



Annual Report 2023

Accelerating
better world
growth

The essence of IMI

Who we are

A global specialist engineering company that creates breakthrough solutions. We are curious and like to solve problems, partnering with our customers to meet the demands of today and prepare for the challenges of tomorrow. We embrace innovation and care about outcomes that are good for business, everyday life and making a better world – creating lasting impact for everyone.

What we do

We design, build and service highly engineered products in fluid and motion control applications. We focus on five market sectors: Process Automation, Industrial Automation, Climate Control, Life Science & Fluid Control and Transport. Some customer problems require complex, precision solutions, others call for immediacy: what stays constant is our drive for customer satisfaction.

How we do it

Our partnership approach breaks through problems and reduces complexity. We don't invent in isolation – we collaborate with our customers. We listen closely and we think differently, creating space for diverse minds to innovate. We are working together to make businesses safer, more sustainable and more productive. This is how we create lasting value for our customers and for us.

Our purpose

Breakthrough engineering for a better world



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Accelerating better world growth through

Strong performance across the business

Financial highlights



- 7% sales growth, 12% adjusted profit before tax growth
- Adjusted basic earnings per share were 11% higher than 2022
- Complexity reduction programme delivered £20m benefits
- Adjusted operating margin up 90bps to 18.7%
- Statutory profit before tax increased by 6%
- Significant growth in operating cash flow to £366m (2022: £290m)
- Return on invested capital increased to 13.1% (2022: 12.7%)
- Record Process Automation order book provides momentum into 2024
- Proposed final dividend of 19.2p, increased by 10%

Strategic highlights



- Re-entered FTSE 100 after nine years
- Business structure aligned to key sectors to accelerate growth
- Doubled hydrogen orders across IMI to £15m
- Heatmiser launched in Germany and France
- New branding and values unifying the Group

Financial

Revenue

£2,196m

⬆ 7% (2022: £2,049m)

Adjusted operating margin

18.7%

⬆ 90bps (2022: 17.8%)

Adjusted profit before tax

£387m

⬆ 12% (2022: £346m)

Adjusted basic earnings per share

116.8p

⬆ 11% (2022: 105.5p)

Statutory operating margin

14.5%

⬆ 10bps (2022: 14.6%)

Statutory profit before tax

£302m

⬆ 6% (2022: £285m)

Statutory basic earnings per share

91.5p

⬆ 4% (2022: 87.6p)

Non-financial

Total recordable incident frequency rate

0.44

⬆ 26% (2022: 0.35)

CO₂ intensity

1.98

⬆ -5% (2022: 2.09)

Employee engagement

77%

⬆ 3% (2022: 80%)

Women in management

22%

→ (2022: 22%)



Accelerating better world growth through

Our purpose-driven strategy

IMI is a global specialist engineering company creating breakthrough solutions to improve lives. We design, manufacture and service highly engineered products in fluid and motion control applications. We continuously create value through a focus on industry-leading customer service, market-led innovation and complexity reduction.

What sets us apart is our close customer partnerships. We immerse ourselves in our customers' challenges to drive safety, sustainability and productivity. Combining our deep engineering knowledge with our applications expertise, we develop solutions that accelerate better world growth.

⊕ Read more on pages 16 to 27

Our purpose

Breakthrough engineering for a better world

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. We have deep applications knowledge and know-how. We have market-leading brands.

Market-led innovation

We solve acute customer problems by developing innovative new products and solutions. We work in teams to rapidly validate the problem, create the solution and test customer willingness to pay. We build scalable operation processes to deliver quality products on time to customers.

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 people and 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 connected products and digital tools to improve our value and service to customers.

Our values

Always care

We are attentive to the needs of our customers, our employees and the planet. We put their welfare and wellbeing ahead of all other priorities. We always do the right thing. We are one big team – we act as a team and look out for each other. We listen, we empathise, we understand and we act. We show we care in all we do.

Be curious

On our path towards a better world, we are always questioning how things are and seeking solutions for how things could be. Our curiosity fuels our innovative drive. We strive to go beyond the obvious. We dare to ask "Why not?" and "What if?" and are energised by our search for the answers.

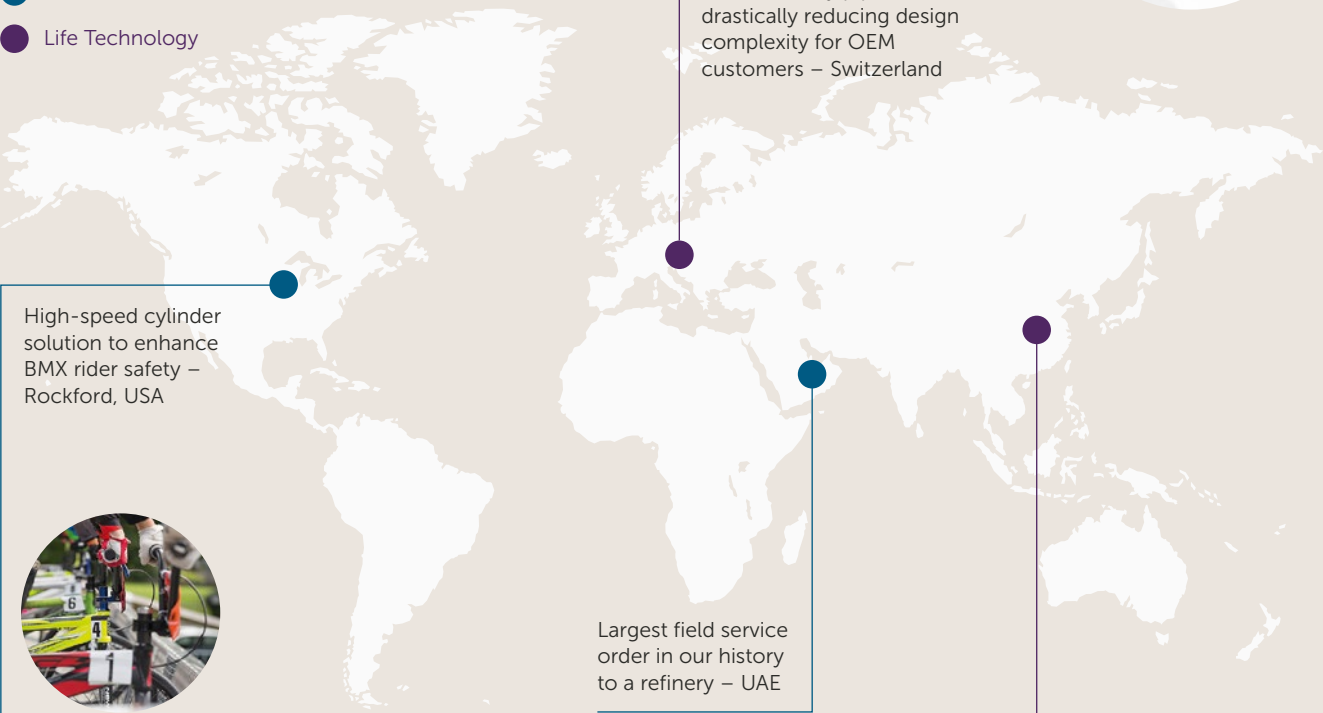
Create impact

We build a better world by bringing the best of who we are; we make things better for others. We make space for change to happen. We find ways to simplify the complex. We seek out challenges and opportunities, and use our expertise to create valuable outcomes. We are ambitious and drive positive growth.

Accelerating better world growth through Our operations

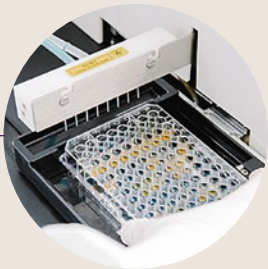
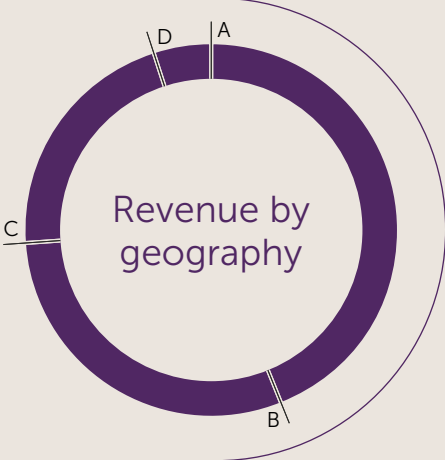
Our commitment to global growth

- Automation
- Life Technology



IMI's geographical presence

A Europe	43%
B Americas	30%
C Asia Pacific	22%
D Middle East & Africa	5%



Our new operating structure

We have restructured our business into two platforms, Automation and Life Technology – focused on five major market sectors.

Benefits
Greater opportunities to harness creativity and innovation, share best practices, pool resources, avoid duplication, leverage talent and expand market sector knowledge.

Sales synergies
Accelerating selling of the complete product portfolio, more effective utilisation of our engineering resources towards the best opportunities.

Our platforms and sectors

Automation

Platform overview

We help our customers to operate their industrial plant, manufacturing, and warehouse operations more efficiently, safely and sustainably. We engineer smart solutions for production lines, flow control components for severe, high-temperature and high-pressure environments and new decarbonisation technologies.

Our sectors

Process Automation

We engineer solutions to enhance the efficiency, sustainability and safety of severe service applications, including oil and gas, power and marine. Our products improve plant operations and process safety, by protecting people and assets from pressure surges and curbing greenhouse gas emissions. We are also creating sustainable solutions that contribute to a cleaner energy supply.

Industrial Automation

We create solutions for our customers which enable smarter, safer, more productive and sustainable factories, production lines and warehouse operations. Our pneumatic and electric motion systems help machine builders and end users around the world automate and optimise manufacturing and warehousing processes.

Life Technology

Platform overview

We engineer solutions to help our customers create a better world. Our technology and expertise enable everything from cleaner air in transportation to reduced energy use in buildings, and from life-saving medical equipment to smarter, more sustainable agriculture.

Our sectors

Climate Control

We create innovative solutions to help our customers optimise heating and cooling systems, reduce energy use and improve building comfort. Our valves, actuators and digitally connected products curb our customers' carbon footprints, save money on energy bills and create greener buildings.

Life Science & Fluid Control

We develop innovative solutions that empower our Life Sciences customers to diagnose disease earlier and provide highly-tailored, patient-focused critical care. In Fluid Control, our solutions accelerate the safety, reliability and performance of everyday commodities in highly diverse end markets.

Transport

We are at the heart of progress in making cleaner, safer and more efficient commercial vehicles, and advancing zero emissions transport. Our solutions help our customers to improve fuel economy, reduce emissions and enhance safety and driver comfort. We are also developing new technologies to support zero-emissions vehicles.

19.1%
(2022: 18.1%)
Adjusted operating margin

£1,350m
(2022: £1,248m)
Revenue by platform

15.0%
(2022: 15.1%)
Statutory operating margin

18.1%
(2022: 17.3%)
Adjusted operating margin

£846m
(2022: £801m)
Revenue by platform

13.7%
(2022: 13.7%)
Statutory operating margin

Accelerating better world growth through

Unlocking the hydrogen economy of the future

Green hydrogen, produced through electrolysis with a renewable electricity source, has a key role to play in global decarbonisation. It has been identified as an energy source for the future, especially for mobility, transport and heavy industries, from refineries to chemical companies. Hydrogen and other low-emission alternative fuels are expected to make a significant contribution to energy supply by 2050, and we are helping to build the hydrogen economy of tomorrow. Across different IMI sectors and at every stage of the hydrogen value chain – from production, storage, transportation and distribution to its use and application – we are developing transformative solutions for our customers.



Process Automation

Our customisable IMI VIVO Proton Exchange Membrane (PEM) electrolyzers transform water into green hydrogen using renewable electricity. We also manufacture low-pressure hydrogen storage vessels and offer a real-time digital dashboard for remote monitoring and diagnostics, preventive and predictive maintenance. In 2023, we successfully delivered and installed complete hydrogen production, storage and monitoring systems for two pilot research projects in the UK. The University of Sheffield, for example, deployed our solutions to study how green hydrogen can produce renewable synthetic fuels to reduce aviation emissions. This year, we gained orders for another pilot research project in Germany and made further strategic progress with our first two orders for industrial applications, one in Europe and the other in the Asia Pacific region.

£11m

IMI VIVO orders to date

Transport

Zero-emission fuel cell vehicles, powered by hydrogen, are an exciting growth area for IMI. Our high-flow, motorised fluid control valves are already being used in fuel cell technology for the commercial vehicle market – from local bus systems to trucks. These innovative components control the thermal dynamics and flow of gases going into a cell, enabling greater energy generation. Thermal management of fuel cells is particularly important to the performance of hydrogen vehicles because a fuel cell needs to be kept at the right temperature to maximise fuel efficiency. Unlike traditional engines, they are much more sensitive to temperature changes, with colder weather significantly limiting driving range. We have been applying our expertise and technology, and partnering with our customers to evolve our solutions, enabling them to develop more efficient and robust fuel cells of the future, that all helps advance the green hydrogen economy of tomorrow.

>5,000

Hydrogen fuel cell vehicles with our products on board

Fluid Control

We are using our ingenuity and expertise in fluid control valves to support safer, more reliable green hydrogen storage and refuelling station infrastructure. Our products help designers and refuelling station OEMs overcome the challenges of a high-pressure application and achieve regulations such as the Transportable Pressure Equipment Directive (TPED) certification with a safe, reliable solution. For example our unique thermal pressure relief device valve, operates via melting at the required temperature without a vial of fluid and helps offer a solution for providing availability of green hydrogen for transportation.

Chair's letter

Accelerating better world growth

●● It has been four years since we launched our purpose-led strategy and I am very pleased with the considerable progress made in the year. Our focus on customer satisfaction, complexity reduction and market-led innovation is accelerating better world growth and creating value for all our stakeholders. ●●

Lord Smith of Kelvin, Chair



Evidence of the significant value we are creating for all our stakeholders is clear, with adjusted basic earnings per share now 60% higher than 2019, and it was pleasing to see IMI return to the FTSE 100.

In July 2023, we announced a new business structure. This organises the Group around five better world sectors with global mega-trends that will support our sustainable, profitable growth.

The Board

I will soon have served as Chair of IMI for nine years and will, therefore, be stepping down from the Board on 31 December 2024. As announced on 30 January 2024, Jamie Pike will join as Chair of the Board and Nomination Committee, with effect from 1 January 2025. In order to ensure an orderly succession, I will seek re-election at the AGM on 9 May 2024 and plan to step down from the Board at the end of 2024.

Having served on the Board since 2015, Isobel Sharp will step down as a non-executive director and Chair of the Audit Committee on 31 August 2024. On behalf of the Board, I would like to express our thanks for her valuable contribution to IMI.

We were delighted to welcome Jackie Callaway to the Board as a non-executive director in July 2023. Jackie has joined the Nomination Committee and the Audit Committee.

Jackie will be appointed as Chair of the Audit Committee on 1 September 2024.

Culture, values and people

I am incredibly proud of the inclusive, collaborative and commercial culture at IMI. Meeting with our employees throughout the year, it is clear to see how our unique culture, the way we work and our unifying purpose have made significant contributions to our strategic and financial progress. I am delighted to report that employee engagement levels remained high during 2023. For further information, please see page 48.

During the year, the Board considered and approved IMI's new values, which better reflect our business. In 2023, we undertook extensive research to help shape our approach to culture, purpose, values and brand alignment, which was led by the Executive Committee. For further information, please see page 43.

On behalf of the Board, I would like to thank all our employees for their contribution to delivering our strong performance this year. We are proud to employ the best people. The significant progress that we have made in the year would not have been possible without their continued hard work and commitment.

Creating value – for all

We consider the interests of all our different stakeholder groups in our decision-making, each with different expectations and priorities – whether they are employees, customers, our wider communities, or our investors. For more information about our stakeholders and our Section 172(1) statement, please go to pages 38 and 42, respectively.

Dividend

The Board is recommending a 2023 final dividend of 19.2p per share (2022: 17.4p per share). Payment will be made on 17 May 2024 to shareholders on the register at the close of business on 5 April 2024.

Reflections

It has been an honour and a privilege to serve as Chair of your company for the past nine years. We have made significant strategic progress during this period, and I have full confidence that the Group is well placed to continue creating value for all our stakeholders.

I would like to express my sincere gratitude to my Board colleagues and everyone at IMI for their support during my time as Chair. I wish you all much success in the future.

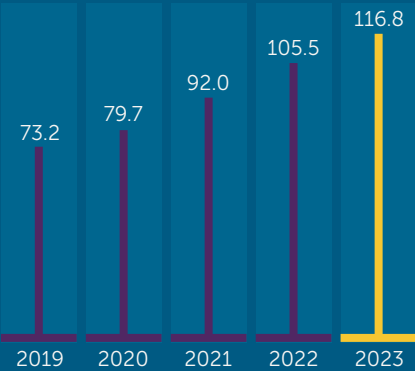
Lord Smith of Kelvin
Chair

Investment case Compounding sustainable profitable growth

Purpose-led strategy

Delivering improved margins and sustainable, profitable growth

Adjusted basic earnings per share (p)



Through-cycle resilience

Harnessing our expertise in fluid and motion control engineering, with exposure to structural growth markets and around 45% of sales coming from the aftermarket



Our sustainable solutions

Enabling the energy efficiency, sustainability and safety of our customers

11
applications from Growth Hub with > £1m orders

29%
carbon intensity reduction since 2019

Strong balance sheet

Offering strategic flexibility whilst maintaining financial discipline

Financial framework through-cycle

Organic growth

5%

Adjusted operating margin

20%

Cash conversion

90%

Return on invested capital

>12%

Capital allocation

- Organic growth
- R&D as a percentage of sales >3%
 - Capital spend to depreciation 1.1-1.2x
 - Growth Hub 50+ projects
- M&A
- Better world growth
 - Year 3 returns >WACC%
 - Year 5 returns ~ Group ROIC%

Attractive growth markets

Aligning the Group to markets supported by global macro-trend with our better world purpose

Sector	Process Automation	Industrial Automation	Climate Control	Life Science & Fluid Control	Transport
Market growth trends	– Energy security – Decarbonisation – Efficiency & safety	– Labour productivity & shortages – Reshoring – Mass customisation	– Energy efficiency & comfort – Smart buildings – Regulation	– Demographics – Healthcare demand – Scientific advances	– Emissions reduction – Safety & comfort – Regulation
Organic revenue growth target	5%	5%	5%+	5%-10%	3%-5%

Chief Executive Officer's review

Delivering on our strategy

●● We continued to make significant strategic progress in 2023 as we delivered our fourth consecutive year of profit and margin growth. ●●

Roy Twite, Chief Executive Officer



Our purpose-led strategy, Breakthrough engineering for a better world, is accelerating growth as we continue to help our customers to operate more efficiently, safely and sustainably. We are aligned to attractive growth markets and are creating real value for all our stakeholders through a focus on customer satisfaction, market-led innovation and complexity reduction.

There is great momentum in our business, and I am delighted that we have delivered another strong financial performance in 2023. We have seen exceptionally strong growth in our Process Automation sector, where our focus on growing the aftermarket is showing tangible results, and global investments in energy security have led to a significant increase in demand for our solutions. Our focus on hydrogen as a sustainable fuel is also delivering results, and I am pleased to report that hydrogen orders doubled to £15m in 2023 (2022: £7m). The integration of Heatmiser, acquired in December 2022 and now part of our Climate Control sector, is progressing well and we successfully launched its innovative range of smart control products in Germany and France during the year.

I would like to thank everyone across IMI for contributing to another impressive year. We would not be where we are today without your dedication, collaboration, innovation and expertise.

Delivering sustainable, profitable growth

IMI delivered another strong financial performance in 2023. Organic revenue increased by 6% and organic adjusted operating profit increased by 10%. Group adjusted operating margin increased by 90bps to 18.7% and both platforms increased margins in the year. Statutory operating margin reduced by 10bps to 14.5% as we accelerated our complexity reduction programme in the year. Statutory profit before tax increased by 6%. Cash conversion was strong at 89% (2022: 80%) and the Group's return on invested capital increased to 13.1% (2022: 12.7%). Our adjusted basic earnings per share increased by 11% to 116.8p (2022: 105.5p).

Everyone at IMI was pleased to see the Company rejoin the FTSE 100 index during the year. The sustainable improvements in financial performance that are being delivered are testament to the hard work of all our people. It is an important milestone in the continued delivery of our strategy.

As we unite our people and business around our purpose, it is time for the next step in our journey. We are consolidating under a unified IMI master brand while maintaining strong product brands within our sectors, all presented through a singular visual identity. This approach will simplify our engagement with customers, support our growth

ambitions, unite us as one team and help us to attract top talent. Great things happen when we come together as one – finding the best ways of solving customer problems with breakthrough solutions that help build a better world.

Our new structure

In July 2023, we announced a new business structure as the next step in our purpose-led strategy, Breakthrough engineering for a better world. To build on the opportunities for growth, IMI has been organised into five market-focused sectors operating within two business platforms, Automation and Life Technology (see pages 16-17).

Our five market-focused sectors bring us even closer to our customers and align with long-term macro-trend that will support our sustainable, profitable growth in the years to come.

Customer satisfaction

Understanding our customers and providing world-class engineering expertise is crucial to the delivery of our strategy. We continue to invest in our people and processes to strengthen the customer experience further, and are achieving industry-leading customer satisfaction scores across the Group. We thank our customers and partners for their business and look forward to continuing these partnerships which contribute to a better world.

Our new structure

Platform	Sector	Previous Name
Automation	Process Automation	IMI Critical Engineering
	Industrial Automation	IMI Precision Industrial Automation
Life Technology	Climate Control	IMI Hydronic Engineering
	Life Science & Fluid Control	IMI Precision Fluid OEM
	Transport	IMI Precision Transportation

Market-led innovation

We are accelerating market-led innovation by embracing our Growth Hub culture and processes. We are developing breakthrough solutions to solve key industry problems and support our customers with their most complex engineering challenges. Our innovation pipeline remains strong, with exciting projects across IMI. Supported by selective M&A, this is delivering better world growth. The integration of recent acquisitions is progressing well, giving us further exposure to attractive end markets.

Complexity reduction

During the year, we have continued to identify and execute opportunities to reduce complexity and drive more efficient, resilient operations. As forecast, our restructuring programmes delivered £20m of incremental annual benefits in 2023. We now expect to deliver a further £15m of benefits in 2024 and £7m in 2025. Our complexity reduction investment is expected to complete in 2024.

We have also progressed initiatives focused on reducing the complexity and increasing the resilience of our supply chains. We are strengthening relationships with key suppliers whilst dual-sourcing components where appropriate to ensure we can continue to serve our customers' needs.

Environmental, Social and Governance (ESG)

Our purpose, Breakthrough engineering for a better world, continues to focus our actions and create real energy across our organisation.

Empowering people

Ensuring all our employees feel safe at work has always been our number one priority. The Total Recordable Incident Frequency Rate (TRIFR) in 2023 was 0.44 (2022: 0.35), which despite remaining in the top quartile for our industry, was a disappointing outcome. We remain focused on identifying and reducing workplace hazards and are

committed to the ambition of an accident-free workplace.

Our Inclusion and Diversity activities are helping to build a more dynamic and innovative organisation. The female representation on the Board is currently 44% and the Executive Committee is now at 50% as at 1 February 2024. Women in management, a key metric for improving gender balance in leadership roles, remained at 22% (2022: 22%).

Our continued focus on empowering people and on creating an inclusive, diverse, and safe workplace is being recognised. Our employee engagement remains high, with 77% of employees seeing IMI as a great place to work (2022: 80%). We were pleased to see an increase in survey participation.

Sustainable solutions

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 that the impact on IMI's overall ESG positioning and performance is 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 involve supporting customers in developing solutions for a zero-carbon future.

In particular, we are developing solutions for many aspects of the hydrogen value chain, including electrolysis, liquid storage, refuelling and heavy-duty trucks. We delivered £15m of hydrogen-related orders in 2023 (2022: £7m) and expect further growth in 2024.

Climate action

We improved our CO₂ intensity by 5% in 2023. Both platforms are progressing actions that will further reduce our Scope 1, 2 and 3 emissions as we make meaningful progress towards our net zero targets. We committed to setting science-based

targets during the year and have submitted both a near-term and net zero target to the Science Based Targets initiative for validation. We continue to improve our metrics regarding water withdrawal and non-recyclable waste generation.

We also agreed our first sustainability linked revolving credit facility in June 2023 and used this as a template for a further revolving credit facility in the second half of the year.

More information about our ESG credentials and initiatives, including our policies and practices, can be found on our website: www.imiplc.com.

Outlook

Based on current market conditions, we expect 2024 full year adjusted basic EPS to be between 120p and 126p.

This guidance reflects strong growth in our Automation platform from the record order book in Process Automation and continued resiliency in our Industrial Automation sector as the competitive labour market drives investment. The Life Technology platform is expected to be broadly flat in the full year, reflecting continued demand for our energy efficient products in Climate Control, offset by softer performance in Life Science & Fluid Control and Transport. We expect that Life Technology revenue will be down in the first half.

We expect continued margin progression in 2024 towards our 20% through-cycle target, supported by the benefits from the complexity reduction programme.

Our guidance assumes a net interest charge of £17m, that our tax rate will increase to 24% and a weighted average number of shares of 260.5m. Foreign exchange rates are expected to have an adverse impact on sales and profits of c.2%.

Conclusion

It has been an excellent year for IMI. I am excited about the year ahead and our long-term future. We are aligned to attractive markets and long-term growth trends. I have full confidence that we will continue to create value for all our stakeholders and make a significant, positive impact on society.

Accelerating better world growth

How we create value

- Intellectual capital**
We provide knowledge, expertise, and intellectual property. Our world-class applications engineering expertise provides our customers with the right support to solve their problems.
- Human capital**
Our success is fuelled by our diverse and talented workforce. We invest in our employees, providing continuous learning and career development.
- Operational capital**
We commit to operational excellence, maintaining state-of-the-art manufacturing facilities and technology to deliver high-quality products.
- Social capital**
We take community engagement very seriously. We aim to build strong, positive relationships in the communities we operate in, and contribute to social welfare.
- Natural capital**
We recognise the importance of preserving natural resources and minimising our environmental footprint. We strive to reduce our environmental impact and support our customers to do the same.
- Financial capital**
We manage financial resources, making investments in innovation and operational efficiency to achieve sustainable profitable growth.

Our business model



Our strategic pillars

- Customer satisfaction**
We provide world-class engineering expertise and excellent customer service. We have deep applications knowledge and know-how. We have market-leading brands.
- Market-led innovation**
We solve acute customer problems by developing innovative new products and solutions. We work in teams to rapidly validate the problem, create the solution and test customer willingness to pay. We build scalable operation processes to deliver quality products on time to customers.
- Complexity reduction**
We continue to simplify and improve our global manufacturing footprint and demonstrate a resilient supply chain to support our customers.

Our enablers



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



Talent and engagement
Developing and retaining our key people and 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 connected products and digital tools to improve our value and the service we offer to customers.

Leaders in flow and motion control

Sector	Routes to market	Addressable market
Process Automation	– Direct – Aftermarket	£8.8bn
Industrial Automation	– Direct – Aftermarket – Distribution	£5.8bn
Climate Control	– End user specification – Project sales – Retrofit – Wholesalers	£4.0bn
Life Science & Fluid Control	– Direct – Aftermarket	£2.8bn
Transport	– Direct	£1.6bn

Value creation for our stakeholders

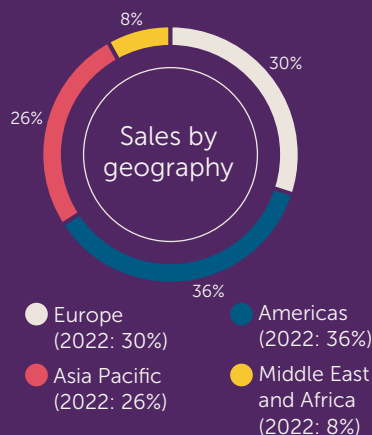
- >35,000 Customers**
Supporting over 35,000 customers with their most acute problems.
- 6,000 Suppliers**
Around 6,000 suppliers with partnerships that demonstrate long-term trust built over time.
- 77% Employees**
Employee engagement remains high at 77% (2022: 80%).
- 29% Community and environment**
29% reduction in carbon intensity since 2019, and we supported our customers in reducing their environmental impact.
- 12% CAGR Shareholders**
We delivered 12% compound annual growth in adjusted basic earnings per share over a 4-year period (2022: 13% over 3-years).
- Government and regulators**
We comply with the laws and regulations applicable to our business.

Automation



Jackie Hu,
CEO, Automation

Number of employees
6,500



What does Automation mean to you?

Automation is our next evolution at IMI as we move to a more customer-focused future. We are a trusted automation partner and recognised as a reliable solutions provider for a broad range of automation challenges.

Our new platform enables us to adapt better to evolving markets, so we can invest where we see long-term growth opportunities. It's also helping us to increase efficiencies and improve our competitive advantage. Ultimately, I believe that automation is about building a legacy for the next generation through helping our customers operate more efficiently, sustainably and safely.

What does the restructure mean for your business?

It's a new opportunity to work as a team, collaborating and empowering each other as we can deliver solutions across a unified platform. There are many common enablers between Process Automation and Industrial Automation: engineering capability; customer partnership; data-driven and digital tools; and leveraging talent, best practice and common market sector knowledge.

With these synergies, we can work in partnership with and better support our customers – analysing a customer's entire facility and identifying opportunities to innovate and solve problems, helping them adapt to evolving industrial landscapes. The diverse nature of our combined sector teams brings more creativity and innovation, and we've already initiated exciting, cutting-edge Growth Hub projects as a direct result of the change.

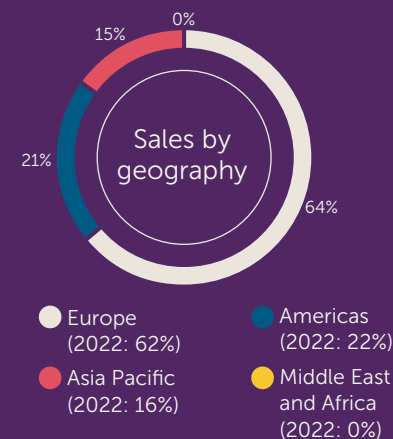
Over the next 12 months, where will you invest to develop Automation?

We'll invest in our people, so we are future-ready with skill sets specialising in areas such as strategic sales including new market specialists, product management, project management, and digital (including data analytics, digital marketing, and customer experience). We want to build on our culture of Inclusion and Diversity, broaden our talent pool and attract more diverse minds. We also need to better leverage our customer data to support our commercial capabilities and improve the customer service experience. Finally, we want to harness new technologies and ways of working to ensure we have an agile and innovative approach, and that we continue to create value and ensure Automation has a prosperous, sustainable future.



Beth Ferreira,
CEO, Life Technology

Number of employees
4,400



What are your focus areas for the Life Technology platform in 2024?

First, we will continue to grow through innovation to solve real-world problems. Second, we are closely following how our markets are evolving post-pandemic and the energy crisis, particularly in Life Science and Climate Control, so we can respond accordingly and support our customers, wherever they are in their cycle.

How are your sectors here for today and tomorrow?

We're on a journey to being smarter and more sustainable. Our sectors are committed to creating a better world – our solutions improve energy efficiency in homes and buildings, reduce emissions from commercial vehicles and help our customers design diagnostic and analytical instruments to save lives.

With our market-leading brands and expertise in heating and cooling systems in Climate Control, we partner with architects, installers, distributors, and owners to support new buildings and renovation projects. Our Hydronic College educates thousands of installers and customers each year to demonstrate our energy-saving capabilities.

Our Transport and Life Science & Fluid Control businesses are built on long-term OEM relationships, resulting in multi-year specifications on our customers' vehicle or device platforms. These trusted partnerships position us well to solve our customers' next generation problems.

What excites you about the business?

I'm really excited by the incredible customer-led innovation across our sectors. In Climate Control, our connected products, including Heatmiser, have tremendous growth potential. We're also enthusiastic about our growth prospects for Transport in China and around the world, helping Chinese truck OEMs improve diesel engine efficiency and partnering with OEMs on the zero-emissions trucks of the future. In Life Science, our innovative Active Controls products are just one example of how we help our customers develop the next generation of more productive and precise life science instruments. Finally, in Fluid Control, we're well positioned to grow with our high-pressure control offerings to hydrogen fuelling station OEMs.

From an investment perspective, we've acquired three great businesses over the past two years. These acquisitions have brought new technology and deepened our customer relationships, with a strong pipeline of new growth opportunities.

Overall, I'm excited about our opportunity to grow IMI by working hand in hand with our customers to improve everyday life, making the world better.

Life Technology



Operational and sector reviews continued

Process Automation

Our engineering expertise protects people and assets in extreme temperatures and pressure environments. We help energy customers operate more cleanly and efficiently, enhancing plant performance and reducing Greenhouse Gas emissions, and we are exploring new decarbonisation technologies to support the energy transition.

Our sector

- Around 400 expert engineers and 200 field service technicians, with the industry knowledge and market insight to solve our customers' toughest problems
- Global customer base, including the world's leading players in the energy and process sectors
- Installed base of over 180,000 severe service valves, supporting critical industrial plants and processes worldwide
- Leading market positions in supplying flow control solutions in critical applications, including LNG production, upstream oil and gas facilities, petrochemical processes, biopharma processing, combined-cycle and nuclear power, marine, and other process industries

Market trends and our response

The energy markets face a significant structural challenge as they transition. The energy 'trilemma' of security, affordability and sustainability has led to increasing investment in energy infrastructure, including LNG, nuclear power, natural gas and combined-cycle gas power segments. Renewable and alternative energy technologies, such as wind, solar, bioenergy and hydrogen, will scale rapidly.

Hydrogen and other low-emission alternative fuels are expected to make a significant contribution to energy supply by 2050.

At present, renewables and alternative fuels cannot yet be deployed fast enough to keep up with energy demands, so the reliance on oil and gas remains. We help our customers to optimise their processes, enhance their plant performance and enable them to extract oil and gas safely. We are also evolving our portfolio to support the energy transition, and are developing businesses in hydrogen, carbon capture, bioenergy and sustainable fuel markets.

We are investigating opportunities such as innovative green hydrogen systems that improve production yields (see case study on page 9).

Digitalisation will radically change how we create value for our customers and how we operate. By monitoring and analysing better quality data, and investing in diagnostic solutions and AI, we can leverage technology to get a deeper insight into our activities and accelerate our growth. For example, by improving the quality of the data on our assets in the field, we can assess how to better support our customers with coverage and potential upgrade solutions. We are digitalising our expertise and combining this with customers' asset data to help them diagnose problems before they occur and offering preventative solutions. We are also investing in digital tools to speed up our customer response and lead times.

2023 highlights

- Achieved order growth of 22% in the Aftermarket through our customer partnership and cutting-edge Growth Hub solutions, including Retrofit3D, EroSolve, and InSyT
- Footprint optimisation and supply chain initiatives have improved operational performance across the platform

- Partnering with two UK universities and a research institute in Germany, and winning our first industrial application orders for green hydrogen electrolyzers in Europe and Asia Pacific, supporting sustainable energy initiatives
- Record order book of £760m, up 21% on 2022, which underpins our confidence to deliver further growth.

Priorities for 2024 and beyond

We will focus on selling more of our products and solutions by leveraging our full product portfolio and applications knowledge. We are investing to further develop our capabilities and geographic coverage for hydrogen electrolyser projects. Beyond hydrogen, our growth will focus on instrumentation, biopharma and marine.

We will aim for continued above-market growth in the Aftermarket, driven by close customer relationships, improved data quality, better use of analytics and our innovative Growth Hub solutions.

We will focus on improving operating performance across all our facilities through best-cost country supply chain development, footprint optimisation and strengthened project management capabilities.

●● The power of being close to our customers, combined with our innovation, solves complex problems for customers in a transitioning world. We offer customised solutions to improve safety, quality and efficiency. ●●

Mark Leonard, VP Business Development, Automation



Creating value with IMI InsyT's end-to-end digital service

IMI InsyT, our advanced data-driven solution for predictive plant maintenance, gained momentum in 2023 – scaling up and going global. Paired with our Valve Doctors' expertise, the preventative diagnostic software spots system problems, like cracks and leaks, before they occur. We enable safer, more reliable industrial processes, thereby helping customers avoid costly unplanned shutdowns or catastrophic accidents. In the USA, a market-leading electricity provider using IMI InsyT at a combined-cycle site extended it to two further facilities. We also expanded into Europe, including close partnership with a waste-to-energy recycling plant – our first UK customer – to solve severe water hammer issues. With more plant operators recognising the value of a sustainable, cost-effective and proactive solution to protect their people and assets, we can support a safer tomorrow.

29

IMI InsyT helped 29 plants optimise processes, avoid unplanned downtime and mitigate failures in 2023

Industrial Automation

We leverage digital technology and our engineering expertise to create smart, safe and sustainable factories, production lines and operations as our customers’ engineering solution partner. We embrace innovation in automation, and our high-performance valves and actuators optimise processes for greater productivity, supporting a wide range of industries in becoming more efficient and sustainable.

Our sector

- A leading position in actuators in the Americas
- We offer a complete suite of pneumatic and electric actuation systems, including actuators, valves, air preparation and accessories
- We have over 80 years of experience partnering with customers to solve their automation challenges
- Around 400 engineers support customers with their most critical automation challenges

Market trends and our response
Geopolitical tensions, macro-economic turmoil and global supply chain disruption have prompted a return of manufacturing to the USA and Europe, with significant investment in factory builds and demand for automated production lines and warehouse operations. However, labour scarcity is affecting manufacturing operations for many industries, including food, pharmaceutical and automotives, and driving the need for automation.

We are expanding into new industries, such as electric vehicles in China, to diversify our market presence and reach untapped opportunities in sectors with growing demand for automation solutions.

Different industries have unique challenges and requirements, and we are positioning IMI to address specific needs with innovative solutions.

Our customers increasingly want smart products to simplify factory management and operations, such as identifying the source of a leak on a pneumatic line or increasing pneumatic circuit efficiency to manage air flow. We expect technology in Industrial Automation applications will drive sustainability. For example, our customer-led innovations support more sustainable solutions for transporting packaged food and prolonging shelf life.

2023 highlights

- Continued to simplify the business, improving operating costs through footprint optimisation and co-location of similar products being manufactured in a region.
- Resolved latent supply chain challenges associated with a wide spread of suppliers through supply chain consolidation and localisation.
- Building presence in electric actuator portfolio from integrating Bahr, leading to wins in contact lens manufacturing and packaging machinery.
- Successful traction of new automation product, Transforming Tooling, for automotive market with customers.

Priorities for 2024 and beyond

Next year, we will focus on developing integrated solutions to provide more comprehensive answers to customer challenges. We will continue to improve our service through lead time reduction, to offer best-in-class for design to manufacturing cycle time for machine OEMs. Another focus is strengthening our customer insights through investing in a new Customer Relationship Management system and digital tools to identify patterns and opportunities for cross-selling. Streamlining our customers’ online purchasing process and enhancing the clarity of product information on our website will make it easier for customers to source what they need, ensuring a positive user experience with IMI.

To continue building deeper relationships with our customers we will engage with them to identify opportunities where multiple products can address specific customer needs. Through this understanding, we can customise and align our solutions to meet their individual needs and goals.

Starting with our manufacturing footprint in Europe, we will continue to simplify our supply chain and improve customer service by relocating our UK-based Fradley site and consolidating manufacturing in Brno, while ensuring customer service and delivery are unaffected.

●● We’re supporting customers to leverage data and digitalisation, improving everything from speed of operations to predictive and preventive machine maintenance. ●●

Alex Tham, Global Leadership Team and Regional Managing Director, Industrial Automation



From gate to greatness

In the competitive world of international BMX racing, a top gate supplier faced a challenge to enhance safety and precision in their gate release mechanisms. This critical component determines the start of races and involves intricate features, like variable stopping positions and driving forces, crucial for safety and race dynamics.

After encountering issues with gate cylinder changes that were putting cyclists at risk and affecting speed and accuracy, the supplier sought our help. Our team proposed a customised solution – a high-speed cylinder capable of 12-inch strokes in a matter of seconds, paired with a quick exhaust valve for rapid air release.

Rider safety was the top priority when working with the customer to find a solution. Our collaboration with the BMX gate supplier ensured innovative, efficient gate operations without compromising rider safety.

In the high-speed, precision-driven world of BMX racing, our expertise and experience made us the go-to partner.

Climate Control

Through our valves, actuators and connected products, we optimise heating and cooling systems for building users, working hand in hand with designers, architects and installers. We enable significant energy savings, helping our customers reduce their CO₂ emissions and creating more comfortable environments for life and work.

Our sector

- We sell over 20 million products each year
- Each year our products are installed in hundreds of thousands of properties
- Connected products make up around 25% of sales

Market trends and our response

Increased customer focus on energy efficiency is driving demand for connected products because they give customers better control of their buildings through data-driven insight and solutions. Our intelligent and connected solutions, including our recent Heatmiser acquisition, now make up around 25% of revenue. These products enable customers to dynamically manage their heating and cooling systems more efficiently, helping to reduce CO₂ emissions and energy bills.

In Europe, energy supply and energy security are an increasing focus. For example, in Germany, our biggest market in terms of revenues, the Government took significant measures in the winter of 2022-2023 to avoid energy shortages, including reactivating coal-fired power plants and introducing regulations to limit heating of public buildings to 19°C. Sales of our Halo-B valve, which can be set to a tamper-proof 19°C, increased significantly in this period, helping public authorities in Germany to lock in energy savings.

The global slowdown in new construction for commercial and residential property has presented a challenge for IMI, with reduced opportunities to install our products in new buildings. However, our business is resilient with a significant proportion of revenues coming from retrofit projects or connected products.

2023 highlights

- Over 20,000 customers, installers and building designers attended training sessions hosted by IMI's Hydronic College associates
- Integration of Heatmiser, increasing connected products to more than 25% of Climate Control's revenue
- Scaling of TA-Smart product, tripling revenue in 2023 including successful installations in iconic buildings across Europe

Priorities for 2024 and beyond

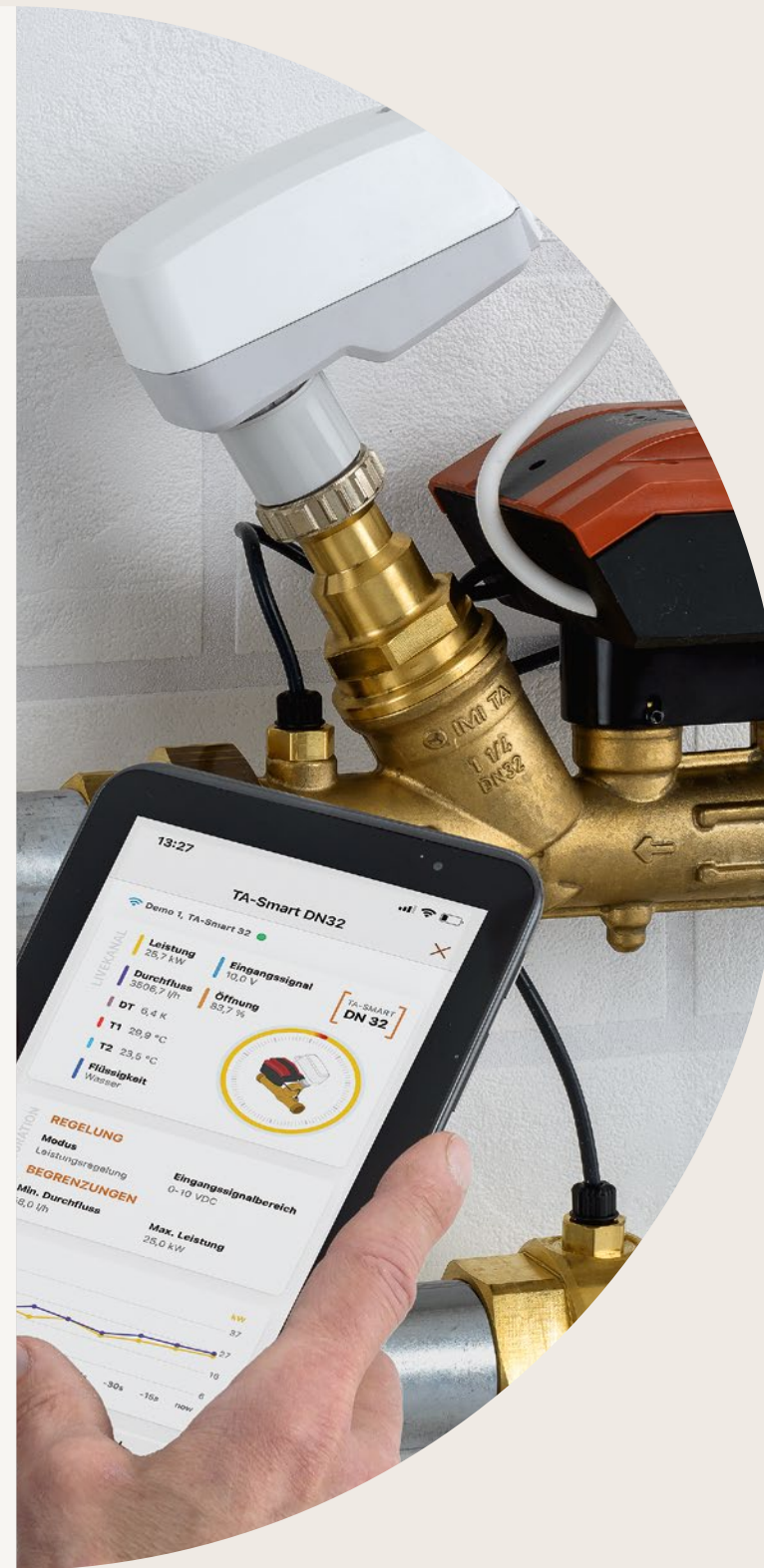
Growing demand for smart temperature controls to enable energy-efficient and greener buildings will continue to drive sales in 2024. We will prioritise investment in our connected products, including leveraging Heatmiser's connected technology capabilities.

In mechanical products, where we have a market-leading position for thermostatic radiator valves in Germany, we will continue to train installers and building designers on the benefits of our products to build market share.

The move towards renewable energies and electrification, including using heat pumps, is expected to accelerate as part of global efforts to reduce carbon emissions. We expect this to lead to an increasing percentage of residential new build properties using underfloor heating, which presents an opportunity for IMI's Heatmiser control products.

●● We are successful because we build on our expertise of the entire HVAC system. We think about each customer's problem and create value-add through innovation, intelligent solutions, customer support and education. ●●

Stefano D'Agostino, President, Climate Control



State of the art climate control for famous theatre

Our TA-Smart valves are enabling a more energy-efficient future for a world-renowned theatre in Europe that needed a complete HVAC system refurbishment, to optimise energy consumption and improve user comfort. Faced with an outdated system with no data or monitoring capabilities, the consultant designing the refurbishment needed our support. Working in partnership with them, we recommended our TA-Smart product, supplying 24 bespoke valves in 2023. These valves allow the heating system to automatically monitor itself, so it can analyse and optimise energy use. The result is a more sustainable building and a more comfortable experience for employees, actors and audiences.

Operational and sector reviews continued

Life Science & Fluid Control

We are at the cutting edge of life sciences technology, improving the accuracy of analytical and diagnostics tests, and creating critical components to keep patients alive during life-saving operations or in critical care units. In fluid control, our solutions ensure the safety, reliability and performance of everyday essentials – from eggs to car tyres.

Our sector

- Our key applications include anaesthesia and ventilation, and mass spectrometry
- We supply the majority of the top global ventilator OEMs, and most of the top 10 analytical and diagnostic OEMs
- We serve our customers through our global engineering resources and manufacturing facilities in Europe, the USA and China

Market trends and our response

2023 was a challenging year for Life Science businesses overall, with a reduction in spend on COVID-19 testing and high levels of safety stocks built up during the pandemic needing to be unwound. This led to a temporary reduction in demand, although the long-term growth drivers of the industry remain unchanged. There is growing demand for healthcare services globally due to a rapid rise in people with access to healthcare, combined with longer life expectancies and lifestyle changes leading to increasingly complex healthcare needs. In addition, the regulatory environment for healthcare is becoming progressively demanding. These trends underpin the expected long-term market growth for our sector.

We are seeing a trend from our OEM customers to simplify their supply chains and look for multiple needs to be solved by a single partner. Our recent acquisitions of Adaptas Solutions and CorSolutions put us in a strong position to support this complexity reduction. We now offer our OEM customers an even broader portfolio of capabilities, allowing us to solve fluidic and detection challenges.

Customers also increasingly want a local, trusted expert in their supply chain to support manufacturing and design challenges. We are well positioned for this because of our global manufacturing and engineering footprint, and are able to support customers as they look to outsource activities to trusted suppliers.

2023 highlights

- Launched the Active Controls range of products, including our Air Infinity pipettor, drastically reducing design complexity for OEM customers
- Enabled even better commercial coffee machines with the launch of our media separated TruControl dispense valve
- Grew our portfolio of customer projects, many of which are driven by synergies with Adaptas

Priorities for 2024 and beyond

As we work with our customers towards a stabilisation of demand on the core business, our priorities include delivering growth through innovation and winning share of wallet with existing and new OEM customers. We have developed a strong pipeline of customer opportunities, including through leveraging relationships from our acquisition of Adaptas.

We continue to invest in our manufacturing and engineering footprint to be close to our customers, and to focus on building a diverse talent pool with deep application expertise to solve customers' problems. Our teams include specialists who are among a handful of experts worldwide.

●● Our deep applications expertise allows us to help our customers design next-generation life science equipment which diagnoses disease faster and improves the quality of patient-focused critical care. ●●

Martin Maas, President, Life Science & Fluid Control



Transformative technology for patient care

In 2023, our fluid control solutions continued to create value for patient care by accelerating molecular diagnostics. Through close customer partnership and ongoing innovation, we developed critical fluid technology for a device to diagnose respiratory illnesses in around 15 minutes, instead of hours. Our customer needed a faster, smaller, smarter instrument for doctors and clinicians in point-of-care settings to sample, test and diagnose patients with lab-quality analysis. Our integrated fluid control systems also increase the number of pathogens that can be tested. By creating a complete solution, we reduced supply chain complexity for our customer and improved reliability and cost. The new instrument improves access to healthcare for patients around the world and enables more accurate and timely treatment decisions.

c. 15
minutes

Our technology has helped accelerate point-of-care diagnostics – with results in minutes instead of hours

Transport

We develop solutions that reduce emissions from commercial vehicles, helping our customers to meet increasingly stringent emissions regulations. Our products make engines more fuel-efficient, improve chassis aerodynamics and aid driver comfort. We are also developing solutions for zero-emissions vehicles, including fuel cell and battery thermal management.

Our sector

- We supply all of the top ten global heavy-duty truck OEMs
- We support truck OEMs in all regions with engineering centres in Germany, the Czech Republic, USA, India and China
- We manufacture in the Czech Republic, Mexico and China enabling short supply chains to our customers

Market trends and our response

Global vehicle manufacturers are under increasing pressure from new regulatory requirements such as China 6, Euro 7 and Phase 3 greenhouse gas emissions standards in the USA to continue to reduce emissions of their diesel and natural gas powered vehicles. At the same time, the global energy transition means Truck OEMs are investing heavily in new technologies to power zero-emissions vehicles, which are expected to scale in volumes from 2030 onwards.

We are well positioned for the future of zero-emission vehicles and our products drive emissions reductions in existing diesel technology. We are building our expertise in software, controls and zero-emissions technologies by recruiting new talent. We are also investing in our teams' sustainability knowledge, which is key for future growth as many aspects of sustainability impact product design.

Our global team collaborates on product design, while maintaining excellent regional relationships with truck OEMs to ensure our customers have the best solutions to serve their needs all around the world.

2023 highlights

- Benefitted from strong growth in China and India, winning business with new customers, and a strong pipeline expected to grow in 2024 and beyond
- Relocated a manufacturing facility from the USA to Mexico to improve customer experience and reduce our cost base
- Expanded into the Suzhou manufacturing facility, with additional lines built to accommodate new business in China, and manufacturing of product lines transferred from Europe to China to shorten supply chains and improve customer experience

Priorities for 2024 and beyond

We are flexible and responsive to changing market needs and sustainability pressures. Shifting to zero-emissions technology is a given, but different regions are moving at different speeds. The mix of technologies and fuel types includes zero-emission fuel cells and batteries, near-zero hydrogen engines, and cleaner diesel technology.

In the continued inflationary environment, we are actively managing our manufacturing footprint and supply chains to minimise and improve unnecessary cost increases for our customers and maintain and improve IMI's margins.

●● The future is bright and our primary focus is on partnering with our customers to develop the vehicles of the future, which are cleaner, safer, more efficient and more comfortable. ●●

Alison Snell, Business Development Director, Transport



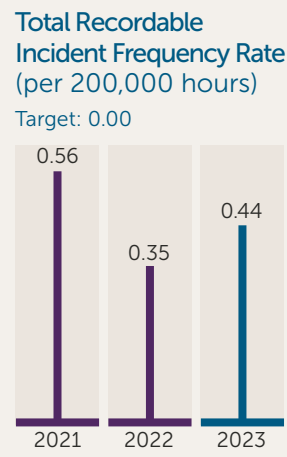
Ingenuity in truck aerodynamics

Saving fuel and cutting energy consumption are key to making vehicles more sustainable. The aerodynamics in trucks make a huge difference to fuel efficiency, whether using conventional or zero-emission technologies. In 2023, our chassis products and know-how have helped a truck OEM customer in the USA improve the aerodynamics of new concept trucks. We combined our chassis solutions with our proprietary software to make the chassis positioning highly dynamic and able to respond in real time to changes in vehicle speed and airflow. The result minimises aerodynamic drag and improves fuel efficiency – an industry first by IMI, which can support sustainable growth in the Transport sector.

Key Performance Indicators

Strong performance across the business

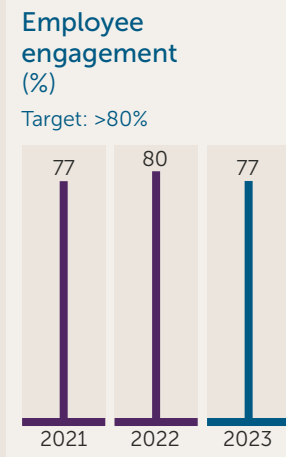
Non-financial



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).

Performance
In 2023 our TRIFR rate was 0.44 with no fatalities. This was higher than 2022, but lower than prior periods. We will continue to focus on identifying and reducing workplace hazards.



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
With an engagement score of 77% in 2023, we continue to maintain a high percentage of employees that see IMI as a great place to work. Whilst engagement was slightly below our target in 2023, we outperformed external benchmarks in the year.



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 58 for details of the calculation.

Performance
In 2023 our CO₂ intensity reduced to 1.98, reflecting the Group’s continued focus on identifying and delivering on projects to reduce our carbon emissions.

Remuneration
⊕ Read more on pages 138-145.

Financial



Why is this a KPI?
Delivering consistent growth is an important part of building sustainable value for shareholders.

Definition
Organic revenue is stated at constant exchange rates and excludes the incremental effect of acquisitions and disposals. For 2023 that means adjusting for the impact of the Bahr acquisition (June 2022), CorSolutions acquisition (October 2022), the Heatmiser acquisition (December 2022) and the Aero-Dynamiel disposal (October 2023).

Performance
Organic revenue growth was 6% in 2023 reflecting the continued delivery of our unifying purpose-led strategy, Breakthrough engineering for a better world.

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 2023, we have added targets to all of the KPIs to demonstrate our long-term expectations for each indicator, and changed adjusted operating profit to adjusted profit before tax to align to our annual bonus target.

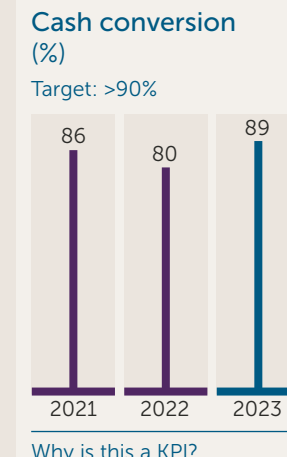


Why is this a KPI?
Growing our profits will ultimately generate value for our shareholders and create more opportunity to invest further.

Definition
The Group’s adjusted profit before tax is described in Note 3, which ensures a consistent basis for comparison.

Performance
Adjusted profit before tax growth was 12% in 2023, above our 5% target. This strong performance reflects the commercial and operational focus during the year, and the Heatmiser acquisition.

Remuneration
⊕ Read more on pages 138-145.

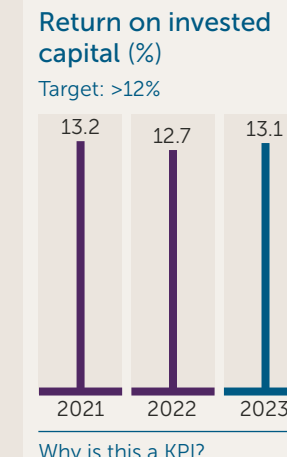


Why is this a KPI?
Cash generation supports investment in our business and enables the Group to provide returns to shareholders through dividends. Strong cash generation also ensures a strong balance sheet, giving customers and suppliers confidence in the future of the Group.

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

Performance
Cash conversion increased to 89% in 2023, supported by profit growth and a continued focus on working capital management.

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 (APMs) used as KPIs (organic revenue growth, adjusted profit before tax, cash conversion, return on invested capital and adjusted basic earnings per share) are defined in Note 3.



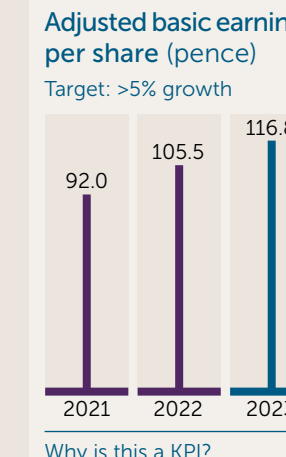
Why is this a KPI?
The measure provides an indication of IMI’s ability to deploy capital effectively.

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 increased to 13.1%, reflecting the increased profitability of the business compared to the prior year.

Remuneration
⊕ Read more on pages 138-145.



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 by 11% in the year to 116.8p, above our 5% growth target.

Remuneration
⊕ Read more on pages 138-145.

Return on invested capital, adjusted earnings per share and CO₂ intensity are performance targets for the 2022, 2023 & 2024 IIP. Adjusted profit before tax is a performance target for the annual incentive scheme.

⊕ Read more on page 140.

Financial review

Delivering growth



Daniel Shook, Chief Financial Officer

Key highlights

	Adjusted ¹				Statutory		
	2023	2022	Change	Organic ⁴	2023	2022	Change
Revenue	£2,196m	£2,049m	+7%	+6%	£2,196m	£2,049m	+7%
Operating profit	£411m	£364m	+13%	+10%	£319m	£298m	+7%
Operating margin	18.7%	17.8%	+90bps		14.5%	14.6%	-10bps
Profit before tax	£387m	£346m	+12%		£302m	£285m	+6%
Basic EPS	116.8p	105.5p	+11%		91.5p	87.6p	+4%
Operating cash flow ²	£366m	£290m	+26%		£439m	£336m	+31%
Dividend per share	28.3p	25.7p	+10%		28.3p	25.7p	+10%
Return on invested capital ³	13.1%	12.7%	+40bps				

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. The statutory measure is cash generated from operations as shown on the cash flow statement.

3 Post-tax return on invested capital, as described in Note 3 to the financial statements.

4 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 the 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 to the financial statements) so that assessment of performance is not distorted by acquisitions, disposals and movements in exchange rates. Further rationale for the use of APMs, their definition, and a reconciliation of APMs to statutory measures is presented in Note 3 to the financial statements.

Delivering sustainable, profitable growth

The Group delivered a strong financial result in the year, as revenue, profit and adjusted operating margin improved. Revenue increased by 7% to £2,196m (2022: £2,049m). Organic revenue was 6% higher than the prior year, after adjusting for acquisitions, disposals and exchange rate movements. Exchange rate adjustments had an immaterial impact.

Adjusted operating profit of £411m (2022: £364m) was 13% higher than last year. On an organic basis, adjusted operating profit increased by 10%.

Group adjusted operating margin was 18.7% (2022: 17.8%). Both platforms grew adjusted margins in the year as we continue to progress towards our 20% margin target. Statutory operating profit was £319m (2022: £298m), which increased by 7%. The Group statutory operating margin was 10bps lower than last year, largely reflecting an increase in restructuring costs recognised in 2023.

Adjusted net financing costs on net borrowings of £22.7m (2022: £19.2m) was higher as a result of acquisitions completed in 2022 and increases in base rates and includes the impact of £2.9m (2022: £2.8m) interest cost on leases. Statutory net finance costs were £16.2m compared to £12.8m in 2022, largely reflecting the higher interest rate environment.

Adjusted net financing costs on borrowings were covered 22 times (2022: 24 times) by adjusted earnings before interest, tax, depreciation, amortisation, impairment and adjusting items of £503m (2022: £457m). Net pension financing interest expense under IAS 19 was £0.5m (2022: £1.5m income).

Adjusted profit before taxation was £387m (2022: £346m), which was 12% higher than 2022. Statutory profit before taxation increased 6% to £302m (2022: £285m) reflecting growth in the year and the Group’s continued execution of restructuring activities to improve customer satisfaction and long-term competitiveness. The total statutory profit for the period after taxation was £237m (2022: £226m).

Platform results

Automation

£m	Adjusted				Statutory		
	2023	2022	Change	Organic ¹	2023	2022	Change
Revenue							
Process Automation	807	713	+13%	+14%	807	713	+13%
Industrial Automation	543	535	+1%	+0%	543	535	+1%
Total Revenue	1,350	1,248	+8%	+8%	1,350	1,248	+8%
Operating profit	257	225	+14%	+14%	202	188	+7%
Operating margin	19.1%	18.1%	+100bps		15.0%	15.1%	-10bps

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

Process Automation (£m)	2023	2022	Change	Organic ¹
Closing order book	760	627	+21%	
Order intake				
Aftermarket	561	458	+22%	+23%
New Construction	390	354	+10%	+10%
Total order intake	951	812	+17%	+18%

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

Automation delivered strong organic revenue growth of 8%, with revenue also up 8% on a reported basis.

Process Automation had an excellent year, with strong order intake and continued organic growth. Orders were up 18% organically, with a 23% increase in Aftermarket. Organic revenue was 14% higher than 2022 and 13% higher on an adjusted basis. We have benefitted from our self-help initiatives in the Aftermarket and continued investments in energy security and have seen particular strength in LNG, Nuclear and downstream Oil & Gas.

Industrial Automation delivered a good performance, despite uncertain markets. Organic revenue was in line with the prior year, and was up 1% on an adjusted basis. We see continued demand for solutions that automate processes in a competitive labour market.

Adjusted operating profit increased by 14% on an organic basis and the adjusted operating margin improved by 100bps to 19.1%. This was a strong performance, reflecting a further shift towards higher-margin Aftermarket opportunities and the continued execution of footprint optimisation initiatives, which delivered £15m of incremental benefits in 2023.

Statutory operating profit increased by 7% to £202m in the year.

We expect to deliver good growth in 2024, following on from the strong order book in Process Automation and continued resiliency in our Industrial Automation sector as the competitive labour market drives investment. We expect margins to increase, supported by the continued delivery of our complexity reduction programme.

Financial review continued

Life Technology

£m	Adjusted				Statutory		
	2023	2022	Change	Organic ¹	2023	2022	Change
Revenue							
Climate Control	386	350	+10%	+3%	386	350	+10%
Life Science & Fluid Control	276	289	-4%	-5%	276	289	-4%
Transport	184	162	+14%	+14%	184	162	+14%
Total Revenue	846	801	+6%	+2%	846	801	+6%
Operating profit	153	139	+11%	+3%	116	110	+6%
Operating margin	18.1%	17.3%	+80bps		13.7%	13.7%	

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

Life Technology delivered a resilient performance, despite some significant market uncertainty. Revenue was up 6% and 2% on an organic basis.

Climate Control saw good demand for its energy-saving products, with revenue up 10% when compared to 2022 and 3% higher on an organic basis. Whilst trends in the European construction market did impact sales in the second half, the sector continues to perform resiliently due to the strong retrofit demand for products that improve energy efficiency in buildings. The integration of Heatmiser, acquired in December 2022, has progressed well as we look to accelerate our growth in smart buildings.

Life Science & Fluid Control revenue was 4% lower than in 2022 and 5% lower on an organic basis. We saw customer destocking and reduced demand in the second half and expect this to continue into 2024. The long-term fundamentals of this sector are strong, and we remain excited about the opportunities for growth.

Transport revenue was up 14% when compared to 2022, and 14% higher organically. We saw growth across all regions in the year as supply chains recovered. We have benefitted from particularly strong demand in China and India.

Adjusted operating margin for the year was 18.1%, 80bps higher than the prior year. The platform continues to advance complexity reduction initiatives, delivering £5m of incremental benefits in the year.

Statutory operating profit increased by 6% to £116m in the year.

We expect Life Technology to be broadly flat in 2024, reflecting continued demand for our energy-efficient products in Climate Control, offset by softer performance in Life Science and Transport. We expect margins to increase, supported by the continued delivery of our complexity reduction programme.

Adjusting items

Adjusting items	2023 £m	2022 £m
Reversal of net economic hedge contract (losses)/gains	(8)	3
Restructuring costs	(48)	(26)
Acquired intangible amortisation and other acquisition items	(34)	(34)
Exit from Russia	(2)	(9)
Gains on instruments measured at fair value through profit or loss	7	5
Tax in connection with the above adjusting items	19	15
Total adjusting items	(66)	(46)

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 loss of £8m (2022: £3m gain).

- **Restructuring costs:** Restructuring costs of £48m were incurred in 2023, with a breakdown of these costs by platform, alongside expected benefits provided below. Further details on 2023 projects are included in Note 3.
- **Acquired intangible amortisation and other acquisition items:** Acquired intangible amortisation is excluded from adjusted profits, to allow for comparability of the performance across platforms. Acquired intangible amortisation increased to £32m (2022: £30m). Other acquisition costs of £2m (2022: £4m) were incurred relating to a Heatmiser IFRS 3 fair value inventory adjustment.
- **Exit from Russia:** During 2023, changes were made to the legal structure of a customer which resulted in a £2m write-off. In 2022, the Group’s decision to end all new business in Russia resulted 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 £7m (2022: £5m gain).
- **Taxation:** The tax effect of the above items has been recognised as an adjusting item and amounts to a £19m gain (2022: £15m gain).

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 tables provide a summary of progress on our restructuring programme:

£m	2023	2024*	2025*
Restructuring charge			
Automation	(31)	(27)	–
Life Technology	(17)	(12)	–
Total charge	(48)	(39)	–
Cash impact	(40)	(27)	(5)

£m	2023	2024*	2025*
Incremental annual benefits			
Automation	15	6	6
Life Technology	5	9	1
Total benefits	20	15	7

* Future looking forecast information.

Both platforms advanced their significant multi-year restructuring projects in 2023, recognising a total charge of £48m.

The restructuring programme contributed £20m of benefits in the year. Including 2023, the programme has cost £192m to date and has delivered annual benefits of £104m.

We continue to expect that the programme will 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 21.8% (2022: 21.3%), reflecting the increase in the UK statutory rate of corporation tax from 19% to 25% with effect from 1 April 2023. The tax rate in 2023 also benefitted from favourable resolutions of certain historic tax cases. The total adjusted tax charge for the year was £85m (2022: £74m) and the statutory effective tax rate was 21.5% (2022: 20.7%). 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 around 24% in 2024, due in part to higher UK corporation tax rates and new minimum tax legislation.

Adjusted basic earnings per share increased by 11%

The average number of shares in issue during the period was 259m (2022: 258m), resulting in adjusted basic earnings per share of 116.8p (2022: 105.5p), an increase of 11%. Statutory basic earnings per share increased by 4% at 91.5p (2022: 87.6p) and statutory diluted earnings per share increased by 5% at 91.2p (2022: 87.2p).

Financial review continued

Maintaining continued cash discipline

	2023	2022
	£m	£m
Movement in net debt		
Adjusted EBITDA*	503.2	457.0
Working capital movements	(31.3)	(85.1)
Capital and development expenditure	(79.9)	(71.3)
Provisions and employee benefit movements**	(2.7)	1.5
Principal elements of lease payments	(29.0)	(32.3)
Other	6.0	20.2
Adjusted operating cash flow ***	366.3	290.0
Adjusting items	(43.1)	(52.6)
Interest	(22.7)	(19.2)
Derivatives	9.8	(8.6)
Tax paid	(76.1)	(48.6)
Additional pension scheme funding	–	(3.5)
Free cash flow before corporate activity	234.2	157.5
Dividends paid to equity shareholders	(68.8)	(62.2)
Acquisition/disposal of subsidiaries	0.5	(213.3)
Net issuance/(purchase) of own shares	0.6	(18.8)
Net cash flow (excluding debt movements)	166.5	(136.8)
Reconciliation of net cash to movement in net debt		
Net increase in cash and cash equivalents excluding foreign exchange	17.7	11.0
Less: cash acquired/disposed	0.4	(10.0)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired	148.4	(137.8)
Decrease/(increase) in net debt before acquisitions, disposals and foreign exchange	166.5	(136.8)
Net (debt)/cash acquired/disposed	(0.4)	10.0
Currency translation differences	1.8	(50.6)
Movement in lease liabilities	5.5	(11.8)
Movement in net debt in the year	173.4	(189.2)
Net debt at the start of the year	(812.0)	(622.8)
Net debt at the end of the year	(638.6)	(812.0)

* Adjusted profit after tax (£302.9m) before interest (£23.2m), tax (£84.5m), depreciation (£74.8m), amortisation (£17.6m) and impairment (£0.2m).

** Movement in provisions and employee benefits as per the statement of cash flows (£0.9m) adjusted for the movement in restructuring provisions (£3.6m).

***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 £366m (2022: £290m). This represents a conversion rate of total Group adjusted operating profit to adjusted operating cash flow of 89% (2022: 80%), largely reflecting good working capital management during 2023. There was a £43m cash outflow from adjusting items (2022: £53m outflow) primarily related to restructuring costs.

Net working capital balances increased by £31m, with a £58m increase in payables in line with growth offset by a £57m increase in receivables and a £32m increase in inventory, with investments in stock to support the Process Automation order book offsetting the strategic reduction of inventory in other sectors. The £85m increase in 2022 was due to a £39m increase in receivables and a £47m increase in inventory, partly offset by an increase in payables of £1m.

Cash spent on property, plant and equipment and other non-acquired intangibles in the year was £80m (2022: £71m), which was equivalent to 1.3 times (2022: 1.2 times) depreciation and amortisation thereon. The Group continues to deploy capital to support growth and 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 (2022: £6m), totalled £72m (2022: £68m), representing 3.3% (2022: 3.3%) of sales. The Group continues to support investment in growth, with this spend focused on delivering better world solutions. 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 further investment alongside our research and development spend.

In 2023, the Group paid cash tax of £76m (2022: £49m), which was 117% (2022: 82%) of the statutory tax charge for the year.

Free cash flow before corporate activity increased significantly to £234m (2022: £158m).

Dividends paid to shareholders totalled £69m (2022: £62m), and there was a cash inflow of £1m associated with the issue of share capital for employee share schemes (2022: £19m outflow).

Overall net debt reduced by £173m in 2023 (2022: £189m increase).

Strong balance sheet offers strategic flexibility

Net debt at the year-end was £639m, compared to £812m at the end of the previous year. The reduction reflects the strong cash generation in the year. The net debt is composed of a cash balance of £107m (2022: £133m), a bank overdraft of £66m (2022: £94m), interest-bearing loans and borrowings of £580m (2022: £746m) and lease liabilities of £100m (2022: £105m).

The year-end net debt to adjusted EBITDA ratio was 1.3 times (2022: 1.8 times). At the end of 2023, loan notes totalled £532m (2022: £546m), with a weighted average maturity of 3.6 years (2022: 4.6 years), and other loans including bank overdrafts totalled £114m (2022: £294m). Total committed bank loan facilities available to the Group at the year-end were £300m (2022: £300m), of which £nil (2022: £100m) was drawn.

At 31 December 2023, the value of the Group’s intangible assets, including goodwill, was £958m (2022: £1,014m restated).

The net book value of the Group’s property, plant and equipment at 31 December 2023 was £300m (2022: £299m). Capital expenditure on property, plant and equipment amounted to £60m (2022: £57m), with the main capital expenditure focused on production facility investment to support operational efficiency and growth. Including capitalised intangible assets, total capital expenditure was £80m (2022: £71m) and was 1.3 times (2022: 1.2 times) the depreciation and amortisation charge (excluding acquired intangible amortisation and lease asset depreciation) for the year of £63m (2022: £60m).

The net deficit for defined benefit obligations at 31 December 2023 was £49m (2022: £19m deficit). The UK deficit was £4m (2022: £28m surplus), with the liabilities fully bought-in in 2022. The deficit in the overseas funds as at 31 December 2023 was £45m (2022: £47m deficit).

Financial review continued

Return on invested capital (ROIC)

The Group uses ROIC as an indication of IMI’s ability to deploy capital effectively. The Group’s definition of ROIC 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 13.1% in 2023 (2022: 12.7%) which increased by 40bps reflecting the strong trading performance and the full year profit impact of acquisitions completed in 2022.

	2023 £m	2022 £m
Return on invested capital		
Adjusted operating profit	410.6	363.8
Notional tax charge	(89.5)	(77.5)
Net adjusted operating profit after tax	321.1	286.3
Net assets	1,030.2	905.6
Adjusted for:		
Net debt	638.6	812.0
Restructuring provision	20.9	17.8
Net derivative assets/liabilities	(1.2)	(1.9)
Net defined pension benefit	48.9	18.9
Deferred tax on employee benefits	(13.5)	(5.0)
Previously written-off/impaired goodwill	346.9	346.9
Acquired intangibles amortisation	387.6	366.5
Closing capital invested	2,458.4	2,460.8
Opening capital invested	2,460.8	2,039.6
Average capital invested	2,459.6	2,250.2
Return on invested capital	13.1%	12.7%

Disposals

On 2 October 2023 the Group disposed of IMI Aero-Dynamiek for proceeds of £0.8m resulting in a gain on disposal of £0.7m. The business contributed revenue of £4m and operating profit of £nil prior to disposal.

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:

	Average rates		Balance sheet rates	
	2023	2022	2023	2022
Euro	1.15	1.17	1.15	1.13
US Dollar	1.24	1.24	1.27	1.21

The movement in average exchange rates between 2022 and 2023 had no material impact on both revenue and adjusted operating profit in the full year when compared to 2022.

If exchange rates as at 16 February 2024 of US\$1.27 and €1.17 were projected for the full year and applied to our 2023 results, it is estimated that both revenue and adjusted operating profit would be 2% lower.

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.

Disciplined approach to capital allocation

The Board has a clear and disciplined framework for capital allocation.

The Group will look to prioritise opportunities to deliver incremental organic growth as it continues to invest in its people and operations. Capital expenditure was 1.3x depreciation during the year (2022: 1.2x) with R&D expenditure at 3.3% of sales (2022: 3.3%), in line with a target to maintain spend above 3.0% of sales.

IMI will continue to pursue strategic acquisitions to further enhance the portfolio. These acquisitions must be in attractive, better world markets, and must deliver returns in line with our strict financial criteria, delivering returns above the Group weighted average cost of capital by year three and must not be materially dilutive to the Group return on invested capital by year five.

The Group is committed to a progressive dividend policy and would consider the appropriate mechanism to return additional surplus capital should the Group’s net debt to adjusted EBITDA fall sustainably below our 1.0x – 2.0x target range.

There is significant headroom to current funding covenants of 3.0x net debt to adjusted EBITDA.

The Group remained highly cash generative in 2023, with free cash flow before corporate activity increasing 48% to £234m in the year (2022: £158m). Net debt reduced to 1.3x adjusted EBITDA (2022: 1.8x), comfortably within our target range.

At 31 December 2023, IMI plc (the parent company) had distributable reserves of £304m (2022: £282m).

Daniel Shook
Chief Financial Officer

Stakeholder engagement

Our stakeholders

Our strategic decisions have significant implications for all of our stakeholders. 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 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. Formal and informal engagement occurs throughout the Board's annual cycle.

Employees



What is important to them?

- Health, wellbeing and safety at work
- A positive and inclusive culture, which values their unique contribution and supports their diverse working needs
- An environment that engages all employees and involves them in creating our future
- Opportunities to grow and develop
- Reward and recognition
- Clear workforce policies

Why are they important to us?

- Our people are essential to delivering performance and growth; they bring diverse skills, knowledge, and experience
- We want our people to be our greatest ambassadors, upholding our reputation and collaborating to solve industry and societal problems
- We expect our leaders to create an environment where our purpose and values are front and centre and that our employees will uphold our values across all their interactions

How do we engage?

- Board visits, including:
 - In October 2023, the full Board visited our Adaptas site in Palmer, USA
 - In May 2023, our Chair, Chief Executive Officer and Automation CEO Jackie Hu visited our Process Automation sites in South Korea and Japan. Town hall meetings were held for all employees, as well as a Q&A session
 - Quarterly CEO-led leadership calls with local business cascade
- Our non-executive director with designated responsibility for employee engagement; Thomas Thune Andersen has an annual programme of employee events, with feedback shared with the whole Board
- Board employee engagement sessions, held in the UK and USA
- IMI Way Day, attended by a number of our non-executive directors
- During our head office IMI Way Day, Thomas Thune Andersen shared Board and Executive actions taken to address feedback from employee engagement sessions
- Our anonymous employee survey, 'One Big Voice'
- Health, safety and wellbeing programmes
- Communications calendar – engaging campaigns to support key global events aligned to our purpose and core values
- Workplace live broadcasting events with FAQs
- Independent confidential hotline for raising concerns
- Annual European Communications Forum
- Global Graduate Conference

How do we measure engagement?

We carry out an annual anonymised survey of employees – One Big Voice – to assess employee engagement, as well as focus pulse surveys. Please see page 28 for more details.

Outcomes of engagement:

We again saw high engagement scores across the Group. Wellbeing was highlighted as an area which we need to keep building our capability and offering. We are developing the wellbeing elements within the Employee Value Proposition and have introduced family-friendly policies and a global menopause policy.

Customers



What is important to them?

- Collaboration to better understand their needs
- Innovative solutions to solve their problems
- Value-enhancing products and services
- New products to help meet ESG requirements
- Access to engineering expertise
- World-class customer service
- Long-term partnerships

Why are they important to us?

- We want to solve key customer and industry problems with innovative solutions
- Our customers ultimately fund everything we do to advance our purpose
- We want IMI to deliver sustainable, profitable growth

How do we engage?

- Application engineering and technical and product support, with access to our industry-renowned experts
- Early-stage engagement through marketing, bids and prospecting
- Commercial negotiations and customer service, maintained through ongoing relationships and key account management
- Lunch and learn with customers
- Customer attendance at our 2023 IMI Way Day
- Board engagement with customers
- The Board receives regular updates on net promoter scores
- Voice of Customer surveys and meetings
- Investment in digital platforms to drive knowledge-sharing, customer networking and relationship building
- Engagement between supply chain teams and customers
- Attendance at trade fairs and exhibitions

How do we measure engagement?

Performance monitoring and improvement through customer-driven metrics such as on-time delivery and net promoter scores

Outcomes of engagement:

- We continue to see strong NPS scores across the Group. These surveys also identify focus areas to improve customer engagement on a site-by-site basis
- Continued organic growth

Investors and funding providers



What is important to them?

- Consistent financial performance
- Profitable growth and financial returns
- Balance of long and short term value
- Clear, easy to understand strategy
- Strategy execution, including M&A
- Risk management and resilience
- Stewardship, including ESG
- Effective capital allocation
- Succession planning
- Company culture
- Strong ability to repay borrowings and interest on time

Why are they important to us?

- Investor and funding providers, support is vital for IMI to achieve its purpose
- We want to create value for our investors

How do we engage?

- AGM with Q&A – all Directors attend our AGM in person
- Meetings held with over 190 unique investors (2022: over 70)
- Investor Roadshows with investor Q&A
- Press release webcast with investor Q&A
- In November 2023 our Investor Relations team and CFO hosted a group of 9 existing and prospective investors at our Birmingham offices, where they had the chance to meet a number of different product specialists from our platforms. Our Platform CEOs also joined for a Q&A session
- Board updates from IMI's brokers and PR advisers on shareholder register and movements
- Regular updates with our debt holders and core banks
- Chair and Committee Chairs are available upon request
- Direct engagement between directors and investors
- As part of the triennial review of our remuneration policy, our top 10 shareholders and proxy voting agencies received a consultation letter from our Remuneration Committee Chair in November which outlined the proposed changes and an opportunity to discuss the changes further
- Supportive responses from shareholders on remuneration consultation letter

How do we measure engagement?

Engagement is measured by the number of votes cast at our AGM and votes cast in favour of our resolutions

Outcomes of engagement:

- The results of our 2023 AGM are available on our website. All resolutions were passed with over 88% of votes in favour
- Successful refinancing of three of our revolving credit facilities (including sustainability linked terms) in 2023 on competitive terms
- Shareholder base remains highly supportive of our purpose-led strategy
- We re-entered into the FTSE 100 index

Stakeholder engagement continued

Suppliers

What is important to them?

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

Why are they important to us?

- Suppliers provide the products and services we need to operate and create value

How do we engage?

- IMI Supply Chain Code of Conduct sets our expectations (available on our website)
- Most direct suppliers are engaged locally and key indirect suppliers are managed globally
- The supplier partnership programme develops key suppliers in all aspects of the business relationship from quality and cost to innovation and climate impact
- Board reviews and approves our Modern Slavery statement, which can be found on our website
- Processes for tendering, supplier onboarding, contract negotiations, reviews and compliance checking (product compliance, conflict material sourcing, ESG and innovation)
- Supplier audits & improvement action tracking
- Quarterly business reviews with preferred suppliers
- Online questionnaires to understand our suppliers' carbon emissions
- We deploy a process to check supplier's technical and security measures where they handle IMI data
- Selected suppliers are currently being consulted as part of a technical collaboration to reduce emissions through design changes, material substitutions, recycling, and manufacturing process analysis

How do we measure engagement?

We monitor key metrics across our supply chains including quality, on time delivery and prompt payment

Outcomes of our engagement:

- Implementation and roll-out of 'IMI buy' allowing for a more structured engagement with and management of IMI's Indirect Procurement supply base
- Reduction on prior year of the number of invoices due but not paid within agreed terms



Communities and Environment

What is important to them?

- Making a positive social and economic impact
- Creating employment opportunities
- Minimising environmental impact on the neighbourhoods where we operate and on the global community
- Responsible and sustainable business

Why are they important to us?

- Represents our social license to operate
- Nurturing and protecting our reputation
- Enables IMI to attract and retain the best talent

How do we engage?

- Volunteering in the community as part of IMI Way Day
- Members of our employee-led Global Pride Network took part in Birmingham's Pride Parade for the first time, marching alongside an IMI branded vehicle to show support for the LGBTQIA+ community
- University partnerships and Graduate Programme
- Engagement of Ricardo to support ESG strategy planning, target setting and progress
- Active tracking, management and reduction plans across IMI sites for emissions
- Engagement with key suppliers on environmental credentials
- Head of Sustainability attends Board meetings to update on the Company's ESG and better world progress
- ESG deep dive held with the Board in September 2023 covering climate opportunities and risks aiding our Task Force on Climate-related Financial Disclosures (TCFD)
- Product life cycle assessments

How do we measure engagement?

- We measure community volunteering by our employees, particularly during the annual IMI Way Days
- We also monitor key external governance metrics

Outcomes of our engagement:

- Over 3,000 employees volunteered a combined total of more than 7,000 hours (2022: over 4,000 employees volunteered a combined total of over 10,000 hours)
- MSCI ESG Rating – maintained AA status
- CDP Climate Change – maintained B status
- Maintained FTSE4Good inclusion and LSE Green Mark
- Reporting in accordance with the Global Reporting Initiative
- Submission of our targets to the Science Based Targets initiative (SBTi) for validation
- We were named one of Europe's Climate Leaders 2023 (Financial Times)
- In 2023 we signed our first ESG linked funding facility



Government and regulators

What is important to them?

- Responsible, ethical and compliant business
- As a listed company, compliance with UK Corporate Governance Code and Listing Rules
- Fair employment practices
- Tax income to support society
- Sustainable approach to business

Why are they important to us?

- Good compliance and strong relationships support our business, help us grow and protect our reputation
- Evolving regulation can create new business opportunities
- They can help IMI attract the best talent

How do we engage?

- Our Code of Conduct establishes the standards we have set for IMI and our employees to comply with applicable laws and regulations
- Board reviews and approves our Modern Slavery statement
- Audit Committee reviews and approves our corporate tax strategy
- Legal and regulatory updates are provided regularly to the Board
- The IMI Supply Chain Code of Conduct establishes the standards we have set for our suppliers to ensure we have a responsible, ethical, sustainable and compliant supply chain
- Engagement with relevant tax authorities in the year, including HMRC
- Engagement with data privacy regulators regarding cyber incidents, when needed
- Engagement with regulatory bodies in transport and nuclear markets to support ongoing business and compliance requirements

How do we measure engagement?

- We measure our progress through feedback from governments and regulators on our activities and through third party audits

Outcomes of our engagement

- We published our updated corporate tax strategy
- We published our Modern Slavery Statement
- On time tax filings
- Good working relationships with key regulators
- Positive relationship with HMRC



s.172 statement

Promoting the success of the Company

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 2023.

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 activities of the Board include maintaining an understanding of key stakeholders and being receptive to the voice of stakeholders. When making decisions, each director ensures that they act in a way they consider, 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. Our better world strategy, including our ESG ambitions and targets is described on pages 44 to 85.

b) the interests of the Company’s employees
Our people are essential to delivering performance and growth. The Group depends on its employees for its success and invests considerable time and resources in employee engagement, training and development, as summarised on pages 48 to 51. 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 114 and 119 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 discussions.

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 that 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 54.

d) the impact of operations on the community and the environment
Our sites are positive contributors to their local communities as employers and also through apprenticeships, employee training and community activities (including the annual IMI Way Day, humanitarian activity and donations), see page 49 for further details. 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 44 to 85.

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 employees and expects management to be mindful of how and with whom business is conducted. The Group will decline to have dealings with third parties that display poor business conduct or that do not pass applicable onboarding checks. Further information about how we ensure that we operate ethically at all times and our purpose, values and culture can be found on pages 82 to 85.

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.

Key Board Decisions in the Year

1
New business structure
In July 2023, we announced our new business structure, which further aligns to our key sectors and positions IMI to accelerate growth now and over the long term. Reporting is now aligned across two platforms and five sectors. Moving away from the previous divisional structure aligns with our strategy of operating IMI as ‘One Big Team’ and enables us to optimise performance by putting our best people and resources toward our biggest opportunities.

The Board took into account feedback from our employees that development opportunities were predominantly within their own divisions. The new structure provides the opportunity to reset our culture by formally dissolving the divisions and bringing the focus back to IMI as a Group. The Board was mindful of the importance of communicating the changes to employees. Communication plans were agreed to ensure that employees were informed at the right time and would continue to receive regular updates on the restructure. On the day of the announcement, we held a live event on our internal communication platform for all employees that included a Q&A with our Executive Committee. Feedback on the new structure will be a key topic for Board employee engagement sessions in 2024.

The way we help solve customer problems has strengthened. We aim to accelerate better world growth by getting even closer to our customers through sector focused teams as well as accelerating our innovation. There will be more opportunities to grow by helping our customers to improve their products and operations.

Regulatory requirements were considered, including reporting implications for our financial results. We consulted with our brokers to understand the likely reaction of our investors. To support the investor and analyst community, in November 2023, we published historical pro-forma financial information.

2
Our updated branding and values
To support our evolving IMI operating model, we launched a culture and brand review in December 2022. The Board was mindful of building a strong brand identity to foster long-term value.

A significant piece of research was undertaken, led by the Executive Committee. A workshop was held and an employee survey was open to all employees, with over 500 responses received. Employees played a critical role in shaping our refreshed values by providing their views. Approximately 40 in-depth interviews were then held from across the organisation and with our customers.

During employee engagement focus group sessions, the Board received feedback that there was an opportunity to have more consistent branding to help reduce some of the complexity that customers experience. The Board considered the opportunity for the new branding to articulate more clearly who we are and what we stand for – this will help us to attract the best people and simplify our story to customers. We expect this to help suppliers too. We are mindful of the risk of waste associated with a rebranding exercise and will ensure that we minimise the environmental impact by using up material in the old branding where possible. Our new branding and values were reviewed and approved by the Board in October 2023 and we have started the transition.



3
Science Based Targets initiative submission (SBTi)
As part of our growing commitment to our purpose, Breakthrough engineering for a better world, we have submitted our near-term and net zero targets (Scope 1, 2 and 3) to the SBTi for validation. The submission was approved by the Board in October 2023. The Board determined that SBTi-approved targets support our ESG strategy and underpin the long-term viability, credibility and sustainability of the Group. The Board agreed that the enhanced focus on our emissions reduction is likely to have a positive impact on the environment and the communities in which we operate.

The Board took into consideration the desire of customers to buy from responsible and sustainable suppliers. Our near-term and net zero targets align with customer expectations for a better world and achieving SBTi approval will help our customers achieve their own sustainability targets. Suppliers play an integral part of our Scope 3 reduction plans and their engagement will be key.

The Board determined that demonstrating our commitment to the environment and our Climate Action pillar will help IMI in being an employer of choice.

Investors want to grow and maintain shareholdings in companies which are focused on sustainability. The Board concluded that SBTi approval will aid future investment if and when required, given the rise of sustainability-linked funding.

When granted, SBTi validation will demonstrate our commitment to achieving our targets and enhance our compliance with the evolving regulatory framework.

Creating a better world

Creating a better world is at the heart of our purpose

Key priorities for the year ahead

- 1 Conduct Materiality Assessment in preparation for Corporate Sustainability Reporting Directive (CSRD) compliance
- 2 Comprehensive net zero plan and transition strategy
- 3 Further refining our internal data quality

Highlights from 2023

- We made our commitment to set science-based targets to the SBTi and submitted both near-term and net zero targets to the SBTi for validation in 2023
- Introduction of our Product Sustainability Assessment (PSA) within our sectors
- Creation of our Sustainable Supply Chain Committee
- TCFD strategy focus update

IMI's role in a more sustainable world

Creating a better world is at the heart of our purpose and approach to working. It applies to everything we do, whether innovating new products for our customers, enhancing employee benefits (such as our new Global Menopause Policy) or helping our communities. Our products, services and solutions enable our customers to improve their own sustainability and support their ambitions for a better world. We take our climate-related targets seriously and reducing our footprint and minimising our impact remains a key area of focus.

The performance of our products and our operations are key to ensuring we deliver on our purpose of Breakthrough engineering for a better world, and to help us align our sustainable strategy to the UN Sustainable Development Goals (SDGs). This is especially important as we all transition to a circular economy, minimising waste and pollution. We will continue to make progress as we engage and collaborate with our stakeholders and remain true to our values.

Our approach to materiality

During 2022, we conducted a Group-level materiality assessment to identify our priority ESG topics; those most significant to our key stakeholders and, therefore, most strategic to our business. This exercise formed the basis of our long-term sustainability commitments, enabling our focus and resources to be deployed in these priority areas. These areas were further developed to form our ESG framework structure of our core ESG pillars:

- Empowering People;
- Sustainable Solutions;
- Climate Action; and
- ESG foundation of Responsible Business.

During 2023 we have further developed our assessment of climate-related opportunities and risks and their alignment with our material topics (see page 72 for further information). We aim to progress this further in 2024 by conducting a double materiality assessment to prepare for CSRD compliance and will provide an update on this in due course.

Integration of sustainability

Sustainability features in our business processes and decision making, whether this is at Board level making decisions regarding our future strategy or within the engineering teams reviewing materials selection for a lower carbon footprint for customers. Sustainability runs as a thread throughout the organisation and is a key focus for our activities of our IMI Way Day. Sustainable initiatives are shared and celebrated via our internal communication platform and we continue to collaborate with customers to improve our products and services as well as engaging with suppliers to ensure our supply chain acts ethically and to our high standards.

●● Sustainability is at the heart of IMI and creating a better world is fundamental to us. I am delighted with the ongoing focus this has from our employees and it's exciting to see the positive impact our people are making. ●●

Thomas Thune Andersen, non-executive director responsible for ESG

Creating a better world – Our ESG Governance Framework

Our ESG governance framework aligns to our purpose and underpins our strategy. It enables us to set and achieve our ESG strategies and initiatives, ensures risk is monitored and appropriately managed, allows performance to be scrutinised by the Board and promotes clear communication across the Group. In turn, it supports effective decision-making, helps us to build a sustainable business and enables us to create long-term value for all our stakeholders.

- The Board sets our strategy and ESG priorities, receiving progress updates throughout the year. For details of activities carried out by the Board in 2023, see pages 112 to 120.
- Our senior independent director, Thomas Thune Andersen, is responsible for ESG matters and supports our Board's responsibility to consider a wide range of stakeholder perspectives and drive IMI's ESG agenda in decision-making. His role and relevant experience is described on page 107.
- Roy Twite, our Chief Executive Officer, is accountable for our ESG strategy execution and performance, supported by the Executive Committee who oversee and review our progress in ESG-related matters. More detail can be found on pages 61 to 71 in our TCFD statement.
- Platform leadership is responsible for implementing our strategy within the platform, capturing data and cascading initiatives and projects to the sectors. Our platforms report individually on their decarbonisation initiatives and performance related to sustainability metrics and targets.
- In 2023, we established a Sustainable Supply Chain Committee to replace the Scope 3 Committee. The Sustainable Supply Chain Committee comprises a focused team involved in establishing our Scope 3 emissions, developing a strategy to reduce Scope 3 emissions, and enhancing our focus on supply chain compliance.
- Additionally, we have focused teams dedicated to data and regulatory issues, internal and external reporting, humanitarian/philanthropic giving, among other areas.

Q&A

Daniel Shook
Chief Financial Officer



How do our sustainability efforts align with our financial strategy and objectives, and what measurable financial goals are associated with these efforts?

By focusing on improving sustainability of both our own operations as well as our customers, we are creating real value and revenue growth. Our assessment of climate-related opportunities and risks see pages 72 to 81 helps to focus efforts on where we invest our resources, both human and capital. Our financial framework targets of 5% organic growth, 20% operating margins, and 12% ROIC are all directly supported by our sustainability efforts.

Can you provide examples of successful projects that have contributed to cost savings or revenue generation?
Our IMI VIVO product (page 9) and our work with an agricultural solutions company see page 55 are two great examples of revenue generation directly arising from focusing our engineering expertise on sustainable solutions. We aim to accelerate these opportunities further throughout 2024 and beyond.

Can you outline the long-term financial resilience and competitiveness of the Company, considering ESG factors, and how are we addressing any emerging ESG-related financial risks and opportunities?

We have made this a focus for 2023 as we have assessed climate-related opportunities and risks, as well as our resilience responses and actions. More details can be found on pages 72 to 81. The assessment results were presented to the Executive Committee and the Board for their input in Q3 2023.

Given our strong engineering heritage, deep applications knowledge and robust financial foundations, we are confident that we can successfully navigate any ESG-related risks, and capture those opportunities to support our future growth and resilience.

Creating a better world continued

Sustainability at a glance

Empowering people



Link to SDGs



[+ Read more on pages 48-51](#)

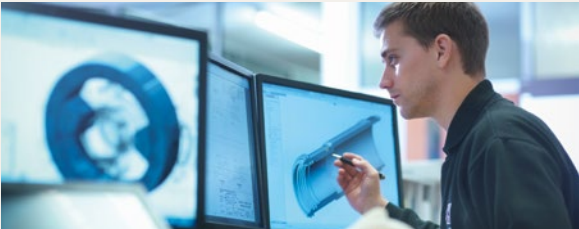
Target

Employee Engagement: >80% of employees perceive IMI as a great place to work
Diversity: 25% of women in management across the Group
Health & Safety: Maintain top quartile safety performance within the industry sector

Performance

- Employee engagement, employees see IMI as a great place to work, was 77% in 2023, as measured through the One Big Voice survey
- Percentage of women in management positions is 22%
- Total Recordable Incident Frequency Rate (TRIFR) was 0.44, up from 0.35 in 2022

Sustainable solutions



Link to SDGs



[+ Read more on pages 52-55](#)

Target

Ensuring that our R&D spend remains at a minimum of 3% of revenue

Performance

- R&D as a % of revenue remained at 3.3% in 2023 (2022: 3.3%)

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

Climate action



Link to SDGs



[+ Read more on pages 56-81](#)

Target

Our emissions

Scope 1 & 2

- Decrease emission intensity to 1.39tCO₂e* (50% of 2019 baseline) by 2030 on a location basis
- Achieve net zero for Scope 1 & 2 emissions by 2040

Scope 3

- Decrease total Scope 3 emissions by 25% by 2030
- Achieve net zero for Scope 3 emissions by 2050

Our water usage

Decrease water intensity to 9.7m³* (10% reduction compared to 2020 baseline) by 2030

Total non-recycled hazardous waste

Decrease by 50% from a 2022 base by 2030

Performance

Our emissions

Scope 1 & 2

- Total CO₂ intensity reduction of 29% from 2.78tCO₂e* in 2019 to 1.98tCO₂e* on a location basis (2022: 2.09)
- Absolute CO₂e emissions reduction of 33% from 57,500t (in 2019) to 38,604t (2022: 40,480t)

Scope 3

- Total absolute Scope 3 emissions have reduced from 574,108tCO₂e in 2021 to 529,376tCO₂e in 2023 (an 8% reduction)

Our water usage

Total water usage reduction of 8% from 203,444m³ in 2020 to 186,171m³ in 2023. Total water intensity reduction of 11% from 10.8m³* in 2020 to 9.6m³* in 2023

Total non-recycled hazardous waste

Total of 321t in 2023 (2022: 392t)

* per 1,000 hours worked

Responsible business



Link to SDGs



[+ Read more on pages 82-85](#)

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

Creating a better world continued

Empowering people



Overview

Our colleagues play a central role in our purpose-led strategy, fostering a culture of engagement and empowerment. We prioritise the growth and support of our workforce, providing opportunities for advancement and encouraging creativity and innovation. At the core of our people strategy is a commitment to unlocking the full potential of our invaluable asset – our people. This focus was particularly crucial in 2023 as we underwent a transformative journey to unite the entire business as ‘one IMI’ and strategically realign ourselves with a more sector-focused approach. We are committed to upholding strong relationships, and engaging regularly, with union bodies – these are represented across some of our sites.

Key 2023 highlights

- IMI Way Day 2023: this year at many of our sites during our annual employee engagement day, we welcomed customers to discuss their priorities and hear their perspectives
- Positioned for growth: we adopted a new sector-focused structure, allowing more collaboration, creativity and innovation among our people and greater opportunity to move between sectors (one big team)

- Global living wage: we brought all our people onto the local living wage and intend to maintain this with regular reviews in every market
- We hosted our annual European Communications Forum (ECF). This took place virtually this year and was attended by employee representatives from all of our key European geographies. Securing representation and appointing a representative differs based on employment laws set in each country

Key priorities

- 1 Supporting our growth strategy by maximising the potential of our greatest asset, our people and matching our best people with the biggest opportunities
- 2 Employee engagement is the most important KPI of our people strategy and remains high, albeit with a slight decrease in 2023 see page 28
- 3 Building a better working world and prioritising our people by reinforcing our ‘one big team’ culture, nurturing personal development and offering benefits that support physical, mental and financial wellbeing

Key risks

- Attracting and retaining employees is our biggest people-related risk because they are critical to the success of our business model. See page 93 for more information

Key opportunities

- Investing in employee development is a top priority
- Cultivating a culture of continuous learning and upskilling is crucial to adapt to industry changes
- Identifying and nurturing high-potential individuals for leadership roles is a key focus
- Building a robust and diverse succession pipeline is essential for future organisational success
- Embracing digital transformation, including generative AI, is a strategic initiative, which will provide innovative tools to empower employees
- The goal is to enable employees to contribute meaningfully to IMI’s success in a rapidly changing technological landscape
- The introduction of an IMI-wide chat tool through Bing Chat Enterprise has been implemented
- Leveraging AI through this tool allows exploration of various use cases in a secure environment

SDGs



Sub-targets: 3.9, 5.5, 8.7, 8.8

We are committed to attracting high-quality, diverse people, through an impactful and excellent candidate experience. The global roll-out of a common Applicant Tracking System (ATS) has digitalised our recruitment process and supported by our talent acquisition teams, is improving the candidate experience. This system allows job vacancies to be visible to all employees globally across the organisation, enabling a pipeline of high-calibre applicants from both internal and external sources. We continue to invest in our social media presence, bringing the IMI culture to life by sharing more people-focused content and stories.

Visibility

We aim to match our best people with the biggest opportunities. In 2023, this has included aligning talent data with dynamic dashboards incorporating key business metrics. Top and emerging talent, identified through talent ratings, are matched with opportunities based on revenue and other rankings. Our dashboards guide how we align people to roles for optimal business impact and to support IMI’s succession pipeline. The annual Executive People Review involves comprehensive analysis, including gender diversity and succession coverage. We extended talent data capture throughout the organisation in 2023, enhancing visibility at all levels and functions. In our new structure, a streamlined version of this process is now a regular feature in monthly sector executive meetings ensuring a continuous discussion on putting the best people in front of the best opportunities. This process emphasises the placement of on-programme graduates and promoting talent-sharing across the organisation.

The process provides the Executive Committee with visibility of all graduates on placement, to ensure that they are learning and gaining on the job insights from our most experienced and knowledgeable managers.

Development

Our commitment to learning and development is unwavering, and it is appreciated by our people. In our 2023 people survey, One Big Voice, 75% of employees highlighted the importance of equal opportunities for progression and development, surpassing the industry average by 10%. Our key talent development initiatives include our successful better world Growth leadership programme, with a 4.7/5 participant feedback score, and our robust Catalyst programme for high-potential talent, now into its third cohort. Our IMI Graduate Programme also welcomed 21 new joiners in 2023. The Early Careers Conference in 2023 brought together nearly 70 graduates for the first time in three years, receiving overwhelmingly positive feedback.

We continuously invest in digital learning technologies to ensure equal access to multilingual e-learning content globally, with 2024 launches focusing on personal development, people skills, inclusion and wellbeing.

Culture and employee engagement

In 2023, we conducted extensive research to shape our approach to culture, purpose, values, and brand alignment. We will be launching our new values, Always Care, Be Curious and Create Impact, which reflect our business in early 2024. IMI Way Day remains a core driver of engagement, where the whole organisation reflects on our purpose and strategy, networks with colleagues, and volunteers in the local community. We enhanced internal and external communication and focused on content campaigns, leadership communications, and thought leadership content. Health and safety, sustainability, and employee wellbeing are integral to our culture and engagement efforts.

⊕ Read more on our approach and governance of culture on page 118

Valve Doctors®

IMI’s Valve Doctor® programme comprises a body of technical experts highly skilled in valve design and industrial system integration across various industries, including Power, Oil & Gas and Marine. Highly trained, our engineering experts specialise in operational maintenance, troubleshooting, and problem-solving, helping to optimise our customer’s plant operations. Candidates for the programme undergo rigorous, seven-year training that includes classroom sessions, hands-on experience, and close mentoring.

With extensive experience in severe service applications, IMI Valve Doctors® work alongside our customers to develop problem-solving solutions in cases where a solution did not previously exist. Their global

function means that they contribute breakthrough engineering to support a more sustainable, better world.

●● Some are knowledgeable in specific applications; some are specialised in running finite element analysis or CFD (computational fluid dynamics) software. One trait our Valve Doctors® all have in common is the ability to think outside the box and to solve problems successfully. ●●

Mary Loftus, Senior Engineer, Research and Development



Creating a better world continued
Empowering people continued

Wellbeing and mental health

We prioritise employee wellbeing through four key priorities: mind, body, financial and social. Our Employee Assistance Programme (EAP) complements broader wellbeing support. This includes mental health first aiders; Change Champions who promote wellbeing and activities such as finance clinics; company challenges; and celebrating events such as World Mental Health Day. As we evolve, we recognise the need for global consistency with local flexibility – for example, during 2023 we introduced a Global Menopause Policy. In 2024, we plan to develop wellbeing within the Employee Value Proposition (EVP), aiming for global minimum standards, which will involve phased introduction of new benefits, reinforcing our commitment to employee wellbeing and our distinct culture.

We are committed to encouraging a culture of openness about mental health. Our Chief People Officer has senior management oversight for mental health of employees and is the Executive sponsor for wellbeing. Our overall engagement with the EAP is 25+%.

We also recognise the integral connection between career progression, job adjustment and incorporating good work principles which support workplace mental health. More broadly, we know mental health is a critical part of every employee’s career life cycle. We also acknowledge the clear link between our anti-bullying and non-harassment policies and their role in promoting and supporting workplace mental health.

Inclusion and diversity

Over the past year, we have focused on embracing diversity by embedding Inclusion & Diversity (I&D) into our business processes. Making I&D integral to our operations and incorporating it into our day-to-day activities will enable us to create a truly inclusive environment. We leverage Workplace as a vital communication tool, aligning our content with key awareness days tied to our strategic priorities, such as women, wellbeing, health and safety, sustainability, and LGBTQIA+ awareness. The Executive Committee’s personal engagement, including

Gender mix across the Group*

As at 31 December 2023

Gender	Male	Male %	Female	Female %
Board	5	56	4	44
Executive	4	57	3	43
Direct reports to Executive	39	72	15	28
Managers	1,337	78	387	22
Leadership group	123	82	27	18
All employees	7,521	70	3,250	30

* Including agency workers and contractors

active involvement with awareness days and personally promoting these conversations on Workplace, has resonated well with employees and reinforces our inclusive culture. Our online presence has been bolstered with dedicated I&D and wellbeing pages on the IMI website, keeping future employees informed about our initiatives. Notably, our Global Pride Network, sponsored by the Chief People Officer, has thrived – expanding to include a USA chapter in 2023 and encouraging a more inclusive and supportive workplace.

This year, our IMI Way Day included an in-depth session on unconscious bias. The practical training was well-received by employees, with follow-up materials training shared via Workplace. Our One Big Voice employee survey also revealed positive sentiments on belonging and respect, but highlighted areas for improvement. Analysis suggests a need to emphasise our core values and ensure a safe environment for speaking up, as well as a desire for consistent reward and recognition.

Women in leadership

We are committed to improving gender diversity at all levels, including our Board and Executive Committee. Last year, we introduced a target of 25% of women in management across the Group and in 2023 were at 22%. We will continue to focus on female representation at every career level; from graduate through to leadership roles, to improve our overall gender diversity across the pipeline. Gender diversity remains a focal point in our people review process, particularly at

the management level and in succession pipelines for leadership roles.

Gender pay gap

We are committed to creating an inclusive and diverse working environment and fair treatment for all, including equal pay. In the UK, we have around 1,000 employees and there is a 71% male: 29% female gender distribution. Overall, our gender pay results are similar to the wider engineering sector in which we operate. Our mean and median gender pay gaps have reduced slightly compared with 2022, and 2023 results indicate longer-term sustainable improvement in reducing our gender pay gap since we began reporting in 2017.

8.7% 2023 mean gap
19.4% 2023 median gap

Ethnicity pay gap

We continue to collect data to analyse our ethnicity pay gap for UK employees. Data has been voluntarily provided by around 30% of all UK employees. We have determined that IMI has a median ethnicity pay gap in 2023 of 3.6% compared with 6.4% in 2022. The results show some improvement on 2022, but when we analyse different ethnic groups, we continue to show a pattern typical of the UK labour market, where employees from some ethnic groups are under-represented in roles that command higher salaries.

Global Pride Network

Inclusion and diversity are fundamental to our people strategy and we aim to empower every employee to feel safe to be themselves. We made excellent progress with our employee-driven Global Pride Network in 2023, providing a safe space for LGBTQIA+ colleagues and allies globally through subgroups focused on events and education. We participated in the Birmingham Pride Parade this year,

showing our solidarity beyond the workplace, emphasising inclusivity and support. We furthered our commitment to raising awareness by organising inclusive language sessions and hosting a baking competition, featuring a speaker from a local LGBTQIA+ charity.

The development and expansion of our network has helped encourage a higher response to our employee survey’s demographic questions. We were pleased to see a significant number of responses to

these questions and the results enrich our understanding of under-represented groups’ diverse experiences and allows us to create action plans for improvement, where it is required.

The growth of our network has also helped us to cultivate allyship skills among our employees and has been a positive influence on the development of other Employee Resource Groups (ERGs), including the Network of Women and a Menopause Support group.



Health and safety

The safety and wellbeing of our people and everyone visiting our sites (including contractors and other external stakeholders) is paramount and we continually strive for improvement. We embed this commitment in our Code of Conduct and invest globally in Health, Safety and Environment processes and professionals. Through a shared leadership commitment, we also continually improve through our HSE excellence framework programme, which includes an annual on-site assessment for each of our manufacturing sites.

Our Group HSE Director reports directly to the Chief Executive Officer who has ultimate responsibility for Health and Safety. The Executive Committee reviews Health and Safety performance every month and regular reports are presented to the Board.

During the year, we undertook research on the health and safety culture with a view to building a ‘hearts and minds’ campaign that would engage people and guide behavioural change. The research revealed that one of the key potential risks is around complacency and normalisation of risk – people stop seeing things when good intentions and bad habits bring a blindness

to risk. We consequently launched a new campaign ‘Think Twice’. Think Twice is about disrupting our autopilot, which stops us from seeing hidden risks and dangers. This is the mindset we want to challenge. It is all about interrupting our usual thought process taking a second look – to keep ourselves and our colleagues safe, we must remember that risk is everywhere.

The other priority areas for the campaign were: hand injuries; slips, trips and falls; contractor management; safety on stairs; reporting hazards; and our environment. We have had strong engagement on ‘Think Twice’ across the business.

22 of our manufacturing locations now operate at the HSE Excellence Framework level 2 or above and we celebrated our first certified HSE excellence site in Climate Control, Poland. 18 (35%) of our 51 manufacturing locations are certified to ISO45001 Occupational Health & Safety Management. During the year our people completed a total of 94,729 hours of health and safety training.

The Total Recordable Incident Frequency Rate (TRIFR) has increased due to accidents at our most recently acquired businesses. We are working closely with

them to reach the highest standards that we apply across the Group. We also reclassified several first aid injuries due to further medical treatment required, which subsequently classifies those incidents as recordable within our process.

These factors combined represent 21% of the total TRIFR. IMI remains in the top quartile of our industry sector for safety performance, despite this slight increase.

Disability

One Big Voice survey has told us that our people are keen to expand our efforts with regards to disability inclusion. To make progress in this area, in 2023 we launched an e-learning module on Disability Awareness and Inclusion that helps our people to understand how visible and invisible disabilities can impact someone’s life, to recognise different types of discrimination and how to remove them and practical tools to help improve accessibility and inclusion in the workplace. We also set up a working group to look deeper into reasonable adjustments with the aim of producing some guidelines. Focus groups are planned for 2024 to enable the identification of the key issues experienced by minority groups so that the most effective actions can be identified and put in place.

Creating a better world continued

Sustainable solutions



Overview

Providing sustainable solutions to our customers is a key part of our better world strategy. Our focus on innovation for new products and continuous improvement of our existing portfolio enables us to deliver high-quality solutions, to solve our customers' problems.

Key 2023 highlights

- Increased focus on recycled content of our raw materials
- Introduction of our Product Sustainability Assessment (PSA) framework
- Further development of product innovation and collaboration with customers

Key priorities

- 1 Product innovation including piloting our PSA framework
- 2 Measuring the lifecycle emissions of our products
- 3 Delivering quality products with optimal performance to our customers

Key risks

- Product and quality compliance issues leading to product recall, warranty issues, injury, damage, the potential misleading of customers or disruption to their business. See page 98 for more information.

Key opportunities

- Further development of our products to support the transition to cleaner and alternative fuels such as hydrogen.

SDGs



Sub-targets: 9.5, 11.6, 13.2

Measuring performance

We work closely with customers early in their design phase to better understand the overall environmental impact of our new products when they become part of customers' processes and equipment. We are assessing the baseline carbon footprint of our products and developing strategies to cut down on emissions before they even reach production.

Throughout 2023, these strategies included increasing the use of recycled content in our products. We also collaborated with customers to ensure performance remained optimal, while carbon footprints were reduced. These actions help the environment by reducing waste and also significantly lowering the greenhouse gas emissions linked to producing new materials. We also evaluate new product designs to improve the end of use recycling methods which contribute to the circular economy.

We also developed a PSA framework in 2023 to help us understand and assess the sustainability performance of our existing portfolio and new products. In developing this framework, we used the World Business Council for Sustainable Development (WBCSD) PSA framework as a guide, to help us achieve a best practice approach to our assessment criteria. Our new framework provides the starting point for an evidence-based process, to screen emerging product regulations, embed circular and life cycle thinking, and capture stakeholder expectations that can turn into business opportunities to drive our portfolio transformation and strengthen our product stewardship.

In our Process Automation sector, we work closely with EPC companies (Engineering, Procurement and Construction), licensors and end-user customers to ensure IMI products and system designs meet their exacting process conditions, requirements and standards.

Operational excellence

In all our operations, our core objective is to consistently deliver products on time, with industry-leading quality. We have also extended this commitment to our supply chain, emphasising the importance of minimising environmental impact. In our sourcing decisions for new products, we now factor in the carbon emissions associated with component logistics.

Underpinning our commitment to product quality, 48 (94%) of our 51 manufacturing locations are certified to ISO9001 Quality Management and we are looking to increase this further.

Within our factories, we regularly review the industry acknowledged '7 wastes' in lean manufacturing processes, to enhance operational efficiency. The 7 wastes approach enables us to maintain high standards for timely and quality product delivery and also prioritise efficiency and sustainability throughout our supply chain.

Our focus on operational excellence also 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 use. Lean is the methodology we use for this purpose, alongside a continuous improvement financial tracker tool to assess and monitor the financial impact of operational improvements.

Reducing machine downtime increases utilisation and lessens the need for replacement equipment. Internal excellence remains a key focus area, enabling us to reduce the resources we use and improve the overall efficiency of our plants. We aim for exceptional performance of our equipment and we can achieve this through regular checks, preventative and predictive measurements and recording follow up actions to help reduce equipment breakdowns and downtime.

Product stewardship

In our Transport sector, we follow established automotive procedures, such as Advanced Product Quality Planning (APQP), so we can launch robust products on time and meet customer expectations. We are now enhancing these procedures by incorporating sustainability tools, checklists and stage gates into the process. This integration is driving our teams to consider the environmental impact of our products and processes daily. Embedding sustainability into our routines helps us to meet industry standards for product quality and launch timelines.

We primarily have to design our products to exacting standards required by design codes and customer specifications. To achieve this our engineers review and ensure the best selection of material. Whilst this often requires very specialist material (Process Automation) it is done with the purpose to enable the design life of products – often 50 years plus. This selection of materials ensures products are not removed and replaced unnecessarily (e.g. valve bodies) and discarded, rather can be used for the life of the asset. By designing to high specifications, we ensure the lifecycle of the product has the lowest impact on the environment.

Supply chain

At IMI, supply chain sustainability involves the entire footprint of operations – end-to-end. In the new product design phase, our engineering process now includes ESG and product compliance criteria, resulting in products made with sustainability in mind. Our new supplier selection process also continues to ensure suppliers are selected with the same ethical values that are key to IMI. Selection criteria has been strengthened this year as we demand more supply chain visibility from our suppliers.

Environmental Product Declaration

In 2023, our STAD valves range, Compact-P and TA Modulator were all assessed for and achieved an Environmental Product Declaration (EPD). This document, which is standardised, third-party verified and based on Life Cycle Assessment methodology provides a comparable measure of the embedded emissions in our products, underscores our dedication to sustainability and transparency. The insights gleaned from the EPD assessment process are invaluable, guiding our future efforts and pinpointing areas to help us enhance our environmental performance. We are committed to assessing a broad range of our products across all five sectors.



Creating a better world continued
Sustainable solutions continued

●● Product innovation will always be our strength and exploring new ways in which we can reduce emissions within our own processes and hence produce more sustainable solutions for our customers remains our utmost priority. ●●

Chris Prince, Vice President of Product & Engineering, Automation platform

Examples of market-led innovation

Sectors	Innovation
Climate Control	Our TA-Smart product is an innovative valve, compliant with the European Commission’s Energy Performance of Buildings Directive (EPBD). The valve optimises heating and cooling in buildings, helping our customers to improve energy efficiency. By combining ultrasonic flow measurement technology with unique actuation algorithms and excellent connectivity, this solution provides best-in-class control performance, contributing to decarbonisation. The valve can be integrated into smart control systems for controlling temperatures in buildings.
Life Science & Fluid Control	Active Control , our breakthrough solution for Mass Flow Controllers (MFCs) and Electronic Pressure Controllers (EPCs), addresses crucial challenges in the Life Science sector. Active Control focuses on dynamic range, footprint and cost efficiency. A versatile product range, it is used in key areas of healthcare and life sciences. These areas include: analytical instrumentation, such as mass spectrometry; medical devices, such as gas blenders; diagnostic instrumentation, such as point-of-care testing for patients; and biotechnology, such as bioreactors and microfluidics. Developed by leveraging our powerful Growth Hub methodology, we listened to our OEM customers and their concerns around overcoming wider specification requirements and size constraints to deliver an ultra-compact device for multi-gas control. Our Active Control range is part of a growing portfolio of integrated IMI solutions and contributes to innovation in a wide range of life-saving technologies. These products demonstrate our commitment to progress in life science and dedication to meeting evolving industry demands.
Transport	Over 60% of our new product development is aimed at reducing carbon emissions from commercial vehicles. In 2023, we continued to develop products for use in zero emissions technologies, such as fuel cells. We have also worked on solutions to reduce emissions from diesel vehicles. IMI is currently developing a new cartridge valve, which will be used by major European truck OEMs. These manufacturers are working with us to develop an application as part of their engine recipe to meet new Euro 7 emissions standards.

We continue to work with our suppliers to ensure that all conflict mineral smelters are responsibly sourced, in line with our Responsible Sourcing policy. Exit plans are drawn up for any suppliers who cannot meet our growing ESG demands.

In 2023, our procurement teams supported IMI’s continued access to global markets, by enhancing our ongoing engagement with suppliers to ensure they provide the necessary product compliance documentation via our compliance partner, Assent Inc.

Other steps to improve the sustainability of our supply chain include enhancing our greenhouse gas monitoring capability (Scopes 1, 2 & 3). CO₂ emission calculation and life cycle assessment are gradually being introduced in design early stages. We are also working collaboratively with our suppliers to reduce the carbon footprint related to our products, by using cleaner energy sources and optimising manufacturing processes. As a business, IMI engages with key customers to support their own ESG commitments.

EU taxonomy

In collaboration with our environmental consultants (Ricardo), we have screened our portfolio against EU taxonomy criteria for substantial contribution to climate mitigation and climate adaptation to identify products/activities that are potentially eligible. This was completed for our direct and indirect (enabling) economic activities. For the identified activities, these were then assessed in terms of alignment against the substantial contribution criteria and the Do No Significant Harm criteria and disclosure obligations were reviewed. Based on this, a strategy detailing steps for alignment was developed which we will continue to assess into 2024, as part of our wider Portfolio Sustainability Assessment framework implementation.



Helping to maximise crop yields

We have worked with an agricultural solutions company for the past decade. Our customer’s systems offer a variety of technologies that enable farmers to maximise yields and a return on investment by, for example, reducing expensive fertiliser or pesticide overspray to cut costs and better protect the environment.

A recently launched spraying system, is using our valve technology to provide accurate, reliable, and robust control for the nozzle bodies that dispense the media onto fields.

Our valve delivers control to the pulse width modulation solution which acts to ensure a fast pulsing and even flow of different fertilisers, and pesticides.

The medias used in agricultural spraying systems are expensive so any reduction of waste provides an economic benefit to farmers and lowers the level of unneeded chemicals entering the ground or running off into water sources.

The proven reliability of our valve provides tangible operational benefits to farmers who need to trust the spraying system and will avoid unwanted, inconvenient, and expensive spraying stoppages.

Connected to our customer’s proprietary printed circuit board and electronics technology, the valves also have the capability to communicate with other parts of the spraying system. It turns the nozzle sprayers on or can shut off the flow as per operational need, so the farmer has the reassurance the use of expensive fertilisers and pesticides is continually optimised.

Climate action



Overview

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, water and resource use, pollution, waste and single use plastics. We monitor and report our environmental performance at monthly Executive meetings to focus on delivering continuous improvement. Our goal is to halve our CO₂ intensity by 2030, based on 2019 Scope 1 & 2 GHG emissions.

Key 2023 highlights

- Scope 1 & 2 absolute emissions reduced by 33% since 2019
- Scope 3 absolute emissions reduced by 8% since 2021

Key priorities

- 1 Decarbonisation of our sites and operations
- 2 Reducing our water withdrawal and non-recycled hazardous waste
- 3 Supply chain engagement

Key risks

- Physical climate risks and failure to adapt to climate change. More information can be found on pages 80-81 and 95.

Key opportunities

- Integration of our carbon footprint assessment with our analysis of climate-related opportunities and risks presents an opportunity for the organisation to identify strategic pathways to reduce emissions, while capitalising on potential areas for innovation and competitive advantage.

SDGs



Sub-targets: 13.2

Climate action

We are committed to reducing our carbon footprint and have initiatives across the world to make our sites more efficient, to ensure we share best practice, and to commit to year-on-year reductions.

In 2023, we had environmental initiatives either in planning, in progress or completed that 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.

Our approach

Our platforms have dedicated ESG leads, and all of our manufacturing sites have a nominated Environmental Champion. Our consistent approach ensures we continue to develop and share best practice in sustainability across IMI, collate site and sector project plans, and monitor performance and progress. We share our initiatives and best practices via our internal communications platform, Workplace.

Renewable energy

We have solar panels installed and operational at 12 locations and in 2023 they generated 2,706 MWh of renewable energy (2022: 1,543 MWh).

To underpin our commitment to reduce our environmental impact, 25 of our 51 manufacturing facilities (or 49%) are certified to ISO 14001 Environmental Management and four are certified to ISO 50001 Energy Management standards.

To comply with the Energy Savings Opportunities Scheme, we engaged with an external consultant in 2023 to undertake 16 on-site energy assessments. The output of the assessments will be fed into our 2024 improvement activities.

In 2023, we purchased renewable energy certificates to guarantee renewable energy supply covering 75% (2022: 74%) of our electricity consumption. We will continue investing in renewable energy in 2024 demonstrating our commitment to a better world.

Water

We understand the value and importance of water as a global, shared resource. A number of our sites are located in water stressed regions and we are committed to reducing our water impact. All our locations collect and report their water data in alignment with our global reporting environmental Standard Operating Procedure (SOP).

Where appropriate, our sites have water management plans in place. The majority of our sites use water for domestic purposes only. Where we use it in manufacturing processes, we strive to use water efficiently through various initiatives.

Our Sri City facility in India features a rainwater harvesting system to reduce the volume of mains water needed by the facility.

Since 2020, we have reduced our absolute water usage by 8% (17,273m³). 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 2023 was 9.6m³ per 1,000 hours worked. We will review our usage throughout 2024 and update our water target if appropriate.

We support the CDP Water Security disclosure, which we complete annually, using this data to improve and reduce water usage across the Group. In 2023, our score for this remained at C.

Air emissions

We operate across the world within many different environmental regulatory frameworks. Environmental performance for the Group is managed through the IMI HSE framework, which requires identification of applicable (national) legislation for each site. We also quantify site-specific emission characteristics to determine 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 compliance with license or permit conditions; for example, on monitoring and reporting emissions to air, emissions to water and, waste production.

We plan to create an air emission inventory for all our sites. Additionally, we will review information held by our sites, including emission reduction targets, emissions to water, and production of hazardous and non-hazardous waste. We will develop an appropriate process to gather this information (in line with our process to collect all Scope 1 & 2 GHG emissions from our sites) as part of a global reporting mechanism to continually enhance our reporting activity.

Waste

We are committed to reducing our impact on the environment and especially in the area of non-recycled hazardous waste. We decreased our non-recycled hazardous waste from 392 tonnes in 2022 to 321 tonnes in 2023 (a 18% reduction) 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.

Environmental reporting

Our CO₂ emissions are reducing in line with our continuous improvement culture and investment in our operations. We support and disclose to CDP Climate which outlines our risk management approach to climate change and our emissions performance.

CDP Climate Change disclosure received a grade of B, placing it within the Management band. This grade is consistent with the Europe regional average of B. We will review the findings of the CDP score reports for both water security and climate change with the IMI sustainability strategy, so that we can improve our environmental performance.

Our commitment reflects our progress in our sustainability journey, including evaluating our Scope 3 emissions and calculating the avoided emissions for select products.



Generating renewable energy

In 2023, we delivered on our promise at the Climate Control site in Erwitte, Germany. We completed the second phase of our photovoltaic (PV) project, installing additional panels that significantly increased our generation capacity to 2,250,000 kWh, approximately 20% of the electricity required at the site. This makes a substantial step towards our 2040 net zero target. Our commitment to sustainability remains strong as we continue to innovate and electrify our production.

Creating a better world continued
Climate action continued

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.

Location	Current reporting year 1 January 2023 – 31 December 2023		Prior reporting year 1 January 2022 – 31 December 2022	
	UK	Global	UK	Global
Scope 1 & 2				
Emissions – tCO₂e				
Scope 1 – Natural Gas Usage	413	5,990	576	7,359
Scope 1 – Diesel Usage On-site	–	94	–	83
Scope 1 – Diesel Usage Company Vehicles	85	2,461	79	2,353
Scope 1 – Fuel Oil Usage	–	654	–	524
Scope 1 – Petrol Usage Company Vehicles	–	684	–	560
Scope 1 – Liquefied Petroleum Gas Usage	6	557	8	299
Scope 1 – Combined Heat and Power Usage	–	–	–	–
Scope 1 – Refrigerants	0	167	64	648
Scope 1 – Total	504	10,607	727	11,826
Scope 2 – Location-based	1,558	27,997	1,383	28,654
Total (Scopes 1 & 2)	2,062	38,604	2,110	40,480
Consumption – kWh				
Scope 1 – Total	2,622,121	50,755,902	3,499,360	55,741,957
Scope 2 – Total	7,523,812	94,798,807	7,175,645	102,481,674
Total (Scopes 1 & 2)	10,145,933	145,554,709	10,675,005	158,223,631
Hours Worked				
Hours Worked	1,887,694	19,456,641	1,876,083	19,333,911
Intensity ratio: tCO ₂ e (gross Scope 1 & 2) per 1,000 hours worked	1.09	1.98	1.12	2.09
Scopes 1, 2 and 3				
Emissions – tCO₂e				
Scope 3 – Car Travel	157	783	136	528
Total (Scopes 1, 2 and 3)	2,220	39,387	2,246	41,008
Consumption – kWh				
Scope 3 – Total	648,755	3,228,597	550,805	2,141,649
Total (Scopes 1, 2 and 3)	10,794,688	148,783,306	11,225,810	160,365,280
Intensity ratio: tCO ₂ e (gross Scope 1, 2 & 3) per 1,000 hours worked	1.18	2.02	1.20	2.12
Scope 2 – Market-based	96	3,391	109	4,954

Methodology

We calculate our GHG emissions estimates to cover all material sources of emissions from the operations for which we are responsible. The methodology used is the GHG Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources is 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: natural gas, fuel oil, liquefied petroleum gas (LPG), diesel, petrol, combined heat and power (CHP), electricity and business travel in employee-owned or hire 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 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 2023. The Scope 1 & 2 data in our SECR table has been externally verified by Ricardo Energy & Environment, who performed a limited-level verification review in accordance with the requirements of ISO 14064-3 and the GHG Protocol Corporate Standard. Of the 2023 total: our direct Scope 1

emissions of tCO₂e (in essence gas, diesel and fuel oil consumed) amounted to 10,607 tonnes; and our indirect Scope 2 emissions of tCO₂e (in essence the emissions generated on our behalf to provide our electricity) amounted to 27,997 tonnes.

The emissions total represents a 33% 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 2023 intensity ratio based on Scope 1 & 2 emissions is 1.98 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.



Process decarbonisation

In 2023, we took a significant step towards a greener future in our Swedish plant by replacing propane-fuelled preheating transport ladle with an electric one. This crucial transition has enabled us to significantly cut our CO₂ emissions. Together, we're driving positive change and setting new standards for sustainable manufacturing.

Creating a better world continued
Climate action continued

Scope 3 emissions

This year, we publish our second Scope 3 assessment. This assessment has been conducted on a combination of volume data (where it has been available), spend data and other standard estimation techniques. We recognise the importance of data accuracy in this area and have been working to improve data quality and collection. Our assessment was developed using methodologies specified by the Greenhouse Gas Protocol and the UK’s Environmental Reporting Guidelines. 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 us so have not been quantified.

This inventory has not been externally verified but we will be looking to address this later in 2024.

Our largest Scope 3 category is purchased goods and services which accounts for 73% of total Scope 3 emissions (reduced from 80% in 2021) as a result of increased use of recycled content from materials purchased. 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 2% 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 which we have submitted (as part of a package of targets) to the SBTi for validation).

We recognise the importance of reducing our Scope 3 emissions and during 2023 established a Sustainable Supply Chain committee focusing on developing our understanding of the emissions of our products and product content, Scope 3 emissions, materials traceability and supplier engagement. Focus on product innovation and improving our own efficiency remains a key area for us.

Category	Category name	Methodology followed	Total GHG emissions tCO ₂ e		
			2023	2022	2021*
1	Purchased goods and services	Average data based for key input materials. Spend-based for all other purchases	388,760	393,716	461,842
2	Capital goods	Spend-based	20,346	20,946	24,352
3	Fuel- and energy-related activities	Based on actual consumption of fuels and electricity	9,891	11,079	13,419
4	Upstream transportation and distribution total	Estimated from transport distances and shipment weights	43,936	42,050	20,618
5	Waste generated in operations	Based on waste disposal quantities with assumptions on waste type and disposal route	1,985	1,163	1,439
6	Business travel	Emissions based on actual journeys and distance	15,268	9,759	4,553
7	Employee commuting	Estimated from employee numbers, with assumptions of travel distances and modes	13,056	15,960	18,730
8	Upstream leased assets	Not applicable	–	–	–
9	Downstream transportation and distribution	Approximated from sales volumes	21,968	21,025	10,309
10	Processing of sold products	Not applicable	–	–	–
11	Use of sold products	Estimated from sales quantities and annual energy usage per electricity-using product, accounting for territory of sales (Climate Control only)	11,995	13,046	17,387
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	2,171	1,217	1,459
13	Downstream leased assets	Not applicable	–	–	–
14	Franchises	Not applicable	–	–	–
15	Investments	Not applicable	–	–	–
Total			529,376	529,961	574,108

* 2021 is restated to reflect changes in methodology and data.

Task Force on Climate-related Financial Disclosures (TCFD) assessment



TCFD reporting

We recognise the scale of the climate change emergency in creating both risks and opportunities for our growth strategy and transition in line with our SBTi commitment. Our growth is driven by our ability to innovate which helps enable our customers and their end markets to reduce their own carbon footprint. We have set ambitious targets and this year submitted our SBTi targets for approval.

We are actively working to improve our climate-related disclosures. This includes providing additional information on our website, www.imiplc.com. For instance, we have mapped our material disclosures against the required Global Reporting Initiative (GRI) requirements and shared the results of our materiality impact assessment.

In accordance with the requirements of LR 9.8.6(8)R (UK Listing Rules) and the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, IMI’s climate-related disclosures are consistent with the eleven recommendations of the Task Force on Climate-related Financial Disclosures. We look forward to updating you on our progress in our 2024 Annual Report in respect of:

- a revision of our decarbonisation strategy to integrate our new acquisitions in 2022 and revise our implementation plan; accordingly, and consolidate our Climate Action programme into one IMI Climate transition plan in line with the TPT (Transition Pathways Taskforce) framework and guidance.

Taskforce on Nature-related Financial Disclosure (TNFD)

TNFD was officially launched in September 2023 as a market-led, science-based mechanism to provide organisations with the tools they need to act on evolving nature-related issues. It builds on the structure developed by the TCFD, with 14 recommended disclosures based around nature-related dependencies, impacts, risks and opportunities. This year, we aim to conduct a comprehensive materiality assessment, considering ESG impacts and financial risks and opportunities. We will build upon our existing ESG materiality processes, aligning with GRI, TCFD, and EFRAG’s European Sustainability Reporting Standards (ESRS), to evaluate issues related to nature. We recognise and acknowledge we have a role to play in protecting nature and biodiversity. We welcome the objectives of the TNFD and will continue to build on our ESG reporting strategy to integrate and consolidate globally recognised reporting standards and frameworks and include any relevant updates to our approach on our website and our next Annual Report.

Creating a better world continued
TCFD continued

Governance			
How we comply	Progress made in 2023	Further improvement	For more information
a) Describe the Board’s oversight of climate-related opportunities and risks			
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 opportunities and risks 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 director, Thomas Thune Andersen, 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. ESG competence and experience is evaluated as a criterion for non-executive director appointments. The Board receives updates on climate-related matters quarterly, for discussion.	Members of the Board and Executive carried out an ESG strategy deep dive in September, facilitated by our third-party consultant, Ricardo, as a mid-way point to detail and validate the process taken to identify and assess IMI’s climate-related opportunities, and risks and their financial materiality. Thomas Thune Andersen played a key role in supporting this process, drawing on his considerable ESG expertise. Each director has specific measurable ESG targets built into their strategic and personal objectives. Review of targets and progress by the Board.	We will further improve the integration of climate-related opportunities and risks into our Group risk management framework and business processes. Continue to deliver climate education for the Board through the ESG Engagement Sessions. For example, on the Transition Plan Taskforce and their new framework and emerging policy and expectations for companies to report robust and credible Climate Transition Plans.	⊕ Page numbers within this Report: 40, 42, 43, 45, 88, 102, 105, 112, 114, 116-117

Governance			
How we comply	Progress made in 2023	Further improvement	For more information
b) Describe management’s role in assessing and managing risks and opportunities			
ESG Strategy execution is delegated to the Chief Executive Officer, 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 advisory support from third party consultancy, Ricardo). In addition to these updates, the IMI Executive Committee monitors and reviews ESG progress, climate-related risk management processes and review bi-annually a detailed analysis of the Group’s risk profile including supporting platform data and the actions undertaken. The Executive Committee continue to review and support: – 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 on health and safety, employee development, an inclusive approach to inclusion and diversity, effective talent management and cross-functional collaboration for promoting innovation, specialised skills and knowledge, essential for the net zero transition and long-term organisational resilience. Louise Waldek, Chief Legal & Risk Officer, and Company Secretary, has specific responsibility for Executive sponsorship of the better world team.	The Board and the Executive Committee review climate change at least twice a year as part of a wide review of ESG matters. Key members of senior management including the Platform Risk Champions, were interviewed as part of the TCFD process to refresh and update the risk and opportunity analysis in 2023 and provide inputs related to materiality.	Executive Committee to continue to improve knowledge and understanding of climate-related opportunities and risks and their related financial impact through regular governance processes. We continue to evolve our governance framework for the management and oversight of ESG matters as we build on our progress to date. Key strategic response actions in the near term and long-term have been identified to successfully manage the risks and opportunities identified. The resiliency measures identified in our assessment will be tracked by relevant teams for each risk and opportunity focus area.	⊕ Page numbers within this Report: 45, 48, 52, 56, 72-75, 82, 89, 95

Creating a better world continued
TCFD continued

Strategy			
How we comply	Progress made in 2023	Further improvement	For more information
a) Describe the climate-related opportunities and risks the organisation has identified over the short, medium and long-term			
The materiality assessment identified 45 risks and opportunities and were scored individually based on IMI's business sensitivity and adaptive capacity. The scoring analysis classified 19 out of 45 opportunities & risks to be climate-material to IMI. The 19 climate-material risks and opportunities were grouped into priority focus areas, consistent with the TCFD categories and IMI's sustainability strategy including: ⊕ see page 72. Opportunities: 1. market expansion and innovation 2. alternative fuels 3. climate-related policy and legislation 4. product portfolio 5. supply chain and operational excellence Risks: 1. climate-related policy and legislation 2. product portfolio 3. supply chain operational excellence 4. physical risks (acute and chronic) Transition risks and opportunities were considered over the following time frames (short: 2023-2030, medium: 2030-2040, long: 2040+). Physical risks were considered over slightly longer time frames (short: 2021-2040, medium-long: 2041-2060, very long: 2061-2100) ⊕ These time frames have been considered with reference to the information available in the scenarios selected on page 73. To capture all of IMI's global operations, the process for identifying and managing risks and opportunities includes the involvement of management and their teams at the operating sites and across the platforms within the different geographies.	We updated our process for identifying climate-related opportunities and risks this year by interviewing our Executive Committee, Thomas Thune Andersen and members of senior management. We also expanded our desktop research to include a wider selection of stakeholder input and research. Engaging with key internal stakeholders, including the Board, was of critical importance to refresh our risks and opportunities with those who know and understand IMI's long-term strategy.	In line with TCFD best practice we will review our risks and opportunities at least annually to ensure the most relevant risks and opportunities are considered, and where possible directly integrated into our Group Risk Management Framework.	⊕ Page numbers within this Report: 72-81, 95

Strategy			
How we comply	Progress made in 2023	Further improvement	For more information
b) Describe the impact of climate-related opportunities and risks on the organisation's business strategy and financial planning			
We identified that climate-related opportunities and risks will affect our business strategy and financial planning. Where possible we have provided financial and business assessment of the material risk and opportunities. Three risks and opportunities were subject to a detailed quantitative financial assessment including: ⊕ see page 75 Opportunities: increased product demand, long-term project investments (operations) and growth in hydrogen solutions. Risks: Oil & Gas market exposure. Key outputs are presented as changes compared to a reference scenario over a 2030 and 2050 time frame.	We undertook quantitative financial analysis of three risks and opportunities ⊕ see page 75. This has helped us to quantify the financial impacts of the material climate risks and opportunities for further integration of the analysis into our risk management and strategic planning. The methodology used considers the full value chain impacts and latest company-level developments to ensure a forward-looking view was used to conduct the forecasts. A carbon tax/price does not directly impact IMI today but will likely indirectly impact through our supplier spend for raw materials, such as steel, impacted by the EU Carbon Border Adjustment Measure (CBAM). In 2023, we reviewed our impact with the CBAM and will be reporting in line with the requirements laid out in this legislation. In 2023, we engaged with 74 strategic 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 have been working to ensure we have dual sourcing of key components and are treated as a priority customer via framework agreements with Tier 1 suppliers.	We will continue to update the quantitative company level business and financial analysis based on company developments and market changes. We will build on our existing plans to ensure a standardised approach is implemented at each site/location to address decarbonisation and improve resiliency in line with our SBTi and Climate Action targets. This will be evaluated in 2024, through a re-fresh of the IMI decarbonisation strategy to phase in a more robust implementation plan. Evaluate the indirect costs of carbon by business, to inform procurement strategy resilience.	⊕ Page numbers within this Report: 13, 22, 26, 43, 56, 57, 72-81

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Strategy			
How we comply	Progress made in 2023	Further improvement	For more information
c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario			
With support from Ricardo, our third-party consultants, a climate scenario analysis study was undertaken across four wide-ranging scenarios to examine impacts over long-term time horizons ⊕ see page 73 .	We updated our scenario analysis to improve alignment with the newly identified risks and opportunities within the focus areas. This work was reviewed by the Executive Committee in December 2023 and was approved by the Board in February 2024.	To align with TCFD best practice, we will renew our scenario analysis every three years to ensure we are providing the most up-to-date and relevant information, unless there has been a significant change to the business or external environment that warrants a quicker refresh.	⊕ Page numbers within this Report: 18-27, 76-81
Due to the split of transitional and physical risks and opportunities, two publicly available, scientifically recognised organisations were selected to assess our business impact and resiliency to each climate- and financial- risk and opportunity under different hypothetical futures: the IEA and IPCC. In total, four scenarios were selected with two across each IEA and IPCC scenario ⊕ see page 74 for more details in the selection process .	We conducted a business impact scoring to allocate a business impact exposure category of high, medium, and low to each climate and financial material risk and opportunity under the short, medium, and long-term time frames for each scenario.	Continue to drive our process for resiliency action ownership in line with our Climate Action targets and goals across the organisation.	
We acknowledge the significance of fostering resilience when confronted with climate-related opportunities and risks. The transition to a low-carbon economy under both IEA scenarios is creating new revenue opportunities for us, as well as challenges in the form of rapid technological, regulatory and behavioural changes. Our market-led innovation, sustainable investment and clear-sighted strategy alongside excellent stakeholder management continues to strengthen our resiliency response to mitigate climate-related risks, whilst taking advantage of opportunities. We recognise the importance of assessing and managing physical risks associated with climate change. We conduct comprehensive risk assessments to identify vulnerable assets through our 3rd party insurance provider and prioritise adaptation strategies. This involves regularly monitoring and evaluating the performance of our assets in the context of changing climate conditions. By leveraging advanced technologies and data-driven insights we aim to optimise asset performance, reduce vulnerabilities, and ensure long-term sustainability.	We held a strategic response and resiliency workshop, to identify and allocate our responses to mitigate the climate-related risks and maximise the climate-related strategic opportunities over the short, medium, and long-term time frames whilst considering each climate-scenario.		

Risk management			
How we comply	Progress made in 2023	Further improvement	For more information
a) Describe the organisation’s processes for identifying and assessing climate-related risks			
Climate-related risks form an integral part of the overall risk management process and IMI better world agenda. Climate-related risks determined and reviewed via the work of Platform Risk Champions form part of several principal risks and are included as part of risk management presentations to Executive and Board level members which occur annually. This year, we rescoped our risk of business disruption and natural disasters to cover extreme weather events and the physical risks associated with climate change as well as the risk of failure to adapt to climate change. In addition to this specific principal risk regarding climate change, the Board believes climate change maps to the following principal risks: – Ethics, Compliance & Governance – Talent & Engagement – Lack of Organic Growth – Failure to manage the supply chain	We developed the processes for assessing the potential size and scope of identified climate-related opportunities and risks through a materiality matrix ⊕ see page 72 , which detail the financial overlay for TCFD materiality. We incorporated Zurich’s 2022 analysis of physical climate-related risks into wider identification of climate-related opportunities and risks. The strategic response and resiliency workshop as described above in strategy b) helped to identify the key actions necessary to take to mitigate and adapt to the identified risks. In various forums, including the ESG deep dive, we considered the implications of the International Sustainability Standards Board (ISSB), Transition Plan Taskforce (TPT) guidance and Corporate Sustainability Reporting Directive (CSRD) on our reporting requirements as a potential risk and opportunity. We have already started work in preparations for these, including EU Taxonomy reporting under the CSRD. We are working with Ricardo to evaluate our exposure, our eligibility, and alignment for core product/ activity lines.	We will continue to monitor and assess the risks and opportunities that were not deemed as financially material in this year’s assessment to understand if they may become financially material in the future given new developments in our business and the market. Maintain our global regulatory review and gap analysis of current and emerging climate-related risks to identify emerging risks relevant to IMI’s assets, supply chain, value chain stakeholders and products and services. Plans are in place to conduct a double materiality assessment in early 2024, with our ESG consultants, Ricardo. The TCFD work will inform and contribute to the output.	⊕ Page numbers within this Report: 72-75, 88-95

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Risk management			
How we comply	Progress made in 2023	Further improvement	For more information
b) Describe the organisation’s processes for managing climate-related risks			
To review the resilience of the Board’s strategy through the lens of climate change, a better world Risk Group was set up inviting key individuals from across the Group (facilities, operations, legal and business development), who carried out an analysis of climate risks and opportunities for IMI using the TCFD framework ⊕ see page 72 .	Across the risk and opportunity focus areas identified we have assigned platform risk champions to take responsibility for each focus area to ensure the correct response actions are taken to mitigate risks and take advantage of the opportunities identified over the near-term and long-term.	To increase resilience and mitigate climate-related risks we continue to execute our strategy which focuses investment into more resilient low-carbon markets that provide solutions to support the transition and mitigate long-term effects of climate change through innovation and technology transfer. This will include both organic and inorganic growth investments to mitigate climate-related risks from our Sustainable Portfolio Assessments.	⊕ Page numbers within this Report: 52-57, 72-76, 88-91 and 95
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 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 sectors have specially selected suppliers to investigate ESG topics (climate impact, human trafficking & slavery, organisational commitment and labour rights) through our compliance partner, Assent Inc.		We will continue to work with Platform Risk Champions to drive focus and accountability.	

Risk management			
How we comply	Progress made in 2023	Further improvement	For more information
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management			
Climate-related risks determined and reviewed via the work of platform risk champions, form part of several principal risks, and are included as part of risk management presentations to the Executive Committee and the Board.	We are working to improve our systems and process for identification, monitoring and assessing climate-related emerging issues that impact our business, to inform our Sustainability Committee and Board more regularly on updates or changes over time. We plan to create a climate opportunity and risk register for current and emerging issues and anticipate this being reviewed every 6 months for changes, and annually for integration into the Enterprise Risk Management process.	We have voluntarily begun evaluating our portfolio in alignment with the EU Taxonomy classification for climate mitigation and adaptation and we plan to update this further in due course.	⊕ Page numbers within this Report: 88-91
We conducted a mapping exercise to integrate, match and overlay the resulting climate-related material risks in the principal risk register.		We will continue to further develop how managing climate-related risks are integrated into the overall risk management framework and assigning ownership for individual risks.	
Metrics and targets			
How we comply	Progress made in 2023	Further improvement	For more information
a) Disclose the metrics used by the organisation to assess climate-related opportunities and risks in line with its 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. Our climate targets 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. Our Scope 1 & 2 greenhouse gas emissions have been verified according to ISO Standard ISO 14064-3 by a third party consultancy ⊕ see page 58.	We have considered other metrics associated with climate-related risks however we feel that our metrics and targets presented on pages 46-47 illustrate our commitment to mitigating climate-related risks. In addition, we have also included three metrics in our sustainability linked revolving credit facility see page 13 which are CO ₂ intensity, water intensity and women in management.	We plan to use an internal carbon price within the next two years and will consider how to integrate into our PSA framework for 2024.	⊕ Page numbers within this Report: 46-47, 58-60
	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 have planned to incorporate this assessment into our net zero and transition plan workstream in 2024.		

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Metrics and targets			
How we comply	Progress made in 2023	Further improvement	For more information
b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 emissions, and the related risks			
Details of our achievements against our climate-related targets including CO ₂ intensity can be found in the Creating a better world section of this Annual Report ⊕ see pages 46-47 .	We have worked with third-party consultants to calculate our Scope 1, 2 and 3 emissions.	We continue to strive to improve the quality of our Scope 3 analysis and data.	⊕ Page numbers within this Report: 46-47, 58-60
We complete our Scope 1 & 2 calculations on an annual basis and receive verification on these calculations according to ISO standard ISO14064-3. In addition, we also complete Scope 3 calculations and will look to have these verified in 2024.			
We use Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019 The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).			
We include historical periods to allow for trend analysis.			

Metrics and targets			
How we comply	Progress made in 2023	Further improvement	For more information
c) Describe the targets used by the organisation to manage climate-related opportunities and risks and performance against targets			
Our purpose drives our strategy and our ambition, including our commitment to SBTi: – 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).	We have extended our GHG emissions target to include Scope 3. We have submitted an SBTi application, please see page 43 for more information. We worked on integrating our Climate Action strategy output (including our updated assessment of climate-related opportunities and risks) into a draft comprehensive climate transition plan and will be developing this further in 2024. To achieve our carbon emission reduction target, the Process Automation sector has been looking into first drawing a baseline of carbon emissions by product, performing a more realistic product-specific analysis, and utilising bottom-up detailed carbon emission calculation, from raw materials to assembly & test. To draw this baseline, the Process Automation team decided to involve a few suppliers as part of the programme. Those suppliers have been selected considering their supply volume, strategic long-term partnership and ESG impact. They are suppliers we are willing to grow and support within their climate transition journey. We have developed with those selected suppliers a collaborative approach in the aim to develop innovative solutions to reduce our products' carbon footprint: IMI consulted with them individually, and suggested our perspectives as part of this project to not only reduce the cost of supply and production but to focus on the carbon emissions that would be reduced throughout the supply chain, manufacturing process and product life cycle. Our Value Analysis/ Value Engineering process aims to reduce emissions through product design changes, material substitutions, recycling, and manufacturing process analysis. In 2023, certain suppliers offered innovative suggestions to further reduce our impact. These suggestions were solidified through our engagement during one-to-one meetings and supplier visits.	Continue to expand Scope 3 verification. Develop a Climate Transition plan in line with the TPT framework in 2024 and report appropriately. Continue to expand and develop carbon emission reporting by product.	⊕ Page numbers within this Report: 43, 46-47, 150, 153-155, 158, 166

Creating a better world continued
TCFD continued

Strategy Section Deep Dive – Climate-related Opportunities & Risks and Scenario Analysis

Background

Over the last 3 years, we have continued to improve our climate-related financial disclosures and processes for periodic review, working closely with third party consultants, Ricardo, to update and enhance the identification of climate-related opportunities and risks, materiality, and scenario analysis. We committed in

our 2022 Annual Report to carry out further detailed work on the quantitative financial impact and strategic resiliency responses to material risks and opportunities.

This year’s report provides financial quantification of impacts over the different scenario time horizons (where possible) and deeper analysis on how this translates to our resiliency actions.

We are already on our journey of executing our ESG and Climate Action strategy and resiliency actions; serving our customers and markets with new technology and

product solutions such as the IMI VIVO electrolyser, targeted acquisitions (Adaptas, CorSolutions, Heatmiser and Bahr), and further reducing risk of potential supply chain disruption through implementing measures for localisation of manufacturing and supply chains (Europe and China).

Identification of Climate-related opportunities and risks

Following a rigorous process (Figure 1) of desktop analysis and stakeholder engagement, including 11 interviews across the Executive Committee and senior individuals, a list of 45 climate-related opportunities and risks were identified.

Figure 1: TCFD Strategy Process Flow

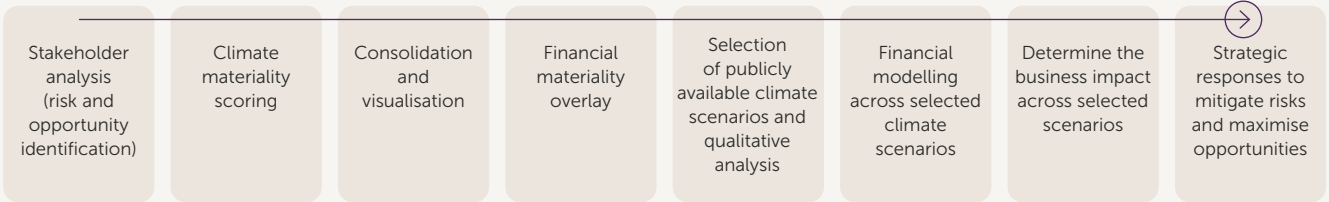
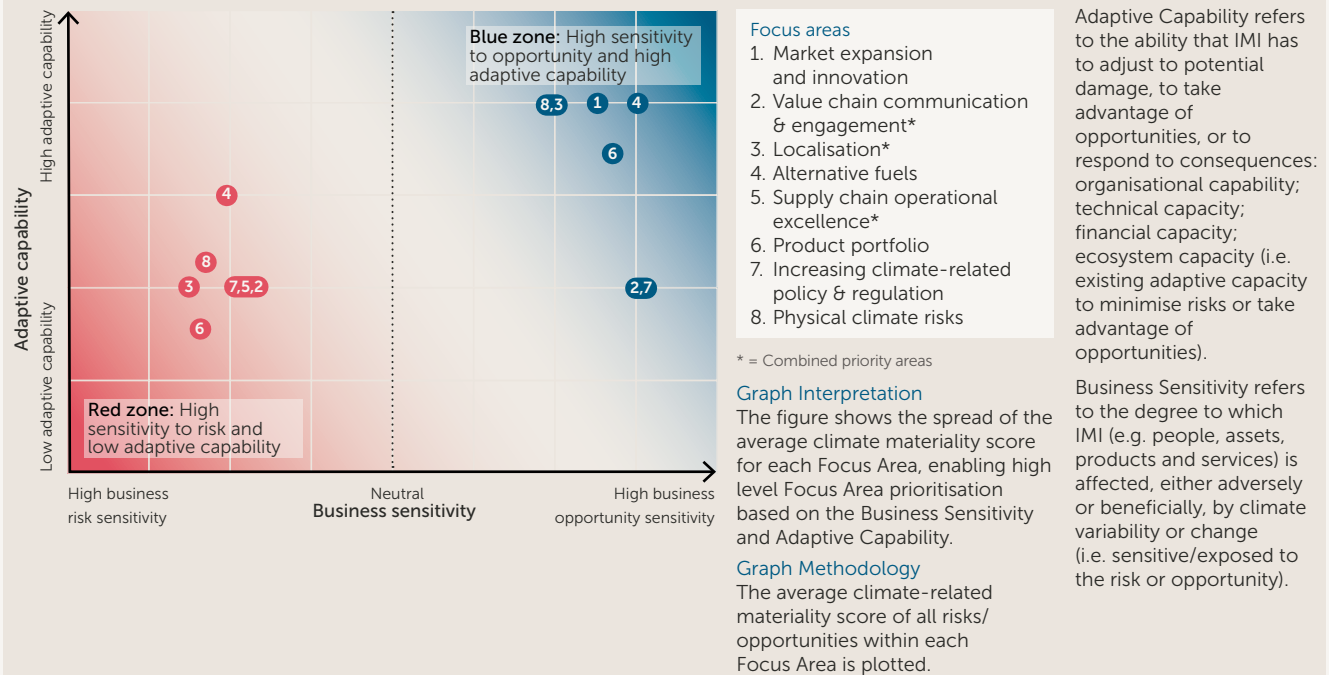


Figure 2: IMI Materiality Matrix – by Focus Area



These were scored based on our business sensitivity to the risk/opportunity and our adaptive capability (Figure 2) to maximise the opportunity and minimise the risk, to identify those deemed as most vulnerable and therefore climate-material to the business.

Priority Focus Areas

Risks and opportunities that scored as climate-material were grouped under Priority Focus Areas (see Figure 1) before conducting the climate scenario analysis. A further financial overlay deemed a sub-set of the climate-material risks and opportunities financially material. The financial overlay process assigned a lower and upper business revenue exposure range (over the near-term five-year time frame).

Understanding Business Impact: Scenario Analysis

Scenario analysis helps us to understand the potential impact of climate change on our business over our selected time periods to best inform our strategy and financial planning (Table 1). The near-term time frame (up to five years) aligns with our five-year business strategic and financial planning cycle and was assessed as a time frame during the materiality financial overlay.

Table 1 Selected timescales for scenario analysis

Time frame	Timescale
Near-term (based on viability statement on page 100)	
IEA Scenarios	
S (Short)	2023–2030
M (Medium)	2030–2040
L (Long)	2040+
IPCC Scenarios	
S (Short)	2023–2040
M-L (Medium-Long)	2041–2060
VL (Very Long)	2061–2100

The International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) were selected as publicly available, scientifically recognised organisations to assess the scenario analysis for the transition and physical risks and opportunities and associated business impact and our strategic responses. In total, four scenarios were selected with two each across the IEA and IPCC scenarios. The IEA selected scenarios, NZE and STEPS, provided deeper context and evidence on the risks and opportunities that arise as the economy moves from a carbon-intensive to net zero (transition risks and opportunities). Whereas the two IPCC scenarios provided the risks associated with the higher global temperature ‘worst’ and ‘best case’ that will likely result from taking no or some policy action. All four scenarios explore both transition and physical risks and opportunities, to a different degree. Details of the selected scenarios are highlighted in Table 2.

Physical Risks & Opportunities

In 2022, we commissioned Zurich, our primary insurer, to conduct a site-level review of the physical risks faced due to climate change. This year, we have updated our analysis on the identified high-risk sites. This analysis allowed us to re-assess the site risk profiles across the same IPCC scenarios and time frames, as in previous years. The analysis was carried out on 12 identified business critical sites and used two climate scenarios from the IPCC (Table 2) SSP1-RCP2.6 and SSP5-RCP8.5, a best and worst case respectively to analyse the business impact and hazard level each site may face in the future, as well as supply chain accessibility and IMI workforce exposure at these locations to climatic extremes and stress over time. Regardless of the climate scenario, by the medium-long term (2050), IMI site risk level ranks medium and above.

Transitional Risks & Opportunities

In follow up to the 2021–2022 review of our climate-related transition risks and opportunities, this year we conducted a complete scenario refresh using the publicly available IEA scenarios. Several transition risks and opportunities re-emerged as financially material including raw materiality accessibility and Oil & Gas market exposure risks and emerging environmental policies, growth in hydrogen solutions and increased product demand opportunities.

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TCFD continued

Table 2: Scenario Selection

Scenario	Description	Key Metrics Used
IEA Net Zero by 2050 (NZE)	A rising number of countries and companies are targeting net zero emissions, typically by mid-century. All of these are achieved, putting global emissions on track for net zero by 2050. Drastic transformation of the global energy system.	– Paris Agreement alignment (1.5°C) – Global hydrogen-based fuels – Fuel shares in total energy use by application – Global carbon price by economy (e.g. max. \$250 USD/tonne CO₂) – Global energy consumption by fuel and CO₂ intensity by sector – New workers in clean energy – CO₂ intensity of electricity generation – Global CO₂ emissions
IEA Stated Policies (STEPS)	A more conservative benchmark for the future which does not assume that governments will reach all announced goals. Differing policies and legislation across different countries, regions, and markets.	– 2.6°C Temperature Rise – Energy costs by region – Global CO₂ emissions – Renewables generation by region – Hydrogen demand by region – Carbon price by country (e.g. max. \$113 USD/tonne CO₂) – Coal and natural gas demand
IPCC SSP1-RCP2.6	Sustainable development scenario – zero-emissions after 2050 and temperature increase stabilising ~1.8°C by 2100, potential for lower adaptation costs to other scenarios.	– Paris Agreement alignment (1.8°C) – Flooding – Storms – Drought – Temperature increase
IPCC SSP5-RCP8.5	High emissions-scenario – business as usual, where fossil fuel use, food demand, energy use and greenhouse gas emissions increase. Physical risks increase, with associated higher adaptation costs.	– >4°C Temperature rise – Flooding – Storms – Drought – Temperature increase

Understanding Financial Impact: Quantitative Financial Analysis

Following the financial materiality overlay, where 13 risks and opportunities were deemed financially-material and assigned an upper and lower business revenue exposure range, three of these underwent a detailed and robust quantitative financial assessment deep dive across the transition IEA scenarios STEPS and NZE (Table 3). These three risks and opportunities were chosen for further analysis due to the available inputs for modelling (sourced from the IEA scenarios, CDP 2022 report, and Annual/Integrated reports) and robustness of data.

Three risks and opportunities underwent a detailed and robust quantitative financial assessment, and included:

- **Increase product demand**, which is the increase in current product market applications (bespoke electrification solutions), heating and cooling systems and fuel cell technology will grow in new geographical and industrial markets.
- **Growth in hydrogen solutions**, which is the scaling up hydrogen-specific technologies such as green electrolysis for hydrogen manufacture (IMI VIVO) and sustainable fuel usage, coupled with supporting the green transition for Heavy Duty Vehicles (HDVs).
- **Oil & Gas market exposure**, which phases out technologies that rely on fossil fuels, resulting in reduced IMI product demand, alongside divestment from coal projects.

Financial analysis shows that the evolution of markets foreseen under the NZE scenario has a more radical impact on IMI’s adjusted operating profit, compared to the STEPS scenario. Risks and opportunities are greater in the NZE. The STEPS scenario, more stable, poses a less significant threat to our market position.

Table 3 Financial quantification of assessed opportunities and risks under the two selected transition scenarios IEA Net Zero by 2050 (NZE) and IEA Stated Policies (STEPS)

Risk/ Opportunity	Key Assumptions	Potential Impact on Group’s Adjusted Operating Profit	
		Low = 0%–3%	High = >6%
		Med = 3%–6%	High = >6%
		2030	2050
Market Expansion & Innovation			
Increased Product Demand	NZE: Indexed the balancing and control business of the Climate Control sector to the evolution of low carbon technology demand in the building sector. The balancing and control business unit represents 43% of Climate Control’s total revenues in 2022. This figure is used as a proxy of the percentage of revenues that would be impacted by the increase in product demand. STEPS: Same methodology as the NZE scenario but assuming a delay of 10 years to reach the same target value.	High Med	High High
Alternative Fuels			
Growth in hydrogen solutions	NZE: Computing the change in hydrogen demand for end-users according to the NZE scenario between 2021 and 2050. 2021 hydrogen revenues were indexed to the evolution of hydrogen demand for end-users between 2022 and 2050, taking into account the sales of hydrogen in 2022. STEPS: Computing the change in hydrogen demand for end-users according to the STEPS scenario between 2021 and 2050. 2021 hydrogen revenues were indexed to the evolution of hydrogen demand for end-users between 2022 and 2050, taking into account the sales of hydrogen in 2022.	High Low	High Low
Product Portfolio			
Oil & Gas market exposure	NZE: Projected the future Oil & Gas market by using the forecasted final consumption of oil and natural gas along with the price of natural gas provided in the NZE scenario. Indexed forecasted revenues of business activities impacted by Oil & Gas (Refining and Petrochemical, Oil & Gas and Fossil Power) to align with the computed changes in the Oil & Gas market. STEPS: Projected the future Oil & Gas market by using the forecasted final consumption of oil and natural gas along with the price of natural gas provided in the STEPS scenario. Indexed forecasted revenues of business activities impacted by Oil & Gas (Refining and Petrochemical, Oil & Gas and Fossil Power) to align with the computed changes in the Oil & Gas market. (Note: this assumes market share will remain constant.)	High Med	High High

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Priority Focus Areas: Understanding our potential business impact and resiliency responses under different plausible futures

This table presents the transition risks and opportunities under two transition scenarios ‘Net Zero by 2050 (NZE)’ and ‘Stated Policies (STEPS)’, the potential impact to our business, and our corresponding current and future resiliency responses. The business impact has been scored High, Medium, and Low for each risk and opportunity (refer to the Table key).

Table 4 Impact of transition risks and opportunities under each IMI climate scenario, and resiliency responses

Risk or opportunity description	TCFD Category	Geographic focus	IMI business sector impact	Potential impact on the business	Resilience responses/actions	IEA NZ			IEA STEPS		
						Short-term (2023-2030)	Medium-term (2030-2040)	Long-term (2040+)	Short-term (2023-2030)	Medium-term (2030-2040)	Long-term (2040+)
 Market Expansion & Innovation Organic and inorganic growth in new geographical and industrial markets which can be supported by M&A, climate-related partnerships, R&D investments, and climate-related product standards.						Related metrics and targets where available Ensuring our R&D spend as a % of revenue remains at an appropriate level and is converted to sustainable solutions, supporting 'green' taxonomy investments					
Increased Product Demand e.g. electrification solutions and heating and cooling systems.	Products & Services	EU North America	Climate Control Life Science	Revenue from improved control of building HVAC systems and increase energy efficiency within factories.	Investing in digital capabilities for Climate Control's TA-SMART and Heatmiser connected product range. Scaling electric actuation products and additional development of solenoid valves for agricultural practices.	⬆	⬆	⬆	⬇	⬇	⬆
Emerging Innovative Markets	Markets	Asia	Fluid Control & Industrial Automation	Revenue from new markets within Fluid Control sector enabling more sustainable agriculture practices and increased efficiencies.		⬆	⬆	⬆	⬇	⬇	⬆
 Alternative Fuels Growth in new alternative fuel technologies where our product and expertise can be deployed.											
Alternative fuelled powertrains for trucks	Products & Services	Asia Pacific Europe	Process Automation	In the short-medium term, opportunities include: – Revenue from valve and pressure control solutions for balance of plant in fuel cells used in heavy-duty trucks.	Currently operating in PEM electrolyzers, supply of components and subsystems to refuelling stations and heavy-duty trucks.	⬆	⬆	⬆	⬇	⬇	⬆
Growth in hydrogen solutions Including the scaling up of green electrolysis.	Markets	USA	Transport, Life Science & Fluid Control	Revenue from hydrogen electrolyser solutions.		⬆	⬆	⬆	⬇	⬇	⬆

Key

Risk

⬆ High Risk ⬇ Medium Risk ⬇ Low Risk

Opportunity

⬆ High Opportunity ⬇ Medium Opportunity ⬇ Low Opportunity

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					IEA NZ			IEA STEPS			
Risk or opportunity description	TCFD Category	Geographic focus	IMI business sector impact	Potential impact on the business	Resilience responses/actions	Short-term (2023-2030)	Medium-term (2030-2040)	Long-term (2040+)	Short-term (2023-2030)	Medium-term (2030-2040)	Long-term (2040+)
 Climate-related policy and legislation Increasing pressure to act on upcoming climate change legislation to avoid litigation, and opportunity to expand into markets due to our product sustainability credentials.					Related metrics and targets where available To be in the top quartile of safety performance within the industry sector. Product performance: Maintain our membership of the Green Economy Mark. Continue to apply a better world lens to our Growth Hub process						
Environmental claims and stakeholder expectations	Reputation	USA	Climate Control Process Automation & Industrial Automation	Increased costs associated with emissions reduction and greater complexity required to meet demands, as well as ongoing monitoring and reporting.	- Tracking regulatory developments and changes in stakeholder expectations to respond appropriately. - Monitoring internal environmental metrics and targets through our PSA and continuing to develop the PSA process further. - Conducting LCAs and product carbon foot printing and engaging with external advisers to undertake risk assessments. - Heatmiser extends our energy saving portfolio of smart thermostatic control products.	⬆️	⬆️	⬆️	⬆️	⬆️	⬆️
Emerging environmental policies Enables sales of our sustainable products.	Resource efficiency			Decarbonisation and energy efficiency policies will rapidly drive global opportunities to support clean energy technology and meeting stricter building energy efficiency standards.		⬆️	⬆️	⬆️	➡️	➡️	⬆️
 Product portfolio Increased downstream market pull from our customers and investors, to steer our portfolio in a more sustainable direction, and phase out of Oil & Gas when moving towards global decarbonisation.					Related metrics and targets where available see pages 46-47 for metrics and targets related to our water, waste and Scope 1, 2 and 3 emissions targets						
Oil & Gas market exposure The phase out of technologies which rely on fossil fuels.	Product Portfolio	Global	Process Automation & Industrial Automation	Carbon taxation and closure of coal-fired plants particularly in Western geographies may place some of Process Automation’s existing partnerships at risk.	- Already ensuring R&D investments are focused on better world. - Development next generation product and service solutions that - improve efficiency in the extraction, processing, and distribution of hydrocarbons; - significantly reduce or eliminate fugitive emissions; and, - ensure operational safety. - Develop solutions that support the energy transition including for various applications within the hydrogen value chain, for carbon capture, and other low or zero carbon technologies.	⬆️	⬆️	⬆️	⬆️	⬆️	➡️
Product re-design and circular economy principle Assessing products through a new competitive lens.	Product Portfolio			The majority of our products are plastic and metal in composition. Customer demands to improve sustainability of our products will continue to grow.		⬆️	➡️	➡️	➡️	➡️	➡️
 Supply chain operational excellence Securing clean energy sources across our supply chain; supply chain simplification and resilience.					Related metrics and targets where available To reduce total Scope 3 emissions by 25% by 2030. To be net zero for Scope 3 emissions by 2050 see pages 46-47						
Political instability and raw material accessibility	Resilience	Global	All sectors	In the short-medium term, political instability and potential export and import restrictions increase risk of critical mineral shortages. In the long-term, there is a high risk of raw material inaccessibility for meeting clean energy technology demand due to long critical mineral project lead times.	We are committed to help our industry decarbonise and we have applied for our Science Based Targets (SBTi) validation, see page 43. We are focused on reducing our Scope 3 emissions. We conduct site/facility level risk assessments twice a year as part of our supplier risk management process in relation to key suppliers.	⬆️	⬆️	⬆️	⬆️	⬆️	➡️
Supply chain simplification Localisation and reshoring	Resilience			Localisation will have a knock-on effect with transport requirements, and how people and products move, with more focus on greening short-haul commercial freight. Large opportunities to reduce Scope 2 & 3 emissions supported by accelerated clean energy investments.	Reducing high-level dependency on single suppliers and increasing dual sourcing. We track global events and trends which have the potential to disrupt our supply chains in order to adjust our planning, operations and logistics accordingly.	⬆️	➡️	➡️	➡️	➡️	➡️

Creating a better world continued
TCFD continued

This table presents the physical risks under two climate scenarios IPCC SSP1-RCP2.6 and IPCC SSP5-RCP8.5, the potential impact to our business, and our corresponding current and future resiliency responses. The business impact has been scored High, Medium, and Low for each risk and opportunity (refer to Table key). Wind was also identified as a high hazard physical risk to IMI sites, but primarily US-based which was deemed to not be financially material and therefore not included in the table below.

Table 5 Impact of physical risks and opportunities under each IMI climate scenario, and resiliency responses

Risk Title	TCFD Category	Geographic focus	IMI business sector impact	Potential impact on the business	Resilience responses/actions	IPCC SSP1-RCP2.6			IPCC SSP5-RCP8.5		
						Short-term (2021-2040)	Medium-term (2041-2061)	Long-term (2061-2100)	Short-term (2021-2040)	Medium-term (2041-2061)	Long-term (2061-2100)
 Physical risks (acute and chronic) Physical environmental climatic changes affecting facilities, locations, supply chain and human capital. Environmental climatic changes can be acute (severe and sudden) and/or chronic (long-developing). Under a worst-case scenario (IPCC SSP5-RCP8.5) all sites will experience increased physical climate events (frequency and severity).					Related metrics and targets where available All site environmental mitigation plans reviewed/assessed annually (metric not reported externally)						
Precipitation, hail, and thunderstorms	Physical (acute)	UK Europe USA	All sectors	Over the longer term, in a worst case scenario, there is an increase in precipitation and temperatures which exacerbates risk of catastrophic impact, specifically across Europe and the US – with precipitation increasing to 100% by 2100. People: This will impact our employees' ability to travel to work during extreme precipitation or hail events, which may lead to flooding. Market: Potential disruption to the supply chain due to precipitation and hail events, which will likely lead to increased flooding.	– Changes to employee shift time, increased breaks, and specialised ventilation clothing. – Climate risks captured and integrated into risk management (risk assessments at site level). – 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. – Around the clock access to health and security services should a major incident occur. Potential near-term actions (2023-2030): – Identify key strategic suppliers (80% of footprint) and evaluate exposure to physical risks. – 100% of sites have a decarbonisation and resiliency plan in place.	⬆	⬆	—	⬆	⬆	⬆
Extreme heat and drought	Physical (Chronic)	USA Europe		Over the short term, high and very high heat hazards affect 17% of portfolio by 2030 (largely in the USA), incurring supplier shutdown, delays, disruption, increasing risk to employee health. Over the long-term, high and very high heat hazards affect 57% of our portfolio by 2100. People: Risk to employee health and employee productivity. Market: Potential for supplier shutdown due to extreme heat events and delays to the supply chain.		⬆	⬆	—	⬆	⬆	⬆
Air quality	Physical (Chronic)	China		Over the long-term, unabated emissions and worsening air quality significantly increase employee health risks in China. People: Employee health and productivity risk – poor air quality conditions can exacerbate respiratory allergies and diseases. Overall, this has the potential to increase costs, reduce revenue and profit, increase costs associated with maintenance, repair and insurance.		⬆	⬆	—	⬆	⬆	⬆

Key

Risk

⬆ High Risk ⬇ Medium Risk ⬇ Low Risk

Opportunity

⬆ High Opportunity ⬇ Medium Opportunity ⬇ Low Opportunity

Responsible business



How this supports our business model and strategy

Creating a better world is our ESG agenda. We are committed to acting responsibly, ethically and sustainably. We seek to minimise or eliminate any negative impact our businesses may have on our communities, our wider stakeholders and on the environment. We play our part in addressing climate change and protecting the planet by minimising the environmental impact of everything we do. We engineer solutions that help our customers become safer, more sustainable and more productive. We develop and empower people to make an impact and create a better workplace. We deliver Breakthrough engineering for a better world.

Key highlights

- Reduced absolute Scope 1 & 2 carbon emissions by 33% (from 2019 baseline)
- Made our commitment to set science-based targets in H1 and submitted our near-term and net zero targets to SBTi in H2

- Listed in the 2023 Financial Times Europe’s Climate Leaders report
- Enhanced TCFD reporting underpinned by refreshed assessment of climate-related risks and opportunities
- Compulsory Code of Conduct (Code) training

Key priorities

- 1 Compliance with the Supply Chain Due Diligence Act in Germany
- 2 Preparation for future CSRD and other disclosures
- 3 Further development of our sustainability practices and policies

SDGs



Sub-targets: 10.2, 10.3, 10.4, 13.2

Global Reporting Initiative (GRI)

We fully appreciate the importance of data required to provide robust and transparent reporting, and this Annual Report is our second full report ‘in accordance’ with GRI standards. We continue to use the Carbon Disclosure Project (CDP) to report our greenhouse gas (GHG) emissions, as well as water security (which we disclosed for the first time in 2022). As detailed on page 72, we have refreshed our climate scenario analysis to support our TCFD disclosure.

We have disclosed the material issues (including our materiality impact assessment matrix) that are most important to our stakeholders as identified by our materiality assessment conducted in 2022. We 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.

Our Code of Conduct

Doing the right thing, always, is inherent in our purpose to deliver Breakthrough engineering for a better world. Integrity underpins everything we do. Our Board approved Code of Conduct aims to ensure that we operate to high ethical standards and maintain our good reputation. It is issued to all our people and published on our website. Our Code sets out the standards our stakeholders can expect from us and what we expect from our people and our business partners.



⊕ Read more about Our Code of Conduct

Sustainability Accounting Board (SASB)

We have completed an assessment of our business using the SASB framework. This aids further transparency and provides stakeholders with additional detail in which to assess our performance.

Topic	Accounting metric	Category	Unit of measure	Code	Response (reference year FY2023)
Activity metric	Number of units produced by product category	Quantitative	Number	RT-IG-000.A	Commercially sensitive, not disclosed
	Number of employees			RT-IG-000.B	10,771
Energy management	Total energy consumed	Quantitative	Gigajoules (GJ), Percentage (%)	RT-IG-130a.1	Total 533,134GJ
	Percentage grid electricity				25.05%
	Percentage renewable				74.95%
Employee Health and Safety	Total recordable incident rate (TRIR)	Quantitative	Rate	RT-IG-320a.1	0.44
	Fatality rate				0
	Near miss frequency rate (NMFR)				Not recorded
Fuel economy and emissions in use-phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative	Gallons per 1,000 ton-miles	RT-IG-410a.1	not material/applicable – no vehicles sold
	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Gallons per hour	RT-IG-410a.2	not material/applicable – no vehicles sold
	Sales-weighted fuel efficiency for stationary generators	Quantitative	Watts per gallon	RT-IG-410a.3	not material/applicable – no vehicles sold
	Sales-weighted emissions of nitrogen oxides (NOx) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Quantitative	Grams per kilowatt-hour	RT-IG-410a.4	not material/applicable – no vehicles sold
	Sales-weighted emissions of particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines				not material/applicable – no vehicles sold
	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	RT-IG-440a.1	see pages 78, 79 and 95 of this Report
Remanufacturing design and services	Revenue from remanufactured products and remanufacturing services	Quantitative	Reporting currency	RT-IG-440b.1	not material/applicable – no remanufacturing activity

Creating a better world continued
Responsible business continued

Effective risk management, controls and compliance

We manage risks and receive assurance via internal mitigating controls and processes. Our effective risk management process employs a 'top-down, bottom-up' risk management approach. We refreshed elements of our risk management process during 2023, including revising our risk appetite framework to take effect for the financial year 2024. More details are on pages 88 to 99. Our risk approach enables open discussions on risk at all levels, from sites to the Board, to ensure that risk is appropriately managed and key information is shared across the Group to deliver our business objectives.

We have detailed standard operating procedures (SOPs) supporting our Code principles and explaining our controls and compliance processes. A list of key policies and procedures are in the Non-financial Information Statement on pages 86-87. Each Platform is responsible for implementing controls and ensuring compliance with Group SOPs and related guidance. Monitoring and review procedures include Internal Control Declarations, spot checks and regular on-site legal and compliance reviews, which are designed to instil the highest standards of compliance. More details are on page 97 and in the Audit Committee Report on page 130.

Speaking up

We nurture a 'speaking up' culture to ensure that those who do speak up feel comfortable to report concerns in good faith, with the assurance that their concern will be dealt with appropriately and without any form of retaliation. Our Code training, our 'Speaking Up' and 'Hey! That's not OK!' campaigns encourage all employees and stakeholders to report any incident that is not in keeping with our values and behaviours, including concerns around corruption or bribery. Reporting is through line

managers, senior leaders or via a confidential, independent hotline, which allows anonymous reporting in our core spoken languages (www.imihotline.com).

Our hotline processes are regularly reviewed to ensure they remain effective. In 2023, we revised our Speak Up SOP and introduced new arrangements for our Italian sites to reflect the implementation of the EU Whistleblower Directive.

Reports of concerns are investigated thoroughly and, where required, we take action to resolve issues. At the end of any investigation, additional guidance, training, or disciplinary action may be taken as appropriate, and the impact of any actions is closely monitored by senior management. Our Ethics and Compliance Committee reviews concerns raised and the progress of investigations on a monthly basis. The Executive Committee monitors the operation of the hotline, reviews any trends in reporting and checks that commensurate investigation and follow-up is carried out. The Board receives regular updates and evaluates the effectiveness of the arrangements.

52 concerns were raised in 2023 of which 11 were duplicates. This compares to 32 in 2022 of which 2 were duplicates. Following careful investigation, 5 concerns raised (2 of which were duplicates) were substantiated and 12 concerns were found in part (6 of which were duplicates). Disciplinary action was taken based on the severity of the misconduct identified including verbal feedback; verbal and written warnings; training and recommendations.

Anti-bribery and corruption

We have a zero-tolerance policy for bribery and corruption. This position is explained in our Code and is covered in more detail in our Anti-Bribery and Corruption (ABC) SOP, which covers all business dealings; zero-tolerance of tax fraud and the facilitation of tax fraud and transactions

in which the Group is involved. We have various policy statements to cover: a prohibition on making political donations; offering or receiving inappropriate gifts; interactions with government officials; making undue payments to influence the outcome of business dealings; setting out our approach to facilitation payments; conflicts of interest; and controls around the appointment of distributors and agents and other third parties.

Our policy and guidance in ABC is well understood, routinely reviewed and compliance is checked as part of the year-end control process, supplemented by Platform compliance monitoring.

Third parties

We are committed to holding ourselves to the highest standards of responsible conduct throughout our operations and in particular in relation to third parties we engage to act on our behalf. Each third party is subject to a risk-based due diligence process, as well as screening procedures for compliance with export controls and sanctions. We have detailed contractual provisions setting the standards required of third parties with whom we engage. The number and risk profile of our third parties has not changed materially during the year.

Export controls and sanctions compliance

We operate screening processes to ensure compliance with export controls and sanctions. The effectiveness of these due diligence and screening processes is overseen by the Board and the Executive Committee. During 2023, the Group's export control and sanctions compliance processes were tightened reflecting evolving restrictions.

Competition law

We compete hard but fairly and ensure compliance with applicable competition and antitrust laws. The effectiveness of our processes is overseen by the Board and the Executive Committee. During 2023, we carried out compliance reviews of key business areas and began enhancing our Competition Law Manual, which will be completed and launched in early 2024.

Privacy and data protection

We refreshed our Group-wide Global Data Protection and Personal Data Handling SOP and supporting guidance in 2023. We have also developed toolkits to support compliance across the Group and "train the trainer" sessions have been held for key teams involved in policy and guidance implementation.

We regularly review and test security measures. Appropriate and robust clauses are included in contracts with third parties where personal data will be disclosed or transferred. The effectiveness of our processes is overseen by the Board and the Executive Committee.

Tax transparency

Our Group Tax Policy is approved by the Board, which reviews the effectiveness of related processes with the support of the Audit Committee. Full details can be found in Note 9 of this Report on page 210.

Supplier management and human rights

We are committed to conducting business ethically and in line with all relevant legislation and promoting human rights. We maintain a number of HR and supplier management policies. We are committed to conducting business ethically and in line with all relevant legislation and promoting human rights. We maintain a number of HR and supplier management policies, and are working to update these so that they are consistent with the Core Conventions of the International Labour Organisation.

Our Supply Chain Code of Conduct (Supply Chain Code) sets out our expectation that our business partners, suppliers, contractors and those in our supply chains align with our commitment to human rights regarding human rights violations, including forced/ involuntary labour or modern slavery.

Our Modern Slavery Act Statement details the steps taken to tackle modern slavery and human trafficking and is approved by the Board. Both our Supply Chain Code and our Modern Slavery Act Statement are on our website.

Training on modern slavery and human trafficking is available to all employees and is mandatory for employees who have direct interaction with our supply chain. Modern slavery and human trafficking issues were covered in both the Code online training module completed by desk-based employees and the site-based version for non-desk-based employees across IMI in 2023.

Our Responsible Minerals Sourcing SOP confirms our commitment to the sourcing of minerals in an ethical and sustainable manner to ensure that tin, tungsten, tantalum, gold and cobalt are sourced with respect for human rights.

Supplier engagement is key to ensuring a sustainable supply chain in the future. We have partnered with Assent™ to investigate suppliers for risk exposure and Product Compliance. For more information see page 68.

Code of Conduct training

Following the relaunch of our revised Code in December 2022, our people completed compulsory Code training to ensure they understand our expectations and are clear about how to raise any ethical concerns or dilemmas. It covers a range of issued including anti-bribery and anti-corruption and is available in thirteen languages. We developed two versions of our training: online training for desk-based colleagues and site-based training for desk-free colleagues working in our manufacturing sites.



Creating a better world continued

Non-financial and sustainability information statement

This statement is made in compliance with sections 414CB of the Companies Act 2006 (Companies Act) and is intended to provide an understanding of our position on key non-financial matters. Other information to support this statement can be found in the:

- ⊕ Description of our business model on pages 14 and 15
- ⊕ Non-financial KPIs on pages 28
- ⊕ Stakeholder engagement information on pages 38 to 41
- ⊕ Our sustainability reporting on pages 44 to 60 and 82 to 85
- ⊕ Task Force on Climate-related Financial Disclosures on pages 61 to 81
- ⊕ Principal risks and uncertainties on pages 91 to 99
- ⊕ Going concern and viability statements on page 100 and 101

As a premium listed business with over 500 staff and £500m revenue, we are required to provide TCFD aligned disclosures and to provide Climate-related Financial Disclosures (CFD) in accordance with the Companies Act. On pages 61 to 81, we have continued to provide disclosures aligned to the TCFD recommendations and recommended disclosures. These disclosures also meet the mandatory CFD requirements and form part of this non-financial and sustainability information statement.



Reporting requirement	Relevant policies and documents	Principal risks relating to these matters (pages 91 to 99)	Further information on the outcome of these policies
Environmental matters	HSE Excellence Framework programme and Group HSE Policy Code of Conduct*	Natural phenomena & climate change Ethics, compliance & governance	⊕ Task Force on Climate-related Financial Disclosures on pages 61 to 81
Employees	Code of Conduct* Inclusion and Diversity policy* Global Speaking Up policy Gender and ethnicity pay report* HSE Excellence Framework programme and Group HSE Policy Global Menopause Policy	Talent & culture Ethics, compliance & governance	⊕ Empowering people section on pages 48 to 51 and responsible business section on pages 82 to 85
Social matters	Supply Chain Code of Conduct* Group HSE Policy Code of Conduct*	Product failure & non-compliance Ethics, compliance & governance Failure to manage the supply chain Talent & culture	⊕ Our sustainability reporting on pages 44 to 60 and responsible business section on pages 82 to 85
Respect for human rights	Code of Conduct* Modern Slavery and Human Trafficking Statement* Supply Chain Code of Conduct* Global Speaking Up policy IMI Germany Holding B.V. & Co. KG Supply Chain Due Diligence Act Policy Statement*	Ethics, compliance & governance Failure to manage the supply chain	⊕ Our sustainability reporting on pages 44 to 60 and responsible business section on pages 82 to 85
Anti-bribery and anti-corruption matters	Global Speaking Up policy Corporate Tax Strategy* Supply Chain Code of Conduct* Our Code of Conduct* includes our policy on: (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 and entertainment (6) Know your customer checks (7) Dealing with third parties (8) Managing conflicts of interest (9) Insider dealing and 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	Ethics, compliance & governance	⊕ Responsible business section on pages 82 to 85

* These policies are published on www.imiplc.com. All other policies listed are available to employees via the Group internal communications platform.

Risk management

Risk management

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, reputation and ability to execute our strategy successfully. Our framework is embedded Group-wide so we can pursue opportunities without exposing the Group to unexpected or excessive levels of risk to enable sustainable, profitable growth. We remain alert to both the internal and external environments, evaluating any exposures or developments that require further investigation and action.

Our risk management process forms a core element of our strategy reviews and monthly operational meetings. It utilises all three lines of defence, providing guidance on the identification, evaluation and management of risks that could impact our performance and our ability to implement our strategy. With each line of defence having a purpose, once 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 platforms 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 platform, functional and IMI Group Management (including the IMI Executive Committee 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 platform audit team’s work, carried out under the oversight of Group Assurance.

Our Governance Framework

We operate a ‘top-down, bottom-up’ approach that allows the Board, the IMI Executive and Platform Executive teams to assess risks and monitor the measures used to mitigate, transfer, or avoid such risks. It also ensures that risks are identified and managed at multiple levels and that key information is communicated across the Group.

For more information on the role and responsibility of the Board and its Committees, please refer to pages 112 to 113 of the Corporate Governance Report.

Risk activities in 2023

Our main areas of risk focus in 2023 have been driving a safety-first culture, updating our assessment of climate-related risks and opportunities, as well as engaging with our supply chain to enhance ESG-related reporting and ensure compliance. In addition, during the year:

- We have continued to monitor changes in geopolitics
- There has been focus on artificial intelligence, resulting in its elevation from an emerging to a principal risk
- 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 136).
- We launched compulsory training on our Code of Conduct

In addition to driving profitable, sustainable growth in better world markets, we expect these to remain our key areas of focus in 2024 as we:

- maintain a safety-first and wellbeing-focused workplace
- collaborate with our supply chain to meet evolving sustainability and compliance requirements

Our Governance Framework

Board

Overall responsibility for setting culture, approving the strategy and ensuring the effectiveness of the Group’s risk management and internal control frameworks. This includes evaluating principal risks, tracking emerging risks and approving risk appetite – the nature and extent of risks the Group may undertake when pursuing long-term strategic objectives. Oversight and monitoring occurs directly at the Board or in Committees, through governance processes including strategy reviews and executive reporting, in addition to deep dives into focused areas of risk. More information on the role of the Board can be found on page 112 of the Corporate Governance report.



Audit Committee

Reviews the effectiveness of the Group’s risk and internal control frameworks for financial risks, receiving reports from our external auditor and our internal, independent Group Assurance teams. Please see the Audit Committee Report from page 130 for more information.

IMI Executive Committee

Supporting the Chief Executive Officer, who has overall responsibility for establishing risk management and internal control systems and ensuring that risks are appropriately managed. The Executive Committee receives reports on and evaluates business risk profiles, communicates risk appetite and assesses emerging risks. Responsibility for the development of the Group risk management framework now sits with the newly created role of the Chief Legal & Risk Officer, Company Secretary. More information about the IMI Executive Committee can be found on page 109-111 and 113.

Group Functions

Responsible for setting appropriate functional risk management policies and controls at the Group and supporting the Platforms in their implementation of these policies to ensure that risk appetite is understood and risks are appropriately managed.

Platform Executive Teams

Responsible for day-to-day management of risks in the sectors and businesses whilst pursuing Platform strategic objectives (including risk identification, mitigation, reporting, operating in line with risk appetite and horizon scanning for emerging risks), as well as ensuring that there is compliance with Group policies and standards throughout their Platform, supported by the Platform Risk Champions and assurance teams.

Sector Leaders

Responsible for day-to-day identification and management of risks within the sector, ensuring that business activities are conducted in accordance with Group and Platform policies and standards.

Site Leaders

Responsible for day-to-day identification and management of risks at their site, ensuring that business activities are conducted in accordance with Group and Platform policies and standards.



Risk management continued

Risk appetite

Our risk appetite statements seek to explain the level of risk that we are willing to take or tolerate to achieve our strategic objectives, and how we balance commercial performance with managing our business in a sustainable and compliant manner. During the year, we have used six categories of risk appetite statements, which we have applied to our principal risks as shown in the tables below:

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 that this will limit any potential reward
Balanced ● ● ●	Applied in circumstances where there is a high change 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

In December 2023, the Board approved a revised risk appetite framework to take effect for the financial year 2024. One unused risk appetite description (risk reduction) has been removed and principal risks have been assigned new risk appetites, in line with the five categories shown below:

Very low ●	No/very low appetite for risk, and will seek to avoid exposure and uncertainty, knowing that this will incur cost
Low ● ●	Low appetite for risk, and will seek to minimise our exposure and uncertainty, knowing that this will limit any potential return
Medium ● ● ●	Open to a moderate level of risk and will seek to limit our exposure and incur an appropriate level of cost for opportunities that offer a high chance of success and an acceptable level of return
High ● ● ● ●	Open to a higher level of risk for opportunities that offer a high chance of success and a higher level of return but will not incur risk reduction costs that are disproportionate
Very high ● ● ● ● ●	Looking to take higher levels of risk for opportunities that are uncertain but offer the potential for a higher level of return

Our 2024 Annual Report will show how these apply to our principal risks. The Board will continue to ensure that risk appetite statements remain consistent with the Group’s strategy and environment in which we operate, as risk appetite can change with time.

Key

Net Risk Ratings showing potential Impact and Likelihood

Link to Risk Trend

● Medium

● High

● Very high

⬆ Increased

— Stable

⬇ Decreased

Emerging risks

We assess emerging risks as part of our risk management review process. Emerging risks are considered throughout the Board cycle, including during the Board strategy and risk reviews. Below Board level, emerging risks are considered at IMI Executive meetings and as part of operational performance reviews of each Platform. The Board and the IMI Executive Committee review the outcome of the emerging risk assessment. In July 2023, the Board changed the status of the emerging risk of artificial intelligence to become a new principal risk.

Our assessment has identified emerging risks such as disruption from the emergence of new technologies and social instability. We do not expect these emerging risks to become future principal risks at this stage; however, we track them to gain a better understanding of their trajectory and potential impact. We continue to be vigilant and ensure that we have appropriate mitigations in place for the early identification and quantification of risks. More detail on how our climate-related risks may evolve is contained in our TCFD statement on pages 61 to 81.

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 and how our assessment has changed during 2023, and explains what we are doing to monitor and mitigate each risk area.

Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
1. Global economic uncertainty and political instability	– Market-led innovation – Complexity reduction – Sustainability	– Lack of organic growth – Competitive markets – Failure to manage the supply chain – Ethics, compliance and governance	The Group operates in diverse global markets and demand for our products is dependent on economic, geopolitical and sector-specific environments. A downturn in the global or regional economy, brought on by economic cycles, conflict, terrorism or political instability, could impact end-market demand and, as a result, negatively impact revenue, profit, trade and our ability to deliver our strategy. This risk is increasing due to conflicts in Ukraine and Gaza, which threaten global stability and peace. The economy remains uncertain and exposed to geopolitical and financial shocks, which, in addition to climate shocks, threaten to disrupt our business, impact supply chains and raise prices.	We compile annual strategic plans and maintain a balanced portfolio operating across a range of markets, sectors and geographies, with no single dependency. We stress-test these plans and monitor market dynamics. 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. Our platforms nurture strong customer relationships and apply forecasting processes to identify early indications of reduced customer demand, to allow the proactive and rapid management of operational output and the supply chain. We also have action plans for high-risk suppliers. Through greater integration of data, Platform 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 platform and IMI Executive Committee meetings.
Risk Rating:				
Impact:				
Likelihood:				
Risk Trend:				
Risk Owner:				
Risk Appetite:				

Risk management continued

Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
2. Lack of organic growth Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: Platform CEOs Risk Appetite: 	– Customer satisfaction – Market-led innovation	– Global economic uncertainty and political instability – Competitive markets – Failure to manage the supply chain – Natural phenomena and climate change – Failure to invest in our digital capabilities and leverage new technologies (including generative artificial intelligence) – Talent and culture	Failure to develop and commercialise new products could impact our ability to grow. Our better world strategy and increased customer intimacy remain two key levers for us to accelerate profitable organic growth in better world applications. This risk has remained stable, unchanged during the year.	Each sector has a strategic growth plan that is kept under review. Opportunities for the Group related to climate change are considered through this process. Processes are deployed to manage the innovation pipeline and scale projects, accelerate and scale applications engineering and apply a commercial review to ensure that there is focus on the best opportunities. We develop growth opportunities for both the near and far strategic horizons. Both platforms are deploying more digital tools to enhance customer experience. Improvements have been made to depth, clarity and access to business data to support commercial decision-making and prioritise growth initiatives. We focus on attracting, retaining and developing the right talent to deliver on our growth ambitions.

Key				
Net Risk Ratings showing potential Impact and Likelihood			Link to Risk Trend	
 Medium	 High	 Very high	 Increased	 Stable
			 Decreased	
Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
3. Talent and culture Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: IMI CPO Risk Appetite: 	– Customer satisfaction – Market-led innovation – Talent and engagement – Digital	– Competitive markets – Lack of organic growth – Ethics, compliance and governance	The inability to attract or retain a diverse set of employees with the required set of skills and experience in the desired location and maintain a positive, inclusive culture. Talent risk has been renamed and rescope, reflecting the importance of culture as a strategic lever. It remains high, due to the pressure to retain key talent, ongoing wage inflation and a potential scarcity in the desired skills for the type of talent IMI seeks. Our engagement score can be found on page 46. More detail on engagement, talent development and culture can be found on page 49.	Employee engagement continues to be a key part of the HR strategy, through Workplace (our internal communications platform), the IMI Way Day, our Global Employee Assistance Programme, our graduate and early careers programmes, leadership training and the annual One Big Voice survey. All our sites develop action plans to target areas for improvement. The risk is regularly and proactively assessed by HR Business Partners who review regretted turnover, exit interviews, the percentage of vacancies filled internally, performance objectives, talent reviews and succession plans. External consultants are used to ensure the appropriateness and competitiveness of remuneration. We have a Global Wellbeing Framework in place. We enhanced our robust recruitment processes through the implementation of a system to promote diversity. The Nomination Committee reviews our Group inclusion and diversity dashboard, as well as succession and development plans for the IMI Executive Committee.

Risk management continued

Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
4. Cyber Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: IMI CFO Risk Appetite: 	– Customer satisfaction – Talent and engagement – Digital	– Ethics, governance and compliance – Failure to invest in our digital capabilities and leverage new technologies (including generative artificial intelligence) – Lack of organic growth – Failure to manage the supply chain – Competitive markets	Unapproved access to our IT systems could cause business disruption, affect our future trading position and cause reputational damage and financial loss, due to the inability to access our systems or data, loss or misuse of confidential information, intellectual property or personal data. We continue to enhance our capabilities to detect, block and remediate threats. Like most companies, we see an increase in the volume and complexity of threats so we maintain this risk as high. We were made aware by a file sharing vendor of a zero day cyber incident involving their platform on 31 May 2023. A small number of IMI Precision data files were affected and the impact was low. Our response plan was immediately implemented and we engaged with relevant stakeholders.	We have a well-developed multi-layered IT security strategy that is reviewed regularly, and a formal update is given to the Board annually. We have a suite of IT policies and procedures for our people to follow. Our sites confirm their compliance with these policies and the effectiveness of our IT controls through the internal control declaration process. We continue to implement improvements to our IT infrastructure to keep abreast of new threats, which 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. Cyber incident management and communication plans are ready for deployment in the event of an attack.
5. Competitive markets Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: Platform CEOs Risk Appetite: 	– Customer satisfaction – Market-led innovation – Complexity reduction – Talent and engagement	– Global economic uncertainty and political instability – Lack of organic growth – Failure to invest in our digital capabilities and leverage new technologies (including generative artificial intelligence) – Ethics, compliance and governance	Competition in our core markets from both existing and new competitors could create strong pricing pressures, potentially resulting in lost sales and reduced profits and a failure to grow. Although all our sector businesses operate in attractive end markets, some product offerings will face declines in the medium to long term. We maintain this risk as high.	We maintain excellent customer relationships through account management and customer experience. We compile annual strategic plans and maintain a balanced portfolio operating across a range of markets, sectors and geographies, with no single dependency. We have an M&A strategy that focuses on extending our business further into attractive markets, in established and adjacent sectors with a strong link to our better world strategy. 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 and growth in the aftermarket.

Key				
Net Risk Ratings showing potential Impact and Likelihood			Link to Risk Trend	
 Medium	 High	 Very high	 Increased	 Stable
			 Decreased	
Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
6. Failure to manage the supply chain Risk Rating:  Impact:  Likelihood:  Risk Trend:  Decreased Risk Owner: Platform CEOs Risk Appetite: 	– Customer satisfaction – Complexity reduction – Sustainability	– Global economic uncertainty and political instability – Lack of organic growth – Natural phenomena and climate change – Ethics, compliance and governance	Failure to maintain a robust supplier and supply chain network could materially impact our ability to grow our business profitably, meet our sustainability commitments and maintain our strong reputation and relationship with customers. This risk has reduced in the year. While supply chain risks remain in certain areas, overall, there has been an easing of pressure. We have also continued to optimise our supplier base.	Our procurement strategy is to balance the cost, quality and proximity of sustainable suppliers to production and customers in an optimal way. There is close management for high-risk suppliers and increasing dual-sourcing options. Platform procurement teams perform thorough reviews of our supplier base, qualify new materials, sign framework agreements where necessary, and create safety inventory where needed. We work with a compliance service provider to check the regulatory compliance of our suppliers. More detail can be found on page 54. Leadership teams also hold regular supply chain review meetings, deploying escalation meetings with key suppliers where needed. Platform procurement teams assess specific Supply Chain Code of Conduct risks and audit high-risk suppliers.
7. Natural phenomena & climate change Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: IMI CEO Risk Appetite: 	– Customer satisfaction – Sustainability	– Global economic uncertainty & political instability – Lack of organic growth – Failure to manage the supply chain	There is a risk to life or disruption to production caused by pandemics, fires, floods, extreme weather events and climate change. We have rescoped and renamed this risk to include the failure to adapt to the physical risks from climate change. This risk has remained stable during the year. More information about our assessment of our climate related risks and opportunities is contained in the TCFD statement on pages 61 to 81.	Management teams continue to review emergency response and business continuity plans to bolster the operational resilience of our sites. Where practical, we maintain product-sourcing capabilities across multiple sites to reduce the risk of delivery failure to customers. We have 24/7 access to health and security services, should a major incident occur. We remain focused on ensuring that we have climate-change factors built into our decision-making processes.

Risk management continued

Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
8. Failure to deliver major transformational projects on time and within budget	– Customer satisfaction – Complexity reduction – Sustainability – Talent and engagement	– Lack of organic growth – Failure to manage the supply chain – Competitive markets	Failure to deliver major transformation projects (including IT) on time and within budget could have an adverse revenue and profit impact on the Group. The Group is concluding its complexity reduction programme in 2024, but will continue to execute transformational projects when required.	We operate robust and proven processes to manage and monitor the delivery of major projects and business cases. Project management and governance processes underpin all major IT projects, including ERP system roll-outs. Upon completion of a significant project, we undertake a post-investment appraisal to identify areas for improvement.
Risk Rating: 				
Impact: 				
Likelihood: 				
Risk Trend: — Stable				
Risk Owner: Platform CEO				
Risk Appetite: 				

Key				
Net Risk Ratings showing potential Impact and Likelihood			Link to Risk Trend	
Medium	High	Very high	↑ Increased	— Stable
			↓ Decreased	
Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
9. Ethics, compliance and governance	– Customer satisfaction – Market-led innovation – Complexity reduction – Sustainability – Talent and engagement – Digital	– Global economic uncertainty and political instability – Failure to manage the supply chain – Talent and culture – Product failure and non-compliance – Health and Safety	A material breach of law or regulation in relation to major laws such as anti-bribery, anti-corruption, competition law, data privacy, export controls, sanctions, or tax could result in financial and reputational damage. The markets in which IMI operates make the risk of regulatory breach an area of focus. We conduct business through agents in Automation and operate a detailed process to ensure agents comply with our high standards of business conduct. This risk has remained stable during the year but has shifted in response to an increased data and privacy compliance burden from new and evolving data privacy laws, as well as the increasing number of trade controls.	IMI has a Code of Conduct and supporting standard operating procedures, as well as guidance, which set out the Group's standards from a legal, compliance and governance perspective. Each platform assesses its own compliance risk and formulates and executes an annual compliance plan, with results reported to Group on a regular basis. This is in addition to certifications of compliance provided through the internal control declaration process. Know Your Customer checks, enhanced due diligence on third parties, and checks to ensure compliance with trade controls and sanctions are the subject of standard operating procedures and are carried out by the Platforms using Group-wide software. We continue to enhance the Group's data privacy framework in response to new and evolving laws. A Legal and Compliance training programme is in place across the Group. Code of Conduct training was given to all employees in the year. We operate a confidential, independent IMI Hotline for the reporting of concerns. Reports are investigated thoroughly and, where required, action is taken to resolve issues. The Group's Ethics and 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 2023, the Committee reviewed 52 cases, compared to 32 cases in 2022. Material legal and compliance issues, as well as details of concerns raised via the IMI Hotline, are reported to the Board.
Risk Rating: 				
Impact: 				
Likelihood: 				
Risk Trend: — Stable				
Risk Owner: Chief Legal & Risk Officer and Company Secretary				
Risk Appetite: 				

Risk management continued

Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
10. Product failure and non-compliance Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: Platform CEOs Risk Appetite: 	– Customer satisfaction – Market-led innovation – Sustainability – Digital	– Lack of organic growth – Failure to manage the supply chain – Natural phenomena and climate change – Ethics, compliance and governance – Health and safety	A failure or underperformance of one of our products could result in injury, death, property damage, non-compliance with product regulations or customer dissatisfaction. This could result in financial loss and reputational damage. This risk has remained stable during the year.	Our Quality Management systems, quality operating policies, product quality plans and escalation processes allow us to meet product quality requirements. 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. Elements of our product quality, compliance and quality management systems are audited by external third parties. Should significant issues occur, a process that includes full root cause analysis, the creation of action plans and a lessons learnt debrief is put into action.
11. Failure to integrate acquisitions successfully and deliver the required synergies Risk Rating:  Impact:  Likelihood:  Risk Trend:  Stable Risk Owner: Platform CEOs Risk Appetite:    	– Customer satisfaction – Market-led innovation – Complexity reduction – Sustainability – Talent and engagement	– Competitive markets – Lack of organic growth – Global economic uncertainty and political instability – Ethics, compliance and governance – Talent and culture	Failure to integrate acquisitions successfully and deliver the business case could result in broader business disruption, lower revenue and profit performance and compliance failures. This could erode shareholder confidence and adversely impact our reputation. This risk has remained stable during the year.	Our robust due diligence processes pre-acquisition enable us to identify synergies and build a strong business case. We track all these acquisitions to ensure that they deliver value through the planned synergies and that IMI provides ongoing support and training for the local management teams. Monitoring of integration progress is reported to the Group monthly. The Board receives regular updates and, with the assistance of the internal assurance teams, carries out a review in year three after each acquisition. In the year, we formalised our integration playbook which details the key topics that will be addressed when integrating a newly acquired company, including the establishment of a steering group to monitor the delivery of the integration plan.

Key				
Net Risk Ratings showing potential Impact and Likelihood			Link to Risk Trend	
 Medium	 High	 Very high	 Increased	 Stable
			 Decreased	
Principal Risk	Links to strategy	Links to other risks	Description and change in year	How we manage the risk
12. Failure to invest in our digital capabilities and leverage new technologies (including generative artificial intelligence) Risk Rating:  Impact:  Likelihood:  Risk Trend:  NEW Risk Owner: Platform CEOs Risk Appetite:   	– Customer satisfaction – Market-led innovation – Complexity reduction – Talent and engagement – Digital	– Lack of organic growth – Competitive markets – Failure to manage the supply chain – Talent and culture – Ethics, compliance and governance	Failure to invest in our digital capabilities and leverage new technologies (including generative artificial intelligence) may reduce our ability to maximise future business opportunities, evolve our ways of working and may limit our ability to counter threats from new or disruptive technologies. We identified artificial intelligence as a new principal risk following the Board risk review in July, given the fast-developing technology in this area.	Enhancing our digital capabilities is a key strategic enabler for us. It helps us to drive customer intimacy, reduce complexity and improve the quality of our data. We have developed a secure, private site for IMI employees to access a generative AI tool, which is already helping to accelerate strategic initiatives and improve operational efficiency. We are expanding our digitally enabled product offering across the business, opening up new growth opportunities. We are advancing our internal CRM and business analytics tools, providing more data intelligence for targeting improvements. We continue to enhance our IT security and data governance frameworks to ensure that we deploy new technologies safely and ethically.

Viability statement

The directors have assessed the viability of the Group over a five-year 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 91 to 99, the Group’s going concern assessment set out on page 101 and the five-year business plan reviewed by the Board in September 2023. 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 2028.

The directors determined that the period to 31 December 2028 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 2028 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-trend
- 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.

All principal risks have been individually and collectively considered in developing the scenarios below. Whilst the future performance of the Group could be impacted by all principal risks, due to the mitigating measures we have in place, these risks are less likely to threaten the viability of the business.

The scenarios considered over a five-year period to 31 December 2028 were as follows:

Scenario 1: A modest global macroeconomic recession in 2024 representing a 5% reduction in revenues.

Link to principal risks: Global economic and political instability and organic growth.

Scenario 2: A product recall with a one-off cost of £200m in 2024.

Link to principal risks: Product failure or non-compliance.

Scenario 3: A severe global macroeconomic recession in 2024 representing a 16% reduction in revenues.

Link to principal risks: Failure to manage the supply chain; global economic uncertainty and political instability; lack of organic growth.

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: Product failure or non-compliance; failure to manage the supply chain; global economic uncertainty and political instability, lack of organic growth.

The analysis considered realistic mitigating actions based on historic performance, including reducing working capital, deferring capital expenditure and reducing overhead spend and employee costs.

The directors were satisfied that the scenarios considered did not result in a breach of loan covenants during the five-year period.

Going concern

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 40% in the 12 months following approval of the Annual Report. 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 financial statements on page 188. 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 91 to 99.

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 2% of Group revenue and our top 20 customers account for 15% of Group revenue. In addition, our ability to flex our cost base reduces our exposure to sudden adverse economic conditions.

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 on 29 February 2024. 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.

Approved by order of the Board

Roy Twite
Chief Executive Officer
29 February 2024

Daniel Shook
Chief Financial Officer
29 February 2024

Corporate Governance

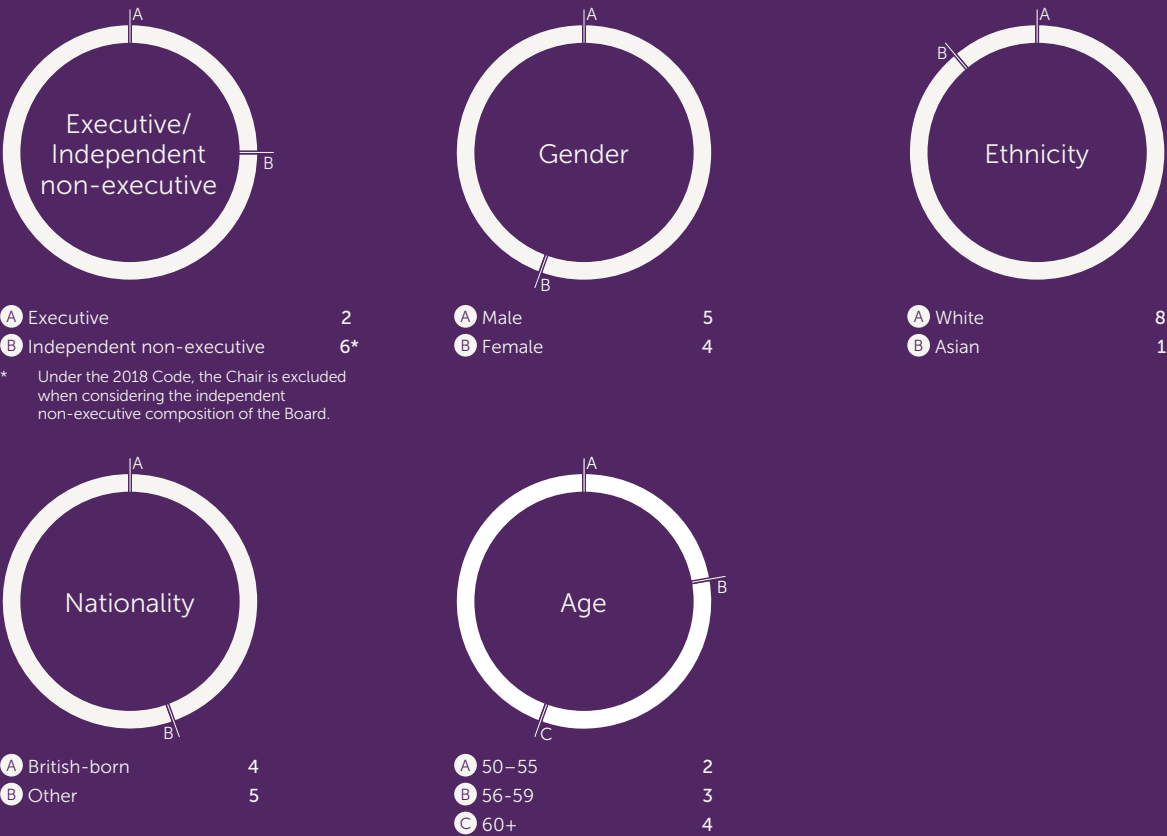
Governance at a glance

Board highlights

- We adopted our new sector-focused business structure
- Our new values, which better reflect our business, were approved
- We continued to develop our ESG agenda and submitted our SBTi plan for validation
- Jackie Callaway joined the Board in July
- The Board visited our Adaptas site in Massachusetts, USA
- Our external performance review confirmed that the Board and its Committees continue to operate effectively

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Directors’ Report	168

Board composition



Key skills and experience

	Number of directors									
Director of other FTSE companies	●	●	●	●	●	●	●	●	○	
Strategy	●	●	●	●	●	●	●	●	●	
M&A	●	●	●	●	●	●	●	●	●	
Experience in international operations/emerging markets	●	●	●	●	●	●	●	●	●	
Finance and accounting	●	●	●	●	●	●	●	●	○	
Manufacturing and engineering	●	●	●	●	●	●	●	●	●	
Risk management and compliance	●	●	●	●	●	●	●	●	●	
ESG and climate change	●	●	●	●	●	●	●	●	●	
Digital transformation, including AI adoption and technology	●	●	●	●	●	●	●	○	○	
Reward and recognition	●	●	●	●	●	●	●	●	●	
Skills and experience key										
● Experienced ● Some experience ○ Little/no experience										

2018 UK Corporate Governance Code

The Company has complied in full with all provisions of the 2018 UK Corporate Governance Code during the year ended 31 December 2023. The Financial Reporting Council (FRC) is responsible for the publication and periodic review of the UK Corporate Governance Code, which can be found on the FRC website: www.frc.org.uk.

Section	Read more +	Section	Read more +
Board leadership and Company purpose		Composition, succession and evaluation	
An effective Board which promotes the long-term sustainable success of the Company	14, 15, 42-43, 106-122	Tenure, succession planning and appointments	10, 104, 111, 113, 120, 123-129
Culture aligned to purpose, values and strategy	4, 5, 10, 118-122	Inclusion and Diversity	50, 51, 124-126
Resources and controls necessary to meet objectives and measure performance	28, 29, 88-99, 112-117	Skills, experience and knowledge	103, 106-108
Shareholder and stakeholder engagement	38-43, 104, 105, 119, 120	Director, Board and Committee evaluation	121,122,129,135,167
Workforce policies and practices, including procedures for raising concerns	48-51, 82-87, 119, 136, 137	Audit, risk and internal control	
Division of responsibilities		Independence and effectiveness of the internal and external audit	112, 134, 135
Roles and responsibilities	112-115, 122, 130, 146	Fair, balanced and understandable assessment	130-135, 172
Time commitments and conflicts of interest	115, 124	Principal and emerging risks, risk management framework and system of internal controls	88-99, 116, 117, 130-135
Independence	102, 115	Remuneration	
		Aligned remuneration	146-167
		Remuneration policy and its application	136-167
		Independent judgement and discretion	137, 140-142

Chair’s Governance Letter

●● It has been an honour and a privilege to serve as Chair for the past nine years. We have made significant strategic progress during this period and I am confident that the Group is well placed to continue creating value for all of our stakeholders. ●●

Lord Smith of Kelvin, Chair



Dear Shareholder

On behalf of the Board, I am pleased to present the company’s Corporate Governance Report for the financial year ended 31 December 2023.

Board composition

In 2023 and up to the publication of this report, we have announced several changes to the Board. As announced on 30 January 2024, in order to ensure an orderly succession, my appointment as Chair has been extended to the end of 2024. It has been a privilege to work with so many talented colleagues at IMI for the last nine years and to see the Group make significant progress in this time. Jamie Pike will join IMI as Chair of the Board and Nomination Committee, with effect from 1 January 2025. Jamie brings a wealth of listed board experience and a deep understanding of engineering, international business and strategy. I am confident that IMI will be in good hands with Jamie as my successor. Details of the recruitment process can be found on page 128.

In July 2023, we welcomed Jackie Callaway to the Board as a non-executive director and a member of the Nomination and Audit Committees. Jackie brings extensive experience from over 30 years of working in finance across multinational manufacturing and supply chain businesses. She is currently the Chief Financial Officer of Coats Group plc.

Following nine years tenure, Isobel Sharp will retire from the Board and her role as Audit Committee Chair on 31 August 2024. I would like to thank Isobel for her outstanding contribution and support to IMI and the Board throughout her tenure. Jackie will be appointed Audit Committee Chair from 1 September 2024. Further information on the induction process for Jackie can be found on page 127.

The Nomination Committee will continue to monitor the Board’s composition, to ensure that we maintain the range of skill sets and diversity needed to support the Company’s strategy and complement our succession planning.

Our people

Last year, we reported efforts to accelerate plans for employees to be paid at least in line with living wage indices. I am pleased to confirm that in 2023, all IMI global employees are now paid a living wage. As part of our drive to make IMI a more inclusive and supportive organisation, we have also reviewed and updated our global parental leave policies in the year. Further details on our workforce policies and rewards can be found in the Remuneration Committee report.

Stakeholder engagement

I am pleased to report that the Board has been able to engage with a range of stakeholders during the year. I enjoyed meeting shareholders at our 2023 AGM and continue to be available to shareholders.

Building strong and positive relationships with our key stakeholders is critical to fulfilling IMI’s purpose, delivering our better world strategy and achieving long-term sustainable success. Pages 38 to 43 and 119 to 120 set out our engagement with

stakeholders in the year. Site visits are a good opportunity for the Board to see our culture in action and to understand the integration process for new acquisitions. The Board visited our Adaptas Solutions site in Massachusetts, USA following IMI’s December 2021 acquisition of this leading life sciences manufacturer. Alongside our Chief Executive Officer, Roy Twite, I also visited our factories in China and South Korea earlier in the year. Thomas Thune Andersen is the Company’s non-executive director with designated responsibility for employee engagement. A summary of the activities undertaken by Thomas in this role can be found on page 119. Our employee engagement activities during the year have supported the strategic priorities for employee engagement identified in the 2022 One Big Voice survey. The non-executive directors held three employee engagement sessions in 2023, enabling different groups of employees to share their feedback with the Board without the Executives being present. More information can be found on page 119.

ESG

Sustainability highlights for 2023 include submitting our near-term and net zero targets to the Science Based Targets initiative for validation and agreeing our first sustainability-linked revolving credit facility in June 2023. Further information on our SBTi submission can be found on page 43. We have conducted a detailed assessment of our climate-related opportunities and risks and are pleased to report that we are consistent with all eleven of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We have also made progress in understanding the sustainability performance of our products and continue to use life cycle assessments and environmental product declarations to aid us in this area. Further details are available in our Sustainability Report on pages 44 to 85.

Board effectiveness

We engaged EquityCulture Ltd to carry out an external performance review of the Board and its Committees in 2023. I am pleased to report that the review confirmed the effectiveness of the individual directors, the Committees and the Board as a whole. The review process and agreed areas of focus for 2024 can be found on page 121 to 122 and in each Committee report.

AGM

This year, shareholders will once again be able to join us at our in-person AGM on 9 May 2024. Details will be included in our AGM notice, which is available on our website. Shareholders are always welcome to put their questions or feedback to us, either via our website (www.imiplc.com), via email (info@imiplc.com) or in person at our AGM.

Priorities for 2024

Preparing for the transition of the Audit Committee Chair and Chair of the Board will be key priorities for the Board in 2024. We will also continue to consider opportunities to increase diversity, taking into account diversity targets set by the FTSE Women Leaders Review and the Financial Conduct Authority’s Listing Rules. The Board will keep the Group’s strategy under review and monitor how our evolved values are embedded throughout our business to deliver long-term sustainable growth for the benefit of our stakeholders.

Lord Smith of Kelvin
Chair
29 February 2024

Board of Directors

Leading with purpose



Lord Smith of Kelvin
Chair

Nationality
British

Age as at
31 December
2023
79

Appointment
date
2015

Expertise

- 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

Key external appointments
None

Specific contribution to the company's long-term success
Extensive international business, sector and board level-experience enables Lord Smith of Kelvin's valuable leadership of the Board and drives his commitment to robust corporate governance.

NC



Roy Twite
Chief Executive Officer

Nationality
British

Age as at
31 December
2023
56

Appointment
date
2019 as Chief Executive Officer and 2007 as director

Expertise

- Proven organisational and engineering expertise
- Management capability, having run all of IMI's sectors
- Extensive knowledge of end-markets and customer base

Key external appointments
Non-executive director of Halma plc*

Specific contribution to the company's long-term success
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 sectors and stakeholders to lead and inspire the Group.

EC



Daniel Shook
Chief Financial Officer

Nationality
American British

Age as at
31 December
2023
56

Appointment
date
2015

Expertise

- 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

Key external appointments
None

Specific contribution to the company's long-term success
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.

EC

- Key
- NC Nomination Committee
 - EC Executive Committee
 - AC Audit Committee
 - RC Remuneration Committee
 - Committee Chair
 - Member

* Listed company directorship



Thomas Thune Andersen
Senior independent director,
Non-executive director responsible for employee engagement and ESG matters

Nationality
Danish

Age as at
31 December
2023
68

Appointment
date
2018

Expertise

- 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

Key external appointments

- Chair of Lloyds Register Group
- Chair of Orsted A/S*
- Member of the Danish Committee for Good Corporate Governance
- Non-executive director of BW Group Ltd
- Chair of VRK Holdings A/S

Specific contribution to the company's long-term success
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.

NC AC



Isobel Sharp
Independent non-executive director

Nationality
British

Age as at
31 December
2023
67

Appointment
date
2015

Expertise

- 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

Key external appointments

- Non-executive director and Audit Committee Chair of Balanced Commercial Property Trust Limited*
- Independent non-executive committee member of Baillie Gifford & Co
- Member of the International Advisory Board at Edinburgh University Business School

Specific contribution to the company's long-term success
Isobel contributes her extensive financial experience and a strong understanding of the audit, governance, control and regulatory landscape to chair effectively the Audit Committee.

AC NC



Caroline Dowling
Independent non-executive director

Nationality
Irish

Age as at
31 December
2023
56

Appointment
date
2020

Expertise

- 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

Key external appointments

- Non-executive director of DCC plc*
- Non-executive director of the Tyndall National Institute
- Non-executive director of CRH plc*
- Director of UNICEF Ireland

Specific contribution to the company's long-term success
Caroline brings substantial, global board-level experience and expertise in digital, technology and supply chain management. Her passion for social and humanitarian matters provides valuable insight into ESG considerations.

Caroline's experience serving on remuneration committees enables her to chair the Remuneration Committee effectively.

RC NC

Board of Directors continued



Katie Jackson
Independent non-executive director

Nationality
British

Age as at
31 December
2023
50

Appointment
date
2018

Expertise

- Extensive experience at international executive level across the Energy sector
- Excellent corporate finance experience, including mergers and acquisitions

Key external appointments

- President, National Grid Ventures
- Chair of POWERful Women

Specific contribution to the company's long-term success

Drawing on her broad, international business and executive experience, Katie shares valuable insights into strategy, sustainability, M&A and emerging markets. She is passionate about improving diversity and has been the Chair of POWERful Women, a cross-industry initiative working to increase the representation of women at the top of the UK energy industry, since May 2022.

NC RC



Dr Ajai Puri
Independent non-executive director

Nationality
American British

Age as at
31 December
2023
70

Appointment
date
2021

Expertise

- Experienced in international business
- Expert in innovation, science and technology and marketing
- Holds a PhD in Food Science
- Significant experience in research and development, innovation, consumer marketing and general management

Key external appointments

- Non-executive director of Britannia Industries Limited, India*

Specific contribution to the company's long-term success

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.

AC NC RC



Jackie Callaway
Independent non-executive director

Nationality
New Zealander

Age as at
31 December
2023
54

Appointment
date
2023

Expertise

- Qualified accountant, with over 30 years of experience working in finance across multinational manufacturing and supply chain businesses
- Currently the CFO of Coats Group plc, the world's leading industrial thread and global footwear component manufacturer, and was previously the CFO of Devro plc

Key external appointments

CFO Coats Group plc*

Specific contribution to the company's long-term success

Jackie's strong finance track record and experience across multinational manufacturing and supply chain businesses make her a valuable addition to the Board.

AC NC

- Key
- NC Nomination Committee
 - EC Executive Committee
 - AC Audit Committee
 - RC Remuneration Committee
 - Committee Chair
 - Member

* Listed company directorship

Executive Committee



Beth Ferreira
CEO Life Technology

Date of
appointment
to the Executive
Committee
2020

Biography

Beth Ferreira was appointed CEO, Life Technology at IMI in July 2023, with responsibility for the Climate Control, Life Science & Fluid Control, and Transport sectors. Beth joined IMI in 2020 as Divisional Managing Director of IMI Precision Engineering, where her Customer First transformation pivoted the business to growth and margin improvement.

Beth brings a wealth of executive experience in the engineering sector. Before joining IMI, she held prominent leadership positions, including multiple Group President roles at Illinois Tool Works (ITW), where she oversaw the Packaging & Consumables, Polymers, and Fluids platforms. She also served as President of Belden's Industrial Cables group. Her contributions extend beyond IMI, as she currently serves as a non-executive director at SKF since March 2023.



Jackie Hu
CEO Automation

Date of
appointment
to the Executive
Committee
2019

Biography

Jackie joined IMI in 2008 as Sales Director for the company's Nuclear division in Asia, before becoming the President of the Greater China area, and later President of the Asia Pacific region. He became Divisional Managing Director for IMI Critical Engineering in 2019, and has used his deep knowledge and experience across IMI Critical Engineering's end markets to drive growth.

In July 2023, Jackie was appointed CEO of the Automation business, which includes Process Automation and Industrial Automation.

Jackie has a degree in Automation Control from Beijing University of Aeronautics and Astronautics, as well as an MBA from Washington University in St. Louis in the USA, and is a graduate of both Stanford University Graduate School of Business and Harvard Business School.



Liz Rose
Chief People Officer

Date of
appointment
to the Executive
Committee
2020

Biography

Liz joined IMI as Head of Group Reward in 2011, establishing global policies across the Group that addressed pay, annual and long-term incentives, employee benefits and mobility. Liz then joined IMI Critical Engineering as their Divisional HR Director in January 2020, a key part of the Management team, leading a significant change agenda to drive organic growth.

Her career started in the automotive industry as a HR generalist, where she also developed skills in lean manufacturing and quality systems. Liz earned her MSc in International HR Management from Cranfield University and has completed postgraduate qualifications in human resources, specialising in both reward and employee relations.

Executive Committee continued



Louise Waldek
Chief Legal & Risk
Officer, Company
Secretary

Date of
appointment
to the Executive
Committee
2021

Biography
Louise Waldek joined IMI in July 2021 as Group General Counsel & Company Secretary and as a member of the Executive Committee. Louise is also the executive sponsor of our better world team. She is currently a board member of the General Counsel for Diversity & Inclusion (GCD&I), an organisation that promotes greater diversity, equity and inclusion in the legal sector.

Prior to joining IMI, Louise was General Counsel & Company Secretary at Victrex plc. She has held legal roles in Speedy Hire plc, United Utilities plc and DLA Piper. She brings extensive experience in legal, risk and compliance matters to support the Group’s growth.



Phil Clifton
President, Climate
Control

Date of
appointment
to the Executive
Committee
2018

Biography
Phil Clifton joined IMI and the Executive Committee in January 2018 as Interim Divisional Managing Director. In November 2018, it was announced that he would remain with the division permanently. Phil has extensive commercial experience in the engineering sector. Previously he was Chief Executive Officer of Signum Technology, a private equity-backed specialist engineering group focused on flow control sectors.

Prior to that, he spent nearly seven years with The Weir Group plc, where he was Divisional Managing Director of the company’s Power & Industrial division between 2007 and 2011.

Phil announced his retirement in July 2023 and subsequently stepped down from the Executive Committee in January 2024.

Roy Twite
Chief Executive
Officer

Member since
2007

⊕ Roy and Daniel’s full biographies appear on page 106.

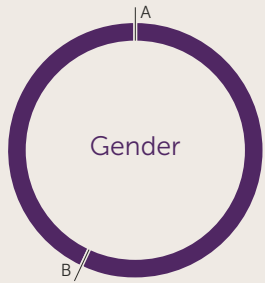
Daniel Shook
Chief Financial
Officer

Member since
2015

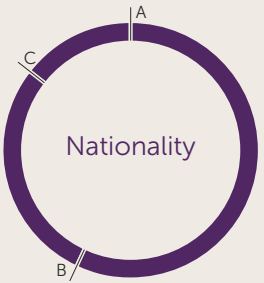
In the year, Daniel’s title was changed from Finance Director to Chief Financial Officer. There were no changes to his role or responsibilities.

Executive Committee

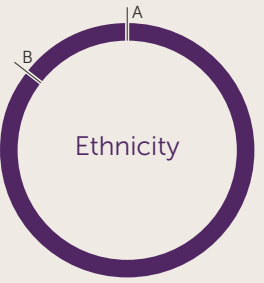
The Executive Committee is chaired by the Chief Executive Officer and the other members are shown on pages 109 and 110. It is the senior management body for the Group and takes its authority from the Chief Executive Officer. It is not a committee of the Board. It is well balanced, experienced and diverse, with 43% of members being female, as of 31 December 2023 (meeting the requirements of the FTSE Women Leaders Review (formerly the Hampton-Alexander Review)), and is composed of three nationalities. A description of the Executive Committee’s role can be found on page 113.



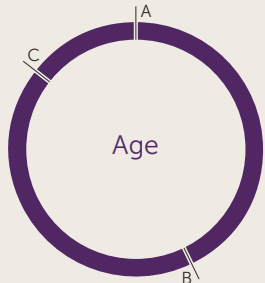
- A Male 4
- B Female 3



- A British 4
- B American 2
- C Singaporean 1



- A White 6
- B Asian 1



- A 45 to 50 3
- B 51 to 59 3
- C 60+ 1



- A 0–5 years 2
- B 6–10 years 2
- C 11 years+ 3



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 45.

Good corporate governance is vital to the long-term success of the Company. We work within our governance structure which 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.

IMI plc Board

Lord Smith of Kelvin (Chair)

⊕ A summary of key board activity in 2023 can be found on pages 116 to 117

Membership

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

Main responsibilities

- Promoting the long-term success of the Company for the benefit of its 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 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

Audit Committee

Isobel Sharp (Chair)

⊕ Audit Committee Report on page 130 to 135

Membership

Thomas Thune Andersen
Jackie Callaway
Dr Ajai Puri

Main responsibilities

- Oversight role in relation to the integrity of the 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 Group assurance
- 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
- Defining and applying the policy on non-audit services

Nomination Committee

Lord Smith of Kelvin (Chair)

⊕ Nomination Committee Report on page 123 to 129

Membership

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

Board and committee composition

- Lead process for Board appointments
- Oversight of diverse succession plans for the Board and the Executive Committee
- Inclusion and Diversity policy, promotion of diversity and monitoring of progress

Remuneration Committee

Caroline Dowling (Chair)

⊕ Remuneration Committee Report on page 136 to 167

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

Executive Committee

Roy Twite (Chair)

⊕ Members of the Executive Committee are shown on pages 109 to 110. The Executive Committee diversity profile is on page 111

Membership

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

Main responsibilities

- The Executive Committee is the senior management body for the Group, takes its authority from the Chief Executive Officer 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 Officer, 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
- 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

Board Chair
Lord Smith of Kelvin

Main responsibilities

- Leading the Board and 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 that the Board has effective decision-making processes and applies sufficient challenge to major proposals
- Ensuring the Directors receive accurate, timely and clear information
- 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
- Leading the annual performance review of the Board, 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

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 Nomination 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
- Advising the Board on corporate governance and relevant regulatory requirements
- Acting as secretary to all of the standing committees of the Board
- Ensuring that the Board has access to independent professional advice at the Company's expense
- Being available to all directors

Board and Committee attendance

During the year, the Board met on six occasions to cover scheduled business. 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.

Director	Board	% eligible attendance	Audit Committee	% eligible attendance	Nomination Committee	% eligible attendance	Remuneration Committee	% eligible attendance
Thomas Thune Andersen	6/6	100	5/5	100	4/4	100	n/a	n/a
Caroline Dowling	6/6	100	n/a	n/a	4/4	100	3/3	100
Jackie Callaway*	4/4	100	3/3	100	3/3	100	n/a	100
Katie Jackson	6/6	100	n/a	n/a	4/4	100	3/3	100
Dr Ajai Puri	6/6	100	5/5	100	4/4	100	3/3	100
Isobel Sharp	6/6	100	5/5	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

* Jackie Callaway was appointed as a board director and a member of the Nominations and Audit Committees with effect from 1 July 2023.

To date in 2024, the Board and each Committee has held one scheduled meeting, with all eligible members in attendance.

Division of responsibilities

There is a clear division of responsibility between the Chair and the Chief Executive Officer, 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 Officer, supported by the Executive Committee, leads the running of the businesses and the implementation of 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 that are reserved to it and to the respective delegated authorities of its committees, and it has also set written limits of authority for the Chief Executive Officer. The Group has a clear organisational structure and well-established reporting and control disciplines. Platform CEOs 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, the 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.

Independent 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.

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

Summary of 2023 key Board activities and outcomes						
MAR	MAY	JUL	SEP	OCT	NOV	DEC
– Board engagement session to hear colleagues’ views on a wide range of topics (please see page 119 for further details) – Assessed financial performance of the Group, approved the 2022 Annual Report and approved preliminary results announcement – Considered the Group’s capital position and approved the 2022 final dividend – Approved AGM Notice – Reviewed and approved the Modern Slavery Act Statement – Approved the updated IMI Corporate Governance Framework – Received an update on key legal and governance matters including concerns raised through the IMI hotline – Considered the shortlist of external evaluators and agreed to instruct EquityCulture to conduct an external performance review of the Board and its Committees	– Investor relations and market reports received, providing the Board with investor views – Considered and provided feedback on the proposed internal reorganisation – Received and discussed the Group’s sustainability strategy and 2023 priorities – Assessed the financial performance of the Group and approved Q1 2023 Interim Management Statement – Received a briefing from the Group IT Security Director on cyber security, risk and controls – Received and discussed reports on latest AGM voting and proxy agency feedback – Shareholder engagement at in person AGM attended by all directors – Considered and approved the appointment of Jackie Callaway to the Board	– Reviewed and approved internal reorganisation and communication plan – Approved half year 2023 financial results announcement – Approved the 2023 interim dividend – Considered our principal and emerging risks and approved the creation of a new principal risk relating to generative AI – Considered the UK Corporate Governance Code Consultation Document and potential impacts on IMI – Board employee engagement session to hear colleagues views on a wide range of topics (please see page 119 for further details) – Received an update on key legal and governance matters including concerns raised through the IMI Hotline	– ESG engagement session held with Ricardo for the Board to review and feed into the updated assessment of climate-related risks and opportunities – In addition to regular discussions, a Board strategy day was held in September to review and discuss IMI’s strategy and key milestones	– Site visit to Adaptas, USA for engagement with colleagues and to review integration – Approved our strategy and reconfirmed our purpose – Considered and approved new brand and values – Confirmed that our culture is aligned to our purposes, values and strategy – Discussed our 2023 employee survey themes and assessed additional cultural indicators – Thomas Thune Andersen reported on employee engagement activities – Considered and confirmed key stakeholder engagement mechanisms are effective – Received updates on our sustainability activities and approved the submission to the SBTi of our Scope 1, 2 and 3 reduction targets	– Assessed financial performance of the Group and approved the Q3 2023 Interim Management Statement	– Investor relations and market reports received providing the Board with investor views – Considered outlook and approved 2024 budget – Externally led Board development session on generative artificial intelligence – Received an update on key legal and governance matters including concerns raised through the IMI Hotline – Considered the Group’s principal and emerging risks and approved the risk management governance framework and revised risk appetite statements for 2024 – Reviewed the main features and effectiveness of the Group’s internal control and risk management framework – Reviewed and provided feedback on the IMI Corporate Governance Framework – Reviewed and discussed the results of the external Board performance review and identified key findings and 2024 focus areas – Received and discussed a report on the Group’s Inclusion and Diversity ambitions, actions and performance – Received update on health and safety performance from the Group HSE Director

Committee activities

The main areas of activity for each Committee can be found in the relevant report. At each Board meeting, the Committee Chairs report on their activities to the full Board.

Board oversight of internal control and risk management

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. The Board has overall responsibility for the oversight of internal controls and our risk management processes, monitoring their effectiveness throughout the year. At least twice a year, the Board conducts a robust assessment of the risk management framework, as well as reviewing principal and emerging risks identified, to ensure they remain relevant and where possible, plans are in place to manage those risks in line with agreed risk appetite to support delivery of our long term strategic objectives. More details can be found in the risk management section on pages 88 to 99.

On behalf of the Board, the Audit Committee monitors the internal financial control framework and receives regular reports on its effectiveness, reporting its findings to the Board. More information on the work of the Audit Committee can be found on pages 130 to 135. Once a year, the Board reviews the effectiveness of material operational, financial, and compliance controls, company culture and the risk management process. The Board was satisfied that the 2023 review identified no significant deficiencies and remains supportive of the Group’s ongoing enhancements in this area.

Purpose, Values and 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 that we serve and operate in, and our shareholders. For more information about our purpose, please see pages 4 and 5 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 that we maintain the foundations that have enabled IMI's success throughout its 150-year heritage. For more information, please see page 5 of the Strategic Report.

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, wellbeing, regretted turnover information, the number of employees involved in our Growth Hub activities and details of the hotline reports received. In the year, the dashboard was updated to align with the four pillars of our sustainability strategy. 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. Please see pages 48 to 51 for more information.

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 and strategy and adopted new values which better reflect our business. We will continue to nurture our culture and ensure monitoring culture plays a key role in Thomas' employee engagement activities, which are described on the following page. More detailed about our evolved values and branding can be found on page 43.



Board-level employee engagement



Thomas Thune Andersen
Non-executive director with designated responsibility for employee engagement

●● During the year, we have continued our approach of holding focus groups to better understand employee engagement with our purpose-led strategy, customer focus, career development opportunities and culture and wellbeing at IMI. To ensure conversations addressed current topics, I requested details of the key areas cited in departing employees' exit interviews. I am pleased to report that IMI takes a very open and proactive approach to engagement. On behalf of the Board, I would like to thank all those I spoke with for their openness, enthusiasm and transparency. ●●

Continuing to engage with our people through a wide range of interactions is key to nurturing our strong culture. Since March 2020, Thomas Thune Andersen has been the 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. His full responsibilities are set out on page 114.

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, attendance at IMI Way Day and employee engagement sessions, 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.

Employee engagement activities during the year have supported the strategic priorities for employee engagement identified in the 2022 One Big Voice survey and the subsequent 2023 One Big Voice pulse survey. In 2023, Thomas attended the following sessions:

- Focus group to explore in greater depth the findings of the One Big Voice pulse survey
- Graduate induction presentations
- IMI Way Day at our Birmingham office, Thomas explained some of the areas of Board and Executive follow-up in response to feedback from engagement sessions
- Attended and presented at the European Communications Forum (ECF)
- Employee engagement sessions in March, July and October: focus groups were held across the year with a cross-section of UK and US employees

The sessions were structured to consider business priorities, feedback from the One Big Voice survey and to better understand employee engagement with our purpose-led strategy, customer focus, career development opportunities and culture and wellbeing at IMI.

Outcomes of Board-level employee engagement:

- We received feedback that reward packages could be more innovative, flexible and link more closely to our culture and values. In the year, the Remuneration Committee reviewed our global workforce policies and formalised family-friendly and menopause policies
- As part of our One Big Voice survey, employees requested more information on grading and career progression. Following the feedback, our HR team are reviewing development career paths which will then be communicated across the Group
- Employees expressed a desire to understand how they can contribute to reducing emissions in their roles. Work is ongoing to identify sustainability and humanitarian campaigns which all employees can participate in and support

Speaking up

Details of the Group's speaking up arrangements are contained on page 84 of this Report. Our Ethics & Compliance Committee is chaired by our Chief Legal & Risk Officer & Company Secretary and comprises members of the Executive Committee and other senior leaders. It monitors the effectiveness of the IMI Hotline, the investigation of reports and oversees any remedial actions identified. The Committee reports on its activities, processes and any trends in reports to the Executive Committee, Audit Committee and/or Board as appropriate via the Chair of the Committee.

Shareholder engagement

The Board oversees shareholder engagement and maintains a balanced understanding of the issues and concerns of major shareholders. The Chief Executive Officer and Chief Financial Officer have primary responsibility at Board level for investor relations with the Head of Investor Relations, they 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. 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 at our Massachusetts factory and at our head office in Birmingham. Smaller – often private – investors also have full and timely access to all IMI’s presentations via the Group’s website. All of the directors are available to shareholders as needed.

During the year, our Remuneration Committee Chair engaged with 12 of our largest investors and proxy agencies in relation to our remuneration policy (for more information, see page 137) and there was engagement with a shareholder in relation to Chair succession planning. A number of shareholders also spoke with our Chief Executive Officer, Chief Financial Officer 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.

Shareholders were invited to attend our Annual General Meeting (AGM) 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 20 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 88.80% approval for the authority to allot shares.

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 2023 AGM

At our 2023 AGM, held on 4 May 2023, votes were cast in relation to approximately 81.60% of the issued share capital (2022: 83.64%; 2021: 83.50%). All 19 resolutions proposed by the Board were passed by the required majority. There were no significant votes cast against the Board’s recommendations. All directors are subject to annual re-election by shareholders. Votes cast in favour of the re-appointment of the Board directors at the 2023 AGM were as follows:

Director	Votes for
Lord Smith of Kelvin	96.30%
Roy Twite	99.42%
Daniel Shook	98.41%
Isobel Sharp	96.82%
Thomas Thune Andersen	92.95%
Katie Jackson	96.81%
Caroline Dowling	96.05%
Dr Ajai Puri	96.81%

Jackie Callaway was appointed to the Board on 1 July 2023, after the 2023 AGM.

Stakeholder engagement

IMI has multiple stakeholders who are all important to the long-term success of our business. The Board is committed to engaging with key stakeholders, developing positive relationships with them, and making a positive contribution to the environment and local communities in which we operate. 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 statement, contained on pages 42 to 43, demonstrates how the Board promotes the long-term sustainable success of the Company. Although the Group has many stakeholders, the Board considers our key stakeholders to be employees, customers, investors and funding providers, suppliers, the community and the environment and the government and regulators.

Performance review of the Board, its principal Committees, the Chair & the directors

Progress on 2023 evaluation:

Area of development	Update
Maintain focus on succession planning at Board and senior management level	During the year, the Nomination Committee focused on the execution of the succession planning for the Chair and those directors who are reaching their nine-year tenure. For further information, please see page 123
Continue the progress made to ensure that meaningful, two-way engagement takes place with key stakeholders	Please see the ‘Our stakeholders’ section of the Annual Report on pages 38 to 43 for a summary of our engagement with our stakeholders in the year
Increase the number of Audit Committee meetings in order to meet enhanced regulatory requirements	Five Audit Committee meetings were held in the year and are now established in the Committee’s annual cycle. The main areas of activity considered by the Audit Committee are outlined on pages 131 and 132.

An external performance review of the Board and its Committees was carried out for the year ended 31 December 2023 by an independent evaluator, EquityCulture Ltd. A competitive tender process, led by the Chair and supported by the Company Secretary, was conducted. The Board selected EquityCulture and was satisfied that they had the relevant expertise, experience and independence to conduct a rigorous and objective assessment. This was EquityCulture’s first review of the Board of IMI plc and EquityCulture have no other connection with the Company or any individual director. They are signatories to the Chartered Governance Institute’s Code of Practice for Board Reviewers. The Board performance exercise centred on an agenda of questions drafted by EquityCulture tailored to our needs, based on discussions with the Chair. Interviewees were sent an advance copy of the agenda. The following process and findings have been included with the agreement of EquityCulture.

Review process

The review involved the following steps:

- 1

EquityCulture reviewed the relevant Board and Committee papers, minutes and terms of reference to assess and benchmark the Board’s governance practices
- 2

EquityCulture attended the July Board and Committee meetings as an observer to gain insights into the Board’s dynamics and interactions
- 3

EquityCulture held individual interviews with each director, as well as the Chief Legal & Risk Officer & Company Secretary and the Chief People Officer, to obtain their views on various aspects of the Board’s performance, such as strategy, risk, succession, stakeholder engagement and diversity
- 4

Once all interviews had been conducted, EquityCulture provided a comprehensive report and met with the Chair to discuss their findings. The report, which included action points and recommendations for the Board to consider, was then presented by the Chair at the December Board meeting
- 5

At the December Board meeting, the Board agreed an action plan to address the key areas highlighted in the report; these are outlined in the table on page 122. The Board will monitor the implementation and impact of the action plan and report on the progress and outcome in the 2024 Annual Report

Corporate Governance Report continued

The chairs of the three principal Board Committees each received feedback from the external review and reviewed that with their Committee. All were found to be operating effectively and minor suggestions to improve performance were noted. Please see the individual Committee Reports for further information.

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 Officer. The Chair passed on to the Chief Executive Officer 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 106 to 108.

EquityCulture’s observations:

- the Board values and respects everyone’s contribution, and encourages advice and challenge in a transparent and constructive manner
- there is good chemistry between the Chair and Chief Executive Officer
- papers are clear, concise and circulated in good time
- discussions were informed, respectful and appropriately challenging, with a good balance of contribution. No one voice dominated the meetings

- discussions between the Board and the Executive Committee were robust and exhibited open and approachable characteristics
- the number of Board and Committee meetings held appear to be right for the Company
- inclusion and diversity issues are felt to be high on the Board’s radar, led by genuine commitment to this from the Chief Executive Officer and Chief People Officer and the wider Executive Committee
- the Board has a well-planned and well-paced induction process for new directors, and provides them with the relevant training and resources

Areas of focus for the Board in 2024:

Area of development	Action
Skills and experience	Identify opportunities to increase Board experience of generative AI and current and core industrial manufacturing experience.
Strategy and risk	Identify opportunities to enhance the Board’s overview of the industrial landscape it occupies, including macro-trend and threats.

Approved by the Board and signed on its behalf by:

Louise Waldek
Company Secretary
29 February 2024



Composition, succession and evaluation

Nomination Committee Report

Lord Smith
of Kelvin
Chair of the
Nomination
Committee



Dear Shareholder

I am pleased to make my report as Chair of the Nomination Committee. This report is intended to give an account of the Committee and its activities.

Date of appointment
to the Committee:

- Lord Smith of Kelvin
May 2015
- Thomas Thune Andersen
July 2018
- Jackie Callaway
July 2023
- Caroline Dowling
January 2020
- Katie Jackson
July 2018
- Dr Ajai Puri
March 2021
- Isobel Sharp
September 2015

Highlights of the year

- Overseeing the externally facilitated performance review of the Board and its Committees
- Chair succession process
- Overseeing the recruitment and induction of Jackie Callaway
- Continued focus on Inclusion and Diversity at Board and senior management level

Priorities for the year ahead

- Ensuring an orderly handover for the Chair of the Audit Committee and the Chair of the Board
- Continue initiatives to increase Inclusion and Diversity across the Board, senior management and the Group as a whole

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 2024. The full terms of reference of the Committee can be found in the IMI Corporate Governance Framework on the Company’s website.

Composition

The composition of the Committee meets the requirement of the Code that a majority of members should be independent non-executive directors. All of the non-executive directors on the Committee are regarded as independent non-executive directors.

In the year, the Committee held four meetings. Member attendance is included in the table on page 115.

The Company Secretary is secretary to the Committee and, together with the Chief People Officer, attend all meetings of the Committee. The Chief Executive Officer is not a member of the Committee but is invited to attend all meetings. Neither the Chair, nor the Chief Executive Officer, would participate in the recruitment of their own successor.

Main areas of activity
Board succession

It has been a busy year for the Committee, running two search processes. A Sub-Committee was appointed to conduct the search for my successor (please see page 128 for further details). To ensure an orderly handover, I will remain on the Board until the end of 2024, and Jamie Pike will join IMI as Chair of the Board and Nomination Committee with effect from 1 January 2025.

Composition, succession and evaluation Nomination Committee Report continued

In October 2022, the Committee commenced the search process for an independent non-executive director. The recruitment process was supported by the independent recruitment firm, Odgers Berndtson, as well as IMI’s Chief People Officer. Odgers Berndtson has no other connection with the Company or with any individual director other than to provide recruitment services and, in line with our diversity policy, is a signatory to the Voluntary Code of Conduct.

The Committee gave due regard to the requisite financial qualifications, desired sectoral experience and benefits of diversity on the Board during the recruitment search. The Committee considered the diverse longlist of candidates provided by Odgers Berndtson and held one-to-one interviews with the short-listed candidates. Following interviews, the Committee recommended the appointment of Jackie Callaway to the Board. Jackie was appointed non-executive director on 1 July 2023 and will stand for election at the 2024 AGM. Isobel Sharp will have served 9 years on the Board in September 2024 and will step down from the Board on 31 August 2024. Following Isobel’s resignation from the Board, Jackie will assume the role of Audit Committee Chair on 1 September 2024.

All of the directors standing are recommended for election or re-election at the AGM 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 106 to 108.

Composition and talent development
The Committee has undertaken a comprehensive review of Board composition, supported by a review of the updated skills and experience matrix, which can be found on page 103. Board succession planning features on the agenda at every Committee meeting. The Committee reviewed the anticipated timescales for changes in Board positions (taking into account tenure, plans for

interim cover and in the short to medium term). As part of future succession planning and to ensure that a diverse Board is maintained, the Committee will also take into account any critical experience, skills or expertise to ensure achievement of the strategy using the Board skills and experience matrix, the Board Inclusion and Diversity Policy (on page 126) and performance against diversity targets (on page 124 and 125).

The Committee reviewed talent development and succession planning for the top 76 roles in the Group, with the support of the Chief Executive Officer and Chief People Officer. The Committee was encouraged to see that significant progress continues to be made in terms of cultivating a stronger pipeline of high-calibre talent and increased levels of internal promotion. Details of our leadership development and succession planning processes are set out on page 50.

Review of time commitments, conflicts 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 that 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 the other significant appointments of each director are contained in the biographies on pages 106 to 108.

All directors’ external appointments are subject to Board approval. When considering approving an appointment, the Board takes into account potential conflicts of interest, the director’s performance and their ability to meet their time commitment 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 their responsibilities. The Board is satisfied that

I have the necessary time to devote to my role as Chair.

Following review of their other commitments and after confirmation that each director can continue to meet their time commitments to IMI, the Board approved the following external appointments in the year:

- Isobel Sharp’s external appointment as an independent non-executive member of Baillie Gifford & Co
- Katie Jackson’s appointment as president of National Grid Ventures at National Grid
- Dr Ajai Puri’s appointment as a non-executive director of Fresh Del Monte Produce Inc

During the year, details of any new conflicts or potential conflict matters were submitted to the Board for consideration and, where appropriate, these were approved. As part of an annual declaration, each director is asked to confirm their ability to commit sufficient time to their role. Details of the individual contribution of each director can be found in the biographies on pages 106 to 108.

Inclusion and Diversity
In the year, we reviewed Board membership to ensure that there is a good mix of relevant skills, experience, diversity and tenure. Our Board Inclusion and Diversity policy, summarised on page 126, provides a high-level indication of our approach to inclusion and diversity in Board and senior management roles. The full policy is available on our website.

At Board level, there are five nationalities. There is also a broad mix of backgrounds and experience, as detailed on pages 102 and 103. We comply with the Parker Review’s target to appoint at least one Board member from an ethnic minority background. At 44%, we meet FCA guidance that women should hold at least 40% of seats on the Board. Both our Remuneration and Audit Committee Chairs are female, however we do not currently meet guidance that at least one of the senior board positions should be

held by a woman. During the search for the successor to the Chair, diversity was heavily considered by the Sub-Committee. Heidrick & Struggles were asked to focus on a diverse long, medium and short list and 50% of the candidates in the short list were female. The number of female candidates at each stage in the process is shown on page 128 of this report. The other senior Board positions have not become vacant since the FCA’s requirements were introduced. The Nomination Committee will continue to identify opportunities to enhance diversity in our senior Board succession planning. The Company has collected the diversity

data used for these purposes from each individual on a voluntary basis. We have not set express gender, ethnic or other related diversity quotas or measurable objectives for the Board’s composition.

Our Executive Committee has 43% female membership, as at 31 December 2023, includes three nationalities and 28% of the direct reports to the Executive Committee were female. Last year, we introduced a target of 25% of women in management across the Group and, in 2023, we achieved 22%.

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 with consideration to the diversity factors set out in the UK Corporate Governance Code, the FCA Listing Rules and the recommendations of the FTSE Women Leaders Review, as well as the Parker Review.

Phil Clifton announced his retirement in July 2023 and subsequently stepped down from the Executive Committee in January 2024. The Board received regular updates on the recruitment search for his successor. After a thorough recruitment process, Stefano D’Agostino joined the Group as President of Climate Control on 1 February 2024. Following the Group’s internal reorganisation, the President of Climate Control will no longer be a member of the Executive Committee. As at 1 February 2024, the Executive Committee has a 50% female membership.

The Committee’s oversight role in relation to Group-wide Inclusion and Diversity is supported by our culture dashboard. The dashboard, which reports on performance and progress against relevant equity, Inclusion and 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.

Membership and diversity of Board Committees
All Committees have female representation and all members of the Remuneration and Audit Committees are independent non-executive directors. The Committee has 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 and Diversity policy.

Table 1: reporting table on sex/gender representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	55.6%	4	4	57.1%
Women	4	44.4%	0	3	42.9%
Not specified/prefer not to say	0	0%	0	0	0%

Table 2: reporting table on ethnic background as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White	8	88.9%	4	6	85.7%
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	1	11.1%	0	1	14.3%
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Composition, succession and evaluation
Nomination Committee Report continued

Our Inclusion and Diversity policy

The Company acknowledges the value of diversity in its widest sense and its contribution towards effective Board operations and decisions.

The Group operates an Inclusion and Diversity policy that is reviewed each year and provides the framework for productive working relationships.

Taking account of its changing strategic needs, the Board will ensure that:

- 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 that promotes diversity for succession to the Board, Executive Committee and leadership group positions

- Only executive search consultancies that have signed up to the voluntary Code of Conduct for executive search firms regarding 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 regard to the candidate’s suitability for the 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 the Inclusion and 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 the 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 and
- The process of appointments to the Board

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

During the year, the Board applied the policy when reviewing Board and Executive Committee succession plans, by appointing external recruitment agencies that are signatories to the voluntary Code of Conduct for executive search firms and during the processes to find new Board members. Details of how diversity was factored into the search for IMI’s next Chair can be found on page 128.

●● IMI’s onboarding process for NEDs is extremely comprehensive. I spent quality time with the Executive Committee; these meetings provided an excellent overview of IMI’s strategy, innovation agenda, key markets and customers. Given my role as a member of the Audit Committee, my onboarding also included a deep dive on key financial matters and I spent time in the Birmingham office, meeting members of the Finance, Tax, Treasury and IT teams. A key highlight of my induction was the Board’s site visit to Adaptas, USA, where I got the opportunity to experience, first hand, the culture of the business. ●●

Jackie Callaway
Non-executive director

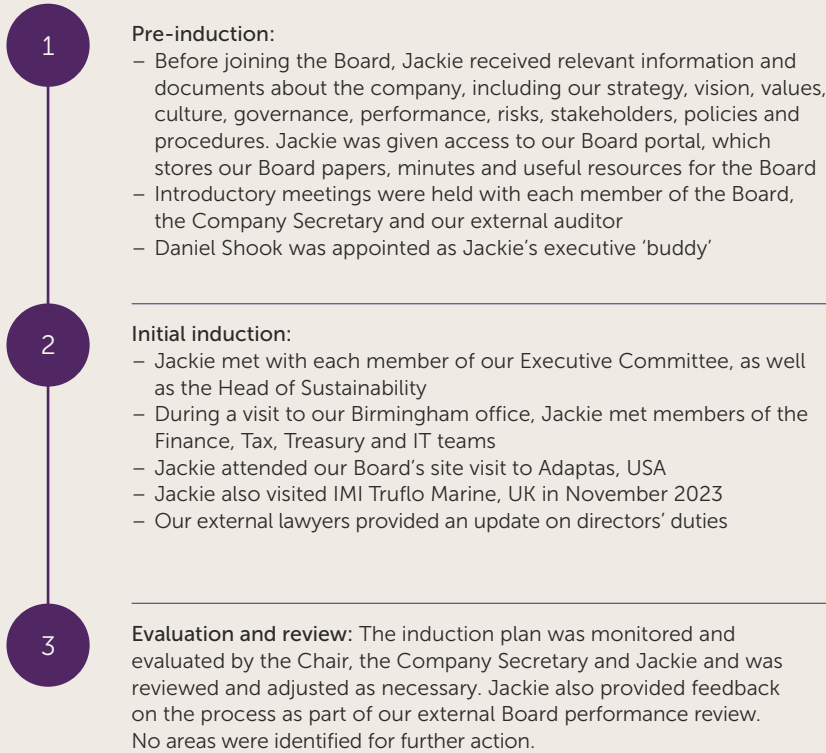
Non-executive director induction

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 Officer and Company Secretary. Business familiarisation is at the core of induction and continuing development for non-executive directors at IMI and is centred around gaining an understanding of the business and getting to know the wider management team. Jackie Callaway joined the Board as an independent non-executive director on 1 July 2023. The induction process was tailored to Jackie’s experience, knowledge and Committee participation.

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 they are relevant to the business arising at Board and Committee meetings. In the year, the Board received Artificial Intelligence training from Professor Amit Joshi from the IMD Business School. Board members also attended an ESG engagement session with Ricardo regarding our climate-related risks and opportunities. Tailored regulatory and best-practice updates were also provided to the Audit and Remuneration Committees during 2023. Non-executive directors are encouraged to undertake appropriate external training.

Jackie Callaway’s induction process



Composition, succession and evaluation
Nomination Committee Report continued

Chair succession process

Sub-Committee members (all independent non-executive directors):
Caroline Dowling (Chair of the Sub-Committee)
Katie Jackson
Dr Ajai Puri

A Sub-Committee of the Nomination Committee was established to begin the search for a successor to the Chair. The Sub-Committee was supported by our Chief People Officer, Liz Rose, and the executive search firm of Heidrick & Struggles. Heidrick & Struggles have no other connection with the Company or with any individual director other than to provide recruitment services. The recruitment process is outlined below:



Committee evaluation

An external performance review of the Committee was undertaken by EquityCulture (the review process is outlined on page 121). No suggestions were made as to the way the Committee is run, its membership or terms of references. The review found that:

- The Committee operates effectively and is led by an effective Chair
- Inclusion and Diversity issues are felt to be high on the Board’s radar, led by a genuine commitment to addressing these issues from the Chief Executive Officer, Chief People Officer and the wider Executive Committee
- There is a strong recruitment and induction process for new non-executive directors
- Succession plans for the Board and executive directors are well thought out and the number of Board and Committee meetings appear to be right for the company

Progress on 2023 actions

Continue to focus on Board succession plans that take into account greater diversity requirements

– Jackie Callaway joined the Board on 1 July 2023. Following Isobel Sharp’s retirement from the Board on 31 August 2024, Jackie will Chair the Audit Committee

– The search for a successor to the Chair took into account the importance of diversity considerations. Heidrick & Struggles were asked to provide a diverse long, medium and shortlist of candidates. See page 128 for more information

Strengthen the succession pipeline for senior management positions

The Committee reviewed talent development and succession planning for the top 76 roles in the Group. Further details are included on page 124

Focus areas for 2024

Appointments to the Board

Consider how all Board members can have a greater insight into potential Board candidates before reaching the appointment stage

Succession

Ensure an orderly handover for the Chair and Audit Committee Chair

Yours faithfully
Lord Smith of Kelvin
Chair of the Nomination Committee
29 February 2024

Audit Committee Report

Isobel Sharp
Chair of
the Audit
Committee



Dear Shareholder

I am pleased to present this report on the work of the Audit Committee over the last year.

Date of appointment to the Committee:

Isobel Sharp
September 2015

Thomas Thune Andersen
March 2020

Jackie Callaway
July 2023

Dr Ajai Puri
September 2021

Highlights of the year

- Performing a deep dive into the Internal Control Declaration (ICD) process and learning first hand how a new acquisition coped with adopting the IMI reporting processes during a site visit to Adaptas, USA
- Assessing the financial controls process maps and a gap analysis against the proposed changes to the UK Corporate Governance Code
- While always a highlight, meeting senior financial leaders in the business, including the platform CFOs, the CFO of the Climate Control sector and the tax and treasury leaders to discuss their current successes and challenges

Priorities for the year ahead

- Ensuring a smooth transition as Jackie Callaway takes the role as Audit Committee Chair from September 2024
- Review and challenge the continual development of a more robust and granular framework of internal controls

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, are found in the IMI Corporate Governance Framework on the Company’s website.

The Committee continued to increase its time invested in the business, compared to prior years, increasing the number of meetings from four to five. In addition to our regular cycle of challenge and oversight activity, we have focused this year on finalising the accounting of the acquisitions for CorSolutions and Heatmiser, which were acquired in October and December 2022, respectively and reviewing the financial information, including the restatements, related to the business reorganisation from three divisions to two new operating segments, Automation and Life Technology. Internal control matters are regarded as a high priority and this year we reviewed the work undertaken to strengthen the controls framework and performed a deep dive into the Internal Control Declaration process during a site visit to Adaptas, USA in October. 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 external auditor in their third year to ensure the audit quality and audit effectiveness remain at the highest levels and the external auditors have demonstrated professional scepticism throughout the process. The Committee continues to welcome fresh insight and challenge from the auditors. Finally the Committee reviewed the circumstances and consequences of an immaterial accounting anomaly found in the year principally to seek to ensure the problem does not recur.

Members of the Audit Committee

Dr Ajai Puri, Thomas Thune Andersen and I were members of the Audit Committee throughout the year and Jackie Callaway, a chartered accountant with over 30 years of experience working in finance across multinational manufacturing and supply chain businesses, was appointed a member of the Audit Committee in July 2023. All of the Committee members are regarded by the Board as independent non-executive directors and details of our experience are included on pages 106 to 108. I have chaired the Audit Committee since 1 October 2017 and became a member on 1 September 2015. I will step down from the role of Audit Committee Chair and Jackie Callaway will become the Audit Committee Chair from 1 September 2024.

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. I also currently chair the Audit and Risk Committee at Balanced Commercial Property Trust Limited, I am an independent non-executive Committee member at Baillie Gifford & Co and a member of the University of Edinburgh Business School’s International Advisory Board.

The Board is satisfied that the Committee members have experience at Audit Committee level and collectively the Committee has the financial, commercial and auditing skills, sector competence, experience and objectivity to be an effective Audit Committee. Furthermore, Committee members attend, as appropriate, external training sessions to update our knowledge and in May 2023 Deloitte delivered a training and skills update session tailored for the Committee, with a particular focus on governance and the proposed amendments to the UK Corporate Governance Code.

The Committee invites the following to join appropriate parts of its meetings: the Chief Executive Officer, the Chief Financial Officer, 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 Chief Legal & Risk Officer & Company Secretary. I thank them all for their help in the Committee’s work.

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 five times in 2023. 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 treatment of adjusting items in APMs. The Committee also reviewed the final adjustments for the acquisition accounting for the three acquisitions in 2022 (Bahr Modultechnik, Heatmiser and CorSolutions) for which preliminary numbers were included in the 2022 financial statements.

The Committee continues to seek out with management constructive opportunities for improvement in the effectiveness of internal financial controls. The roll out of an automated system to support balance sheet reconciliations is progressing well and continues to facilitate improvements in both external audit efficiency and internal controls. Improvements were also made to those controls specific to revenue recognition and inventory valuation in the Process Automation sector.

In 2023, the Committee performed a deep dive into the Internal Control Declaration process through a review of its implementation in Adaptas, which was acquired in December 2021. This review helped the Committee to gain additional understanding on the integration of newly acquired businesses to ensure they build financial controls in line with IMI’s standards.

In 2023, the Committee performed a deep dive into the evidence binder which documents the supporting evidence for integrity of the disclosures included within the front half of the Annual Report and concluded that the process was working well. Committee members have tested the evidence for certain disclosures in the 2023 Report.

Audit, risk and internal control

Audit Committee Report continued

The Committee monitors changes in senior finance roles and challenges management to ensure continuity of financial reporting standards following team changes and to challenge on topics such as diversity. In 2023, management achieved successful internal transitions of key senior finance roles and has refreshed the talent pipeline for succession planning.

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 the IMI website was considered 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 viability and going concern, which are on page 100 and 101 respectively. During 2023, this involved regular assessment of the impact of the inflationary environment, international conflicts and continued supply chain uncertainties. 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 committed borrowing facilities in place.

The Committee reviewed management’s approach to preparing the Annual Report 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.

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 172 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 2023.

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 within the Process Automation sector. This is an area of focus on which the external auditor reported to the Committee. Having reviewed management’s process for identifying, and then estimating the stages of these contracts 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.

Inventory valuation
The year-end balance sheet includes inventories of £437.3m after £59.0m 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.

Adjusting items
The Committee considered both the items treated as adjusting and their application in APMs. The Committee reviewed all adjusting items, in particular the treatment of restructuring costs, acquired intangible amortisation and tax-related adjustments.

The Committee challenged management’s judgements around the appropriateness of restructuring costs of £48.1m and provisions of £20.9m disclosed as adjusting items. It reviewed the restructuring costs incurred 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 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 £680.3m and intangible assets arising on acquisitions of £200.0m.

Due to the complexity and volatility involved in calculating the discount rates for the purposes of impairment testing, Evelyn Partners was engaged for a second year to perform the calculations and to report to management on these. The Committee concluded that the process and the calculations were appropriate.

In assessing the judgements in testing for any impairment of goodwill and intangible assets, management has considered the future impacts of climate change which is considered as part of the Group’s five-year strategic plan.

Impairment was also an area of focus for the external auditor who challenged the assumptions used in the model and reported its findings to the Committee. The external auditor 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 final adjustments for the acquisition accounting for the three acquisitions in 2022 for which preliminary numbers were included in the 2022 financial statements and concluded that the fair value accounting for the opening balance sheet was appropriate.

Tax
The Committee judged the adequacy of taxation provisions for uncertain matters and concluded that these were appropriate. Further details on tax matters can be found in Notes 3 and 9 respectively.

Pensions
The Committee reviewed the appropriateness of the accounting treatment for pension scheme liabilities, including the actuarial assumptions used which provide a key source of estimation uncertainty, and the impact of any one-off special pension events. The Committee also received a report with 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 fully bought in during 2022. Further details can be found in Note 14.

Control environment
The Committee reviewed the overall control environment during the year and considered the responsibilities for site, region, sector, platform, and Group teams. The implementation of the automation tool across the organisation to support with balance sheet reconciliations is progressing well, and has facilitated an improved control environment and risk-based approach to controls. During the year, an accounting anomaly was identified at one of IMI’s sites. While not material in financial terms, a thorough investigation was undertaken to identify the cause and the impact on the financial statements and to confirm that it was an isolated incident. Additional reviews have taken place during the year. Management has formalised key control certification requirements by sector finance leads, on a quarterly basis.

The external auditors were notified of the matter and adapted their audit plan to respond to the risks identified. The Committee has welcomed and supported the response.

The Audit Committee has assessed a review of the financial controls process maps and a gap analysis prepared by Group Assurance against the 2023 proposed changes to the UK Corporate Governance Code in October. This process resulted in a project to develop a more robust and granular framework of internal controls, improve the consistency and quality of documentation of internal controls and increase the focus on assurance of non-financial information. Further work will continue in 2024 to document in more detail the controls and the testing of their application.

Following a site visit by Deloitte to the new business support centre in Poland in the Climate Control sector to understand and assess the integration of controls and processes across the business, I, together with David Gwilliam, CFO, Climate Control, visited the site to meet local management and to see first-hand the progress being made with the integration. It was also an excellent opportunity to visit the factory in Olkusz and the Ruda distribution centre.

Roby Buyung, CFO, Automation and Sukhjot Purewal, CFO, Life Technology attended, in July and December respectively, the Audit Committee meeting. Both discussed the control environment and current projects in their operating segments.

Improvements have been made to Internal Control Declaration evaluations during the year including a new section on Environmental, Social and Governance data reporting.

Audit, risk and internal control

Audit Committee Report continued

Group Assurance

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 Chief Financial Officer to the Chief Executive Officer. Group Assurance work is 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, Group Assurance continued to focus their review on the Group’s use of digital tools. This included a review of the following:

- the Group-wide travel and expenses system;
- IT system implementation within the sectors;
- data validation for key inputs into the key performance metric, Total Recordable Incident Frequency Rate; and
- climate-related data disclosed in the Creating a better world section of the Annual Report.

Other review projects undertaken during the year included the impairment of non-acquired intangibles, capitalisation of development costs, inventory excess and obsolete provisions and capital and rationalisation project reviews.

Group Assurance works closely with the platforms to implement monitoring and review processes to complement the internal and external audit coverage. In 2023, Group Assurance assisted in the integration of Bahr Modultechnik and Heatmiser 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 2023, 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 all amendments at 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, 32 internal audit reviews were completed with 31 of these supported by sector finance managers. The majority of the 2023 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 sector 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 grading 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 sectors. The scope of internal audits covers certain operational and commercial risks in addition to financial controls. Experienced financial managers from the sectors work on combined audits covering financial, operational and commercial matters. Group Assurance has trained sector 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 sector. 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 sectors to enhance the effectiveness of assurance processes. Areas for improvement in 2024 which were identified for the Group Assurance team are to review available automation tools to support with the documentation and consistency of controls testing across the organisation and to monitor the recently implemented reviews performed by sector finance leads to ensure internal key controls are well documented and continuously monitored throughout the year. The improvement actions for 2023 were made, with focus on operational and commercial risk reviews.

The Committee has welcomed the way in which staff involved in Group Assurance activities have coped not only with some challenging circumstances in 2023 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 173 to 182 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 very satisfactory. In assessing auditor independence, the Committee had regard to the Financial Reporting Council’s (FRC) best practice guidance for audit committees.

It also considered the FRC’s new Minimum Standards for Audit Committee and, apart for one new action to be considered when the Group retenders the audit in the future years, those standards are being met. 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.

The policy on the engagement of the external auditor for non-audit work, which has been updated during the year, reflects regulatory requirements. It requires approval by the Committee Chair for any non-audit engagement for which the estimated fees exceed £10,000. The Chief Financial Officer 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 (2022: £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 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 2023 Annual General Meeting, the Committee reviewed and approved the proposed audit fee payable to Deloitte.

The Committee formally reviewed the effectiveness of the 2022 external audit process. As in other years, a questionnaire, sent to over 30 site finance directors and interviews with members of the Committee and selected executives were used to assess the quality and the effectiveness of the external audit process. Based on the results of the questionnaire and feedback received, the Committee believes the 2022 external audit process has been good and effective. To enhance further the external audit process, certain improvement actions such as around timing of steps in the finalisation of the Annual Report were identified, and plans were put in place by management and Deloitte to address these during the 2023 audit. Management and Deloitte have 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.

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 2023.

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 evaluation

An external performance review of the Board and each Committee was conducted in 2023. The review process and results can be found on pages 121 and 122 of the Corporate Governance Report. The review found that the Committee operates effectively and is led by an effective Committee Chair. No other comments on the Committee were received. During the internal review of the Committee’s performance in 2022, it was agreed to increase the number of Committee meetings partly to allow consideration for any new regulatory requirements, if required. Positive feedback was received following the addition of an extra Audit Committee meeting in October to coincide with the Board’s visit to Adapta in the USA. The Committee has agreed to review its cycle and terms of reference to meet the requirements of the new Corporate Governance Code issued in 2024.

The Committee approved this report on its work.

Yours faithfully

Isobel Sharp
Chair of the Audit Committee
29 February 2024

Remuneration

Remuneration Committee Report

Caroline Dowling
Chair of the Remuneration Committee



Dear Shareholder

On behalf of the Board, I am pleased to present the Annual Directors' Remuneration Report for the year ended 31 December 2023.

Date of appointment to the Committee:

Caroline Dowling
January 2020

Katie Jackson
July 2018

Dr Ajai Puri
March 2021

Highlights of the year

- Continued to create value for our stakeholders through improved financial performance
- Focused on a review of the Policy ahead of the 2024 AGM and has taken on board remuneration feedback raised by employees during our Board engagement sessions

Priorities for the year ahead

- Oversee the successful implementation of our Remuneration Policy, which will be presented for shareholder approval at the 2024 AGM
- Ensure the Company is fully compliant with the 2024 UK Corporate Governance Code
- Support, review and challenge initiatives to continue to ensure all our employees are paid a living wage, and receive meaningful benefits that align with our inclusive culture

Statement from the Chair of the Remuneration Committee

Context

The Committee carefully considered the remuneration of the executive directors in the context of the pay and conditions of the wider workforce, overall business performance and the economic environment. The Committee are comfortable that the decisions taken were appropriate, and in the best interests of the wider business and its key stakeholders.

The Committee was pleased to see that 95.91% of shareholder votes at the 2023 Annual General Meeting supported the Committee's implementation of the current Remuneration Policy.

Economic environment

Our stretching 2023 annual incentive targets were set with the ambition to achieve significant growth on 2022 results. Whilst 2023 was a year of significant macro-economic disruption, there has been no cause to adjust targets.

Wider workforce pay

We have continued to monitor 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:

- 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 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. By the end of 2023 all IMI employees now receive a wage that is at least in line with the applicable living wage for their geographic location.
- 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 4.8%.

Pay for performance

Our focus in determining incentive outcomes for 2023 was to make sure that payout levels were appropriate in the context of wider company performance and workforce pay. As in previous years, we sought to achieve a strong link between pay and performance in the implementation of our remuneration policy. 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 150.

Key strategic and performance highlights in 2023 include:

- Group revenue of £2,196m increased by 7% and adjusted operating margin increased by 90bps, statutory operating margin was 10bps lower than last year
- Group adjusted profit before tax increased from £346m to £387m, statutory profit before tax increased from £285m to £302m
- Adjusted Basic EPS increased from 105.5p to 116.8p

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

Incentive outcomes

Annual incentives paid to executive directors in respect of performance in 2023 were based on achievement of stretching targets relating to Group adjusted profit before tax and strategic and personal objectives, incorporating sustainability metrics. The Committee determined annual incentive outcomes ranging between 96.2% and 97.6% of maximum for the executive directors, which fairly reflects business, individual performance and is aligned with the wider stakeholder experience.

The 2021 IMI Incentive Plan award was granted on 22 March 2021 and is due to vest on 22 March 2024. In determining the level of vesting under the award the Committee has full discretion to adjust the vesting based on business performance factors, macro-economic conditions, shareholder experience, and potential windfall gains due to share price movements.

Following a review of the above factors the Committee determined that no adjustment shall be made to the formulaic outcome.

The 2021 IIP award was subject to stretching Return on Invested Capital (ROIC), Adjusted Basic Earnings Per Share (EPS) growth and relative Total Shareholder Return (TSR) targets measured over three financial years and will vest at 82.6% in March 2024.

Acquisitions and disposals

The Committee also considered the impact of the disposal of Aero-Dynamiek on incentive outcomes. Aero-Dynamiek

was disposed of on 1 October 2023. Group Profit Before Tax outcomes were adjusted to include the budget operating profit for the remaining months of 2023. This is consistent with the approach taken for other disposals. No adjustment has been made to IIP vesting outcomes.

Remuneration in 2024

Policy review

Ahead of the 2024 AGM, the Committee have conducted a thorough review of Policy and concluded that, other than minor wording changes and strengthening of malus and clawback provisions that apply to the incentive plans, the Policy is fit-for-purpose and no further changes are required.

During this process, the Committee consulted with our 12 largest shareholders comprising a total shareholding of 51%. Proxy Voting Agencies were also included in the consultation process. Responses were received from 5 shareholders, all of which were supportive of the Policy proposals.

The Committee considered the maximum incentive opportunities under the Policy, in particular in the context of the increase in market cap/FTSE ranking. Following this review, the Committee concluded that the quantum is modest against the FTSE 100 but well positioned given that IMI has only recently established itself as a FTSE 100 company. Therefore, no changes have been made to maximum incentive opportunities. No changes have been made to the operation of the incentive plans, which the Committee consider fit for purpose.

Base salary

In line with our Remuneration Policy, the Committee reviews executive director base salaries annually taking into account the wider workforce increase, business performance, external economic factors, changes in the complexity of the business or the role, cost, as well as the incumbent's experience and performance.

Following the review of the above factors, the Committee determined that it is appropriate to award an increase of 4.5% to Roy Twite from £794,200 to £829,900 effective January 2024. This is slightly below the average increase awarded to UK employees of 4.8%. Since his appointment as Chief Executive Officer in May 2019, Roy has received increases in line with or below the average employee rate. The Committee is acutely aware of the

increasing demand for high-performing CEOs for global businesses and wants to ensure that Roy's salary is appropriately positioned in this context.

The Committee has decided to award an increase of 9.0% to Daniel Shook taking his salary from £529,100 to £576,700 effective January 2024 in order to achieve the following:

- Recognise the growing criticality of his contribution to the strategy and performance of IMI.
- Reflect the significant growth of IMI since his appointment and his direct contribution to that growth including the following individual contributions and achievements:
 - Overseeing the financial execution of our strategy to deliver sustainable growth, substantially increasing adjusted profit before tax and generating a +13% CAGR in adjusted EPS between 2019 and 2022, propelling IMI into the FTSE 100.
 - Continuing to lead a committed and high performing finance function, developing a strong succession pipeline, and delivering year-on-year improvements in our internal financial controls scores.
 - Leading the successful integration of recent acquisitions Adaptas, Bahr, CorSolutions and Heatmiser to the IMI Financial Controls Framework.
- Ensure his salary is at the market rate, appropriately positioned for a Company of IMI's size.

Policy implementation

No changes have been proposed to the overall measures or weightings applying to the annual bonus and IIP for 2024.

The annual bonus will continue to be based on Group adjusted profit before tax and strategic and personal objectives, incorporating sustainability metrics.

The IIP award for 2024 will be based on Adjusted EPS growth (30%), relative TSR (30%), ROIC (30%), and total CO₂ intensity (Scope 1 & 2) reduction against the 2019 base figure (10%).

Yours faithfully

Caroline Dowling
Chair of the Remuneration Committee
29 February 2024

Remuneration

Directors’ Remuneration Policy Report

The Remuneration Committee (the Committee) presents the Directors’ Remuneration Policy Report, which will be put to shareholders for a binding vote at the Annual General Meeting (AGM) to be held on 9 May 2024. Subject to shareholder approval, the effective date of this policy will be 9 May 2024.

The Policy was determined following a robust decision-making process taking into account market, best practice and views of IMI’s shareholders and other stakeholders. The Policy was set in the context of the wider pay policies at IMI including those applicable to the wider workforce. If approved by shareholders at the AGM, the Committee will continue to review and implement the Policy in the above context.

The Committee is governed by its terms of reference which are published on the Company’s website. This sets out its role and responsibilities including setting and implementing the Remuneration Policy.

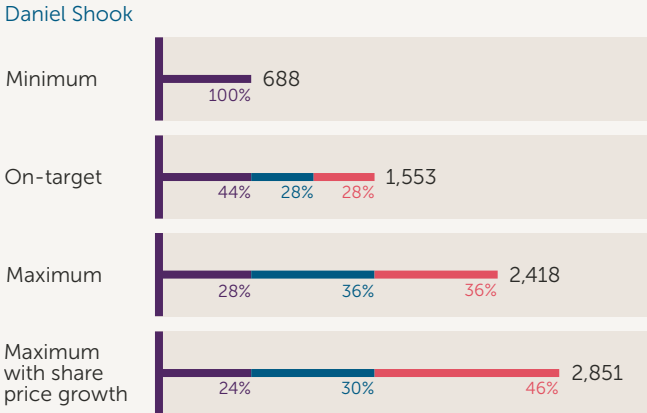
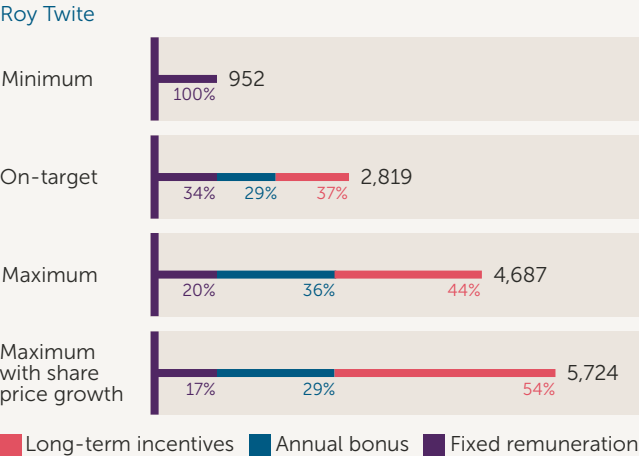
The Committee appoints an independent advisor to provide assistance on remuneration matters. To avoid conflicts of interest, or appearance thereof, no director is involved in setting their own remuneration or determining their own remuneration outcomes.

Illustrations of the application of IMI’s remuneration policy

To illustrate the opportunity available to our executive directors, and the sensitivity of pay to performance, the graphs on this page set out pay outcomes under four performance scenarios:

- minimum, where pay is limited to fixed, non-performance components (based on 2024 salaries, the corresponding pension allowance and other benefits);
- ‘on-target’, where annual bonus and long-term incentives vest at on-target levels;
- maximum, where all variable pay components vest in full; and
- maximum, where all variable pay components vest in full including 50% share price growth

The charts are based on proposed IMI Incentive Plan awards for 2024. The assumptions made under the scenario including 50% share price growth is that all LTI awards increase in value by 50% and no payments are deferred into shares. No dividend assumptions are made and all-employee share plans are excluded from the scenario tables.



	Minimum	On-target	Maximum	Maximum with share price growth		Minimum	On-target	Maximum	Maximum with share price growth
Salary	830	830	830	830	Salary	577	577	577	577
Pension	91	91	91	91	Pension	63	63	63	63
Benefits	31	31	31	31	Benefits	48	48	48	48
Annual Bonus	0%	100%	200%	200%	Annual bonus	0%	75%	150%	150%
IIP	0%	125%	250%	250%	IIP	0%	75%	150%	150%

Percentages in the above tables are percentages of salary.

Changes from current policy

The remuneration policy below is broadly unchanged from the remuneration policy approved at the AGM in 2021. The key changes are:

- Extension of the clawback and malus provisions for future incentive awards, to include corporate failure as a trigger event.
- Minor wording changes to align the report with market practice and to provide the Committee with sufficient flexibility to operate the remuneration policy as needed.

Future policy table – executive directors

Fixed elements of executive remuneration

Component & purpose	Operation	Annual opportunity
Salary Reflects individual performance and personal contribution to delivering strategy. Set in the context of total pay levels.	Normally reviewed annually with changes effective from January. The Committee takes into account a range of factors when determining salary levels, including: the level of increase for the wider workforce, market data for companies of a similar size and complexity, market data for companies in the same sector, business performance, external economic factors, the complexity of the role, the incumbent’s experience and performance.	Salary increases will normally be at or below the level awarded to the wider workforce, however, increases above this level may be awarded in certain circumstances, for example (but not limited to): – where a new executive has been appointed at a lower salary level with stepped larger salary increases made as the executive gains experience – where larger salary increases are deemed necessary to reflect changes in market practice and/or to reflect a material increase in the size, scale or complexity of the business – where there has been a material increase in the scope of the role
Pension Provides for retirement and supports succession planning.	A cash allowance in lieu of pension is paid monthly or a monthly payment will be paid directly into a defined contribution pension arrangement with the Committee’s approval.	Pension levels are linked to average workforce levels (currently 11%).
Benefits Protects the wellbeing of executives and provides fair and reasonable market competitive benefits.	The policy provides a normal range of benefits to executive directors. These include but are not limited to: Non-cash: private healthcare for themselves and their family, health screening, life insurance, and other ancillary benefits including the use of a company driver. Cash and taxable allowances: car and fuel allowance, personal tax advice. Relocation costs: where it is in IMI’s interests to request that executives work in a different country or region then we may pay relocation and provide benefits and allowances in line with IMI’s Global Mobility Policy. Expenses: expenses that are incurred by an executive director in undertaking their role are reimbursed together with any tax arising on such benefits where the Company considers it fair and reasonable to do so. Typically these might include business travel, meals and entertainment, and are provided in the form of an allowance or reimbursement.	The value of benefits vary year-on-year depending on the circumstances of the individual, the cost of providing the benefit and the geography in which the executive is based. There is no maximum benefit level. Should it be appropriate to relocate an executive director or to recruit an executive director from overseas, flexibility is reserved to provide benefits that ensure that the individual and IMI can both achieve the commercial purpose of this relocation.

Remuneration

Directors’ Remuneration Policy Report continued

Variable elements of executive remuneration

Component & purpose	Operation	Annual opportunity	Performance
Annual Incentive Bonus 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.	Based on annual performance relative to set targets.	Up to a maximum of 200% of salary	In 2024, the performance measures will be Group adjusted profit before tax (80%), and strategic and personal objectives (20%), with a health and safety and ESG underpin.
	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.	Percentage of award payable (straight-line between points):	
		Threshold 0-20%* Target 50% Maximum 100%	The Committee has the discretion to determine the appropriate measures, targets, and ranges annually. Normally these will be a combination of measures linked to the financial and operational performance of IMI and non-financial personal objectives.
	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.	* Determined at the discretion of the Remuneration Committee at the outset of each award.	
IMI Incentive Plan (IIP) 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.	Normal award: Up to 250% of salary	In 2024 the performance measures ¹ will be Adjusted EPS growth (30%), relative TSR (30%), ROIC (30%), and total CO ₂ intensity (Scope 1 & 2) reduction against the 2019 base figure (10%).
	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.	Maximum or Exceptional award: 400% of salary (to be used in exceptional circumstances only e.g. upon recruitment ²)	Performance under these metrics will be measured over 3 years.
		If an award above the normal maximum is made, full details will be provided in the following year’s Annual Directors’ Remuneration Report.	The Committee has discretion to determine appropriate measures, targets and ranges in respect of each award.
	Recovery provisions are included in the plan rules allowing for malus and clawback.	Percentage of award payable (straight-line between points): Threshold 25% Maximum 100%	

1 These are the same performance measures as 2023.
2 Refer to page 142 for further details.

Other executive director remuneration policies

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 Officer, and 200% of salary for the Chief Financial Officer (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.

Post-employment shareholding guidelines

Post-employment shareholding requirements 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.

Additional notes to the future policy table

Setting and assessing performance measures and targets

The Committee reviews and selects performance measures, targets and ranges annually, which take account of the economic conditions and the priorities of IMI at the time. Details of the performance measures are included in the Annual Report each year. At the time of selecting performance measures, the Committee determines the performance targets that will apply in respect of each measure. Factors that the Committee may consider include the strategic plan, the annual budget, analysts’ forecasts, economic conditions, environmental considerations, social considerations, governance matters, individuals’ areas of responsibilities and the Committee’s expectations over the relevant period. The Committee retains overall discretion to override the formulaic outcomes of the annual bonus and IIP in circumstances in which it deems appropriate e.g. if the outcome of a measure is not reflective of underlying performance.

Principles for the impact of corporate transactions

The Committee has established principles that determine the way in which corporate transactions will impact remuneration. It is clear that any corporate transaction, which is in the best interests of IMI and its shareholders, should not have an adverse impact on remuneration. The principles include the need for management to be treated in a manner consistent with shareholders in respect to the rights to equity, that performance should be measured on a like-for-like basis, and that there should be no compensation for adverse or favourable tax consequences.

Recovery provisions

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;
- corporate failure; and/or
- the Remuneration Committee has made decisions using erroneous or misleading data.

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.

All-employee share plans

IMI operates a HMRC approved Savings Related Share Option Scheme which is open to all of the Group’s UK employees, including the UK-based executive directors. The scheme seeks to encourage share ownership amongst the broader employee population in a tax efficient manner and operates subject to statutory requirements including a limit on the level of savings that can be used to acquire shares. The Group also has an all-employee share ownership plan, which executive directors can participate in on the same terms as other employees.

Remuneration

Directors’ Remuneration Policy Report continued

Differences in the remuneration policy for executives relative to the broader employee population

The remuneration framework in place for the executive directors is informed by the remuneration structure that applies to the broader employee population. While absolute levels and the provision of certain components, benefits and allowances vary by geography and level, the overarching themes are consistent:

- we aim to offer competitive remuneration at all levels of the organisation to attract and retain highly qualified employees;
- salaries are reviewed annually with any increases made on a discretionary basis and informed by factors such as those set out in the policy table;
- employee pay is regularly reviewed against Living Wage indices to ensure all employees receive a wage that is at least in line with the applicable living wage in their geographical location;
- consistent with executive directors, the leadership group participates in annual bonus plans with measures linked to corporate, sector and/or local performance depending on seniority;
- a wider senior leadership population can be considered for awards under the IIP. IMI’s share plans are intended to encourage share ownership at all levels of the Group. The all-employee plans described above are offered on consistent terms to all employees in the geographies where the plans operate; and
- eligibility for and provision of benefits and allowances varies by level and local market practice. For senior managers, it is standard to receive a company car allowance. The Chief Executive Officer and Chief Financial Officer are already aligned with the pension provision provided to the wider workforce.

Appointments to the Board

Base salary will be set taking into account factors including market levels, experience, internal relativities and cost. The Committee may determine that an initial positioning below market is appropriate and in those circumstances, realign base salary in the years following appointment, which may result in an exceptional rate of increase in the short-term. Any reliance on this principle will generally be noted at the time of appointment. The theoretical maximum variable pay opportunity that can be awarded in one year will be up to 200% in annual bonus and up to 400% in an IIP award, this maximum does not include the value of any ‘buy-out’ awards.

As part of the appointments policy the Committee may also:

- continue with the provision of existing legacy remuneration components relating to pension, benefits and allowances for internal appointments;
- provide benefits, allowances and/or payments related to relocation; and/or
- make a long-term incentive award on appointment, outside of the annual cycle, under the existing shareholder approved share plan to provide an immediate interest in company performance. The Committee will determine the level of any award, performance conditions and time horizon informed by the business circumstances at the time. The maximum total value of long-term incentive awards in any given year is 400% of salary and will only be used in exceptional circumstances.

In addition, the Committee may consider ‘buying–out’ incentive awards, up to an approximate equivalent value to award the individual forfeits in accepting the appointment. To achieve this, the Committee will use the shareholder approved plan wherever possible.

When making their decision, the Committee will be informed by the vehicles, time horizons, value and performance targets associated with any forfeited awards.

Service contracts will be rolling contracts entered into on the following terms:

- notice period: 12 months’ notice by either party
- payment in lieu of notice: as determined by the Committee, but restricted to salary, benefits and pension.

Termination and loss of office

The primary principle underpinning the determination of any payments on loss of office is that payments for failure will not be made. Service contracts and plan rules have been drafted in such a way that the Committee has the necessary powers to ensure this. On departure, the Committee will take into account factors including the reason for the executive leaving, performance during the time served in the year and contractual obligations when approving any payments. When an executive is terminated for cause there is no entitlement to salary, pension, benefits or an annual bonus and unvested share awards lapse.

The following table provides a summary of the treatment of each component of pay applicable for the current executive directors. It should be noted that the Committee applies judgement in determining whether an individual is classed as a good leaver or otherwise under the share plans and is authorised to reach compromise agreements with departing executives. Agreed departure can include death, ill health, redundancy or retirement.

Payment	Agreed departure	Differences in a change in control situation
Salary, pension and benefits	The Committee may make payment in lieu of notice.	None.
Annual bonus	Individuals can be considered for a bonus; factors such as time served during the performance period and performance can be taken into account. Deferred bonuses vest.	Performance to the date of the event taking place will be considered in determining whether any bonus should be payable, subject to the overall maximum applicable to the relevant individual. In certain situations (as defined in the plan rules) rollover awards of a broadly equivalent nature can be offered for deferred bonus awards.
IIP performance share awards	Performance measured at the end of the performance period, or at the date of cessation of employment. Pro-rating for time elapsed at cessation of employment will be considered by the Committee. Vested awards which are subject to a holding period will not normally be forfeited on a termination and the holding period will continue to apply to such awards (although the Committee may release awards early from the holding period in appropriate cases). If the reason for termination is misconduct, vested awards which are subject to a holding period may be forfeited in whole or in part under the relevant provisions.	Similar to agreed departure with the following differences: A reduction in the exercise period for vested but unexercised awards. Performance and time elapsed will be taken into account, but the Committee may enable awards to vest in full. In certain situations (as defined in the plan rules) rollover awards of a broadly equivalent nature can be offered.
Other	The Committee may approve other limited payments which may include legal fees connected to the departure, untaken holiday, out-placement and repatriation.	Similar to agreed departure.

Remuneration

Directors’ Remuneration Policy Report continued

Considerations taken into account when setting our directors’ remuneration

Employment conditions at IMI

- When setting the remuneration policy and when determining its implementation for executive directors the Committee takes into account a number of factors including the broader employment conditions within IMI. More specifically:
- the Committee reviews budgeted salary increases across the Group when assessing the appropriateness of any increases for the executive directors;
 - in making decisions the Committee also takes account of the internal relativities against the reference group and within the wider leadership group and the wider workforce; and
 - the Committee and the Board receive information from employees on a variety of matters including remuneration. This information is considered during the decision making process, however the Committee did not formally consult with employees regarding this remuneration policy.

Details of these comparison metrics will be included every year in the Annual Remuneration Report.

Shareholder views

A formal shareholder consultation process was undertaken in the autumn of 2023 to gather investor feedback on the proposed remuneration policy as set out herein. Shareholders were generally supportive of the proposals and their feedback has been taken into account during the development of the new remuneration policy set out here.

Chair and non-executive directors

Letters of appointment

The letters of appointment set out key duties, including appropriate time commitments, provisions for induction and familiarisation with the businesses and wider senior management team and require approval for other directorships and potential conflicts of interest.

There are no provisions for the Company to give notice, but non-executives are required to give one months notice to the Company. Directors are required to seek re-election by shareholders at each AGM.

The letters of appointment are available for inspection at the Annual General Meeting and the Company’s registered office. The date of the non-executives current letters of appointment are included in the Corporate Governance report on page 115.

Appointments to the board

Any contractual terms will be consistent with those currently adopted for existing non-executive directors updated as necessary for legal reasons and to reflect best practice. The Chair and non-executive directors are not eligible to receive any variable pay. On appointment, fees for non-executive directors will be consistent with the policy in place at the time of appointment. If necessary, to secure the appointment of a new Chair who is not based in the UK, payments relating to relocation and/or housing may be provided.

Chair and non-executive directors

The table over the page summarises the policy with respect to the remuneration of the Chair and non-executive directors. No component of remuneration is linked to performance, there are no provisions for the recovery of sums paid or the withholding of any payments and there are no provisions for the Company to pay compensation on early termination.

Future policy table – Chair and non-executive directors

Component	Purpose	Operation	Annual opportunity
Base fees	To attract and retain high-calibre individuals by offering market-competitive fees, commensurate to the time commitment and experience that is required.	Fees are reviewed annually and can be paid in cash and/or shares. Benchmarked against companies of a similar size and complexity. When setting fees, factors considered include the level of increase for employees more generally, market data, business performance, external economic factors, the skills required, time requirements and cost. In respect of the Chair, IMI also considers the individual’s profile and experience.	As of 31 December 2023, the Chair’s fee was £367,800 paid in cash. Fees can be paid in a combination of cash and/or IMI shares. At 31 December 2023 base fees for the non-executive directors were £73,675 paid in cash. The fees were reviewed at the end of 2023 and increased by 4.5% with effect 1 January 2024.
Additional fees	To reflect the additional time required when an individual chairs a committee, is appointed as senior independent director, or is otherwise required to assume additional duties.	Fees are reviewed annually and can be paid in cash and/or shares. The Chair is not eligible to receive additional fees for being Chair of the Nominations Committee. Fees are benchmarked where appropriate and set in a manner consistent with base fees (see above).	Fee levels in place at 1 January 2024: Audit and Remuneration Committee chairs: £19,250 Senior independent director: £12,800 Employee engagement and ESG non-executive director: £11,750
Benefits	To reimburse reasonable business expenses.	Reimbursement in cash on production of receipts or other proof of payment of business expense.	All reasonable travel and other expenses incurred by the Chair and non-executive directors in carrying out their duties together with any tax arising on such benefits, are reimbursed where the Company considers it fair and reasonable to do so. Typically these might include business travel, meals and entertainment, and are provided in the form of an allowance or reimbursement.

Remuneration

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 9 May 2024. 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.

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 Chief People Officer, 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 2023) 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 (WTW), is formally appointed by the Committee and provided advice on executive remuneration to the Committee in 2023. 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 WTW.

The fees charged by WTW in respect of advice and services to the Committee totalled £85,500 in 2023.

WTW are signatories to the Remuneration Consultants' Code of Conduct in the UK.

A summary of the Committee's activities during 2023

The Committee held three formal meetings during the year; attendance can be viewed in the table on page 115. 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 the 2023 share awards to members of the Executive Committee
- Approval of achievements and outcomes under the incentive plans
- Review and approval of a fee increase for the Chair
- Review and approval of base salary increases for the executive directors
- Review and approval of the proposed remuneration policy for 2024
- Review of IMI's gender and ethnicity pay gap data for 2023
- 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 and terms of reference

Annual General Meeting voting outcomes

The following table summarises the details of votes cast for and against the 2022 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 (2023 AGM)	95.91%	4.09%	1,089,315
Directors' Remuneration Policy (2021 AGM)	93.40%	6.60%	2,365,464

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 148	Page 148	Page 149	Pages 151 to 156	Pages 156 to 157	Page 159				
Roy Twite	2023	794	87	31	1,550	1,891	4	4,357	912	3,445
	2022	760	84	32	757	2,333	4	3,970	876	3,094
Daniel Shook	2023	529	58	48	763	721	4	2,123	635	1,488
	2022	506	71	52	372	890	4	1,895	629	1,266

1 Daniel Shook's pension allowance reduced 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.

Remuneration

Annual Directors’ Remuneration Report continued

These figures have been calculated as follows:

Base salary and fees:	the actual salary receivable for the year.
Pension:	the cash allowance paid in lieu of pension.
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.
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.
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 below).
Share price assumptions:	for shares vesting in 2024, that related to performance in the three years to 31 December 2023, the average share price over the final three months of 2023 (1,560.44 pence) is used to estimate the value of shares on vesting. The value attributed to share price appreciation in respect of the 2021 award (based on the three month average share price at 31 December 2023) was £301,402 for Roy Twite and £114,939 for Daniel Shook. This equates to 16% of the total award vested for both executive directors. For the 2022 financial year the IIP figure for the executive directors was estimated based on the share price (1,305.38 pence) over the final 3 months of the financial year. The figure has been restated based on the actual share price on vesting of 1,469.00 pence. The difference between the estimated figures and the actual figures are £260,000 for Roy Twite and £99,000 for Daniel Shook. The adjusted percentage attributed to share price appreciation equates to 45%.
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).
Total fixed pay:	Sum of fixed pay columns.
Total variable pay:	Sum of annual incentive bonus, IMI Incentive Plan (IIP), all-employee share plans, and dividend equivalent payments (if applicable).

Executive remuneration received in respect of 2023

Base salary

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 Officer and Chief Financial Officer received a 4.5% base salary increase which was 1.6% lower than the average increase awarded to the wider workforce. Effective 1 January 2023, the base salary for the Chief Executive Officer was £794,200 and the base salary for the Chief Financial Officer was £529,100.

Pension

Effective from the date of his appointment as Chief Executive Officer, 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, Chief Financial Officer received a cash allowance of 14% of salary on 1 January 2022. 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.

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

Director	Accrued pension in the Fund as at 31 December 2023 £000pa	Accrued pension in the Fund as at 31 December 2022 £000pa
Roy Twite	87	83

Benefits

During the year the executive directors received several benefits, which are summarised below.

	Roy Twite		Daniel Shook	
	2023	2022	2023	2022
Non-cash benefits (£000)	11	12	34	38
Company car and fuel allowance (£000)	20	20	14	14
Allowances and reimbursement (£000)	–	–	–	–
Total	31	32	48	52

In addition to the above benefits and allowances that are included in the single figure table (refer to table on page 147), 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.

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	Remuneration Committee meetings
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 following table.

Remuneration

Annual Directors' Remuneration Report continued

IMI Incentive Plans

Our Remuneration Policy is aimed at enabling our business model and is aligned to our values and the delivery of the strategy.

The table below sets out our 2023 values and 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 CO₂ intensity by 2030 (based on 2019 Scope 1 & 2 emissions) – Each director has a specific CO₂ intensity target included as a personal objective for the annual bonus plan – CO₂ 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 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 2023 that were fully aligned to the business strategy and the annual budget as approved by the Board in December 2022. The 2023 annual incentive bonus focused on just one financial metric and non-financial strategic and personal objectives metric:

- 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 2024, see page 165 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, 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 £2,196m increased by 7% and adjusted operating margin increased by 90bps, statutory operating margin was 10bps lower than last year
- Group adjusted profit before tax increased from £346m to £387m, statutory profit before tax increased from £285m to £302m
- Adjusted Basic EPS increased from 105.5p to 116.8p

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

Remuneration

Annual Directors’ Remuneration Report continued

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 2023 annual incentive bonus outcomes represent a fair reward for performance delivered. This includes reviewing wider employee remuneration as part of the decision making process and actively engaging with employees to obtain feedback on remuneration policies as described on page 119.

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.

Under the current policy, 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 2023 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%	£329.8m	£366.4m	£384.7m	£394.9m	100%	80%
	Strategic and personal objectives	20%	See table on pages 153 to 155					
		100%						

1 Adjusted Group profit before tax, as set out in the Consolidated Income Statement on page 183, 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.

A summary of the strategic and personal objectives set for 2023 and the performance against them is provided in the table below.

Director	2023 Strategic and personal objectives	Commentary	Weighting (% of maximum)	Performance achieved (% of maximum)
Roy Twite	Strategic growth: Focus the entire management team on creating sustainable better world profitable growth. Work with the Platform CEOs to ensure we have the best leadership and winning strategies in each sector of the organisation. Actively engage and support the Growth Hub initiatives to deliver substantial order book growth in 2023.	– The IMI strategy continues to be deployed successfully. Adjusted profit before tax increased by 12% which is ahead of market expectations. – Revenues have increased by 7% in very mixed markets. – Earnings per share growth was 11% resulting in IMI re-entering the FTSE 100 in 2023. – Growth Hub orders have substantially increased to £89m in 2023 compared to £52m in 2022. In particular, Retrofit3D and EroSolve both reached £20m bookings, and connected products now account for c. 25% of Climate Control sales. – Complexity-reducing rationalisation projects as communicated to the Board and City have delivered £20m benefits.	20%	88%
	Strengthen organisation: Continue to accelerate the IMI Executive Committee’s performance. Build succession to the Executive and drive succession depth across the organisation.	– The IMI Executive Committee is functioning well and leading IMI’s success. – Internal succession plans are in place, with strong candidates for the Executive Committee members. – Detailed talent reviews have been carried out to support the development of career pathways for high potential employees and improve mobility across IMI.		
	Deliver projects: Focus the entire management team on profitable growth, ensuring each part of the organisation is designed most appropriately to achieve this. Optimise each sector’s performance to deliver the strategic plan.	– The new IMI operating structure was successfully deployed in 2023, providing IMI with greater opportunities to harness innovation, leverage talent and utilise sales synergies to deliver greater revenues and cost savings. – All recent acquisitions are now fully integrated into the organisation. PBM which was acquired in 2019 is achieving its business case. Heatmiser acquired in 2022 delivered results in line with the business case.		
	Ensure the completed acquisitions have robust integration planning and resourcing to achieve the acquisition business cases.			

Remuneration

Annual Directors' Remuneration Report continued

Director	2023 Strategic and personal objectives	Commentary	Weighting (% of maximum)	Performance achieved (% of maximum)
	Environment: Focus on elevating the visibility of IMI's progress and developing our tangible metrics and targets, particularly regarding Scope 3 emissions reductions. Reduce IMI's Group water intensity by 0.5% in 2023.	- IMI's carbon intensity (Scope 1 & 2) improved to 1.98 CO₂e in 2023 and we remain ahead of our target of halving our total CO₂ intensity by 2030. - IMI electricity consumption has reduced by 7% and resulted in a corresponding reduction in absolute Scope 2 emissions of 657 tonnes. Water intensity has reduced to 9.6m³ per 1,000 hours worked compared to a target of 9.95m³ for 2023.		
	Continue to monitor and review that Health & Safety, quality and risk improvement plans are robust across the organisation.	- Non-recycled hazardous waste reduced from 392t in 2022 to 321t in 2023, a reduction of 18%. - We submitted our near-term and net zero targets to the SBTi for validation in relation to Scope 1, 2 and 3 emissions. - A huge focus was put into Health and Safety which remains our number one priority. Over 34,000 hazards were detected globally by our workforce, up 14% on 2022, with 92% fixed within 30 days. Despite this our TRIFR increased slightly to 0.44 but remains within the top quartile for our industry.		
	Social: Further improve employee communication and engagement, measured by our One Big Voice employee engagement scores and stakeholder engagement reports.	- Enhancements to our Employee Value Proposition have been made in 2023 including ensuring all IMI global employees are paid a living wage. - The IMI employee engagement score was 77% in 2023 with almost all measures scoring above benchmarks. - Employee engagement with our wellbeing programmes has increased and the focus on communicating our employee support programmes including the Employee Assistance Programme has led to an increase in employees using the programme.		
	Drive a culture of wellbeing, ensuring employees fully understand and embrace IMI's wellbeing strategy and how it aligns with IMI's core values.	Compared to external benchmarks, our One Big Voice survey results indicate IMI employees experience a greater sense of belonging, fairness and respect for individual differences.		
	Governance: Ensure that Quality and Risk improvement plans are robust and delivered across the organisation. Effectively communicate progress against our strategic plan to shareholders.	- Detailed risk reviews were held with both platforms and actions arising were successfully executed to mitigate the risks the emerged in 2023, for example with supply chains, market uncertainty and customer de-stocking. - We carried out a detailed assessment of our climate-related opportunities and risks and their potential financial impact (see pages 61 to 81 for more information). - Shareholder engagement remained high, with 82 investor meetings attended during the year.		

Director	2023 Strategic and personal objectives	Commentary	Weighting (% of maximum)	Performance achieved (% of maximum)
Daniel Shook	Strengthen organisation: Focus the entire management team on creating sustainable better world profitable growth.	- IMI continues to have a strong and committed finance team with clear succession plans in place. - Growth Hub orders have substantially increased to £89m in 2023 compared to £52m in 2022. - The financial controls integrations of all new acquisitions have been successfully completed with the controls environment in good shape.	20%	81%
	Support and continue to develop the Finance leadership team, ensuring all new senior finance hires land well and are successful.			
	Actively engage and support Growth Hub initiatives to deliver £75m in Growth Hub orders in 2023.			
	Ensure all acquisitions transition into the IMI Finance control environment successfully.			
	Deliver projects: Successfully deliver key strategic projects.	- The transition of the finance, IT and controls process to the new platform operating structure is now largely complete with no business disruption. The finance team remains engaged and motivated. - Significant progress has been made to develop new monthly reporting structures, leverage our developing expertise and share best practice to develop and build our data intelligence capability. - Our IT infrastructure has been developed to leave us well placed to utilise Artificial Intelligence advancements to support business growth.		
	Support our platforms to build the data intelligence to identify and scale their best opportunities.			
	Environment: Advance our ESG reporting activity and drive continued efficiencies in CO ₂ intensity reduction and water usage reductions. Ensure reporting is delivered to a high standard.	- Established a robust ESG reporting process, exceeding our annual targets for CO₂ intensity and water usage reductions. - Consistent efforts were undertaken through the year to raise awareness of our safety culture and drive the right behaviours to maintain our industry leading Health and Safety position, with a focus on driving improvements at our key sites.		
	Support the platforms to continue to focus on IMI's ambition for Health & Safety excellence and an accident free workplace.			
	Social: Drive a culture of wellbeing, particularly in the finance function. Ensure that employees fully understand and embrace IMI's wellbeing strategy and how it aligns with IMI's core values.	- Employee engagement remains high based on our One Big Voice survey responses, with overall engagement scores at similar levels to 2022. - We have established a strong talent pipeline of diverse candidates within the Finance function including emerging leaders developing for future finance leadership team opportunities. Strong support programmes are in place for all high potential female employees including mentoring relationships and clear career pathways.		
	Drive a proactive diversity and inclusion culture at IMI.			
	Governance: Deliver consistently high internal finance controls scores and maintain a robust controls framework.	Overall high internal controls scores have been maintained. Where issues were identified, action plans have been carried out successfully to deliver improvements.		

Remuneration

Annual Directors’ Remuneration Report continued

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 (%)	2023 maximum bonus achieved (% of maximum)
Roy Twite	80%	17.6%	97.6%
Daniel Shook	80%	16.2%	96.2%

Based on the performance described above, the annual incentive bonus outcomes for 2023 are set out below:

Director	2023 maximum bonus opportunity (% of salary)	2023 maximum bonus achieved (% of maximum)	Total bonus awarded (£000)	Total bonus awarded (% of salary)	Achievement of share ownership guidelines at 31 Dec 2023 ¹	Bonus delivered in form of cash (£000)	Bonus delivered in form of share awards (£000) ¹
Roy Twite	200%	97.6%	1,550	195.2%	274%	1,550	–
Daniel Shook	150%	96.2%	763	144.3%	228%	763	–

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 158.

Awards vesting under the IIP

In March 2021, 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 2023. The 2021 IIP award will vest in March 2024 at 82.6% 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	139,288	1,827	115,051	6,106	121,157	1,891
Daniel Shook	53,119	697	43,876	2,327	46,203	721

1 The three-day average mid-market price on the date of award was 1,311.67 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 2023 (1,560.44 pence)

Return on invested capital (ROIC)

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 2023. 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.

For ROIC of less than 11.5% no award under this element would vest. 25% of the award would vest for ROIC of 11.5%, rising on a straight-line basis to full vesting for ROIC of 13.5%. At the end of the performance period return on invested capital was 13.1%. The resultant vesting outcome for this element of the award is 27.8%.

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.

For a TSR rank that is below median, no award under this element would vest. 25% of the award would 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 7th of the peer group. The resultant vesting outcome for this element of the award is 21.5%. Note that Circor was removed from the TSR comparator group following it’s acquisition by KKR in October 2023.

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 would vest. 25% of the award would vest for growth of 3% per annum rising on a straight-line basis to full vesting for growth of 7.5% per annum.

Over the three-year performance period ended 31 December 2023, IMI delivered EPS growth of 13.0%. The resultant vesting outcome for this element of the award is 33.3%.

Deferred bonus share awards

In March 2021, deferred bonus share awards were also made under the IIP which vest in March 2024. 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. No performance conditions apply to these shares.

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.

Under the current policy, 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;
- The Remuneration Committee has made decisions using erroneous or misleading data; and/or
- In such other circumstances as the Committee sees fit.

The Committee has considered the position and determined that for 2023 it is not appropriate for any reason to exercise the discretion to override the formulaic outcome of the 2021 IIP awards or recover amounts previously awarded.

Remuneration

Annual Directors’ Remuneration Report continued

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 2023) as outlined above, their entire 2023 bonus will be delivered in cash.

Post-employment shareholding guidelines

Our current policy 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 2023 (audited)

Grants made under the IIP

Performance share award grants under the IIP were made on 24 March 2023 in the form of nil-cost options. Awards are due to vest on 24 March 2026, subject to the performance metrics described in the 2022 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 2023 IIP awards are as follows:

	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%	

The following performance share award grants were approved and made in 2023:

	IIP shares awarded	Value on date of award ¹ (£000)	Award as a percentage of salary
Roy Twite	132,691	1,985	250%
Daniel Shook	53,039	794	150%

1 The three day average mid-market price on the date of award was 1,496.33 pence.

The IIP is also used to grant deferred bonus awards exercisable after three years to satisfy bonuses delivered in the form of shares. No deferred bonus share awards were granted in 2023.

For share awards granted in 2023 the TSR group included 17 companies to ensure alignment with our peers and comparison to companies with similar products, customers and global spread. The 2023 peer group includes the following companies and these have been adjusted to take into account merger and acquisition activity during the performance period in line with the Committee’s guidelines:

TSR comparator group companies		
Belimo	ITT	Smiths Group
Curtiss-Wright	Morgan Advanced Materials	Spectris
Eaton	Parker-Hannifin	Spirax Sarco
Emerson Electric	Rockwell Automation	SPX
Flowserve	Rotork	The Weir Group
Ingersoll-Rand US Inc	SMC	

Circor has been removed from the TSR comparator group following its acquisition by KKR in October 2023.

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.

Director		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 (£000)		
Roy Twite	2023	243	4	–	–	–	4
	2022	279	4	–	–	–	4
Daniel Shook	2023	243	4	–	–	–	4
	2022	279	4	–	–	–	4

1 In 2023 free shares were awarded at a share price of 1,476.00 pence (1,290.00 pence in 2022).

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 2023 and 31 December 2022.

Director	2023 (£000)				2022 (£000)			
	Base fees	Additional fees	Taxable benefits ¹	Total	Base fees	Additional fees	Taxable benefits ¹	Total
Lord Smith of Kelvin ⁶	368	–	10	378	380	–	7	387
Isobel Sharp ²	74	18	6	98	71	17	5	93
Thomas Thune Andersen ³	74	23	21	118	71	22	10	103
Katie Jackson	74	–	5	79	71	–	5	76
Caroline Dowling ⁴	74	18	14	106	71	17	6	94
Dr Ajai Puri	74	–	8	82	71	–	5	76
Jackie Callaway ⁵	37	–	5	42	–	–	–	–

1 Taxable benefits includes travel and hotel expenses plus tax costs associated with Board meetings held at IMI HQ.
2 Includes fee for Audit Committee Chair.
3 Includes fee for Senior Independent Director and non-executive director with responsibility for employee engagement and for ESG matters.
4 Includes fee for Remuneration Committee Chair.
5 Jackie Calloway was appointed to the Board on 1 July 2023. 2023 fees represent pro-rated amount.
6 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.

Remuneration

Annual Directors’ Remuneration Report continued

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 2023 or at the date of leaving the Board.

During the period 31 December 2023 to 29 February 2024 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 9 January 2024 of 9 shares on behalf of Roy Twite and 7 shares on behalf of Daniel Shook at 1,589.34 pence per share, and 13 February 2024 of 9 shares on behalf of Roy Twite and 8 shares on behalf of Daniel Shook at 1,710.56 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	777,318	337,196	430,188	–	–	–	9,934
Daniel Shook	330,121	157,386	169,254	–	–	–	3,481
Lord Smith of Kelvin	14,300	14,300	–	–	–	–	–
Isobel Sharp	3,000	3,000	–	–	–	–	–
Thomas Thune Andersen	3,025	3,025	–	–	–	–	–
Katie Jackson	2,846	2,846	–	–	–	–	–
Caroline Dowling	3,014	3,014	–	–	–	–	–
Dr Ajai Puri	3,000	3,000	–	–	–	–	–
Jackie Callaway	3,097	3,097	–	–	–	–	–

1 Vesting dates of share awards are shown in Note 6, page 205.

Relative importance of spend on pay

The following information is intended to provide additional context regarding the total remuneration for executive directors.

	2023 (€m)	2022 (€m)	Change
Dividends	68.8	62.2	11%
Total employment costs for Group (see Note 5 on page 204)	633.0	602.6	5%

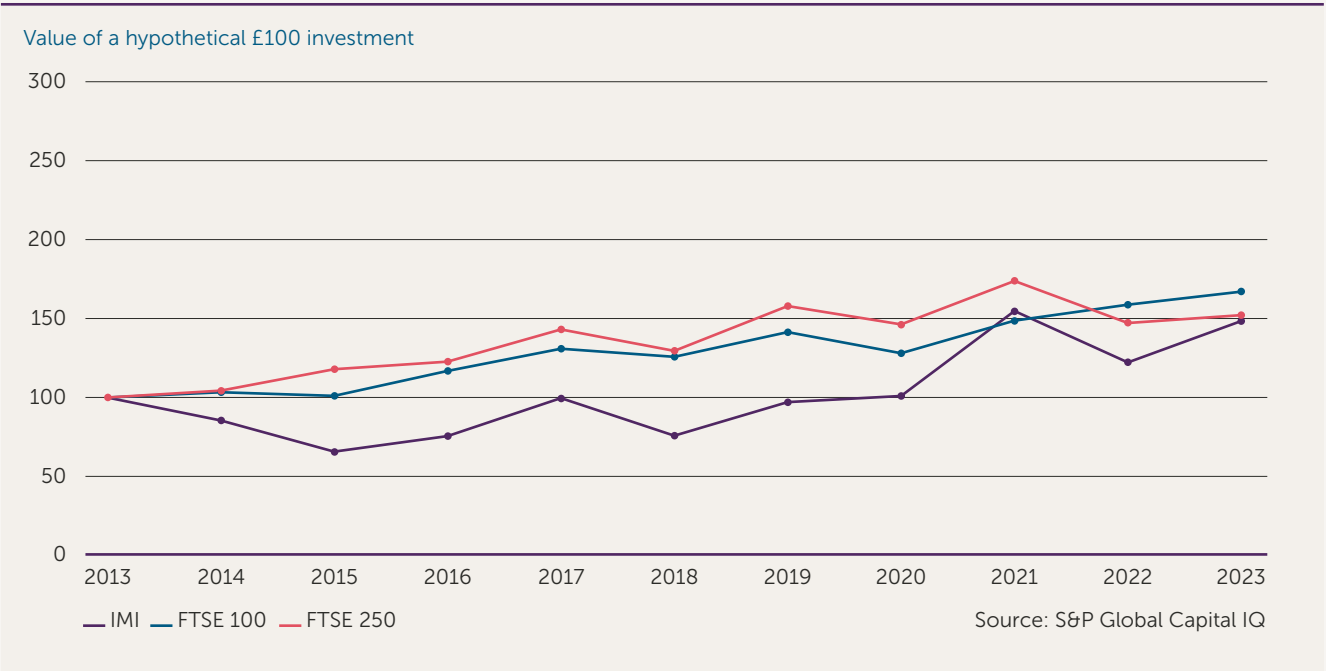
Historical performance and remuneration

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 is currently a constituent of the index. The FTSE250 is shown as IMI was previously a constituent of the index.

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 below 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 Officer over the last ten years, and the outcomes of short and long-term incentive plans as a percentage of maximum.

Financial year ended	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ²	2020 ²	2021 ²	2022 ²	2023 ²
31 December										
Total remuneration (single figure, £000)	1,567	1,667	1,901	2,773	3,047	1,707	2,455	3,978	3,970 ³	4,357
Annual variable pay (% of maximum)	36%	40%	50%	95%	75%	43%	73%	98%	50%	98%
Long-term variable pay (% of maximum) – Performance Share Plan	–	–	3.5%	–	–	–	–	–	–	–
Long-term variable pay (% of maximum) – IMI Incentive Plan	–	–	–	6.6%	29.2%	47.1%	58.8%	75.3%	66.8%	82.6%

1 Represents remuneration for Mark Selway, who was appointed Chief Executive Officer on 1 January 2014.

2 Represents remuneration for Roy Twite, who was appointed Chief Executive Officer on 9 May 2019.

3 Figure recalculated, see page 148.

Remuneration

Annual Directors’ Remuneration Report continued

Annual percentage change in remuneration of directors and employees

The Committee actively considers any increases in base pay for the Chief Executive Officer 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

		Executive Directors	Chair	Non-executive Directors							Average Pay of UK HQ employees ⁷
		Roy Twite	Daniel Shook	Lord Smith of Kelvin ¹	Isobel Sharp	Thomas Thune Andersen ²	Katie Jackson	Caroline Dowling ³	Dr Ajai Puri ⁴	Jackie Callaway ⁵	
2020	Annual Salary/Fees	7.5%	-3.1%	-3.1%	-3.7%	1.5%	-4.5%	–	–	–	3.8%
	Benefits ⁶	-23.3%	-14.6%	-85.7%	-50.0%	-87.5%	-75.0%	–	–	–	0.1%
	Annual Bonus	103.7%	101.6%	–	–	–	–	–	–	–	92.0%
2021	Annual Salary/Fees	6.9%	6.9%	-1.9%	7.6%	22.4%	7.9%	17.5%	–	–	4.4%
	Benefits ⁶	8.7%	34.3%	200.0%	100.0%	400.0%	100.0%	–	–	–	3.6%
	Annual Bonus	35.8%	36.2%	–	–	–	–	–	–	–	68.8%
2022	Annual Salary/Fees	4.0%	9.0%	22.2%	4.0%	13.5%	4.0%	20.0%	24.8%	–	8.3%
	Benefits ⁶	28.0%	10.6%	133.3%	150.0%	100.0%	150.0%	100.0%	-16.7%	–	3.9%
	Annual Bonus	-47.0%	-45.4%	–	–	–	–	–	–	–	-44.0%
2023	Annual Salary/Fees	4.5%	4.5%	-3.2%	4.5%	4.5%	4.5%	4.5%	4.5%	–	6.2%
	Benefits ⁶	-3.1%	-7.7%	42.9%	20.0%	110.0%	–	133.3%	60.0%	–	1.5%
	Annual Bonus	104.8%	105.1%	–	–	–	–	–	–	–	152.2%

1 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.

2 Senior Independent Director fee pro-rated in 2021 following appointment on 1 September 2021.

3 Chair of the Remuneration Committee fee pro-rated in 2021 following appointment on 1 September 2021.

4 Dr Ajai Puri was appointed to the Board on 1 March 2021. Fees represented pro-rated amounts.

5 Jackie Callaway was appointed to the Board on 1 July 2023. Percentage changes will be reported from 2024 onwards.

6 Benefits include travel to board meetings held at IMI plc Head Office. In 2021 board meetings were held remotely.

7 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.

Payments to past directors and payments for loss of office

There have been no payments to past directors. There have been no payments for loss of office during the Financial Year.

Pay ratio reporting

The table below sets out the ratio at median, 25th and 75th percentile of the total remuneration received by the Chief Executive Officer 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)
2023	Option C	128:1	95:1	71:1
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 2023 Chief Executive Officer single figure is calculated considering the Chief Executive Officer’s remuneration calculation includes base salary, fees, pension, taxable benefits, annual bonus and shares paid during 2023.
- As is permitted by Option C of the regulations, the Gender Pay Gap data for 2023 based on a snapshot in April 2023 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 2023.
- 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 Officer’s single figure total for the 2023 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 Officer.
- 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 2023 compared to 2022 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:

2023	Base salary (£)	Total pay and benefits (£)
Chief Executive Officer remuneration	794,200	4,356,948
25th Percentile employee	31,428	34,038
50th Percentile employee	40,907	45,892
75th Percentile employee	55,914	61,180

Remuneration

Annual Directors’ Remuneration Report continued

Implementation of the Policy for 2024

The remuneration policy below is broadly unchanged from the remuneration policy approved at the AGM in 2021. The key changes are:

- Extension of the clawback and malus provisions for future incentive awards, to include corporate failure as a trigger event.
- Minor wording changes to align the report with market practice and to provide the Committee with sufficient flexibility to operate the remuneration policy as needed.

Summary of Policy	Implementation in the year to 31 December 2024
Base salary Reviewed annually with changes normally effective from January.	Consistent with prior years, salary increases effective 1 January 2024 considered a range of factors including the increases for the wider workforce, the financial performance of the Group and prevailing economic conditions.
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.	In line with our Remuneration Policy, the Committee reviews Executive Director base salaries annually taking into account the wider workforce increase, business performance, external economic factors, changes in the complexity of the business or the role, cost, as well as the incumbent’s experience and performance. Following the review of the above factors, the Committee determined that it is appropriate to award an increase of 4.5% to Roy from £794,200 to £829,900 effective January 2024. This is below the average increase awarded to UK employees. Since his appointment as Chief Executive Officer in May 2019, Roy has received increases in line with or below the average employee rate. The Committee is acutely aware of the increasing demand for high-performing CEOs for global businesses and wants to ensure that Roy’s salary is appropriately positioned in this context. The Committee has determined to award an increase of 9.0% to Daniel taking his salary from £529,100 to £576,700 effective January 2024 in order to achieve the following: – Recognise the growing criticality of his contribution to the strategy and performance of IMI. – Reflect the significant growth of IMI since his appointment and his direct contribution to that growth including the following individual contributions and achievements: – Overseeing the financial execution of our strategy to deliver sustainable growth, substantially increasing adjusted profit before tax and generating a +12% CAGR in adjusted EPS between 2019 and 2023, propelling IMI into the FTSE 100. – Continuing to lead a committed and high performing finance function, developing a strong succession pipeline, and delivering year on year improvements in our internal financial controls scores. – Leading the successful integration of recent acquisitions Adaptas, Bahr, CorSolutions and Heatmiser to the IMI Financial Controls Framework. – Ensure his salary is at the market rate, appropriately positioned for a Company of IMI’s size.

Summary of Policy

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%).

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.

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.

Implementation in the year to 31 December 2024

From 1 January 2024, all Executive Directors will receive 11% of salary which is aligned to that of the average employee and that of the Investment Association guidelines.

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

During 2023 the Committee reviewed the appropriateness of continuing with the metrics that applied to the 2023 annual bonus to ensure alignment with IMI’s strategy.

The Committee determined that the 2024 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.

Remuneration

Annual Directors’ Remuneration Report continued

Summary of Policy	Implementation in the year to 31 December 2024																								
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. 2024 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. The Committee decided to increase our ROIC target at threshold from 11.0% to 11.5% for 2024 awards. This change ensures our target remains stretching in line with latest financial forecasts, taking into account the short-term dilutive effect of acquisitions. The performance targets that will apply to the 2024 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></td><td></td><td></td><td>2019 base - 26% (2.18 tCO₂e per 1,000 hours worked)</td><td>25%</td></tr><tr><td>Maximum</td><td>Median</td><td>3%</td><td>11.5%</td><td>2019 base - 41% (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				2019 base - 26% (2.18 tCO ₂ e per 1,000 hours worked)	25%	Maximum	Median	3%	11.5%	2019 base - 41% (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				2019 base - 26% (2.18 tCO ₂ e per 1,000 hours worked)	25%																				
Maximum	Median	3%	11.5%	2019 base - 41% (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 Officer, and 200% of salary for the Chief Financial Officer (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 Officer – 250% of base salary – Chief Financial Officer – 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 2024
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; – Corporate failure; – 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; and/or – Loss of office (including change of control). Please refer to the Directors’ Remuneration Policy published in the 2020 Annual Report.

Letters of appointment

The unexpired terms of the non-executive directors’ service contracts can be reviewed in the Board’s Corporate Governance Report on page 115.

Fees for the Chair and non-executive directors

The Chair and non-executive directors’ remuneration increased by 4.5% with effect from 1 January 2024 which is lower than the general increase applied to UK employees.

Committee evaluation

An external performance review of the Board and its Committees was carried out by independent evaluator EquityCulture in 2023. The review found that the Committee continues to operate effectively and is led by an effective Chair. The membership of the Committee and number of meetings was considered appropriate for the Company. The Committee has agreed to focus on ensuring that its cycle and terms of reference meet the requirements of the new Corporate Governance Code in 2024. Further details on the external performance review can be found on pages 121 to 122 of the Corporate Governance Report.

The Committee approved this report on its work.

Caroline Dowling
Chair of the Remuneration Committee for and on behalf of the Board
29 February 2024

Directors’ Report

Directors’ Report

Statutory and 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 2023.

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 9 May 2024. Full details of the resolutions to be proposed to our shareholders, and accompanying explanatory notes, are contained in our Notice of Annual General Meeting, a copy of which is published on our website.
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 41. 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 42 and 43. 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 www.imiplc.com .
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 102 to 167 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 code. A copy of the 2018 version of the code, as applicable to the company for the year ended 31 December 2023, 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 2023 and up to the date of publishing can be found on pages 106 to 108. 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 that 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 that 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 2023 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 from page 160 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 4 May 2023. The current authorities will expire at the conclusion of the next Annual General Meeting to be held on 9 May 2024, 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 that each director has taken all the steps that they ought to have taken as a director to make themselves 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 19.2p per ordinary share for the year ended 31 December 2023. Subject to shareholder approval by our shareholders at our Annual General Meeting on 9 May 2024, the final dividend will be paid on 17 May 2024 to shareholders on the register at the close of business on 5 April 2024. Together with the interim dividend of 9.1p per ordinary share paid on 15 September 2023, this gives a total dividend for the 2023 financial year of 28.3p per ordinary share. The interim and final dividends paid in respect of the 2022 financial year were 17.4p per ordinary share and 8.3p per ordinary share, respectively (2022 total dividends paid of 25.7p).

Directors’ Report continued

Employee matters	Details of how we engage with our workforce, provide them with relevant information and take into account their interests in decision-making can be found on pages 38 and 119. Our approach to investing in and rewarding the workforce is set out on page 136. Our Section 172(1) statement can be found on pages 42 to 43. Details of the arrangements in place under which employees can raise any matter of concern are set out on page 84. We actively encourage colleagues to take an interest in the financial performance of IMI. We operate a HMRC-approved Savings Related Share Option Scheme which is open to all of the Group’s UK employees, including the UK-based executive directors. Consistent with executive directors, the leadership group participates in annual bonus plans, with measures linked to corporate, sector and/or local performance depending on seniority.		
	Every effort is made to ensure that applications for employment from disabled employees are fully and fairly considered and that disabled employees (including colleagues who may have become disabled during service) have equal opportunities in training, career development and promotion. Further disclosures relating to employee diversity, employee engagement and related policies are set out on page 51. Our Board Inclusion and Diversity policy is summarised on page 126.		
Events occurring after the reporting period	There have been no important events affecting the Company or any member of the Group since 31 December 2023.		
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in Note 18 of the financial statements.		
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 (1 March 2025) following the approval of the Annual Report. Further details can be found on page 101.		
Information required by UK Listing Rule 9.8.4	Listing Rule statement	Detail	Note reference of financial statements/ page number
	9.8.4R (12)	Shareholder waiver of future dividends	Page 170
	9.8.4R (4)	Long-term incentive schemes	Page 166
	9.8.4R (5)	Directors’ waiver of emoluments	Page 147 and 159
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 2023, 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:		
	Name of shareholder	Percentage of issued share capital	Direct or indirect nature of holding
	Massachusetts Financial Services Company	9.89	Indirect
	Ameriprise Financial Inc.	5.01	Indirect
	Standard Life Investments (Holdings) Limited	4.97	Indirect
	BlackRock, Inc.	Below 5%	Indirect
	Legal & General Group plc	3.03	Direct
	Between 31 December 2023 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 a notification received from Ameriprise Financial Inc. on 26 February 2024 that its interests totalled below 5%.		
Political donations	No political party contributions or political expenditure were made during the year.		
Purchase of own shares	The Company was granted authority at the Annual General Meeting held on 4 May 2023 to purchase up to 26,080,779 of its ordinary shares. This authority will expire at the conclusion of the next Annual General Meeting to be held on 9 May 2024, 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 of the financial statements.		
Research and development	See Note 5 to the financial statements for an indication of the research and development activities of the Group. More information about our investment in Growth Hub projects can be found on page 13.		

Share Capital	As at 31 December 2023, the Company’s issued share capital was £78,604,214.57, divided into 275,114,751 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. The Company’s ordinary shares are listed on the London Stock Exchange. During the year, 66,709 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 2023, 1,122,554 shares were held in an employee trust for use in relation to certain executive incentive plans, representing 0.43% 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	The Company has chosen to disclose the following information in the Strategic Report on pages 4 to 101: – Future developments in the Group’s business (pages 16 to 27) – Environmental matters, including greenhouse gas emissions (pages 46 to 81) – The business model (pages 14 and 15) – The principal risks and uncertainties facing the Group (pages 91 to 99) 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 2023, 13,648,836 ordinary shares (nominal value £3,899,667.43) were held in treasury, representing 5.2% of the issued share capital (excluding treasury shares) at that time. In the year, 600,000 ordinary shares were transferred out of treasury for nil consideration to the trustee of the IMI Employee Benefit Trust.

Approved by the Board and signed on its behalf by:

Louise Waldek
Company Secretary
29 February 2024

IMI plc is registered in England No. 714275

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 International Financial Reporting Standards as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and the parent company financial statements in accordance with 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. 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; and

- 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 Group and the parent company and enable them to ensure that the Group and parent company financial statements comply with the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, as appropriate. They are also responsible for safeguarding the assets of the Group and the parent 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; and
- 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 Officer
29 February 2024

Daniel Shook
Chief Financial Officer
29 February 2024

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 2023 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 balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies;
- 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.

Independent Auditor’s Report to the members of IMI plc continued

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – overstatement of revenue through inappropriate cut-off in the Process Automation sector; and – inventory valuation. All key audit matters have remained at a similar risk level to the prior year.
Materiality	The materiality that we used for the Group financial statements was £15.5 million (2022: £15.0 million) and equates to 4.4% of profit before tax adjusted for restructuring costs.
Scoping	Full scope audit work was performed on 3 (2022: 3) reporting components, and audits of specified balances and specified audit procedures were undertaken on a further 47 (2022: 45) reporting components. These in-scope components account for 74% (2022: 70%) 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 73% (2022: 76%) of the absolute value of the Group’s total profit or loss before tax.

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, the impact of macroeconomic uncertainty, 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 in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Overstatement of revenue through inappropriate cut-off in the Process Automation sector

Key audit matter description	The Group recognised revenue of £2,196 million (FY22: £2,049 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 Process Automation sector (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 for in-scope locations within the Process Automation sector: • obtained an understanding of and tested the relevant controls over revenue that specifically address the cut-off risk; • assessed the level of credit notes and statutory adjustments raised post year-end (both in FY23 and FY24 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 Process Automation sector to be appropriate.

Independent Auditor’s Report to the members of IMI plc continued

5.2. Inventory valuation

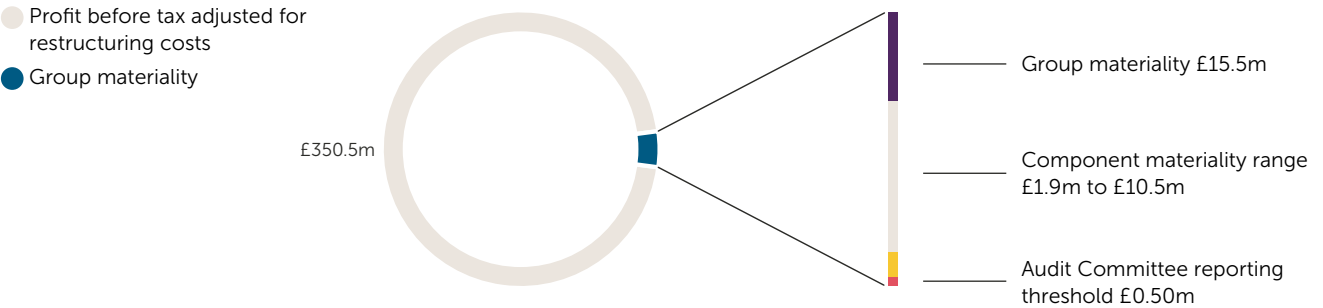
Key audit matter description	The Group’s inventory balance as at 31 December 2023 was £437.3 million (FY22: £417.7 million). As described in the Financial Review on page 30 the Group has increased inventories predominantly to fulfil increased orders in the Process Automation sector offsetting the strategic reduction of inventory in other sectors. Inventory valuation is considered a significant accounting matter by the Audit Committee on page 130. There is a level of estimation and judgement associated with the Group’s excess & obsolete (E&O) inventory provision and inventory absorption. We have identified a key audit matter as inventory valuation risk, including: consideration of the provision for 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 2023 was £59.0 million (FY22: £52.5 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 the order book and with new products. Where local management judgement is applied beyond these factors, Group level review and approval is required. Judgement is applied to the cost of inventories in order to reflect accurately the manufacturing costs incurred in bringing inventories to their current condition and location. The manufacturing cost primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs. Judgement is also made in relation to inventory turn and the level of costs which are directly attributable to manufacturing.
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 whether the assumptions underpinning the judgements applied in determining the E&O provision are aligned to the Group’s policy, and assessed whether the policy is being applied consistently across the Group; • challenged the key assumptions concerning overhead absorption by performing tests of details on bills of materials and standard costing; • identified costs directly related to manufacturing which may have been under or over absorbed in the period; • challenged the assumptions concerning normal levels of production, including the inventory turns used to identify the amounts that should be recognised; and • attended physical inventory counts at 25 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 2023 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	£15.5 million (2022: £15.0 million)	£10.5 million (2022: £10.6 million)
Basis for determining materiality	Forecast profit before tax adjusted for restructuring costs, which equates to 4.4% of profit before tax adjusted for restructuring costs (2022: 4.8% of profit before tax adjusted for restructuring costs).	1.8% of net assets (2022: 2% of net assets).
Rationale for the benchmark applied	Profit before tax adjusted for restructuring costs 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% (2022: 70%) of Group materiality	70% (2022: 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: • our risk assessment, including our assessment of the Group’s overall control environment; • the level of oversight at both a Group and platform level over the local entity financial reporting processes; • the low level of corrected and uncorrected misstatements identified in the prior year audit; and • the experience of key management personnel in senior roles at Group, platform and sector levels following the change in the reporting structure of the business as noted on page 106.	

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 (2022: £500,000), 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 continued

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. As noted on page 7, the Group has restructured the business from three divisions, into two platforms, focused on five major market sectors. These five sectors 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.

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.

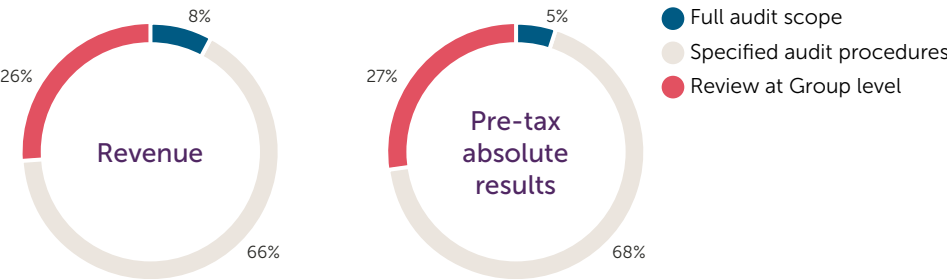
The change in business structure has not impacted our approach to scoping and we focused our Group audit scope across all 5 sectors: Process Automation, Industrial Automation, Life Science and Fluid Control, Transport and Climate Control (previously the three divisions of IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering).

We have considered reporting components based on their contribution to Group revenue and absolute profit or loss, as well as qualitative considerations such as results of recent internal audit reviews undertaken by the Group Assurance function, prior year issues or errors and an understanding of any recent or projected restructuring or relocation activities in specific locations.

As noted in the Audit Committee’s Report on page 130 we made an update to the initial scoping plan following management’s identification of accounting anomalies at one of the Group’s sites. We expanded our scope to include a further two components. To introduce additional unpredictability, we also expanded the scope of our testing in a number of components already within the Group audit scope and extended our central procedures and oversight.

Full scope audit work was completed on 3 (2022: 3) components and audits of specified balances or specified audit procedures were undertaken at a further 47 (2022: 45) components. Each reporting component in scope was subject to an audit materiality level between £1.9 million (2022: £3 million) and £10.5 million (2022: £10.6 million).

These in-scope components account for 74% (2022: 70%) 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 73% (2022: 76%) of the absolute value of the Group’s total profit or loss before tax. 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 five core financial IT systems that underpin the five sectors and which the majority of entities either utilise or plan to migrate to in the future.

Given the disaggregated nature of the Group, we continue to adopt a largely substantive audit approach and did not plan to rely upon controls.

In the current year our controls approach was principally designed to obtain an understanding of the relevant controls in key financial reporting process cycles to inform our risk assessment and allow us to test certain relevant revenue controls, as well as automated controls across a number of key business cycles.

As noted on page 134, opportunities for enhancements to the Group’s Internal Controls Declaration (ICD) framework have been identified as the Group continues to develop a more robust and granular framework of internal controls, an improvement to the consistency and quality of documentation of internal controls and an increased focus on controls over non-financial information.

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 95 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. As noted on page 95, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 61 to 81, and have not identified there to be a material impact on the financial reporting judgements and estimates.

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 throughout the year, including any scope changes arising from the accounting anomalies referenced in section 7.1, as well as in-person visits by senior members of the Group audit team to 5 sites during the year;
- providing direction on enquiries made by the component auditors through online communications and telephone conversations;
- attending audit planning and close calls at components selected through a risk-based approach; and
- adopting a risk-based approach to the review of specific component auditors’ engagement files by senior members of the Group engagement team.

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

Independent Auditor’s Report to the members of IMI plc continued

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, including those that are specific to the Group’s sector;
- 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, forensic, 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 area: overstatement of revenue through inappropriate cut-off in the Process Automation sector. 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 framework 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 Process Automation sector 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 that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- 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 significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 102;
- the directors’ explanation as to its assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on page 100;
- the directors’ statement on fair, balanced and understandable set out on page 172;
- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 91;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88; and
- the section describing the work of the Audit Committee set out on page 131.

Independent Auditor’s Report to the members of IMI plc continued

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 this regard

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 this regard

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were reappointed by the Board of Directors at the Annual General Meeting on 4 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 31 December 2021 to 31 December 2023.

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

29 February 2024

Consolidated income statement
For the year ended 31 December 2023

	Notes	2023			2022		
		Adjusted £m	Adjusting items (Note 3) £m	Statutory £m	Adjusted £m	Adjusting items (Note 3) £m	Statutory £m
Revenue	4	2,196		2,196	2,049		2,049
Cost of sales		(1,182.1)	(1.6)	(1,183.7)	(1,110.9)	(1.2)	(1,112.1)
Gross profit		1,013.9	(1.6)	1,012.3	938.1	(1.2)	936.9
Net operating costs	5	(603.3)	(90.4)	(693.7)	(574.3)	(64.4)	(638.7)
Operating profit		410.6	(92.0)	318.6	363.8	(65.6)	298.2
Financial income	8	8.1		8.1	4.6		4.6
Financial expense	8	(30.8)		(30.8)	(23.8)		(23.8)
Gains on instruments measured at fair value through profit or loss			7.0	7.0		4.9	4.9
Net financial (expense)/income relating to defined benefit pension schemes	14	(0.5)		(0.5)	1.5		1.5
Net financial (expense)/income		(23.2)	7.0	(16.2)	(17.7)	4.9	(12.8)
Profit before tax		387.4	(85.0)	302.4	346.1	(60.7)	285.4
Taxation	9	(84.5)	19.4	(65.1)	(73.7)	14.6	(59.1)
Profit after tax		302.9	(65.6)	237.3	272.4	(46.1)	226.3
Earnings per share	7						
Basic – from profit for the year				91.5p			87.6p
Diluted – from profit for the year				91.2p			87.2p

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 2023

	Notes	2023		2022	
		£m	£m	£m	£m
Profit for the year			237.3		226.3
Items that will not subsequently be reclassified to profit and loss					
Remeasurement loss on defined benefit plans	14	(33.7)		(82.7)	
Related taxation effect	9	8.6		20.4	
			(25.1)		(62.3)
Items that may be reclassified to profit and loss					
Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operation	17	6.7		(7.5)	
(Loss)/gain on exchange differences on translation of foreign operations net of funding revaluations		(41.1)		40.9	
(Gain)/loss on exchange differences reclassified to income statement on disposal of operations		(0.2)		0.6	
Related tax credit/(charge) on items that may subsequently be reclassified to profit and loss	9	1.8		(0.3)	
			(32.8)		33.7
Other comprehensive loss for the year, net of taxation			(57.9)		(28.6)
Total comprehensive income for the year, net of taxation			179.4		197.7
Attributable to:					
Equity holders of the parent			179.4		197.7

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 January 2022		78.6	15.2	177.6	10.1	497.6	779.1
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	9				(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
Changes in equity in 2023							
Profit for the year						237.3	237.3
Other comprehensive expense excluding related taxation effect					(34.6)	(33.7)	(68.3)
Related taxation effect	9				1.8	8.6	10.4
Total comprehensive (expense)/income					(32.8)	212.2	179.4
Issue of share capital	22		0.6				0.6
Dividends paid	10					(68.8)	(68.8)
Share-based payments (net of tax)	6					13.4	13.4
Shares acquired for: employee share scheme trust							–
As at 31 December 2023		78.6	17.0	177.6	11.0	746.0	1,030.2

Consolidated balance sheet
At 31 December 2023

	Notes	2023 £m	2022 (Restated Note 1) £m
Assets			
Goodwill	11	680.3	697.4
Other intangible assets	11	277.4	316.7
Property, plant and equipment	12	300.4	299.2
Right-of-use assets	13	99.6	107.0
Employee benefit assets	14	1.7	28.5
Deferred tax assets	9	22.7	24.2
Other receivables		2.3	2.6
Total non-current assets		1,384.4	1,475.6
Inventories	15	437.3	417.7
Trade and other receivables	16	523.9	483.9
Derivative financial assets	17	12.1	15.7
Current tax		4.5	1.9
Investments	17	1.7	2.0
Cash and cash equivalents	19	106.5	133.0
Total current assets		1,086.0	1,054.2
Total assets		2,470.4	2,529.8
Liabilities			
Trade and other payables	21	(470.3)	(438.0)
Bank overdraft	19	(66.3)	(93.8)
Interest-bearing loans and borrowings	19	(47.2)	(150.1)
Lease liabilities	13	(25.2)	(25.8)
Provisions	20	(28.7)	(27.2)
Current tax		(73.0)	(70.4)
Derivative financial liabilities	17	(10.9)	(13.8)
Total current liabilities		(721.6)	(819.1)
Interest-bearing loans and borrowings	19	(531.4)	(595.4)
Lease liabilities	13	(75.0)	(79.9)
Employee benefit obligations	14	(50.6)	(47.4)
Provisions	20	(13.0)	(15.3)
Deferred tax liabilities	9	(33.3)	(59.2)
Other payables	21	(15.3)	(7.9)
Total non-current liabilities		(718.6)	(805.1)
Total liabilities		(1,440.2)	(1,624.2)
Net assets		1,030.2	905.6
Share capital	22	78.6	78.6
Share premium		17.0	16.4
Other reserves		188.6	221.4
Retained earnings		746.0	589.2
Total equity		1,030.2	905.6

Approved by the Board of Directors on 29 February 2024 and signed on its behalf by:

Lord Smith of Kelvin
Chair

Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Operating profit for the year		318.6	298.2
Adjustments for:			
Depreciation and amortisation	11, 12, 13	124.4	122.2
Impairment/(reversal of impairment) of property, plant and equipment and intangible assets	11, 12, 13	5.2	(1.6)
(Profit)/loss on disposal of subsidiaries	24	(0.7)	4.8
Loss on sale of property, plant and equipment	12	0.5	1.7
Equity-settled share-based payment expense	6	12.9	11.7
Increase in inventories	15	(32.3)	(47.6)
Increase in trade and other receivables	16	(56.5)	(38.8)
Increase in trade and other payables	21	57.5	1.3
Decrease in provisions	20	(0.1)	(16.0)
Increase in employee benefits	14	1.0	2.2
Settlement of transactional derivatives	17	8.8	(2.3)
Cash generated from operations		439.3	335.8
Income taxes paid	9	(76.1)	(48.6)
Cash generated from operations after tax		363.2	287.2
Additional pension scheme funding	14	–	(3.5)
Net cash from operating activities		363.2	283.7
Cash flows from investing activities			
Interest received	8	8.1	4.6
Proceeds from sale of property, plant and equipment	12	1.6	2.9
Settlement of effective net investment hedge derivatives	17	1.0	(6.3)
Acquisitions of subsidiaries net of cash	23	–	(201.2)
Acquisition of property, plant and equipment and non-acquired intangibles	11, 12	(79.9)	(71.3)
Proceeds from disposal of subsidiaries net of cash	24	0.1	(2.1)
Net cash from investing activities		(69.1)	(273.4)
Cash flows from financing activities			
Interest paid	8	(30.8)	(23.8)
Shares acquired for employee share scheme trust	22	–	(20.0)
Proceeds from the issue of share capital for employee share schemes	22	0.6	1.2
Drawdown of borrowings	19	–	259.1
Repayment of borrowings	19	(148.4)	(121.3)
Principal elements of lease payments	13	(29.0)	(32.3)
Dividends paid to equity shareholders	10	(68.8)	(62.2)
Net cash from financing activities		(276.4)	0.7
Net increase in cash and cash equivalents	19	17.7	11.0
Cash and cash equivalents at the start of the year	19	39.2	29.1
Effect of exchange rate fluctuations		(16.7)	(0.9)
Cash and cash equivalents at the end of the year		40.2	39.2
Reconciliation of cash and cash equivalents			
Cash and cash equivalents		106.5	133.0
Bank overdraft		(66.3)	(93.8)
Cash and cash equivalents at the end of the year		40.2	39.2

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 258 to 263. The financial statements were approved by the Board of Directors on 29 February 2024.

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 2023

Noted below are the amended and new International Financial Reporting Standards, which became effective for the Group as of 1 January 2023, none of which have a material impact on the financial statements:

- Amendments to IFRS 17 Insurance contracts
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

ii. New and revised accounting standards in issue but not yet effective

New and revised accounting standards that are in issue but not yet effective are listed below:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- 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 91 to 99. 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 (1 March 2025) following the approval of the Annual Report. 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 two platforms has been robust during the year.

During this period of uncertainty, the Group continues to maintain a robust financial position. At 31 December 2023, the Group had cash and cash equivalents of £40.2m and undrawn committed facilities of £300m in the form of Revolving Credit Facilities (RCF), of which £100m is due for renewal in 2024, £75m in 2025, £75m in 2026 and £50m in 2027. 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.

The directors have assessed the viability of the Group (page 100) and reviewed detailed cash flow forecasts for a period of at least twelve months following the date of approval of the Annual Report. 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 2023, were 22.2 times and 1.3 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, forecast revenue would need to fall by 40% and forecast EBITDA by 63%, 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 and cutting or suspending dividend payments to shareholders.

Climate Change

Climate change is considered to be a key element of our overall sustainability roadmap. In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 61 to 81. There has been no material impact identified on the financial reporting judgements and estimates.

Overall, sustainability is recognised in the market as a growth driver and a key part of our investment case. This is consistent with our assessment that climate change is not expected to have a detrimental impact on the viability of the Group in the medium-term.

Specifically we note the following:

- The impact of climate change has been included in the modelling to assess the viability and going concern status of the Group, both in terms of the preparation of our Strategic Plan, which underpins our viability statement modelling, and the modelling of our severe, but plausible downside scenarios;
- Our assessment of the carrying value of goodwill and intangible assets included consideration of scenario analysis of potential climate change on our end markets and this did not introduce a set of circumstances that could reasonably lead to an impairment; and
- The impact on the carrying value and useful lives of tangible assets has been considered and while we continue to invest in projects to reduce our carbon impact, there is not considered to be a material impact on our existing asset base.

Notes to the consolidated financial statements continued

1. Basis of preparation continued

Restatements

2022 comparatives have been restated to reflect the impact of the following items:

Adjustments arising on prior year acquisitions

In finalising the accounting for the 2022 acquisitions of CorSolutions and Heatmiser, 2022 goodwill was decreased by £36.3m at 31 December 2022 and allocated to Other intangible assets (increase of £46.2m), Inventories (increase of £1.4m), Trade and other receivables (decrease of £1.0m), Trade and other payables (decrease of £1.7m), Deferred tax (decrease of £11.6m) and Current tax (decrease of £0.4m). Refer to Note 23, which shows a reconciliation between the 2022 Consolidated Balance Sheet as disclosed in the 2022 Annual Report and the restated 2022 Consolidated Balance Sheet as disclosed on page 186.

Adjustments arising on changes in structure

On 28 July 2023, the Group announced a structure change whereby the existing divisional structure, including IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering will now report under two platforms, Automation and Life Technology. Industrial Automation (formerly part of the IMI Precision Engineering division) and Process Automation (formerly IMI Critical Engineering) will form the Automation platform and Climate Control (formerly IMI Hydronic Engineering), Transport and Life Science & Fluid Control (both formerly part of the IMI Precision Engineering division) will form the Life Technology platform. Rail, which was previously reported under Transportation, has been re-presented within Industrial Automation. As part of the 2022 restatement, corporate costs of £15.5m have been allocated to Automation and £9.9m has been allocated to Life Technology. Refer to Note 4, which shows the restated segmental analysis under the two new platforms.

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 that 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 2023. 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 identification of the Alternative Performance Measures as disclosed in Note 3.

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 2022 Annual Report and concluded that the determination of a lease term previously considered a critical judgement is no longer considered critical on the basis that the financial impact of revising lease terms to reflect the effect of exercising extension or termination options is no longer materially significant.

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 platform’s 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 if there are significant uncertainties regarding associated costs or the possible return of goods.

In Climate Control, 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.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

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, either 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.

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% 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.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

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 resale. 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) and 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 that 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, including dual running costs. Restructuring costs that 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 of 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

Notes to the consolidated financial statements continued

3. Alternative Performance Measures (APMs) & adjusting items continued

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 provides stakeholders with additional information to assess period-on-period trading.
Critical judgement Management have applied judgement in the identification of the APMs used in the Annual Report. 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.

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 183.
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 183.
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 183 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	These two measures remove the impact of adjusting items, acquisitions, disposals and movements in exchange rates and are reconciled in Note 4.	
Organic adjusted operating profit		
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.	
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.	⊕ See Note 19.
Return on invested capital (ROIC)	This measure takes adjusted operating profit after tax divided by average capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets and liabilities, defined benefit pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangible assets.	
Cash conversion	Cash conversion is the adjusted operating cash flow as a percentage of the adjusted operating profit.	

Outlined below are the adjusting items impacting the current and prior year results.

	Key	2023 £m	2022 £m
Recognised in arriving at operating profit			
Reversal of net economic hedge contract (gains)/losses	(a)	(8.3)	3.0
Restructuring costs	(b)	(48.1)	(25.9)
Acquired intangible amortisation and other acquisition costs	(c)	(33.6)	(33.7)
Exit from Russia	(d)	(2.0)	(9.0)
		(92.0)	(65.6)
Recognised in net financial expense			
Gains on instruments measured at fair value through profit or loss	(a)	7.0	4.9
Recognised in taxation			
Tax impact of adjusting items above	(e)	19.4	14.6

(a) **Reversal of net economic hedge contract gains/losses** – for segmental reporting purposes, changes in the fair value of economic hedges that 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 items at the operating costs level reverse this treatment. The financing adjusting items reflect the change in value or settlement of these contracts with the financial institutions with which they were transacted.

(b) **Restructuring costs** – restructuring costs of £48.1m were recognised in 2023. The Automation platform incurred costs of £30.6m related to the rationalisation of three facilities. The Life Technology platform incurred costs of £17.5m related to the Customer First reorganisation project, which transforms the structure into customer-led sectors (across a number of businesses), and the rationalisation of three facilities. The benefits of the restructuring programme are included in adjusted operating profit. These ongoing significant restructuring projects are due to be completed in 2024.

Restructuring costs of £25.9m were recognised in 2022. These primarily related to Automation and were for the Customer First project, across a number of businesses and the rationalisation of four facilities.

Notes to the consolidated financial statements continued

3. Alternative Performance Measures (APMs) and adjusting items continued

- (c) **Acquired intangible amortisation and other acquisition costs** – the acquired intangible amortisation charge was £32.0m (2022: £29.5m), which largely relates to the amortisation of the intangible assets recognised on the acquisition of Adaptas Solutions, Heatmiser UK Ltd and Bimba Manufacturing Company. Other acquisition costs of £1.6m for the year ended 31 December 2023 are related to the unwind of the inventory fair value uplift adjustment for Heatmiser. Other acquisition costs of £4.2m for the year ended 31 December 2022 primarily related to professional fees associated with the acquisition of Heatmiser and Bahr and the unwind of the inventory fair value uplift adjustment for Adaptas.
- (d) **Exit from Russia** – During 2023, changes were made to the legal structure of a customer, which resulted in a £2m write-off. In 2022, 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.
- (e) **Taxation** – the tax effect of the above items has been recognised as an adjusting item and amounts to £19.4m (2022: £14.6m).

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.

On 28 July 2023, the Group announced a structure change where the existing divisional structure, including IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering now reports under two platforms, Automation and Life Technology to better align IMI to its key sectors and to help position IMI to accelerate growth.

Automation

The Automation business leverages deep automation technology and applications expertise to improve productivity, safety and sustainability in the Process Automation and Industrial Automation sectors.

Life Technology

The Life Technology business focuses on technologies that enhance and improve everyday life, particularly in the areas of health, sustainability and comfort across the Climate Control, Transport and Life Science & Fluid Control 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. 2022 results have been restated to reflect the structure change described in Note 1.

The following table shows a reconciliation of platform adjusted operating profit to statutory operating profit. 2022 results have been restated to reflect the structure change described in Note 1.

	Automation		Life Technology		Total	
	2023 £m	2022 (Restated) £m	2023 £m	2022 (Restated) £m	2023 £m	2022 (Restated) £m
Revenue	1,350	1,248	846	801	2,196	2,049
Adjusted operating profit	257.3	225.3	153.3	138.5	410.6	363.8
Adjusted operating profit margin (%)	19.1%	18.1%	18.1%	17.3%	18.7%	17.8%
Reconciliation to statutory operating profit:						
Reversal of net economic hedge contract losses/(gains)	(7.5)	1.0	(0.8)	2.0	(8.3)	3.0
Restructuring costs	(30.6)	(15.9)	(17.5)	(10.0)	(48.1)	(25.9)
Acquired intangible amortisation and other acquisition items	(14.9)	(16.2)	(18.7)	(17.5)	(33.6)	(33.7)
Exit from Russia	(2.0)	(5.9)	–	(3.1)	(2.0)	(9.0)
Statutory operating profit	202.3	188.3	116.3	109.9	318.6	298.2
Statutory operating margin (%)	15.0%	15.1%	13.7%	13.7%	14.5%	14.6%
Net financial expense					(16.2)	(12.8)
Statutory profit before tax					302.4	285.4

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, acquisitions and disposals compared to 2022. 2022 results have been restated to reflect the structure change described in Note 1.

	Year ended 31 December 2022 (Restated)				Year ended 31 December 2023				
	As adjusted	Disposal	Exchange	Organic	As adjusted	Acquisitions	Organic	Adjusted growth (%)	Organic growth (%)
Revenue									
Automation	1,248	(6)	(1)	1,241	1,350	(6)	1,344	8%	8%
Life Technology	801	(3)	4	802	846	(26)	820	6%	2%
Total	2,049	(9)	3	2,043	2,196	(32)	2,164	7%	6%
Adjusted operating profit									
Automation	225.3	(0.6)	(0.6)	224.1	257.3	(1.1)	256.2	14%	14%
Life Technology	138.5	–	1.8	140.3	153.3	(8.4)	144.9	11%	3%
Total	363.8	(0.6)	1.2	364.4	410.6	(9.5)	401.1	13%	10%
Adjusted operating profit margin (%)									
	17.8%			17.8%	18.7%		18.5%		

Notes to the consolidated financial statements continued

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. 2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions and the structure change, both of which are described in Note 1.

	Assets		Liabilities	
	2023	2022	2023	2022
	£m	(Restated) £m	£m	(Restated) £m
Automation	1,393.0	1,362.2	444.1	389.5
Life Technology	921.8	955.5	155.6	171.8
Total segmental assets/liabilities (including lease liabilities)	2,314.8	2,317.7	599.7	561.3
Corporate items	18.5	22.5	38.7	46.6
Employee benefits	1.7	28.5	50.6	47.4
Investments	1.7	2.0	–	–
Net debt items (excluding lease liabilities)	106.5	133.0	644.9	839.3
Net taxation	27.2	26.1	106.3	129.6
Total assets and liabilities in Group balance sheet	2,470.4	2,529.8	1,440.2	1,624.2

The following table includes other information to show how certain costs are allocated between the platforms of the Group. 2022 results have been restated to reflect the structure change described in Note 1.

	Adjusting restructuring costs		Capital expenditure		Amortisation*		Depreciation**	
	2023	2022	2023	2022	2023	2022	2023	2022
	£m	(Restated) £m	£m	(Restated) £m	£m	(Restated) £m	£m	(Restated) £m
Automation	30.6	15.9	51.3	40.7	24.7	23.6	46.2	43.6
Life Technology	17.5	10.0	28.6	30.6	24.9	24.4	28.6	30.6
Total	48.1	25.9	79.9	71.3	49.6	48.0	74.8	74.2

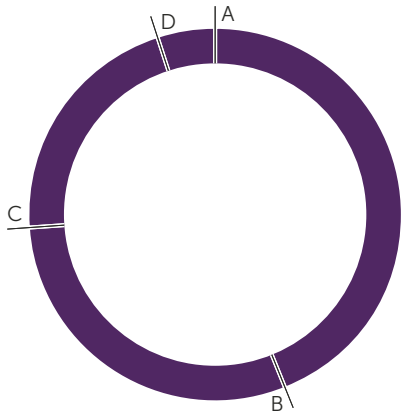
* The amortisation figures above include the amortisation of acquired intangibles. £14.9m (2022: £15.3m restated) is included in respect of Automation and £17.1m (2022: £14.2m restated) is included in respect of Life Technology.

** The depreciation figures above include the impact of IFRS 16 'Leases': £17.1m in respect of Automation (2022: £18.8m restated) and £12.3m in respect of Life Technology (2022: £13.6m restated).

The following table shows a geographical analysis of how the Group’s revenue is derived by destination:

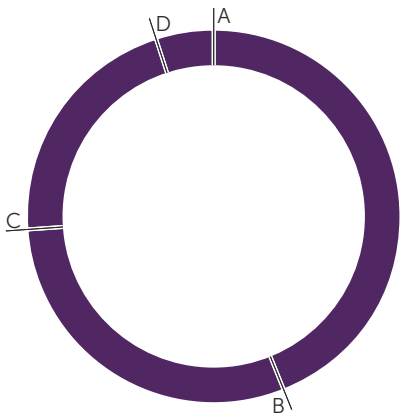
	2023 £m	2022 £m
UK	117	93
Germany	280	265
Rest of Europe	557	520
Total Europe	954	878
USA	525	536
Rest of Americas	140	91
Total Americas	665	627
China	174	179
Rest of Asia Pacific	296	271
Total Asia Pacific	470	450
Middle East and Africa	107	94
Total revenue	2,196	2,049

Revenue by geography (2023)



- A Europe 43%
- B Americas 30%
- C Asia Pacific 22%
- D Middle East and Africa 5%

Revenue by geography (2022)



- A Europe 43%
- B Americas 30%
- C Asia Pacific 22%
- D Middle East and Africa 5%

Notes to the consolidated financial statements continued

4. Segmental Information continued

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 results have been restated to include the impact of Heatmiser and CorSolutions acquisitions, as discussed in Note 1.

	2023 £m	2022 (Restated) £m
UK	196.6	192.3
Germany	298.2	306.8
Rest of Europe	312.9	307.4
USA	468.5	519.0
Asia Pacific	49.1	64.5
Rest of World	32.4	30.3
Total	1,357.7	1,420.3

The Group’s revenue streams are disaggregated in the table below. The 2022 results have been restated as a result of the changes to the Group’s structure, which now reports under two platforms, Automation and Life Technology, as discussed in Note 1.

	2023 Revenue £m	2022 Revenue (Restated) £m
Industrial Automation	543	535
Aftermarket	483	411
New Construction	324	302
Process Automation	807	713
Automation	1,350	1,248
Climate Control	386	350
Life Science & Fluid Control	276	289
Transport	184	162
Life Technology	846	801
Total revenue	2,196	2,049
Sale of goods	2,115	1,977
Sale of services	81	72
Total revenue	2,196	2,049

5. Net operating costs

Operating profit is stated after charging/(crediting):

	2023 Revenue £m	2022 Revenue £m
Net foreign exchange gains included in operating profit	(4.6)	(3.2)
Research and development expense	73.6	70.3
Amortisation of intangible assets	49.6	48.0
Impairment of intangible assets treated as adjusting items	–	0.2
Impairment of intangible assets	–	0.5
Depreciation of owned property, plant and equipment	45.4	41.9
Impairment/(reversal of impairment) of owned property, plant and equipment and leased assets treated as adjusting items	5.0	(2.3)
Impairment/(reversal of impairment) of owned property, plant and equipment	0.2	(0.6)
Depreciation of right-of-use assets	29.4	32.3
Cost of inventories recognised as an expense	1,183.7	1,112.1
Loss on disposal of property, plant and equipment	0.5	1.7

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:

	2023 £m	2022 £m
Selling and distribution costs	224.2	207.2
Administrative expenses	387.4	367.1
Total	611.6	574.3

Employee information

The average number of people employed by the Group during the year is shown in the table below. 2022 comparatives have been restated to reflect the change to the business structure as described in Note 1.

	2023	2022 (Restated)
Automation	6,542	7,102
Life Technology	4,410	3,947
Corporate	85	80
Total Group	11,037	11,129

Notes to the consolidated financial statements continued

5. Net operating costs continued

The aggregate employment cost charged to operating profit for the year was:

	2023 £m	2022 £m
Wages and salaries	531.9	505.9
Share-based payments	12.9	11.7
Social security costs	82.4	76.7
Pension costs	5.8	8.3
Total	633.0	602.6

The aggregate gains made by directors on the exercise of share options was £3.7m (2022: £2.6m). 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 147 of the Remuneration Report. For details of the non-executive directors’ remuneration please refer to page 159 of the Remuneration Report.

Research and development expenditure

The cost of research and development expenditure charged directly to the income statement was £73.6m (2022: £70.3m). Included within this is amortisation of capitalised intangible development costs which amounted to £7.3m (2022: £8.2m) and across the Group a further £6.2m (2022: £5.9m) was capitalised in the year.

Exchange on operating activities net of hedging arrangements

The transactional foreign exchange gains in the Group were £4.6m (2022: gains of £3.2m).

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 130. Fees earned by Deloitte and its associates during the year are set out below:

	2023 £m	2022 £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	3.0	2.9
Other assurance services	0.1	0.1
Total	3.3	3.2

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 2023, 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	04.04.18	650	1012.68p	01.08.21 or 01.08.23
	04.04.19	15,663	884.16p	01.08.22 or 01.08.24
	02.04.20	11,966	904.66p	01.08.23 or 01.08.25
	02.04.21	62,396	1166.58p	01.08.24 or 01.08.26
	31.03.22	89,403	1260.18p	01.08.25 or 01.08.27
	07.06.23	70,305	1458.36p	01.08.26 or 01.08.28
		250,383		
Purchase Plans	15.08.22	68,053	1155.78p	15.08.24
	20.03.23	41,140	1375.11p	20.03.25
		109,193		
IMI Incentive Plan	18.03.19	9,880	–	18.03.22
	16.03.20	113,408	–	16.03.23
	22.03.21	735,433	–	22.03.24
	18.03.22	815,275	–	09.03.25
	24.03.23	822,056	–	09.03.26
		2,496,052		
IMI Share Option Plan	11.03.14	22,450	1467.00p	11.03.17
		22,450		
Total		2,878,078		

Notes to the consolidated financial statements continued

6. Share-based payments continued

Schemes under which options are outstanding

The options in the above 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 USA and Germany. The German and USA GESPP 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 a 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
2023	75	1458p	2026-2029
GESPP			
2019	33	903p	2021
2020	43	956p	2022
2021	–	–	2023
2022	85	1156p	2024
2023	44	1375p	2025
IIP			
2019	845	–	2021-2022
2020	1,466	–	2022-2023
2021	891	–	2023-2024
2022	929	–	2024-2025
2023	859	–	2025-2026

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 2022	538	845-1518p	1116p	3,065	3,603
Exercisable at 1 January 2022	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
Granted	119	1375-1458p	1428p	905	1,024
Exercised	191	845-1375p	1238p	799	989
Lapsed	66	845-1458p	1219p	594	660
Outstanding at 31 December 2023	382	884-1458p	1260p	2,767	3,149
Exercisable at 31 December 2023	25	905-1467p	1412p	195	286

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.

Notes to the consolidated financial statements continued

6. Share-based payments continued

Share-based payment charge for the year

The total expense recognised for the year arising from share-based payments was £12.9m (2022: £11.7m) which comprises a charge of £15.9m (2022: £15.5m) for the year, offset by a credit of £3.0m (2022: £3.8m) in respect of lapses.

£2.8m (2022: £2.7m) of the total charge and £0.8m (2022: £0.5m) 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 2023 included a dividend yield of 2.0% (2022: 2.0%), expected share price volatility of 29% (2022: 32%), a weighted average expected life of 3.7 years (2022: 3.5 years) and a weighted average interest rate of 4.11% (2022: 1.75%). 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 2023 is 3.1 years (2022: 4.8 years) and the weighted average fair value of share options granted in the year at their grant date was £13.69 (2022: £13.01).

The weighted average share price at the date of exercise of share options exercised during the year was £15.18 (2022: £14.71).

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 table below demonstrates how this calculation has been performed.

	Key	2023 million	2022 million
Weighted average number of shares for the purpose of basic earnings per share	A	259.3	258.3
Dilutive effect of employee share options		1.0	1.2
Weighted average number of shares for the purpose of diluted earnings per share	B	260.3	259.5

		£m	£m
Statutory profit for the year	C	237.3	226.3
Total adjusting item charges included in profit before tax		85.0	60.7
Total adjusting item credits included in taxation		(19.4)	(14.6)
Earnings for adjusted EPS	D	302.9	272.4

		2023	2022
Statutory EPS measures			
Statutory basic EPS	C/A	91.5p	87.6p
Statutory diluted EPS	C/B	91.2p	87.2p
Adjusted EPS measures			
Adjusted basic EPS	D/A	116.8p	105.5p
Adjusted diluted EPS	D/B	116.4p	105.0p

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.

	2023			2022		
	Interest £m	Financial Instruments £m	Total £m	Interest £m	Financial Instruments £m	Total £m
Recognised in the income statement						
Interest income on bank deposits	8.1		8.1	4.6		4.6
Financial income	8.1	–	8.1	4.6	–	4.6
Interest expense on interest-bearing loans and borrowings	(27.9)		(27.9)	(21.0)		(21.0)
Interest expense on leases	(2.9)		(2.9)	(2.8)		(2.8)
Financial expense	(30.8)	–	(30.8)	(23.8)	–	(23.8)
Recognised in other comprehensive income						
Gains on instruments measured at fair value through profit or loss:						
Other economic hedges		7.0	7.0		4.9	4.9
Net financial (expense)/income relating to defined benefit pension schemes	(0.5)		(0.5)	1.5		1.5
Net financial (expense)/income	(23.2)	7.0	(16.2)	(17.7)	4.9	(12.8)

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 (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.

	2023 £m	2022 £m
Recognised in other comprehensive income		
Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operations	6.7	(7.5)
Exchange differences on translation of foreign operations net of funding revaluations	(41.1)	40.9
Exchange differences reclassified to the income statement on disposal of operations	(0.2)	0.6
Income tax on items recognised in other comprehensive income	1.8	(0.3)
Total items recognised in other comprehensive income (net of tax)	(32.8)	33.7
Recognised in statement of changes in equity		
Translation reserve	(32.8)	33.7

Notes to the consolidated financial statements continued

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.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to the OECD Inclusive Framework agreement for a global minimum corporate income tax rate.

In common with many multinational companies, IMI faces tax audits in jurisdictions around the world, including in relation to the 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.

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 that responsible business practices across the Group are maintained. The Chief Financial Officer 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 regular basis of any material or significant tax matters, so that appropriate action can be implemented. Through our internal communications platform, 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 are 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 slightly different from the UK statutory tax rate.

Transparency: IMI aims to build positive working relationships with tax authorities by cooperating 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 88.

Notes to the consolidated financial statements continued

9. Taxation continued

UK Corporation tax

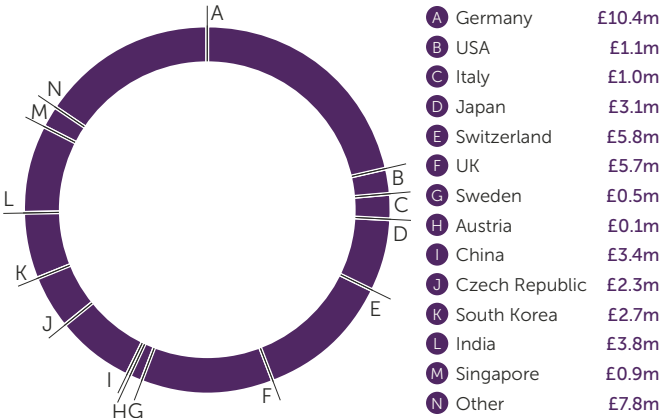
The average rate of corporation tax in the UK for 2023 was 23.5% (2022: 19%). From 1 April 2023, the statutory rate increased from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2022: 25%).

Tax payments

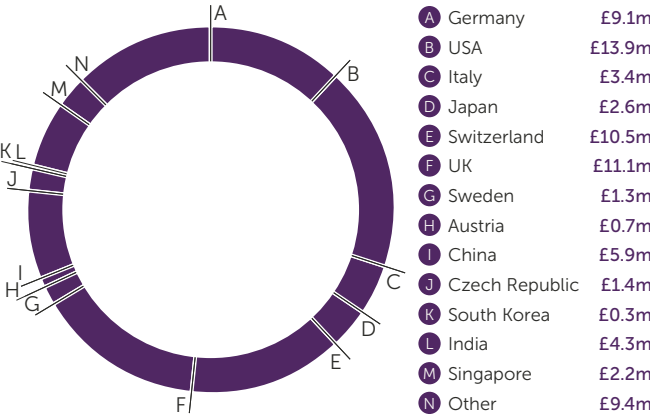
During the year, the Group made payments of corporate income tax of £76.1m (2022: £48.6m), principally arising as follows:

Jurisdiction of companies making corporate income tax payments:

2022: £48.6m



2023: £76.1m



There is normally an element of volatility in the annual payments of corporate income taxes due to the timing of assessments, acquisitions 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 2023 increased significantly compared to 2022. Of the significant movements, the UK and USA payments for 2022 included the recovery of tax assets and receivables and so the 2023 levels of payment are more normal. The USA also reflects an increase in taxable profits, including recent acquisitions. Switzerland payments reflect the timing differences in profits being earned and tax assessments being received. 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.

	2023 £m	2022 £m
Current tax charge		
Current year charge	86.7	63.0
Adjustments in respect of prior years	(7.3)	(1.9)
	79.4	61.1
Deferred taxation		
Origination and reversal of temporary differences	(14.3)	(2.0)
Total income tax charge	65.1	59.1

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:

	2023			2022		
	Adjusted £m	Adjusting £m	Total £m	Adjusted £m	Adjusting £m	Total £m
Profit before tax	387.4	(85.0)	302.4	346.1	(60.7)	285.4
Income tax using the Company's domestic rate of tax of 23.5% (2022: 19.0%)	91.0	(20.0)	71.0	65.8	(11.5)	54.3
Effects of:						
Non-deductible items	4.6	0.7	5.3	3.0	0.4	3.4
Non-taxable loss on disposal of businesses	(0.3)	–	(0.3)	–	0.9	0.9
Utilisation of losses on which no deferred tax had been recognised	–	–	–	(1.0)	–	(1.0)
Current year losses for which no deferred tax asset has been recognised	0.8	–	0.8	0.2	–	0.2
Recognition of deferred tax asset on previously unprovided timing differences	–	–	–	(0.8)	–	(0.8)
Differing tax rates	(4.0)	(1.6)	(5.6)	12.5	(4.4)	8.1
Adjustments to prior year current and deferred tax charges	(7.6)	1.5	(6.1)	(6.0)	–	(6.0)
Total tax in income statement	84.5	(19.4)	65.1	73.7	(14.6)	59.1
Income tax expense reported in the consolidated income statement	84.5	(19.4)	65.1	73.7	(14.6)	59.1
Effective rate of tax:	21.8%		21.5%	21.3%		20.7%

Notes to the consolidated financial statements continued

9. Taxation continued

Events after the reporting period

During 2023, the UK government substantively enacted the OECD Inclusive Framework agreement for a global minimum corporate income tax rate of 15%. For IMI, this takes effect from 1 January 2024. The event does not therefore affect IMI’s results for 2023. IMI is evaluating the impact that this will have on future accounting periods but expects that its entities in most territories will not be impacted by this minimum tax requirement. To the extent top-up taxes are required, the impact on IMI’s results is expected to be minimal. However, further evaluation will be undertaken as additional guidance becomes available.

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:

	2023 £m	2022 £m
Deferred tax:		
On equity-settled transactions	(0.4)	1.9
On remeasurement gains and on defined benefit plans	(8.6)	(20.4)
	(9.0)	(18.5)
Current tax:		
On change in value of effective net investment hedge derivatives	(1.8)	0.3
On equity-settled transactions	(0.1)	–
	(10.9)	(18.2)
Of which the following amounts are charged/(credited):		
to the statement of comprehensive income	(10.4)	(20.1)
to the statement of changes in equity	(0.5)	1.9
	(10.9)	(18.2)

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	
	2023 £m	2022 (Restated) £m	2023 £m	2022 (Restated) £m	2023 £m	2022 (Restated) £m
Intangible and tangible fixed assets	13.0	6.2	(67.6)	(76.3)	(54.6)	(70.1)
Inventories	6.4	5.1	(0.8)	(1.7)	5.6	3.4
Revaluation of derivatives	0.5	0.5	(1.1)	(0.8)	(0.6)	(0.3)
Pension and share-based payments	13.5	12.1	–	(7.1)	13.5	5.0
Short term timing differences	29.7	31.1	(5.6)	(5.8)	24.1	25.3
Other tax credits and losses	1.4	1.7	–	–	1.4	1.7
	64.5	56.7	(75.1)	(91.7)	(10.6)	(35.0)
Offsetting within tax jurisdictions	(41.8)	(32.5)	41.8	32.5	–	–
Total deferred tax assets and liabilities	22.7	24.2	(33.3)	(59.2)	(10.6)	(35.0)

The movement in the net deferred tax balances has been recognised in the financial statements, as analysed below:

	Balance at 1 Jan 23 (Restated) £m	Recognised in the income statement £m	Recognised outside the income statement £m	Exchange £m	Acquisitions/ disposals £m	Balance at 31 Dec 23 £m
Intangible and tangible fixed assets	(70.1)	13.8		1.7		(54.6)
Inventories	3.4	2.3		(0.1)		5.6
Revaluation of derivatives	(0.3)	(0.3)				(0.6)
Pension and share-based payments	5.0	(0.5)	9.0			13.5
Short-term timing differences	25.3	(0.8)		(0.4)		24.1
Other tax credits and losses	1.7	(0.2)		(0.1)		1.4
Net deferred tax (liability)/asset	(35.0)	14.3	9.0	1.1	–	(10.6)

	Balance at 1 Jan 22 £m	Recognised in the income statement (Restated) £m	Recognised outside the income statement £m	Exchange £m	Acquisitions/ disposals (Restated) £m	Balance at 31 Dec 22 (Restated) £m
Intangible and tangible fixed assets	(48.7)	6.0		(4.4)	(23.0)	(70.1)
Inventories	3.3	0.4		0.1	(0.4)	3.4
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	(1.7)		1.6	0.4	25.3
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)	(23.0)	(35.0)

All exchange movements are taken through the translation reserve.

Notes to the consolidated financial statements continued

9. Taxation continued
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:

	2023		2022	
	Gross amount £m	Tax effected £m	Gross amount £m	Tax effected £m
Tax losses expiring:				
Within 10 years	2.3	0.6	7.4	1.8
Available indefinitely	18.1	4.8	46.0	12.0
Capital losses expiring:				
Within 10 years	–	–	–	–
Available indefinitely	118.5	29.7	119.2	29.9
Surplus interest expiring:				
Within 10 years	0.6	0.1	0.5	0.1
Available indefinitely	–	–	–	–
Other temporary differences:				
Within 10 years	56.2	3.5	–	–
Available indefinitely	–	–	–	–
	195.7	38.7	173.1	43.8

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 time frame, this 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 temporary differences, 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, £159.4m (2022: £112.9m) 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 £9.0m (2022: £6.6m), of which £3.5m (2022: £3.2m) 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.

	2023 £m	2022 £m
Current year final dividend – 19.2p per qualifying ordinary share (2022: 17.4p)	49.9	45.1

The following dividends were declared and paid by the Group during the year:

	2023 £m	2022 £m
Prior year final dividend paid – 17.4p per qualifying ordinary share (2022 final year dividend: 15.8p)	45.1	40.8
Current year interim dividend paid – 9.1p per qualifying ordinary share (2022: 8.3p)	23.7	21.4
	68.8	62.2

Dividend policy and share buy backs

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.

Notes to the consolidated financial statements continued

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

2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions, as discussed in Note 1.

	Goodwill (Restated) £m	Acquired customer relationships (Restated) £m	Other acquired intangibles (Restated) £m	Other non- acquired intangibles* £m	Non- acquired intangibles under construction £m	Other intangible assets (Restated) £m
Cost						
As at 1 January 2022	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)	117.2	59.7	33.9			93.6
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	735.1	364.8	241.2	195.2	6.0	807.2
Exchange adjustments	(17.7)	(7.8)	(10.6)	(4.5)		(22.9)
Additions				12.1	7.4	19.5
Transfers from assets in the course of construction				3.8	(3.8)	–
Disposals				(4.0)		(4.0)
As at 31 December 2023	717.4	357.0	230.6	202.6	9.6	799.8
Amortisation						
As at 1 January 2022	36.0	204.3	107.2	104.0		415.5
Exchange adjustments	1.7	14.0	11.5	6.8		32.3
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
Exchange adjustments	(0.6)	(5.7)	(5.2)	(2.8)		(13.7)
Disposals				(4.0)		(4.0)
Amortisation for year		21.3	10.7	17.6		49.6
As at 31 December 2023	37.1	251.1	136.5	134.8		522.4
Net book value at 31 December 2022	697.4	129.3	110.2	71.2	6.0	316.7
Net book value at 31 December 2023	680.3	105.9	94.1	67.8	9.6	277.4

* Other non-acquired intangibles include capitalised development costs with a carrying value of £32.0m (2022: £33.1m) and capitalised software costs with a carrying value of £35.8m (2022: £38.1m).

The individually significant acquired customer relationships includes £42.1m (2022: £50.5m) in Adaptas Solutions LLC, £21.1m (2022: £24.3m) in Bahr Modultechnik GmbH and £24.6m (2022: £28.7m) in Heatmiser UK Limited, which have 12 to 16 years of amortisation remaining. The only individually significant other acquired intangibles is the Adaptas brands, with a net book value of £29.1m (2022: £33.3m), which have 8 to 13 years of amortisation remaining.

Notes to the consolidated financial statements continued

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 with due consideration to climate related risks. 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 (2022: 12) 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:

	2023 %	2022 %
Discount rate	8.5-13.3	8.8-13.3
Short-term growth rate	8.0-14.0	10.0-12.0
Long-term growth rate	1.5-2.1	1.2-2.0

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 results have been restated to reflect the goodwill allocation of Heatmiser and the structure change, both of which are described in Note 1.

	Goodwill £m	Discount rate %	Short-term growth rate %	Long-term growth rate %
2023 CGU				
Life Science & Fluid Control	201.4	10.5	8.0	2.0
Process Automation – Petrochemical & Isolation	115.2	11.8	8.0	2.0
Process Automation – Control Valves	96.5	13.3	8.0	2.0
Heatmiser	67.6	12.0	14.0	1.5

	Goodwill £m	Discount rate %	Short-term growth rate %	Long-term growth rate %
2022 CGU				
Life Science & Fluid Control	208.9	10.3	12.0	2.0
Process Automation – Petrochemical & Isolation	117.4	10.0	10.0	2.0
Process Automation – Control Valves	99.6	13.3	10.0	2.0

The carrying amount of goodwill allocated to CGUs deemed to be non-significant is £199.6m (2022: £272.1m restated).

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 that 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 (2022: £41m).

Notes to the consolidated financial statements continued

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

The useful lives of assets could be reduced by climate-related matters, for example as a result of physical risks, obsolescence, or legal restrictions. The change in useful lives would have a direct impact on the amount of depreciation or amortisation recognised each year from the date of reassessment.

Assets in the course of construction comprise assets that 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 and buildings £m	Plant and equipment (restated) £m	Assets in the course of construction £m	Total £m
Cost				
As at 1 January 2022	186.7	674.7	26.6	888.0
Exchange adjustments	8.7	43.9	(0.4)	52.2
Acquisitions (Note 23)	2.9	2.0	0.2	5.1
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	735.9	31.0	965.3
Exchange adjustments	(5.6)	(17.6)	(0.5)	(23.7)
Additions	7.1	27.2	26.1	60.4
Transfers from assets in the course of construction	1.6	19.1	(20.7)	–
Disposals	(1.6)	(35.9)	(0.6)	(38.1)
As at 31 December 2023	199.9	728.7	35.3	963.9
Depreciation				
As at 1 January 2022	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
Exchange adjustments	(2.3)	(12.5)		(14.8)
Disposals	(1.2)	(34.9)		(36.1)
Impairment charge	0.2	2.9		3.1
Depreciation	5.2	40.2		45.4
As at 31 December 2023	106.8	556.7	–	663.5
NBV at 31 December 2022	93.5	174.7	31.0	299.2
NBV at 31 December 2023	93.1	172.0	35.3	300.4

An impairment charge of £3.1m was recognised during the year (2022: reversal of impairment of £2.9m) as part of the restructuring costs incurred in the complexity reduction program. 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 that had been placed at the balance sheet date amounted to £3.1m (2022: £3.7m).

Notes to the consolidated financial statements continued

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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
As at 1 January 2022	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
Additions	12.0	9.0	21.0
Extensions	4.5	1.1	5.6
Payment changes	0.1	(0.2)	(0.1)
Terminations	(1.2)	(0.5)	(1.7)
Impairment	(2.1)	–	(2.1)
Depreciation expense	(21.7)	(7.7)	(29.4)
Exchange	(1.3)	0.6	(0.7)
As at 31 December 2023	85.1	14.5	99.6

Notes to the consolidated financial statements continued

13. Leases continued

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
As at 1 January 2022	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
Additions	11.9	8.9	20.8
Extensions	4.5	1.0	5.5
Payment changes	(0.8)	0.4	(0.4)
Terminations	(1.2)	(0.5)	(1.7)
Accretion of interest	2.6	0.3	2.9
Payments	(23.6)	(8.3)	(31.9)
Exchange	(0.8)	0.1	(0.7)
As at 31 December 2023	86.4	13.8	100.2
Current	19.4	5.8	25.2
Non-current	67.0	8.0	75.0

The following are the amounts recognised in the income statement:

	2023 £m	2022 £m
Depreciation expense of right-of-use assets	(29.4)	(32.3)
Interest expense on lease liabilities	(2.9)	(2.8)
Total amount recognised in profit or loss	(32.3)	(35.1)

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 that have not been reflected is £nil (2022: £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 predetermined 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. Remeasurement 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

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.

Notes to the consolidated financial statements continued

14. Retirement benefits continued

Summary information

Net pension deficit: £48.9m (2022: deficit of £18.9m)

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 (2022: 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 2023	Quantity 2022	Assets £m	Liabilities £m	Net (deficit)/ surplus £m
Australia	3	3		(0.4)	(0.4)
Austria	6	6		(2.1)	(2.1)
France	3	3	0.2	(0.8)	(0.6)
Germany	30	30	6.4	(42.7)	(36.3)
India	6	6		(1.4)	(1.4)
Italy	6	6		(1.6)	(1.6)
Mexico	5	5		(1.2)	(1.2)
Spain	2	2			–
Switzerland	5	5	89.9	(88.2)	1.7
UAE	1	1		(1.4)	(1.4)
US*	2	2		(1.9)	(1.9)
UK	1	1	304.1	(307.8)	(3.7)
	70	70	400.6	(449.5)	(48.9)

* The US deficit above excludes £0.5m of assets relating to unqualified plans classified as investments (see Note 17).

As at 31 December 2023, the Group has recognised a net defined benefit deficit of £3.7m (2022: surplus of £28.4m) for the UK Deferred Fund.

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	Quantity No.	Assets £m	% of total assets %	Liabilities £m	% of total liabilities %
2023					
Final salary*	25	304.3	76.0%	(345.3)	76.8%
Cash balance**	12	89.9	22.4%	(90.3)	20.1%
Jubilee Awards***	14	–	0%	(2.3)	0.5%
Other	19	6.8	1.6%	(11.6)	2.6%
Total	70	401.0	100%	(449.5)	100%
Asset ceiling		(0.4)			
Revised assets		400.6			
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			

* **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 that 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.

Notes to the consolidated financial statements continued

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.

	2023 £m	2022 £m
Quoted equities	27.2	24.7
Quoted bonds	28.1	23.3
Total quoted assets	55.3	48.0
Unquoted equities	28.9	103.3
Insurance policies*	291.7	272.0
Property	20.3	19.5
Other**	4.8	(30.6)
Total unquoted assets	345.7	364.2
Fair value of assets	401.0	412.2
Restriction due to an asset ceiling	(0.4)	(5.7)
DBOs for funded schemes	(403.4)	(378.3)
DBOs for unfunded schemes	(46.1)	(47.1)
Deficit for DBOs	(48.9)	(18.9)
Schemes in net pension deficit	(50.6)	(47.4)
Schemes in net pension surplus	1.7	28.5

* The value of the insurance policies matches 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 £96.9m (2022: £86.9m) comprise equities of £27.2m (2022: £24.7m), bonds of £28.1m (2022: £21.0m), insurance of £6.8m (2022: £7.5m), property of £20.2m (2022: £19.5m) and other assets of £14.6m (2022: £14.2m). This excludes the impact of the restriction due to the asset ceiling of £0.4m (2022: £5.7m) 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 that 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 not only 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	2023 £m	2022 £m
UK	15.0	15.4
Switzerland	14.2	14.1
US	5.4	5.1
Eurozone	11.3	11.9

The UK Funds

The United Kingdom constitutes 68% (2022: 70%) of total defined benefit liabilities and 76% (2022: 80%) 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 (the 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.

Court Ruling

A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) decided that certain rule amendments between 1997 and 2016 for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. If the ruling stands it will form part of case law and will be applied across other pension schemes. The judgement is subject to appeal with a hearing scheduled for 25 June 2024.

The lawyers for the IMI 2014 Deferred Fund (the Fund), Squire Patton Boggs, in conjunction with the Fund administrators, Willis Towers Watson Ltd, are currently carrying out a review of the past amending deeds. The risk of potential impact remains and continues to be assessed.

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 five years. During the year, a repayment of £5.0m was made. The remaining liability is £15.0m.

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 either 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 was 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:

- **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
- **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
- **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

Notes to the consolidated financial statements continued

14. Retirement benefits continued

The table below reconciles the movement in the UK and overseas net defined benefit (obligation)/surplus between 1 January 2023 and 31 December 2023.

	UK £m	Overseas £m	Total £m
Net defined benefit surplus/(obligation) at 1 January 2023	28.4	(47.3)	(18.9)
Movement recognised in:			
Income statement	1.3	(5.5)	(4.2)
OCI	(33.4)	(0.3)	(33.7)
Cash flow statement	–	6.9	6.9
Exchange movements	–	1.0	1.0
Net defined benefit obligation at 31 December 2023	(3.7)	(45.2)	(48.9)

Risks faced by the schemes

The main risks that the Group face in respect of the UK Deferred Fund, which makes up 76% 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 9% 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.£9.8m. The Group has an objective to insure benefits as members retire, in order to reduce mortality risk.

Cash flow impacts

	2023			2022		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Amounts from employees	–	2.5	2.5	–	2.3	2.3
Amounts from employers	–	3.0	3.0	3.5	2.9	6.4
Benefits and settlements paid directly by the Group	–	3.9	3.9	–	5.3	5.3
Total	–	9.4	9.4	3.5	10.5	14.0

The expected contributions to the DB arrangements in 2024 are £3.0m of normal employer contributions and £2.5m 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:

	2023				2022			
	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	(15.3)	(9.4)		(24.7)	203.9	26.0		229.9
Change in inflation	3.1	0.5		3.6	2.2	9.3		11.5
Change in other assumptions	2.9	–		2.9	2.3	–		2.3
Actuarial experience – assets/(liabilities)	4.7	(0.1)		4.6	(2.1)	(1.2)		(3.3)
Asset experience	(28.8)	3.3		(25.5)	(309.2)	(8.5)		(317.7)
Actuarial (losses)/gains in the year	(33.4)	(5.7)		(39.1)	(102.9)	25.6		(77.3)
Change in the asset ceiling		5.4		5.4		(5.4)		(5.4)
Exchange gains/(losses)		0.9	0.1	1.0		(2.8)	(0.4)	(3.2)
(Losses)/gains recognised through equity	(33.4)	0.6	0.1	(32.7)	(102.9)	17.4	(0.4)	(85.9)

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					
	2023		2022		2021	
	UK* % pa	Overseas % pa	UK* % pa	Overseas % pa	UK** % pa	Overseas % pa
Inflation – RPI	3.3	–	3.4	n/a	3.4	n/a
Inflation – CPI (pre-2030)	2.3	1.5	2.4	1.5	2.4	1.3
Inflation – CPI (post-2030)	3.3	1.5	3.4	1.5	3.4	1.3
Discount rate	4.5	2.4	4.8	3.0	1.9	0.8
Expected salary increases	n/a	1.9	n/a	1.8	n/a	1.7
Rate of pension increases	3.2	0.6	3.3	0.5	3.3	0.7

* Assumptions are based on 31 December market conditions and based on the weighted average of various buy-in policy assumptions

** Assumptions are based on 31 December 2021 UK market conditions excluding buy-ins

Notes to the consolidated financial statements continued

14. Retirement benefits continued

	2023 years	2022 years	2021 years
Life expectancy (IMI Pension Fund only)***			
Current male pensioners	21.0	21.5	21.8
Current female pensioners	23.5	23.9	24.1
Future male pensioners	22.3	22.8	23.1
Future female pensioners	24.9	25.4	25.6

*** 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 2023 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 2023, in the event of the following reasonable changes in the key assumptions above.

	2023 £m	2022 £m
UK		
Discount rate 0.1% pa lower*	5.2	5.0
Inflation-linked pension increases 0.1% pa higher	4.6	4.0
Increase of one year in life expectancy from age 65	9.8	10.0
10% fall in non-bond-like assets**	2.9	11.0

* 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 with the ability to adjust the sensitivities as they consider necessary.

** Fund assets excluding cash, bonds and insurance policies.

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.

	2023 £m	2022 £m
Non-UK		
Discount rate 0.1% pa lower	1.6	1.4
Salary increases 0.1% higher	0.4	0.3
Increase of one year in life expectancy at age 65	2.9	2.7

In each case, all other assumptions are unchanged.

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):

	2023				2022			
	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		3.5	0.5	4.0		4.5	0.8	5.3
Recognition of gains			(0.3)	(0.3)			(0.1)	(0.1)
Pension expense – operating costs	–	3.5	0.2	3.7		4.5	0.7	5.2
Interest on DBO	14.1	3.6	0.2	17.9	9.2	1.1	0.1	10.4
Interest on assets ceiling		0.1		0.1				–
Interest on assets	(15.4)	(2.1)		(17.5)	(11.5)	(0.4)		(11.9)
Interest (income)/expense – financing costs	(1.3)	1.6	0.2	0.5	(2.3)	0.7	0.1	(1.5)

Overall reconciliation of changes in the net (liability)/surplus for DBOs

	2023				2022			
	DBO £m	Assets £m	Asset ceiling £m	Net defined benefit (liability)/ asset £m	DBO £m	Assets £m	Asset ceiling £m	Net defined benefit asset/ (liability) £m
Brought forward at start of year	(425.4)	412.2	(5.7)	(18.9)	(657.2)	719.7		62.5
Income Statement (charges)/credits								
Current service cost	(4.0)			(4.0)	(5.3)			(5.3)
Settlements				–	1.2	(1.2)		–
Net interest (cost)/income on net DB (liability)/asset	(17.9)	17.5	(0.1)	(0.5)	(10.4)	11.9		1.5
Immediate recognition of gains/(losses) – other long-term benefits	0.3			0.3	0.1			0.1
Total charged to income statement	(21.6)	17.5	(0.1)	(4.2)	(14.4)	10.7	–	(3.7)
Remeasurements recognised in other comprehensive income								
Actuarial gain/(loss) due to actuarial experience	4.6			4.6	(3.3)			(3.3)
Actuarial (loss)/gain due to financial assumption changes	(21.1)			(21.1)	241.6			241.6
Actuarial gain due to demographic assumption changes	2.9			2.9	2.2			2.2
Return on plan assets* less than discount rate		(25.5)		(25.5)		(317.8)		(317.8)
Change in asset ceiling			5.4	5.4			(5.4)	(5.4)
Total remeasurements recognised in other comprehensive income	(13.6)	(25.5)	5.4	(33.7)	240.5	(317.8)	(5.4)	(82.7)
Cash flows in the year								
Employer contributions		3.0		3.0		2.9		2.9
Employee contributions	(2.5)	2.5			(2.3)	2.3		–
Benefits paid directly by the Company	3.9			3.9	5.3			5.3
Benefits paid from plan assets	12.4	(12.4)		–	13.6	(13.6)		–
Net cash inflow/(outflow)	13.8	(6.9)	–	6.9	16.6	(8.4)	–	8.2
Other movements								
Changes in exchange rates	(2.7)	3.7		1.0	(10.9)	8.0	(0.3)	(3.2)
Total other movements	(2.7)	3.7	–	1.0	(10.9)	8.0	(0.3)	(3.2)
Carried forward at end of year	(449.5)	401.0	(0.4)	(48.9)	(425.4)	412.2	(5.7)	(18.9)

* Net of management costs.

Notes to the consolidated financial statements continued

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.

2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

Inventories

	2023	2022
	£m	(Restated) £m
Raw materials and consumables	162.1	164.8
Work in progress	174.4	136.7
Finished goods	100.8	116.2
	437.3	417.7
Inventories are stated after:		
Allowance for impairment	59.0	52.5

In 2023, the cost of inventories recognised as an expense (being segmental cost of sales) amounted to £1,183.7m (2022: £1,112.1m).

In 2023, the write-down of inventories to net realisable value amounted to £0.1m (2022: £0.1m). 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. Other receivables comprise various assets across the Group, including sales tax receivables and other non-trade balances.

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 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

	2023	2022
	£m	(Restated) £m
Current		
Trade receivables	402.6	367.1
Prepayments	24.6	23.6
Accrued income	11.2	2.3
Other receivables	85.5	90.9
	523.9	483.9
Receivables are stated after:		
Allowance for impairment	18.0	16.4

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 2023 these totalled £565.8m (2022: £526.1m).

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 2023 revenues (2022: 2%).

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 regarding 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

2022 results have been restated in the below table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

	Carrying amount	
	2023	2022
	£m	(Restated) £m
UK	17.5	16.7
Germany	28.3	33.0
Rest of Europe	108.1	98.3
USA	77.9	75.7
Asia Pacific	105.8	95.6
Rest of World	65.0	47.8
Total	402.6	367.1

Notes to the consolidated financial statements continued

16. Trade and other receivables continued

The maximum exposure to credit risk for trade receivables at the reporting date by segment is shown in the table below. 2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

	Carrying amount	
	2023 £m	2022 (Restated) £m
Automation	302.8	249.7
Life Technology	99.8	117.4
Total	402.6	367.1

Impairment provisions for trade receivables

The ageing of trade receivables at the reporting date is shown in the following table. 2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

	2023		2022 (Restated)	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	343.0	(0.1)	315.6	(0.1)
Past due 1-30 days	36.2	(0.9)	30.7	(0.9)
Past due 31-90 days	14.9	(1.0)	14.4	(0.9)
Past due over 90 days	26.5	(16.0)	22.8	(14.5)
Total	420.6	(18.0)	383.5	(16.4)

The net movement in the allowance for impairment in respect of trade receivables during the year in shown in the below table. 2022 results have been re-presented to correct a typographical error between amounts ‘utilised during the year’ and ‘charged to the income statement’:

	2023 £m	2022 (Re-presented) £m
Net balance at 1 January	16.4	15.7
Acquisitions	–	(0.4)
Utilised during the year	(0.7)	(0.1)
Charged to the income statement	3.9	2.0
Released	(1.4)	(1.6)
Exchange	(0.2)	0.8
Net balance at 31 December	18.0	16.4

Managing credit risk arising from counterparties

A group of relationship banks provides the bulk of the banking services, with preapproved 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 2023, credit exposure including cash deposited did not exceed £19.0m with any single institution (2022: £16.0m).

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 2023 and 31 December 2022. 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. 2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

	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			
2023						
Cash and cash equivalents			106.5		106.5	
Bank overdrafts				(66.3)	(66.3)	
Borrowings due within one year				(47.2)	(47.2)	
Borrowings due after one year				(531.4)	(531.4)	(511.7)
Lease liabilities				(100.2)	(100.2)	
Trade and other payables**				(485.6)	(485.6)	
Trade receivables				402.6	402.6	
Investments			1.7		1.7	
Other current financial assets/(liabilities)						
Derivative assets***		12.1			12.1	
Derivative liabilities****	(3.5)	(7.4)			(10.9)	
Total	(3.5)	4.7	108.2	(828.1)	(718.7)	
2022						
Cash and cash equivalents			133.0		133.0	
Bank overdrafts				(93.8)	(93.8)	
Borrowings due within one year				(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**				(445.9)	(445.9)	
Trade receivables				367.1	367.1	
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	(1,023.8)	(886.9)	

* 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 £15.3m (2022: £7.9m restated) falling due after more than one year.

*** Includes £0.3m (2022: £2.6m) falling due after more than one year.

**** Derivative liabilities include liabilities of £0.2m (2022: £0.4m) falling due after more than one year: £0.2m in 1-2 years and £nil in 2-3 years (2022: £0.4m in 1-2 years and £nil in 2-3 years). Derivative liabilities designated at fair value represent the fair value of unsettled net investment hedge derivatives. The increase in value of net investment hedge derivatives in the year of £0.4m is shown in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

17. Financial assets and liabilities continued

The decrease in other derivative assets and liabilities at fair value of £1.1m is recognised in the income statement and consists of £1.3m decrease of unsettled net foreign currency and metal forward contracts, which are not designated as hedges for accounting purposes offset by an increase of £0.2m of forward contracts to be utilised against specific trade receivables and trade payables.

There are no other financial liabilities included within payables disclosed above.

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 that use inputs that 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	Total £m
As at 31 December 2023			
Financial assets measured at fair value			
Equity instruments*	1.7		1.7
Foreign currency forward contracts		12.1	12.1
	1.7	12.1	13.8
Financial liabilities measured at fair value			
Foreign currency forward contracts		(10.9)	(10.9)
		(10.9)	(10.9)
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	17.7
Financial liabilities measured at fair value			
Foreign currency forward contracts		(13.8)	(13.8)
		(13.8)	(13.8)

* 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 £12.1m and £10.9m, 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 2023, 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 that 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 that 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 112 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).

Notes to the consolidated financial statements continued

18. Financial risk management continued

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 the 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 £205m (2022: £288m) of loans in a net investment hedge of USD net assets and £374m (2022: £381m) of EUR net assets. No ineffectiveness was recorded (2022: £nil) and a gain of £0.4m (2022: £8.8m 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 2023 was an accumulated loss of £0.8m (2022: accumulated loss of £1.2m).

Currency profile of assets and liabilities

	Cash*	Debt	Lease	Exchange	Assets and liabilities subject to interest rate risk	Other net assets**	Total net assets	Total net assets
	2023	2023	liabilities	contracts	2023	2023	2023	2022
	£m	£m	£m	£m	£m	£m	£m	£m
Sterling	(74)		(13)	290	203	194	397	191
US Dollar	(6)	(205)	(7)		(218)	612	394	368
Euro	29	(374)	(29)	(184)	(558)	546	(12)	64
Other	91		(51)	(106)	(66)	317	251	283
Total	40	(579)	(100)	–	(639)	1,669	1,030	906

* Cash is stated net of overdrafts.

** Other net assets includes leased assets: £11.9m Sterling (2022: £14.9m), £9.1m US Dollar (2022: £8.1m), £54.0m Euro (2022: £33.3m) and £24.6m Other (2022: £50.7m).

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* 2023	Cash and exchange contracts 2023	Assets subject to interest rate risk* 2023	Floating rate 2023	Fixed rate 2023	Weighted average fixed interest rate	Weighted average period for which rate is fixed
	£m	£m	£m	£m	£m	%	years
Sterling	(13)	216	203	203			
US Dollar	(212)	(6)	(218)	(60)	(158)	3.9	2.6
Euro	(587)	29	(558)	(184)	(374)	2.3	4.0
Other	(157)	91	(66)	(66)			
Total	(969)	330	(639)	(107)	(532)		

* Net of lease liabilities; £13m Sterling, £7m US Dollar, £29m Euro and £51m Other.

	Debt and exchange contracts* 2022	Cash and exchange contracts 2022	Assets subject to interest rate risk* 2022	Floating rate 2022	Fixed rate 2022	Weighted average fixed interest rate	Weighted average period for which rate is fixed
	£m	£m	£m	£m	£m	%	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.

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.

Notes to the consolidated financial statements continued

18. Financial risk management continued

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
At 31 December 2023				
Impact on income statement: gain/(loss)	0.5	(0.5)	(18.4)	18.4
Impact on equity: (loss)/gain			(75.2)	75.2
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

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 2023, the Group had undrawn committed facilities totalling £300.0m (2022: £200.0m) and was holding cash and cash equivalents of £106.5m (2022: £133.0m). 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. 2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

Capital base

	2023 £m	2022 £m (Restated)
Total equity	1,030	906
Gross debt including overdrafts	645	839
Gross cash	(107)	(133)
Capital base	1,568	1,612
Employee benefits and deferred tax assets	24	53
Extended capital base	1,592	1,665
Undrawn funding facilities	300	200
Available capital base	1,892	1,865

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 2023 was 1.3 times (2022: 1.8 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.

Notes to the consolidated financial statements continued

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 comprises 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

	2023 £m	2022 £m
Adjusted EBITDA*	503.2	457.0
Working capital movements	(31.3)	(85.1)
Capital and development expenditure	(79.9)	(71.3)
Provisions and employee benefit movements**	(2.7)	1.5
Principal elements of lease payments	(29.0)	(32.3)
Other	6.0	20.2
Adjusted operating cash flow***	366.3	290.0
Adjusting items	(43.1)	(52.6)
Tax paid	(76.1)	(48.6)
Interest	(22.7)	(19.2)
Derivatives	9.8	(8.6)
Additional pension scheme funding	–	(3.5)
Free cash flow before corporate activity	234.2	157.5
Dividends paid to equity shareholders	(68.8)	(62.2)
Acquisition and disposal of subsidiaries	0.5	(213.3)
Net purchase of own shares	0.6	(18.8)
Net cash flow (excluding debt movements)	166.5	(136.8)

* Adjusted profit after tax £302.9m before interest £23.2m, tax £84.5m, depreciation £74.8m, amortisation £17.6m and impairment on property, plant and equipment and non-acquired intangible assets £0.2m.

** Movement in provisions and employee benefits as per the statement of cash flows £0.9m adjusted for the movement in the restructuring provisions £3.6m.

*** 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

	2023 £m	2022 £m
Net increase in cash and cash equivalents, excluding foreign exchange	17.7	11.0
Less: cash acquired/disposed	0.4	(10.0)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired	148.4	(137.8)
Decrease/(Increase) in net debt before acquisitions, disposals and foreign exchange	166.5	(136.8)
Net (debt)/cash acquired/disposed	(0.4)	10.0
Currency translation differences	1.8	(50.6)
Movement in lease liabilities	5.5	(11.8)
Movement in net debt in the year	173.4	(189.2)
Net debt at the start of the year	(812.0)	(622.8)
Net debt at the end of the year	(638.6)	(812.0)

Reconciliation of adjusted operating cash flow to cash flow statement

	2023 £m	2022 £m
Cash generated from operations	439.3	335.8
Principal lease payments	(29.0)	(32.3)
Settlement of transactional derivatives	(8.8)	2.3
Acquisition of property, plant and equipment and non-acquired intangibles	(79.9)	(71.3)
Adjusting items	43.1	52.6
Proceeds from sale of property, plant and equipment	1.6	2.9
Adjusted operating cash flow	366.3	290.0

Reconciliation of cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents in current assets	106.5	133.0
Bank overdraft in current liabilities	(66.3)	(93.8)
Cash and cash equivalents	40.2	39.2

Notes to the consolidated financial statements continued

19. Net debt continued
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 2022	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)
Lease additions, extensions, terminations and payment changes				(24.2)	(24.2)
Lease payments and interest				29.0	29.0
Cash flow excluding settlement of currency derivatives hedging balance sheet and net cash/debt disposed of/acquired	3.0	99.2	49.6		151.8
Settlement of currency derivatives hedging balance sheet	1.0				1.0
Currency translation differences	(3.0)	3.7	14.4	0.7	15.8
At 31 December 2023	40.2	(47.2)	(531.4)	(100.2)	(638.6)

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:

	2023 £m	2022 £m
Expiring within one year	100.0	–
Expiring between one and two years	75.0	193.5
Expiring after more than two years	125.0	6.0
Total	300.0	199.5

The weighted average life of these facilities is 1.6 years (2022: 0.9 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
2023									
Cash and cash equivalents	Floating	106.5	106.5	106.5					
Term loan 2024	Floating	(47.2)	(47.2)	(47.2)					
US loan notes 2025	1.39%	(130.4)	(134.0)	(1.8)	(132.2)				
US loan notes 2026	3.86%	(98.4)	(109.8)	(3.8)	(3.8)	(102.2)			
US loan notes 2027	3.92%	(59.1)	(68.3)	(2.3)	(2.3)	(2.3)	(61.4)		
US loan notes 2028	1.53%	(69.6)	(75.1)	(1.1)	(1.1)	(1.1)	(1.1)	(70.7)	
US loan notes 2029	3.30%	(87.0)	(104.4)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(89.9)
US loan notes 2030	3.40%	(87.0)	(108.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(93.0)
Bank overdrafts	Floating	(66.3)	(66.3)	(66.3)					
Lease liabilities	Various	(100.2)	(100.2)	(25.2)	(18.6)	(15.7)	(12.2)	(8.5)	(20.0)
Derivative financial liabilities		(10.9)	(10.9)	(10.7)	(0.2)				
Total		(649.6)	(717.7)	(57.8)	(164.1)	(127.2)	(80.6)	(85.1)	(202.9)

	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)

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.

Notes to the consolidated financial statements continued

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 January 2023 £m	Financing cash flows* £m	Non-cash changes				31 December 2023 £m
			Acquisition of subsidiary £m	New leases £m	Exchange £m	Other** £m	
2023							
Revolving credit facilities	(100.5)	100.1			0.4		–
Term loan 2023 and 2024	(99.2)	48.3			3.7		(47.2)
US loan notes	(545.8)				14.4		(531.4)
Bank overdrafts	(93.8)	27.5					(66.3)
Lease liabilities	(105.7)	31.9		(24.2)	0.7	(2.9)	(100.2)
Total	(945.0)	207.8		(24.2)	19.2	(2.9)	(745.1)

	1 January 2022 £m	Financing cash flows* £m	Non-cash changes				31 December 2022 £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)

* 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.

	2023 £m	2022 £m
Current liabilities		
Unsecured loan notes and other loans	47.2	150.1
Lease liabilities	25.2	25.8
Total	72.4	175.9
Non-current liabilities		
Unsecured loan notes and other loans	531.4	595.4
Lease liabilities	75.0	79.9
Total	606.4	675.3

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 indemnity provisions 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	17.6	9.2	0.4	27.2
Non-current	0.2	8.7	6.4	15.3
At 1 January 2023	17.8	17.9	6.8	42.5
Arising during the year	34.9	2.3	–	45.4
Released during the year	–	(1.5)	(1.5)	(3.0)
Utilised during the year	(31.3)	(3.0)	–	(42.5)
Exchange adjustment	(0.5)	(0.2)	–	(0.7)
At 31 December 2023	20.9	15.5	5.3	41.7
Current	19.9	8.4	0.4	28.7
Non-current	1.0	7.1	4.9	13.0

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 £17.8m primarily related to the 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 with our customer base. The utilised balance includes £31.3m of cash settlements. The provision as at 31 December 2023 of £20.9m primarily relates to the expected redundancy payments for facility closures with the majority of the resulting outflow expected during 2024.

Notes to the consolidated financial statements continued

20. Provisions continued

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, as above. The provision represents the directors’ best estimate of the Group’s liability based on past experience.

Environmental and 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 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

	2023 £m	2022 (Restated) £m
Current		
Trade payables	152.0	150.4
Social security and other taxation	33.7	35.1
Accruals	42.6	43.9
Deferred income	0.3	–
Progress billings and advance payments from customers	96.8	71.9
Other payables	144.9	136.7
	470.3	438.0
Non-current		
Other payables	15.3	7.9
	485.6	445.9

£50.9m of the £71.9m progress billings and advance payments from customers held at the prior year-end, were recognised as revenue during the year. £52.5m of the £73.2m progress billings and advance payments from customers held at 31 December 2021, were recognised as revenue during the 2022 financial year. Other payables includes costs for services and professional fees invoiced at the balance sheet date.

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

	2023		2022	
	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	275.0	78.6	274.9	78.6
Issued to satisfy employee share schemes	0.1	–	0.1	–
In issue at the end of the year	275.1	78.6	275.0	78.6

All issued share capital at 31 December 2023 and 2022 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 2022	2.4	14.3	258.3	275.0
New issues to satisfy employee share scheme awards			0.1	0.1
Transfer shares from treasury to employee benefit trust	0.6	(0.6)		–
Shares allocated under employee share schemes	(1.3)		1.3	–
At 31 December 2023	1.7	13.7	259.7	275.1

During the year 0.1m (2022: 0.1m) shares were issued under employee share schemes realising £0.6m (2022: £1.2m).

Employee Benefit Trust

The Employee Benefit Trust made market purchases of a total of nil (2022: 1.4m) shares with an aggregate market value of £nil (2022: £20.0m) and a nominal value of £nil (2022: £0.4m). Associated transaction costs amounted to £nil (2022: £nil). On 28 November 2023 0.6m ordinary shares were transferred out of treasury for nil consideration to the IMI Employee Benefit Trust.

Share options exercised in 2023 were settled using the shares in the Group’s Employee Benefit Trust. In 2023, 0.7m (2022: 0.8m) shares were issued for cash of £nil (2022: £nil).

Of the 15.4m (2022: 16.7m) shares held within retained earnings, 1.7m (2022: 2.4m) shares with an aggregate market value of £28.6m (2022: £30.9m) are held in trust to satisfy employee share scheme vesting.

Notes to the consolidated financial statements continued

23. Acquisitions

Acquisitions in 2022

During the year ended 31 December 2022, the Group made three acquisitions, namely:

- Heatmiser UK Ltd (“Heatmiser”)
- CorSolutions LLC (“CorSolutions”)
- Bahr Modultechnik GmbH (“Bahr”)

a) Heatmiser UK Ltd (“Heatmiser”)

	Fair value at 23 December 2022 £m
Other intangible assets	46.2
Property, plant and equipment	0.2
Inventories	7.4
Trade and other receivables	5.6
Cash and cash equivalents	7.4
Trade and other payables	(4.7)
Current taxation	(0.6)
Deferred taxation	(11.6)
Total identified net assets at fair value	49.9
Goodwill arising on acquisition	67.6
Purchase consideration	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.

This acquisition has been accounted for as a business combination and the accounting, including the purchase price allocation, has been finalised during the year. After updating the assumptions, deferred consideration recognised is £nil. 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.

b) CorSolutions LLC (“CorSolutions”)

	Fair value at 27 October 2022 £m
Other intangible assets	8.8
Inventories	0.6
Deferred taxation	–
Total identified net assets at fair value	9.4
Goodwill arising on acquisition	–
Total consideration	9.4
Of which relates to deferred consideration	1.3
Purchase consideration	8.1

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, an additional payment of £0.6m made in 2023 as part of the closing consideration, with up to a further £3.6m payable based on future financial performance. CorSolutions is a leading innovator in micro-fluid flow control and is based in Ithaca, New York.

This acquisition was accounted for as a business combination. The acquisition accounting has been finalised and changes were made to the provisional fair value amounts recognised in the 2022 Annual Report in respect of the deferred consideration and identified assets acquired and liabilities assumed. This resulted in a decrease of £1.7m from the 2022 Annual Report, bringing the goodwill position to £nil. The expected earn-out payout has decreased from £3.6m as at 31 December 2022 to £1.3m.

c) Bahr Modultechnik GmbH (“Bahr”)

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.

This acquisition was 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 2022 Annual Report in respect of the identified assets acquired and liabilities assumed.

d) Adjustments arising on prior year acquisitions

In finalising the acquisition accounting for the prior year acquisitions of CorSolutions and Heatmiser, an adjustment of £36.3m was made to include acquired intangibles and corresponding deferred tax, adjust working capital and other payables. This resulted in a decrease in goodwill of £36.3m.

The adjustment is material and as such the comparative balance sheet has been restated, as follows:

	Balance Sheet (as Reported) 2022 £m	Allocation of Heatmiser and CorSolutions goodwill 2022 £m	Restated Balance Sheet 2022 £m
Non-current assets			
Goodwill	733.7	(36.3)	697.4
Other intangible assets	270.5	46.2	316.7
Deferred tax assets	24.5	(0.3)	24.2
Current assets			
Inventories	416.3	1.4	417.7
Trade and other receivables	484.9	(1.0)	483.9
Current tax	2.0	(0.1)	1.9
Total assets	2,519.9	9.9	2,529.8
Non-current liabilities			
Deferred tax liabilities	(47.9)	(11.3)	(59.2)
Other payables	(9.9)	2.0	(7.9)
Current liabilities			
Trade and other payables	(437.7)	(0.3)	(438.0)
Current tax	(70.1)	(0.3)	(70.4)
Total liabilities	(1,614.3)	(9.9)	(1,624.2)

Notes to the consolidated financial statements continued

24. Disposals

Disposals in 2023

The Group disposed of its Dutch subsidiary, IMI Aero-Dynamiek BV, on 2 October 2023 for proceeds of £0.8m, resulting in a gain on disposal for the Group of £0.7m after disposing of £nil of net assets and incurring £0.3m of associated disposal costs.

This disposal is not disclosed as a discontinued item because it did not represent a separate major line of business.

	2 October 2023 £m
Sale consideration	0.8
Net assets disposed	–
Costs of disposal	(0.3)
Foreign exchange gain reclassified on disposal	0.2
Gain on disposal	0.7
Net cash flow arising on disposal	
Sale consideration	0.8
Cash costs of disposal	(0.3)
Net cash flow arising on disposal of operations	0.5

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 was presented in the income statement as an adjusting item in 2022 but it was not disclosed as a discontinued item because it did not represent a separate major line of business.

	27 May 2022 £m
Sale consideration	–
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	
Sale consideration	–
Cash costs of disposal	(0.9)
Net cash flow arising on disposal of operations	(0.9)

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 £131m (2022: £132m).

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.

	2023 £m	2022 £m
Short-term employee benefits*	4.8	3.5
Share-based payments**	2.0	2.2
Total	6.8	5.7

* 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 shared-based payment charge for key management personnel, see Note 6.

Transactions with associated companies

	2023 £m	2022 £m
Sales to associated companies	0.8	–
Purchases from associated companies	–	–
Total	0.8	–
Accounts receivable	1.2	–
Accounts payable	–	–

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 2023.

Company balance sheet
At 31 December 2023

	Notes	2023 £m	2022 £m
Fixed assets			
Investments	C5	563.4	533.0
		563.4	533.0
Current assets			
Debtors	C6	14.9	18.3
Deferred tax assets	C7	6.4	5.5
Cash at bank and in hand		1.6	1.6
		22.9	25.4
Creditors: amounts falling due within one year			
Other creditors	C8	(9.4)	(4.3)
Net current assets		13.5	21.1
Total assets less current liabilities		576.9	554.1
Net assets		576.9	554.1
Capital and reserves			
Called up share capital	C9	78.6	78.6
Share premium account		17.0	16.4
Capital redemption reserve		177.6	177.6
Profit and loss account		303.7	281.5
Equity shareholders' funds		576.9	554.1

The Company reported a profit for the financial year ended 31 December 2023 of £77.5m (2022: £59.6m).

Approved by the Board of Directors on 29 February 2024 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 2022	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
Retained profit for the year				77.5	77.5
Dividends paid on ordinary shares*				(68.8)	(68.8)
Shares issued in the year	–	0.6			0.6
Share-based payments				13.2	13.2
Shares acquired for: employee share scheme trust*	–	–	–	0.3	0.3
At 31 December 2023	78.6	17.0	177.6	303.7	576.9

* 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 2023 and 31 December 2022 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 146 to 167 and in Note 26 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 judgements or key sources of estimation uncertainty applied in 2023 or in 2022.

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 that 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 136 to 167, 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 19 (2022: 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.

Company notes to the financial statements continued

C4. Dividends

The aggregate amount of dividends comprises:

	2023 £m	2022 £m
Prior year final dividend paid – 17.4p per qualifying ordinary share (2022: 15.8p)	45.1	40.8
Current year interim dividend paid – 9.1p per qualifying ordinary share (2022: 8.3p)	23.7	21.4
Aggregate amount of dividends paid in the financial year	68.8	62.2

Dividends paid in the year of £68.8m represent 26.5p per share (2022: 24.1p).

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.

	2023 £m	2022 £m
Current year final dividend – 19.2p per qualifying ordinary share (2022: 17.4p)	49.9	45.1

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

	2023 £m	2022 £m
Investments in subsidiary undertakings	173.2	173.2
Loans owed by subsidiary undertakings	390.2	359.8
Total	563.4	533.0

Details of subsidiary undertakings as at 31 December 2023 are shown on pages 264 to 268.

The loan due from subsidiary undertakings is due for repayment on 31 December 2027. The loan is unsecured and interest is calculated using SONIA plus a fixed percentage of 1.86%.

C6. Debtors

	2023 £m	2022 £m
Falling due for payment within one year:		
Amounts owed by subsidiary undertakings	14.9	18.3
Total	14.9	18.3

C7. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2023 £m	2022 £m
Employee benefits and share-based payments	6.4	5.5
Deferred tax asset included in the balance sheet	6.4	5.5

Reconciliation of movement in deferred tax asset:

	2023 £m	2022 £m
At 1 January 2023	5.5	6.8
Adjustment in respect of prior years	0.1	–
Deferred tax credit in the profit and loss account	0.5	0.6
Deferred tax (credit)/charge in equity	0.3	(1.9)
At 31 December 2023	6.4	5.5

The rate of corporation tax in the UK for 2023 was 23.5% (2022: 19%). From 1 April 2023, the statutory rate increased from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2022: 25%).

C8. Other creditors falling due within one year

	2023 £m	2022 £m
Corporation tax	8.4	3.3
Other payables	1.0	1.0
Total	9.4	4.3

C9. Share capital

	2023 £m	2022 £m
Issued and fully paid		
275.1m (2022: 275.0m) 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 £54.1m (2022: £37.8m).

There is a right of set-off with three of the Company’s banks 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 2023 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.,	Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham,
Holford Estates Limited,	West Midlands, B37 7XZ, United Kingdom
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 Sweden Finance Limited,	
IMI Vision Limited,	
Liquick 211 Limited,	
Truflo Group Limited,	
Truflo International Limited,	
Truflo Investments Limited	
IMI Americas LLC,	5400 South Delaware Street, Littleton, CO 80120, United States
IMI Fluid Controls Holdings Inc,	
IMI Norgren LLC,	
Norgren LLC	
Finch Land Management LLC	145 Hyde Road, Farmington, CT 06032, United States
IMI Critical Engineering Holding GmbH,	Bruckstrasse 93, 46519 Alpen, Germany
IMI Deutschland II GmbH & Co KG,	
IMI Deutschland Verwaltungs GmbH,	
IMI Germany Holding B.V. & Co KG,	
Norgren GmbH	
Adaptas Acquisition Co,	Palmer Industrial Park, 9 Second Street, Palmer, MA 01069, United States
Adaptas Acquisition Holdings, LLC,	
Adaptas Solutions, LLC	

Heimeier GmbH,	Völlinghauser Weg 2, 59597 Erwitte, Deutschland, Germany
IMI Hydronic Engineering Deutschland GmbH,	
THJ Holding GmbH	
IMI Australia Pty Ltd,	33 South Corporate Avenue, Rowville VIC 3178, Australia
IMI Critical Engineering (PAC) Pty Ltd,	
IMI Lakeside Australia Pty Ltd	
IMI Finance SA,	Route de Crassier 19, Lake Geneva Business Park, 1262 Eysins, Switzerland
IMI Finance USD SA,	
IMI Hydronic Engineering International SA	
Adaptas Solutions Pty Ltd,	2-8 Martha Street, Clyde NSW 2142, Australia
DeTech Australia Holdings Pty Ltd	
IMI Hydronic Engineering NV	Fountain Business Park, C. Van Kerckhovenstraat 110 Gebouw 3 BE-2880 Bornem
CCI Italy S.R.L.,	Via Larga 6, 20122 Milan, Italy
IMI Holding Italy S.R.L.,	
Orton S.R.L.	
IMI Hydronic Engineering A/S,	Vesterlundvej 18, 2730 Herlev, Denmark
Norgren A/S	
IMI Hydronic Engineering AS,	Glynitveien 7, Ski, N-1400, Norway
Norgren AS	
IMI Hydronic Engineering BV,	Klipperaak 101 (1e etage), 2411 ND Bodegraven
IMI Netherlands Holdings BV	
IMI Scotland Limited,	c/o Brodies LLP Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP, United Kingdom
The IMI Scottish Limited Partnership,	
The IMI 2017 Scottish Limited Partnership	
Lakeside Finance Unlimited Company,	1 Stokes Place, St Stephens Green, Dublin 2, Ireland
Lakeside Treasury Unlimited Company	
Norgren Co Limited,	Building 3, No. 1885, Duhui Road, Minhang District, Shanghai, China
Norgren Manufacturing Co Ltd	
Valves Holding GmbH,	Bertramsweg 6, 52355 Düren, Germany
Z & J Technologies GmbH	
Acro Associates LLC	145 Hyde Road, Farmington, CT 06032, 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, United Kingdom
Bahr Modultechnik Holding GmbH,	North-South-Str. 10a, 31711 Luhden, Germany
Bahr Modultechnik GmbH	
Bimba LLC,	25150 S. Governors Hwy, University Park, IL 60484, United States
Mead Fluid Dynamics, Inc.	
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 Sirnach, 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

Subsidiary undertakings continued

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
IMI Critical Engineering LLC	22591 Avenida Empresa, Rancho Santa Margarita CA 92688, United States
CorSolutions LLC	622 Scofield Road, Groton, New York, 1307
FAS Medic SA	Route de Bossonnens 2, 1607, Palézieux, Switzerland
Fluid Automation Systems GmbH	Hortensienweg 21, 70374 Stuttgart, Germany
Heatmiser UK Ltd	Units 1-5 Hurstwood Court, Mercer Way, Blackburn, England, BB1 2QU, United Kingdom
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 Critical Engineering (APAC) Pte. Ltd	29 International Business Park, ACER Building, #04-01 Acer Building, Singapore, 609923, Singapore
IMI Critical Engineering (AUS) Pty Ltd	c/o 21-22 Greenhill Road, Wayville SA 50344, 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 FZE	Office No. FZJOA1308, FZJOA1310, FZJOA1307A, Jebel Ali Free Zone, PO BOX 17827, Dubai, United Arab Emirates
IMI Deutschland B.V.	Versterkerstraat 6, 1322 AP Almere, the 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, United Arab Emirates
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.	Industriestrasse 9, rue des Trois Cantons, L- 8399 Windhof, Grand Duchy of Luxembourg
IMI Hydronic Engineering (Spain) SAU	Calle Orduña 3 Planta Baja, 28034 Madrid, Spain
IMI Hydronic Engineering S.R.L.	Via dei Martinitt n. 3, 20146 Milan, 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.	Evropska 852, 664 42, Modrice, 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
Newman Hattersley Limited	5063 North Service Road, Suite 100, Burlington, ON, L7L 5H6 Canada
Norgren AG	Fabrikstrasse 10, 8370 Sirnach, 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
Norgren Finland OY	Robert Huberin Tie 7, FI-01510 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	Palmer Industrial Park, 9 Second Street, Palmer, MA 01069 United States
Norgren Limited	Room M, Block 1, 19/F., Kingswin Industrial Building, 32-50 Lei Muk Road, Kwai Chung, Hong Kong
Norgren Limited	15A Vestey Drive, Auckland, 1060, New Zealand
IMI Webber Limited,	Blenheim Way, Fradley Park, Lichfield, Staffordshire, WS13 8SY, United Kingdom
Norgren Limited	
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.	45061 Tlaquepaque, Jalisco, Mexico
Norgren NV	Norgren NV, Alfons Gossetlaan 54 bus 5, B1702 Dilbeek, 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	Kamaxelgatan 11, S-212 41 Malmö, 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.	VI Strada Ovest – Macchiareddu, Uta (CA), 09068, 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

Subsidiary undertakings continued

TA Regulator d.o.o.	Orliska Ulica 13, Brezice, SI-8250, Slovenia
TH Jansen Armaturen GmbH	Blücherstrasse 47, 66386 Sankt Ingbert, Germany
Thompson Valves Limited	17 Balena Close, Creekmoor, Poole, Dorset, BH17 7EF, United Kingdom
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 2023 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*

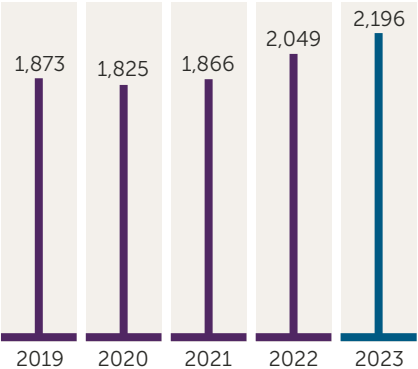
The following table shows the geographic distribution of employees as at 31 December 2023 and is not required to be audited.

United Kingdom	1,129
Continental Europe	5,273
Americas	2,767
Asia Pacific	1,555
Rest of World	48
Total	10,772

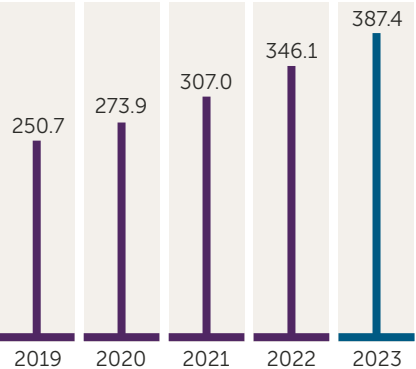
* Includes agency and contractors.

Five-year summary*

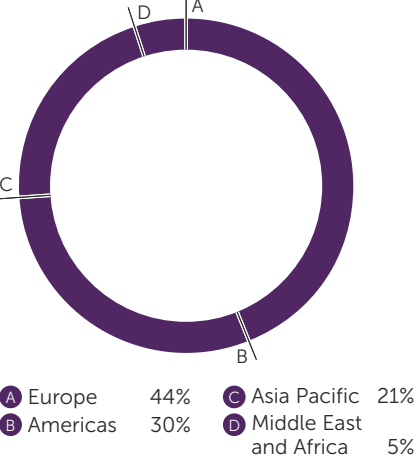
Revenue £m



Adjusted profit before tax £m



Group revenue by geography 2023



Income statement

	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
Revenue	1,873	1,825	1,866	2,049	2,196
Adjusted operating profit	266.1	284.7	318.1	363.8	410.6
Adjusted profit before tax	250.7	273.9	307.0	346.1	387.4
Special pension events	8.6	–	–	–	–
Restructuring costs and associated impairment losses	(53.3)	(37.7)	(39.7)	(25.9)	(48.1)
Acquired intangible amortisation	(19.5)	(18.7)	(15.0)	(29.5)	(32.0)
Other acquisition items	(1.6)	–	(3.1)	(4.2)	(1.6)
Loss/(gain) on disposal of subsidiaries	–	–	(3.8)	–	–
Exit from Russia	–	–	–	(9.0)	(2.0)
Financial instruments excluding economic hedge contract (losses)/gains	4.4	(3.2)	(0.8)	7.9	(1.3)
Profit before tax	189.3	214.3	244.6	285.4	302.4
Adjusted EBITDA	357	380	404	457	503

Group sales by destination

	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
UK	90	88	83	93	117
Germany	234	222	238	265	280
Rest of Europe	494	486	520	520	557
Total Europe	818	796	841	878	954
Total Americas	538	545	526	627	665
Total Asia Pacific	404	390	409	450	470
Middle East and Africa	113	94	90	94	107
Revenue	1,873	1,825	1,866	2,049	2,196

* The five-year summary is not required to be audited.

Five-year summary* continued

Earnings and dividends

	2019	2020	2021	2022	2023
Adjusted basic earnings per share	73.2p	79.7p	92.0p	105.5p	116.8p
Statutory basic earnings per share	56.6p	62.7p	73.5p	87.6p	91.5p
Ordinary dividend per share	41.1p	22.5p	23.7p	25.7p	28.3p

Balance sheet

	2019	2020	2021	2022	2023
	£m	£m	£m	(Restated) £m	£m
Segmental net assets (including lease liabilities)	1,168	1,124	1,340	1,756	1,715
Other net non-operating liabilities excluding borrowings (gross)	(111)	(96)	(32)	(144)	(147)
Net debt (excluding lease liabilities)	(347)	(228)	(529)	(706)	(538)
Net assets	710	800	779	906	1,030

Statistics

	2019	2020	2021	2022	2023
				(Restated) £m	£m
Adjusted operating profit as a percentage of revenue	14.2%	15.6%	17.0%	17.8%	18.7%
Adjusted operating profit as a percentage of segmental net assets	22.8%	25.3%	23.7%	20.7%	23.9%
Effective tax rate on adjusted profit before tax	21.0%	21.0%	20.0%	21.3%	21.8%
Net debt as a percentage of shareholders' funds	48.9%	39.5%	79.9%	89.6%	62.0%
Net debt: adjusted EBITDA	1.2	0.8	1.5	1.8	1.3
Adjusted EBITDA: interest	24	35	33	24	22

Shareholder and general information

Announcement of trading results

The trading results for the Group for the first half of 2024 will be announced on 26 July 2024. The trading results for the full year ending 31 December 2024 will be announced in February 2025.

Interim Management statements will be issued in May and November 2024.

Expected dividend payments

Final: 17 May 2024

Interim: September 2024

Share prices and capital gains tax

The closing price of the Company's ordinary shares on the London Stock Exchange on 31 December 2023 was 1,684.0p (2022: 1,228.0p). 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 below).

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 2024

This year's AGM will be held on 9 May 2024. 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).

Shareholder and general information continued

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 below).

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.

Headquarters and registered office

Lakeside
Solihull Parkway
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B37 7XZ

Telephone: +44 121 717 3700

IMI plc is registered in England No.714275

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Website: www.shareview.co.uk

Telephone: 0371 384 2040

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

J.P. Morgan 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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