

TCFD Reporting

Extract from 2023 Annual Report



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 Taskforce for 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.

All page references refer to the 2023 Annual Report.

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.			
<p>The Board has overall responsibility for IMI's environmental, social and governance agenda which include:</p> <ul style="list-style-type: none"> 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. <p>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.</p> <p>ESG competence and experience is evaluated as a criterion for non-executive director appointments.</p> <p>The Board receives updates on climate-related matters quarterly, for discussion.</p>	<p>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.</p> <p>Each director has specific measurable ESG targets built into their strategic and personal objectives.</p> <p>Review of targets and progress by the Board.</p>	<p>We will further improve the integration of climate-related opportunities and risks into our Group risk management framework and business processes.</p> <p>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.</p>	<p>2023 Annual Report pages: 40, 42, 43, 45, 88, 102, 105, 112, 114, 116-117</p>

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			
<p>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 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:</p> <ul style="list-style-type: none"> 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. <p>Louise Waldek, Chief Legal & Risk Officer, and Company Secretary, has specific responsibility for Executive sponsorship of the Better World team.</p>	<p>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.</p>	<p>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.</p>	<p>Page numbers within this Report: 45, 48, 52, 56, 72-75, 82, 89, 95</p>

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			
<p>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 of the 2023 Annual Report)</p> <p>Opportunities:</p> <ol style="list-style-type: none"> 1. market expansion and innovation 2. alternative fuels 3. climate-related policy and legislation 4. product portfolio 5. supply chain and operational excellence <p>Risks:</p> <ol style="list-style-type: none"> 1. climate-related policy and legislation 2. product portfolio 3. supply chain operational excellence 4. physical risks (acute and chronic) <p>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 of the 2023 Annual Report.</p> <p>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.</p>	<p>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.</p>	<p>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.</p>	<p>2023 Annual Report pages: 72-81, 95</p>

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			
<p>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 (see page 75) including;</p> <p>Opportunities: increased product demand, long-term project investments (operations) and growth in hydrogen solutions</p> <p>Risks: Oil & Gas market exposure.</p> <p>Key outputs are presented as changes compared to a reference scenario over a 2030 and 2050 time frame.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We will continue to update the quantitative company level business and financial analysis based on company developments and market changes.</p> <p>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.</p> <p>Evaluate the indirect costs of carbon by business, to inform procurement strategy resilience.</p>	<p>2023 Annual Report pages: 13, 22, 26, 43, 56, 57, 72-81</p>

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.			
<p>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).</p> <p>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).</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>Continue to drive our process for resiliency action ownership in line with our Climate Action targets and goals across the organisation.</p>	<p>2023 Annual Report pages: 18-27, 76-81</p>

Risk			
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			
<p>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:</p> <ul style="list-style-type: none"> ▪ Ethics, Compliance & Governance ▪ Talent & Engagement ▪ Lack of Organic Growth ▪ Failure to manage the supply chain <p>Risks and opportunities that scored as climate material were grouped under Priority Focus Areas (see Figure 1, page 72) 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 5 year time frame).</p>	<p>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.</p> <p>We incorporated Zurich's 2022 analysis of physical climate-related risks into wider identification of climate-related opportunities and risks.</p> <p>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.</p> <p>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.</p>	<p>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 financial material in the future given new developments in our business and the market.</p> <p>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 early 2024, with our ESG consultants, Ricardo. The TCFD work will inform and contribute to the output.</p>	<p>2023 Annual Report pages: 72-75, 88-95</p>

Risk	How we comply	Progress made in 2023	Further improvement	For more information
b) Describe the organisation's processes for managing climate-related risks.	<p>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).</p> <p>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.</p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>We will continue to work with Platform Risk Champions to drive focus and accountability.</p>	<p>2023 Annual Report pages: 52-57, 72-76, 88-91 and 95</p>
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<p>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.</p> <p>We conducted a mapping exercise to integrate, match and overlay the resulting climate-related material risks in the principal risk register.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>	<p>2023 Annual Report pages: 88-91</p>

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.			
<p>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).</p>	<p>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 CO₂ intensity, water intensity and women in management.</p> <p>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.</p>	<p>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.</p>	<p>2023 Annual Report pages: 46-47, 58-60</p>
b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 emissions, and the related risks			
<p>Details of our achievements against our climate-related targets including CO₂ intensity can be found in the Creating a Better World section of this Annual Report (see pages 46-47).</p> <p>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.</p> <p>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).</p> <p>We include historical periods to allow for trend analysis.</p>	<p>We have worked with third-party consultants to calculate our Scope 1, 2 and 3 emissions.</p>	<p>We continue to strive to improve the quality of our Scope 3 analysis and data.</p>	<p>2023 Annual Report pages: 46-47, 58-60</p>

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			
<p>Our purpose drives our strategy and our ambition, including our commitment to SBTi:</p> <ul style="list-style-type: none"> ▪ 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). 	<p>We have extended our GHG emissions target to include Scope 3.</p> <p>We have submitted an SBTi application, please see page 43 for more information.</p> <p>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.</p> <p>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.</p>	<p>Continue to expand Scope 3 verification.</p> <p>Develop a Climate Transition plan in line with the TPT framework in 2024 and report appropriately.</p> <p>Continue to expand and develop carbon emission reporting by product.</p>	<p>2023 Annual Report pages: 43, 46-47, 150, 153-155, 158, 166</p>