TCFD reporting – extract from 2022 ARA

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

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

» Strategy part c in relation to the assessment of organisational resilience in the face of climate change as we are in the process of quantifying the potential impact on our financial performance and position.

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Governance		
a)	**Board oversight of climate-related risks and opportunities**	The Board has overall responsibility for IMI's environmental, social and governance agenda which include: » Setting our Creating a Better World strategy » Reviewing and approving the ESG framework, strategy, priorities » Determining and keeping under review the Company's ESG climate-related risks and opportunities and its risk appetite » Horizon scanning for emerging climate-related risks » Keeping under review the materiality of climate-related risk and its impact on the financial statements » Receiving regular updates on our sustainability milestones from the Better World team (for example progress on reductions in water, waste and GHG emissions) and feedback from the Investor Relations team on ESG expectations from shareholders and rating agencies » The Remuneration Committee continue to include CO_2 intensity reduction as core part of IMI's incentive plans. In addition, the Audit Committee review guidance from regulators to ensure our continued compliance with the reporting of our ESG strategy The Board is supported by our senior independent, non-executive director, Thomas Thune Anderson, who has considerable ESG experience and has designated responsibility to support the directors' collective responsibility to consider a wide range of stakeholder perspectives and drive IMI's ESG agenda when arriving at Board decisions.	2022 ARA Pages 44, 54 and 55, 86 and 87, 99, 104, 106, 110, 112, 144

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	Governance		
b)	**Management's role in assessing and managing climate-related risks**	ESG Strategy execution is delegated to the Chief Executive, supported by the Executive Committee. The IMI Executive Committee, are regularly informed about climate-related issues by the Head of Sustainability (via their work with the Better World team their sub-committees and Ricardo Energy & Environment). In addition to these updates, the IMI Executive Committee monitors and reviews ESG progress, climate-related risk management processes and reviews bi-annually a detailed analysis of the Group's risk profile including supporting divisional data and the actions undertaken. The Executive Committee continue to review and approve: » All ESG achievements and targets for inclusion in the Annual Report » The ESG strategy and proposal to the Board » Updates on latest climate-related reporting requirements and monitoring of our external ESG rankings » Scope 3 work relating to the assessment of Scope 3 emissions and review of reduction plans and target setting » The approach to Inclusion & Diversity, health and safety, employee development and talent retention The Executive Committee will continue to improve its knowledge and understanding of climate related risks and opportunities and their related financial impact. Louise Waldek, Group General Counsel and Company Secretary, has specific responsibility for Executive sponsorship of the Better World team.	2022 ARA Pages 14, 48, 54 and 55, 78, 86 and 87, 121

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Strategy		
a)	**Climate-related risks and opportunities identified over the short, medium and long-term**	IMI has identified four climate risks and three opportunities, which have been rated as having a high impact and a potentially high likelihood. The climate risk management timeframes are short-term 0-3 years, medium-term 3-10 years, long-term 10-30 years, and very long-term by 2100. These time horizons have been considered with reference to our internal financial planning timeframes. **Risks** » Reduced output and higher costs associated with the increased frequency and intensity of floods, storms, and other extreme weather events, caused by a 3˚C increase in global temperatures (long-term) » Aggressive phasing out of certain plastics and metals (medium to long-term) » Decline of the Oil & Gas sector due to stricter regulation (medium-term) » Water shortages impacting the production of steel and plastics (medium to long-term) **Opportunities** » Demand for several of IMI's products and solutions may increase with the greater demand for energy efficient products and technologies (medium-term) » Likewise, IMI is well placed to provide innovative products to support the increased use of hydrogen in a low carbon economy (medium-term) » The greater demand for a circular economy may increase the demand for certain products within IMI Critical Engineering which enable the re-use of materials (medium-term) To capture all of IMI's global operations, the process for identifying and managing risks and opportunities includes the involvement of management and staff at the operating sites and across all divisions within the different geographies. Further work will be carried out to standardise the process for reviewing all climate risks and opportunities as well as further understand the varying level of risks across the business sectors and geographies within the next disclosure.	2022 ARA Pages 76 and 77, 86 to 93

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Strategy		
b)	**Impact of climate-related risks and opportunities on IMI's businesses, strategy and financial planning**	In the medium to long-term IMI's sites could be impacted by physical climate risks. The physical climate risk analysis on page 77, using computer models, has identified those sites potentially at high levels of peril in the long-term. Further detailed onsite analysis of the risks and potential existing mitigations would be required before making any changes to IMI's resilience assumptions. » In 2022, IMI Critical Engineering saw a significant increase in aftermarket orders, in particular due to increased Oil & Gas activity. However, in the long-term the transition to zero-emissions is likely to see reduced demand in the Oil & Gas sector, particularly in new construction, representing 6% of Group sales. As a result of this, the division is continuing to advance its strategy into more new energy and actively deploying Growth Hub to support sustainable future growth » In the long-term (10-30+ years) IMI Critical could see a reduction in its Petrochemical business, which currently represents 6% of Group sales. If there is a significant shift away from using certain plastics, we expect this change to be slow and we continue to support our customers to reduce emissions in this area » In the medium-term (3-10 years) the transition to zero-emissions could impact the sale of some IMI Precision's Transportation products. The sustainable solutions section of this report highlights some of the work being performed to remove the use of hazardous materials, minimise or remove the use of lead and to keep on top of product compliance legislation. In addition, IMI is involved in supporting our customers with zero-emission hydrogen fuel cell technology » In the short and medium-term we continue to expect demand for our automation products, with Industrial Automation representing 22% of 2022 Group sales to increase to support the drive for increase automation with greater energy efficiency » Our IM Hydronic division, representing 17% of IMI's sales, supports its customers with energy efficiency in buildings. Due to the ongoing drive to reduce energy usage and regulatory changes supporting the reduction of energy usage, we see an opportunity for an acceleration of organic growth for the division » IMI is supporting customers across a number of applications related to hydrogen in the short and medium-term, we see a significant growth opportunity in the coming years » IMI Critical has received £43m of Growth Hub orders in 2022, much of which are supporting our customers to extend the life of the solutions we provide. We continue to see this as an ongoing short-term growth opportunity for the division In 2023, IMI will further develop how risks and opportunities are prioritised, cross-referencing to the risk management and any other relevant sections of the annual report where appropriate. IMI will also look to	2022 ARA Pages 8, 20 to 25, 29 and 30, 45, 70 and 71, 76 and 77, 171

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Strategy		
		disclose the quantified outcomes of the scenario analysis to inform future financial planning.» All ESG achievements and targets for inclusion in the Annual Report » The ESG strategy and proposal to the Board » Updates on latest climate-related reporting requirements and monitoring of our external ESG rankings » Scope 3 work relating to the assessment of Scope 3 emissions and review of reduction plans and target setting » The approach to Inclusion & Diversity, health and safety, employee development and talent retention The Executive Committee will continue to improve its knowledge and understanding of climate related risks and opportunities and their related financial impact. Louise Waldek, Group General Counsel and Company Secretary, has specific responsibility for Executive sponsorship of the Better World team.	
c)	**Resilience of IMI's strategy taking into consideration different climate-related scenarios, including 2˚C or lower**	Analysis of the resilience of the Board's strategy highlighted that none of the climate-related risks identified above would likely impact IMI in the short-term. The latest IMI strategic plan does take into account the potential impact of the truck market transitioning to a zero-emission market and the potential impact on the oil and gas market within IMI Critical Engineering, however due to IMI's extensive engineering expertise, climate change may also offer significant opportunities and therefore a significant proportion of the strategic response has been focused on the short to medium-term opportunities. IMI will look to disclose the quantified outcomes of the scenario analysis to inform future financial planning across the short, medium and long-term. IMI strives to continue to improve the quality and robustness of its scenario analysis outcomes and strengthen its adaptation and mitigation activities.	ARA Pages 20 to 25

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Risk management		
a)	**IMI's processes for identifying and assessing climate-related risks**	Working alongside our environmental consultants Ricardo Energy & Environment, in 2021 we carried out an analysis of climate-related risks and opportunities using the TCFD framework. The initial horizon scan looked at 13 climate related events structured around TCFD's four climate categories (Physical, Reputation, Market & Technology and Policy & Legal) and identified 63 potential climate-related risks & opportunities. The next step was to conduct a materiality assessment which looked at the extent to which each division/location could be exposed to a particular climate event (climate sensitivity) and the existing ability to mitigate or take advantage of the climate event (adaptive capability). To enable a financial evaluation, each risk and opportunity was mapped against three financial materiality drivers (sales, operational costs and capital investment). The materiality assessment identified 20 key areas of focus. Those identified as a high priority risk or opportunity (i.e. significant financial impact and high score on the sensitivity vs capability matrix) were then assessed against the two climate scenarios mentioned on page 76. The two scenarios tried to represent: 1) Little public intervention resulting in significant physical and other climate change impacts 2) High public intervention limiting physical and other climate change impacts The scenarios were selected to ensure they aligned with TCFD methodology, would be acceptable to EU policy makers, are recognised worldwide and, rely on up-to-date projections. This likelihood analysis created the four climate risks and three opportunities which have been rated as having a high impact and a potentially high likelihood. IMI will continue to develop the processes for assessing the potential size and scope of identified climate-related risks and will detail the development of the financial TCFD materiality.	2022 ARA Pages 76 and 77, 86 and 87

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Risk management		
b)	**IMI's processes for managing climate-related risks**	Climate-related risks form part of the overall risk management process and the Better World agenda. For example, further work has taken place in 2022, alongside our main external insurance provider to gain a greater understanding of the potential physical risks faced by IMI's larger sites as part of an ongoing project to determine the current mitigations in place and those that may be required in the future to manage the risks associated with extreme weather events. » Engineering and procurement teams continue to review the components within our products and where relevant, gain certifications on more sustainable components, reviewing sourcing policies to ensure good availability and pricing on materials » Our production and supply chain teams have been working, alongside external consultants to understand and review our product compliance against the increasing volume of new regulations and to understand what alternatives there are for various components (for example lead content in brass). All divisions have specially selected suppliers to investigate ESG topics (climate impact, human trafficking & slavery, organisational commitment and labour rights) through our compliance partner, Assent Inc. In 2023, we will engage with these 75 suppliers to identify emissions reduction programmes to support our Scope 3 goals, together with ensuring human rights are protected in the supply chain » To mitigate the risk of supply chain disruption caused by water shortages, our supply chain teams are working to ensure we have dual sourcing of key components and are treated as a priority customer via framework agreements with tier 1 suppliers	2022 ARA Pages 69, 76 and 77, 86 and 87
c)	**How IMI's processes for identifying, assessing and managing climate-related risks are integrated into IMI's overall risk management**	Climate-related risks determined and reviewed via the work of divisional risk champions, form part of several principal risks, and are included as part of risk management presentations to the Executive and the Board. As opposed to having a specific principal risk regarding climate change, the Board believes there are several principal risks which already cover the potential impact of climate change. » Business disruption due to natural disasters – which covers the physical risks of climate change » Failure to comply with legislation – including the risk that IMI were to breach country specific legislation on carbon initiatives, industry standards, material restrictions etc	2022 ARA Pages 86 to 93

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Risk management		
		» Talent risk – the impact of a poor ESG strategy or reputational climate incidents would have on the ability to retain and attract premium talent » Failure to manage the supply chain – the impact on the cost, availability, and delivery times of key components due to disruptive transition risks towards low carbon energy efficient products » Organic growth – the ability to adapt to new customer problems and realise the climate opportunities identified IMI will continue to further develop how managing climate-related risks are integrated into the overall risk management framework, which we see as a continually evolving process.	

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Metrics and targets		
a)	**Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process**	Our purpose is **Breakthrough Engineering for a better world**, where we are committed in providing customers with the most sustainable products possible. To ensure IMI supports sustainability, our climate goals include reducing emissions and minimising our environmental impact. To help achieve this we have set up several climate-related metrics aimed at reducing our greenhouse gas emissions, water usage and waste. We have obtained limited level assurance over the accuracy of our greenhouse gas emissions from an independent third-party consultancy. As noted above, impact and likelihood alongside a materiality assessment are the metrics used to assess climate-related risks and opportunities. We have included details of the relevant percentage of business activities aligned with each risk/opportunity set out in page 81. In 2022 we included the halving of our CO_2 intensity (Scope 1 & 2) as part of our executive remuneration. See part c) below for further information. We recognise the importance of developing an internal carbon price as a critical forward-looking metric that can help us to manage climate-related transition risks and opportunities. We will be working on this during 2023 ahead of reporting in next year's Annual Report. Specific climate-related opportunities linked to research and development have not yet been measured but we will consider measuring this in the future.	2022 ARA Pages 48 to 50, 74 and 75, 78 and 79 part b) below Strategy part b), page 81
b)	**Scope 1, 2 and 3 greenhouse gas emissions and related risks**	Details of our achievements against our climate-related targets including CO_2 intensity can be found in the Creating a Better World section of this Annual Report.	2022 ARA Pages 48 to 50, 74 and 75, 78 and 79

#	TCFD recommendation	How IMI aligns with the recommendations	For more information
	Metrics and targets		
c)	**Targets used to manage climate-related risks and opportunities and performance against targets**	Our purpose drives our strategy and our ambition, including our commitment to: » Halve our total Scope 1 & 2 CO_2 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 (m^3 per 1,000 hours worked) by 10% by 2030 (compared to 2020) » Reduce our non-recycled hazardous waste by 50% by 2030 (compared to 2022) Since January 2022, shorter-term (annual) targets for Scope 1 & 2 CO_2 intensity reduction have formed part of our executive remuneration. From January 2023, annual targets for water intensity will be included as part of the personal objectives of the annual bonus for the Chief Executive and Executive Committee members. We will look to include shorter term targets for waste and Scope 3 CO_2 emissions in the future. Recent acquisitions, Adaptas, Bahr, CorSolutions and Heatmiser, continue to move IMI into more resilient markets with long-term growth prospects. Research and development expense continues to increase year on year to accelerate our organic growth opportunities, and we continue to see a wide range of opportunities available in our markets that will help our strategy to be resilient to climate-related risks.	2022 ARA Pages 48 to 50, 131, 134, 137, 144 Note 5