosed in the Remuneration Report on pages 126 to 145 and in Note 26 on page 223 of the Group financial statements.

Critical judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There were no critical judgments or key sources of estimation uncertainty applied in 2022 or in 2021.

Foreign currencies

The Company's functional currency and presentation currency is sterling. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments

Investments in subsidiaries are accounted for at cost less any provision for impairment. The Company's cost of investments in subsidiary undertakings is stated at the aggregate of (a) the cash consideration and either (b) the nominal value of the shares issued as consideration when Section 612 of the Companies Act 2006 applies or (c) in all other cases the market value of the Company's shares on the date they were issued as consideration.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12 'Income Taxes'. Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Equity and equity-related compensation benefits

The Company operates a number of equity and equity-related compensation benefits as set out in Note 6 to the Group financial statements. The fair value of the employee services received in exchange for the grant of the options is recharged in full to the principal employing company and accordingly, there is no net charge recorded in the Company's financial statements. The recharged amount is recognised as a debtor falling due for payment within one year.

The total amount recharged over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value of the options at the date of grant is determined based on the Monte Carlo and Black-Scholes option-pricing model.

At each balance sheet date, the Company revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the amount recharged to subsidiary undertakings.

For newly issued shares, the proceeds received, net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Treasury shares

The consideration paid by the Company on the acquisition of treasury shares is charged directly to retained earnings in the year of purchase. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to share premium. If treasury shares are subsequently cancelled the nominal value of the cancelled shares is transferred from share capital to the capital redemption reserve. No gain or loss is recognised on the purchase, sale or cancellation of treasury shares.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

C2. Remuneration of directors

The detailed information concerning directors' emoluments, shareholdings and options are shown in the audited section of the Remuneration Report on pages 126 to 145, Note 5 and Note 26 of the Group financial statements.

C3. Staff numbers and costs

The number of people employed by the Company, including directors, during the year was 18 (2021: 18) all of whom were employed in administrative roles. The costs associated with them were borne by a subsidiary undertaking.

The Company participates in the IMI UK Funds, which are defined benefit schemes in which the assets are held independently. The total net defined benefit costs of these Funds are borne by a subsidiary undertaking and therefore in accordance with IAS 19, no net defined benefit costs are recognised in the Company's financial statements. Note 14 to the Group financial statements provides further details regarding the defined benefit schemes.

C4. Dividends

The aggregate amount of dividends comprises:

	2022 £m	2021 £m
Prior year final dividend paid - 15.8p per qualifying ordinary share (2021: 15.0p)	40.8	40.8
Current year interim dividend paid - 8.3p per qualifying ordinary share (2021: 7.9p)	21.4	21.0
Aggregate amount of dividends paid in the financial year	62.2	61.8

Dividends paid in the year of £62.2m represent 24.1p per share (2021: 22.9p).

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	2022 £m	2021 £m
Current year final dividend - 17.4p per qualifying ordinary share (2021: 15.8p)	45.1	40.9

Dividends proposed after the balance sheet date may differ from the final dividend paid. This is a result of the final number of qualifying shares entitled to dividends differing from those in issue at the balance sheet date.

C5. Fixed assets – investments

	2022 £m	2021 £m
Investments in subsidiary undertakings	173.2	173.2
Loans owed by subsidiary undertakings	359.8	373.8
	533.0	547.0

Details of subsidiary undertakings as at 31 December 2022 are shown on pages 229 to 233.

The loan due from subsidiary undertakings is due for repayment on 31 December 2027. The loan is unsecured and attracts interest at the relevant risk free rate +0.25%.

C6. Debtors

	2022 £m	2021 £m
Falling due for payment within one year:		
Amounts owed by subsidiary undertakings	18.3	12.1
	18.3	12.1

Company notes to the financial statements (continued)

C7. Deferred tax

	2022 £m	2021 £m
The deferred tax included in the balance sheet is as follows:		
Employee benefits and share-based payments	5.5	6.8
Deferred tax asset included in the balance sheet	5.5	6.8
Reconciliation of movement in deferred tax asset:		
At 1 January 2022	6.8	3.2
Adjustment in respect of prior years	-	0.1
Deferred tax credit in the profit and loss account	0.6	1.1
Deferred tax (credit)/charge in equity	(1.9)	2.4
At 31 December 2022	5.5	6.8

The rate of corporation tax in the UK for 2022 was 19% (2021: 19%). As from 1 April 2023, it will increase from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2021: 25%).

C8. Other creditors falling due within one year

	2022 £m	2021 £m
Corporation tax	3.3	1.3
Other payables	1.0	0.9
	4.3	2.2

C9. Share capital

	2022 £m	2021 £m
Issued and fully paid		
275.0m (2021: 274.9m) ordinary shares of 28 4/7p each	78.6	78.6

C10. Contingencies

Contingent liabilities relating to guarantees in the normal course of business and other items amounted to £37.8m (2021: £22.1m).

There is a right of set-off with three of the Company's bankers relating to the balances of the Company and a number of its wholly-owned UK subsidiaries.

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, 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.

Subsidiary undertakings

A full list of the Group's subsidiary undertakings and registered/principal offices as at 31 December 2022 is included below. Except where indicated, the share capital consists of ordinary shares only. The principal country in which each subsidiary operates and has its registered/principal office is the country of incorporation. IMI plc's effective interest in the undertakings listed is 100%, except where indicated, and is held in each case by a subsidiary undertaking, except for IMI Group Limited and IMI Deutschland Verwaltungs GmbH which are held directly by IMI plc.

The Group has an interest in two partnerships, The IMI Scottish Limited Partnership and The IMI 2017 Scottish Limited Partnership, which are both fully consolidated into these Group accounts. The Group has taken advantage of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of these qualifying partnerships to these accounts. Separate accounts for the partnerships are not required to be and have not been filed at Companies House.

Charles Baynes Netherlands B.V., Holford Estates Limited, IMI CIF Trustee Limited, IMI Components Limited, IMI Deutschland Limited, IMI Euro Finance Limited, IMI Fluid Controls (Finance) Limited, IMI Germany Limited, IMI Group Limited, IMI Kynoch Limited, IMI Marston Limited, IMI Overseas Investments Limited, IMI Pensions Trust Limited, IMI plc, IMI Precision Engineering Limited, IMI Property Investments Limited, IMI Refiners Limited, IMI Retirement Savings Trust Limited, IMI Sweden Finance Limited, IMI Vision Limited, Liquick 211 Limited, Truflo Group Limited, Truflo International Limited, Truflo Investments Limited	Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham, West Midlands, B37 7XZ, United Kingdom
Finch Land Management LLC, IMI Americas LLC, IMI Fluid Controls Holdings Inc, IMI Norgren LLC, Norgren LLC	5400 South Delaware Street, Littleton, CO 80120, United States
IMI Critical Engineering Holding GmbH, IMI Deutschland II GmbH & Co KG, IMI Deutschland Verwaltungs GmbH, IMI Germany Holding B.V. & Co. KG, Norgren GmbH	Bruckstrasse 93, 46519 Alpen, Germany
Adaptas Acquisition Co., Adaptas Acquisition Holdings, LLC Adaptas Solutions, LLC	Palmer Industrial Park, 9 Second Street, Palmer, MA 01069, United States
Heimeier GmbH, IMI Hydronic Engineering Deutschland GmbH, THJ Holding GmbH	Postfach 1124 59592 Erwitte, Völlinghauser Weg, 59597 Erwitte
IMI Australia Pty Ltd, IMI Critical Engineering (PAC) Pty Ltd, IMI Lakeside Australia Pty Ltd	33 South Corporate Avenue, Rowville VIC 3178, Australia
IMI Finance SA, IMI Finance USD SA, IMI Hydronic Engineering International SA	Route de Crassier 19, Lake Geneva Business Park, 1262 Eysins, Switzerland
Adaptas Solutions Pty Ltd, DeTech Australia Holdings Pty Ltd	2-8 Martha Street, Clyde NSW 2142, Australia
IMI Aero-Dynamiek BVBA	Aero Dynamiek - Antwerpsesteenweg 124, 2630 Aartselaar, Belgium
IMI Hydronic Engineering NV	Fountain Business Park, C. Van Kerckhovenstraat 110 Gebouw 3 BE-2880 Bornem
CCI Italy S.R.L., IMI Holding Italy S.R.L., Orton S.R.L.	Via Larga 6, 20122 Milan, Italy

Subsidiary undertakings (continued)

IMI Hydronic Engineering A/S, Norgren A/S	Vesterlundvej 18, 2730 Herlev, Denmark
IMI Hydronic Engineering AS, Norgren AS	Glynitveien 7, Ski, N-1400, Norway
IMI Hydronic Engineering BV, IMI Netherlands Holdings BV	Klipperaak 101 (1e etage), 2411 ND Bodegraven
IMI Scotland Limited, The IMI Scottish Limited Partnership, The IMI 2017 Scottish Limited Partnership	C/O Brodies LLP Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP
Lakeside Finance Unlimited Company, Lakeside Treasury Unlimited Company	1 Stokes Place, St Stephens Green, Dublin 2, Ireland
Norgren Co Limited, Norgren Manufacturing Co Ltd	Building 3, No. 1885, Duhui Road, Minhang District, Shanghai, China
Valves Holding GmbH, Z & J Technologies GmbH	Bertramsweg 6, 52355 Düren, Germany
Acro Associates LLC	1990 Olivera Rd., Sta. A Concord, CA 94520, United States
Adaptas Solutions China Co, Ltd	No. 1588 Xinhong Road, Qidong City, Nantong, Jiangsu, China
Applied Kilovolts Limited	Woods Way, Goring By Sea, Worthing, West Sussex, BN12 4QY
Bahr Modultechnik Holding GmbH Bahr Modultechnik GmbH	North-South-Str. 10a, 31711 Luhden, Germany
Bimba LLC Mead Fluid Dynamics, Inc.	25150 S. Governors Hwy, University Park, IL 60484, United States
Bopp & Reuther Valves GmbH	Carl-Reuther Str. 1, 68305 Mannheim, Germany
Brookvale International Insurance Limited	Clarendon House, Church Street, Hamilton, HM11, Bermuda
Buschjost GmbH	Detmolder Strasse 256, 32545 Bad Oeynhausen, Germany
CCI AG	Fabrikstrasse 10, 8370 Sirmach, Switzerland
IMI Critical Engineering Brasil Ltda.	Rua Anuar Dequech, 272 – Galpão 06, Iporanga - Sorocaba/SP, Brasil 18087-157
CCI Czech Republic s.r.o.	K Letišti 1804/3, Šlapanice, 62700, Brno, Czech Republic
CCI Flow Control (Shanghai) Co Ltd	Room 108, Unit 15, 159 Tian Zhou Road, Cao He Jing Development Zone, Shanghai, 200233, China
CCI International Limited	Unit A3 Brookside Business Park, Greengate, Middleton, Manchester, M24 1GS, United Kingdom
CCI Valve Technology AB	Industrigatan 7, Box 603, 661 29 Säffle, Sweden
CCI Valve Technology GmbH	Lemböckgasse 63/1, 1230 Wien, Austria
Control Component India Pvt Limited	Ground, 1st & 2nd Floor, Tower 4, SJR i park, Plot # 13 14 & 15, EPIP Zone Phase 1, Whitefield Road, Bangalore 560066, India
Control Components Inc	22591 Avenida Empresa, Rancho Santa Margarita CA 92688, United States
CorSolutions LLC	95 Brown Rd, Ithaca, New York, 14850, United States
FAS Medic SA	Route de Bossonnens 2, 1607, Palézieux, Switzerland
Fluid Automation Systems GmbH	Stuttgarter Straße 120, 70736 Fellbach, Germany
Heatmiser UK Ltd	Units 1-5 Hurstwood Court, Mercer Way, Blackburn, England, BB1 2QU
Heatmiser Automatic Control Technology (Beijing) Limited	North Zone, Floor 2, Building 12, 738 Changliu Road, Machikou town, Changping District, Beijing, China
Herion Systemtechnik GmbH	Untere Talstrasse 65, 71263 Weil der Stadt, Germany
IMI Aero-Dynamiek BV	Databankweg 7, 3821 AL Amersfoort, Netherlands
IMI Critical Engineering (APAC) Pte. Ltd	29 International Business Park #04-01 Acer Building Singapore 609923
IMI Critical Engineering (AUS) Pty Ltd	33 South Corporate Avenue, Rowville Victoria 3178, Australia
IMI Critical Engineering (Shanghai) Company Limited	Building 3, No. 1-5, Lane 800, Yewang Road, Yexie Town, Songjiang District, Shanghai, 201609, China
IMI Critical Engineering Korea	14 Dangdong 2-ro, Munsan-eup, Paju-si, Gyeonggi-do, 10816, Republic of Korea
IMI Critical Engr PBM LLC	1070 Sandy Hill Road, Irwin, PA 15642, United States

IMI Critical Engr Z&J LLC	4525 Kennedy Commerce Drive, Houston, TX 77032, United States
IMI Critical FZE	Office No. FZJOA1308, FZJOA1310, FZJOA1307A, Jebel Ali Free Zone, PO Box 17827, Dubai, UAE
IMI Deutschland B.V.	Versterkerstraat 6, 1322 AP Almere, Netherlands
IMI Engineering Sdn. Bhd.	K-7-5 & K-7-6, Solaris Kirara, Soho, Jalan Solaris Mont Kiara, 50480 Kuala Lumpur, Malaysia
IMI France SARL	52 Boulevard de Sébastopol, 75003 Paris, France
IMI Holdings LLC	101 Broadway Street West, Suite 204, Osseo, MN 55369, United States
IMI Hydronic Engineering AB	Annelund, SE-524 80, Ljung, Sweden
IMI Hydronic Engineering Business Services Spółka Z Ograniczona Odpowiedzialnoscia	Olewin 50 A, PL-32300, Olkusz, Poland
IMI Hydronic Engineering China	Room 610, Block C the MIXC No.1799 Wuzhong Road, Minghang District, Shanghai 201103 China
IMI Hydronic Engineering France S.A.	13, rue de la Perdrix – Les Flamants 8, 93290 Tremblay-en-France, France
IMI Hydronic Engineering FZE	JAFZA One - Tower A, Office 1310, P.O. Box 262611, Dubai, UAE
IMI Hydronic Engineering GesmbH	Industriestrasse 9, Objekt 5, 2353, Guntramsdorf, Austria
IMI Hydronic Engineering Inc	8908 Governors Row, Dallas, TX 75247, United States
IMI Hydronic Engineering Limited	Hat House Third Floor, 32 Guildford Street, Luton, Bedfordshire, LU1 2NR, United Kingdom
IMI Hydronic Engineering Ltda	Av Fagundes Filho, 134 cj 43, S. Judas, Sao Paulo, 04304-010, Brazil
IMI Hydronic Engineering OY	Robert Huberin tie 7, Vantaa FI-01510, Finland
IMI Hydronic Engineering Pte Ltd	223 Mountbatten Road #03-01, Singapore 398008, Singapore
IMI Hydronic Engineering S.A.	9, rue des 3 Cantons, Windhof, L-8399, Luxembourg
IMI Hydronic Engineering (Spain) SAU	Calle Orduña 3 Planta Baja, 28034 Madrid, Spain
IMI Hydronic Engineering S.R.L.	Via Roma, 108 – Edificio F/2, 20051 Cassina de Pecchi (MI), Italy
IMI Hydronic Engineering Switzerland AG	Mühlerainstrasse 26, 4414 Füllinsdorf, Switzerland
IMI Hydronic Engineering UAB	A.Juozapaviciaus 27-5, Kaunas, LT – 45258, Lithuania
IMI International Co Srl	Str. Aristide Pascal nr.36, Sector 3, Bucuresti, 031445, Romania
IMI International d.o.o.	Alpska cesta 37b, Lesce, 4248, Slovenia
IMI International d.o.o.	Slavonska avenija 17, Zagreb, 10040, Croatia
IMI International d.o.o. Beograd	Milutina Milankovica 1b, Novi Beograd, 11070, Serbia
IMI International Kft.	Kunigunda Útja 60, Budapest, HU-1037, Hungary
IMI International s.r.o.	Central Trade Park D1, c.p.1573, Humpolec, 396 01, Czech Republic
IMI International Sp. z.o.o.	Olewin 50 A, PL-32300, Olkusz, Poland
IMI Japan K.K.	7-3-6 Minatojima Minamimachi, Chuo-ku, Kobe, Hyogo 650-0047, Japan
IMI Norgren Herion PVT Limited	C/o Rajesh Malhotra & Associates 505, Mercantile house, Kasturba gandhi marg, New Delhi – 110001
IMI Norgren Limited	1 Stokes Place, St. Stephen's Green, Dublin 2, D02 DE03
IMI Norgren SA (Sociedad Unipersonal)	Calle Colom, 391, 2 Edif. Tecno, 08223, Terrassa, Spain
IMI Saudi Industry LLC	3826 unit No. 7, Street 122, Second Industrial City, Post 34325-7535, Dammam, Saudi Arabia
IMI Ventures Singapore Pte Ltd	29 International Business Park #04-01 Acer Building Singapore 609923
Industrie Mecanique Pour Les Fluides SA	15 Avenue des Cures, 95580, Andilly, France
Kynoch Sweden Holding AB	c/o IMI Hydronic Engineering AB, 52 480 Ljung, Sweden
Mead Fluid Dynamics, Inc.	4114 North Knox Avenue, Chicago, IL 60641, United States
Newman Hattersley Limited	5063 North Service Road, Suite 100, Burlington, ON, L7L 5H6 Canada
Norgren AG	Fabrikstrasse 10, 8370 Sirmach, Switzerland
Norgren Automation Solutions LLC	2871 Bond Street, Rochester Hills, MI 48309, United States
Norgren BV	Versterkerstraat 6, 1322 AP Almere, Netherlands
Norgren Co Limited	36/8 Room M1 Krungthep Kreetha Rd., Khlong Song Ton Nun Sub-District, Lat Krabang District, Bangkok 10520, Thailand

Subsidiary undertakings (continued)

Norgren Finland OY	Robert Huberin Tie 7, FI-015 10 Vantaa, Finland
Norgren Ges.m.b.H	Industriezentrum NÖ Süd, Straße 2a, Objekt M39/1, A-2355, Wiener Neudorf, Austria
Norgren GT Development LLC	425 "C" Street NW, Suite 100, Auburn, WA 98001, United States
Norgren Kloehn LLC	10000 Banburry Cross Drive, Las Vegas, NV 89144, United States
Norgren Limited	6/F Benson Tower, 74 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Norgren Limited	15A Vestey Drive, Auckland, 1060, New Zealand
IMI Webber Limited, Norgren Limited	Blenheim Way, Fradley Park, Lichfield, Staffordshire, WS13 8SY, United Kingdom
Norgren Ltda	Av. Eng. Alberto de Zagottis, 696-B, Sao Paulo SP, 04675-085, Brazil
Norgren Manufacturing (Suzhou) Co., Ltd	No. 975, Xinzi Road, Wujiang Economic & Technological Development Zone, Jiangsu Province, China
Norgren Manufacturing de Mexico S.A. de C.V.	Avenida de la Montaña # 120, Parque Industrial Querétaro, Santiago De Querétaro, Querétaro, CP 76220, México
Norgren S.A. de C.V.	Avenida de la Montaña # 120, Santa Rosa Jauregui, Santiago De Querétaro, Querétaro, CP 76220, México
Norgren NV	F Walravensstraat 84, B.1651 Lot, Belgium
Norgren Pte. Limited	JTC Space@ Tuas, 16B Tuas Ave 1, #03-40, Singapore 639534
Norgren SAS	1, rue de Lamirault 77090 Collégien, France
Norgren Srl	Building F2, Via Roma 108, Cassina de Pecchi, 20051, Milan, Italy
Norgren Sweden AB	Box 14001, Ventilgatan 6, S-200 24 Malmo, Sweden
Norgren Taiwan Co Limited	3F, No. 540 Sec. 1, Minsheng N. Rd., Guishan Dist., Taoyuan City , 333, Taiwan
Pneumadyne LLC	14425 23rd Ave North, Plymouth, MN 55447, United States
Remosa S.R.L.	Sesta Strada Ovest snc – Loc Macchiareddu, 09010, UTA (CA), Italy
SAIC CCI Valve Co Ltd (44%)*	Block B, 123 Chongming Xiushan Road, Chengqiao Town, Chongming County, Shanghai, 202150 China
Shanghai CCI Power Control Equipment Co Ltd	229C, 2F, No 11, Lane 465, Tengyue Road, Yangpu District, Shanghai, 200090, China
STI S.R.L.	Via dei Caravaggi 15, 24040, Levate (BG), Italy
TA Regulator d.o.o.	Orliska Ulica13, Brezice, SI-8250, Slovenia
TH Jansen Armaturen GmbH	Blucherstrasse 47, 66386 Sankt Ingbert, Germany
Thompson Valves Limited	17 Balena Close, Creekmoor, Poole, Dorset, BH17 7EF, United Kingdom
Truflo Rona S.A.	3e avenue, 16, Parc Industrial des Hauts Sarts, 4040 Herstal, Belgium
Truflo Marine Limited	2, Priory Road, Aston, Birmingham B6 7LG, United Kingdom
Vaccon Company, Inc.	2871 Bond Street, Rochester Hills, MI 48309, United States

* Treated as external investments.

Subsidiary audit exemptions

IMI plc has issued guarantees over the liabilities over the following companies at 31 December 2022 under Section 479C of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

Company name	Company number	Company name	Company number
Applied Kilovolts Limited	02101051	IMI Precision Engineering Limited	01687068
CCI International Limited	00259162	IMI Refiners Limited	00148305
Heatmiser UK Limited	03747773	IMI Scotland Limited	SC378424
Holford Estates Limited	01181406	IMI Sweden Finance Limited	07272731
IMI Components Limited	01640862	IMI Vision Limited	04421176
IMI Deutschland Limited	07843551	IMI Webber Limited	01416237
IMI Euro Finance Limited	07929408	Norgren Limited	00564656
IMI Fluid Controls (Finance) Limited	08528502	Thompson Valves Limited	02791464
IMI Germany Limited	07843576	Truflo Group Limited	04430846
IMI Hydronic Engineering Limited	02945254	Truflo International Limited	00164822
IMI Kynoch Limited	00713735	Truflo Investments Limited	04430927
IMI Marston Limited	00155987	Truflo Marine Limited	00993167
IMI Overseas Investments Limited	00209251		

Geographic distribution of employees^{*}

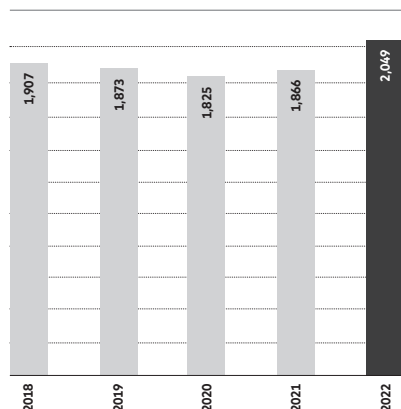
The following table shows the geographic distribution of employees as at 31 December 2022 and is not required to be audited.

United Kingdom	1,188
Continental Europe	5,703
Americas	2,688
Asia Pacific	1,363
Rest of World	49
Total	10,991

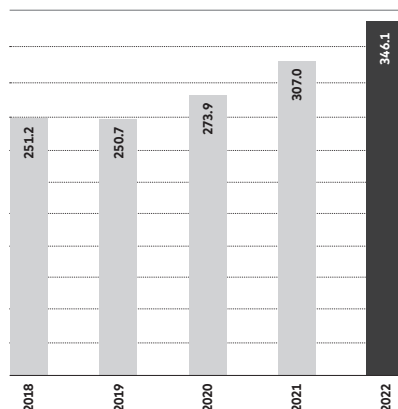
^{*} Includes agency and contractors.

Five year summary*

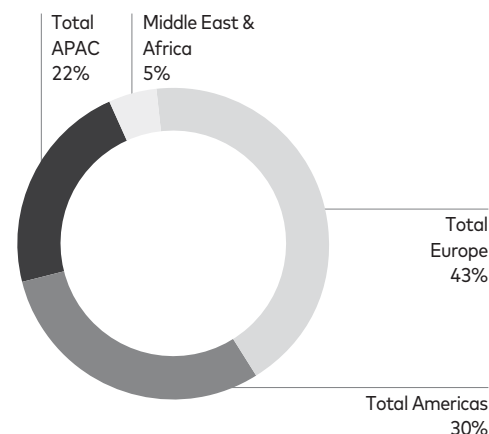
Revenue £m



Adjusted profit before tax* £m



Group revenue by geography 2022



* On an adjusted basis.

Income statement

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Revenue	1,907	1,873	1,825	1,866	2,049
Adjusted operating profit	265.5	266.1	284.7	318.1	363.8
Adjusted profit before tax	251.2	250.7	273.9	307.0	346.1
Special pension events	6.8	8.6	-	-	-
Restructuring costs and associated impairment losses	(14.4)	(53.3)	(37.7)	(39.7)	(25.9)
Acquired intangible amortisation	(25.1)	(19.5)	(18.7)	(15.0)	(29.5)
Other acquisition items	(3.7)	(1.6)	-	(3.1)	(4.2)
Loss/(gain) on disposal of subsidiaries	0.6	-	-	(3.8)	-
Exit from Russia	-	-	-	-	(9.0)
Financial instruments excluding economic hedge contract (losses)/gains	(2.5)	4.4	(3.2)	(0.8)	7.9
Profit before tax	212.9	189.3	214.3	244.6	285.4
Adjusted EBITDA	320	357	380	404	457

Group sales by destination

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
UK	90	90	88	83	93
Germany	288	234	222	238	265
Rest of Europe	519	494	486	520	520
Total Europe	897	818	796	841	878
Total Americas	515	538	545	526	627
Total Asia Pacific	357	404	390	409	450
Middle East and Africa	138	113	94	90	94
Revenue	1,907	1,873	1,825	1,866	2,049

Earnings and dividends

	2018	2019	2020	2021	2022
Adjusted basic earnings per share	73.2p	73.2p	79.7p	92.0p	105.5p
Statutory basic earnings per share	62.5p	56.6p	62.7p	73.5p	87.6p
Ordinary dividend per share	40.6p	41.1p	22.5p	23.7p	25.7p

Balance sheet

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Segmental net assets (including lease liabilities)	1,220	1,168	1,124	1,340	1,744
Other net non-operating liabilities excluding borrowings (gross)	(149)	(111)	(96)	(32)	(132)
Net debt (excluding lease liabilities)	(405)	(347)	(228)	(529)	(706)
Net assets	666	710	800	779	906

Statistics

	2018	2019	2020	2021	2022
Adjusted operating profit as a percentage of revenue	14.0%	14.2%	15.6%	17.0%	17.8%
Adjusted operating profit as a percentage of segmental net assets	21.8%	22.8%	25.3%	23.7%	20.9%
Effective tax rate on adjusted profit before tax	21.0%	21.0%	21.0%	20.0%	21.3%
Net assets per share (excluding treasury and EBT shares)	245.8p	262.2p	294.9p	301.0p	344.1p
Net debt as a percentage of shareholders' funds	60.7%	48.9%	39.5%	79.9%	89.6%
Net debt: adjusted EBITDA	1.3	1.2	0.8	1.5	1.8
Adjusted EBITDA: interest	25	24	35	33	24

* The five year summary is not required to be audited.

Shareholder and general information

Announcement of trading results

The trading results for the Group for the first half of 2023 will be announced on 28 July 2023. The trading results for the full year ending 31 December 2023 will be announced in February 2024.

Interim management statements will be issued in May and November 2023.

Expected dividend payments

Final: 12 May 2023

Interim: September 2023

Share prices and capital gains tax

The closing price of the Company's ordinary shares on the London Stock Exchange on 31 December 2022 was 1,228.0p (2021: 1,736.0p). The market value of the Company's ordinary shares on 31 March 1982, as calculated for capital gains tax purposes, was 53.5p per share.

The Company's SEAQ number is 51443.

Enquiries about shareholdings

For enquiries concerning shareholders' personal holdings, please contact the Company's Registrar: Equiniti (contact details appear to the right).

Please remember to tell Equiniti if you move house, change bank details or if there is any other change to your account information.

Managing your shares online

Shareholders can manage their holdings online by registering with Shareview, the internet based platform provided by Equiniti. Registration is a straightforward process and allows shareholders to:

- help us to reduce print, paper and postage costs and the associated environmental impact of these;
- cast your AGM vote electronically;
- receive an email alert when important shareholder documents are available online such as Annual Reports and Notices of General Meetings;
- access details of your individual shareholding quickly and securely;
- set up a dividend mandate online; and
- change your registered postal address or your dividend mandate details.

To find out more information about the services offered by Shareview and to register, please visit: www.shareview.co.uk.

Corporate website

The IMI plc website provides a wealth of useful information for shareholders and should be your first port of call for general queries relating to the Company and your shares. As well as providing share price data and financial history, the site also provides background information about the Company. Shareholders are also encouraged to sign up to receive news alerts by email in the Investors section of the website. These include all of the financial news releases from throughout the year that are not sent to shareholders by post. You can access the corporate website at: www.imiplc.com.

Annual General Meeting 2023

This year's AGM will be held on 4 May 2023. For further information, please refer to the Notice of Meeting which is on the corporate website.

Individual Savings Account (ISA)

IMI's ordinary shares can be held in an ISA. For information about the ISA operated by our Registrar, Equiniti, please call the Equiniti ISA helpline on 0345 300 0430. Lines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Share dealing service

Managed by Equiniti, the Company's registrar, the IMI plc share dealing service provides shareholders with a simple way of buying and selling IMI ordinary shares. Telephone: 0345 603 7037. Full written details can be obtained from Equiniti (contact details appear to the right).

Share fraud

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad. Further information on how to spot share fraud or report a scam can be found on our corporate website.

American Depositary Receipts

IMI plc terminated its sponsored American Depositary Receipt programme on 18 January 2023. If you have questions about the termination, please contact Citibank, N.A. at 1-877-248-4237.

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Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Email:
customer@equiniti.com
bereavementsupport@equiniti.com

Stockbrokers

JPMorgan Cazenove
Bank of America

Auditor

Deloitte

Cautionary statement

This Annual Report may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating margins, market trends and our product pipeline are forward-looking statements. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made in good faith and based on information available to IMI plc as of the date of the preparation of this Annual Report. All written or oral forward-looking statements attributable to IMI plc are qualified by this caution. IMI plc does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in IMI plc's expectations.



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Designed and produced by www.designmotive.co.uk



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