Delivering Growth+

rotork

Keeping the World Flowing
for Future Generations

Annual Report 2022

Company Number
00578327

Delivering
Growth+

Our Growth+ strategy is specifically designed to deliver our ambition of mid to high single-digit revenue growth and mid-20s adjusted operating margins over time

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Highlights

A strong set of results

Rotork's 2022 results were strong. Revenues increased 12.8% year-on-year, benefiting from higher selling price realisation and the second half's strong recovery in deliveries. Adjusted operating margins recovered in the second half, however not sufficiently to fully offset the first half margin decline. In November we launched our Growth+ strategy which is designed to deliver on our ambition of mid to high single-digit revenue growth and mid-20s margins over time.

Financial highlights

Orders

+6.8%

Orders were 6.8% higher year-on-year on an organic constant currency (OCC) basis

Revenues

+8.4%

Sales were 8.4% ahead year-on-year (OCC)

Adjusted operating profit

£143m

Reported operating profit was £124m

Adjusted basic EPS

12.7p

Basic EPS was 10.9p

* Adjusted figures and organic constant currency ('OCC') figures are alternative performance measures and are used consistently throughout these results. They are defined in full and reconciled to the statutory measures in note 2 of the Financial Statements.

Orders (£m)

19	20	21	22
692	590	614	682

Revenues (£m)

19	20	21	22
669	605	569	642

Adjusted operating profit (£m) and margin (%)

	19	20	21	22
Adjusted operating profit (£m)	151	143	128	143
Margin (%)	22.6%	23.6%	22.5%	22.3%

Profit before tax (£m)

19	20	21	22
119	113	106	124

Adjusted/ reported EPS (p)

	19	20	21	22
Adjusted	13.0	12.5	11.3	12.7
Reported	10.3	9.8	9.2	10.9

Dividend per share (p)

19	20	21	22
6.2	6.3	6.4	6.7

Non-financial

Sustainability

We committed to net-zero for scopes 1 and 2 by 2035 and for scope 3 by 2045

Our interim greenhouse gas emissions reduction targets were validated by the Science Based Targets initiative

We introduced our 'eco-transition' portfolio consisting of our products and services which have particular environmental or sustainability benefits

The US signed the Inflation Reduction Act, the largest ever piece of federal legislation to address climate change. The Act specifically targets methane emissions and water management and conservation

We were ranked in the top 5% globally in the Machinery and Electrical Equipment industry by S&P in its highly regarded Corporate Sustainability Assessment

Kiet Huynh was appointed Rotork's CEO on 10 January 2022

Our Chairman **Martin Lamb** announced that he will step down on 28 April 2023 after nine years on the Board

Dorothy Thompson CBE joined the Board as Chair designate

We launched our **Growth+** strategy which aims to deliver on our ambition of mid to high single-digit revenue growth and mid-20s adjusted operating margins over time

We supported **global charities** and local causes

We were recognised as Best Overall Company IR (Mid-Cap), at the IR Society's Best Practice Awards

Strategic roadmap

Delivering Growth+

We launched our Growth+ strategy at a Capital Markets Event in November 2022. Central to the strategy is Rotork's purpose – keeping the world flowing for future generations. Growth+ is specifically designed to deliver our growth ambition through our three pillars of Target Segments, Customer Value, and Innovative Products & Services, each underpinned by our 'Enabling a Sustainable Future' initiative.

PURPOSE
Keeping the world flowing for future generations

VISION
To be the leader in intelligent flow

Target Segments

Customer Value

Innovative Products & Services

Enabling a Sustainable Future
Helping customers better their own environmental performance, whilst at the same time working to improve our own

At a glance

Rotork is a market-leading global provider of mission-critical intelligent flow control solutions

Divisional split

Oil & Gas

The leading supplier of electric critical duty actuators and related services to the global Oil & Gas sector with the largest installed base and site services team. Our products and services are used by customers across their upstream, midstream and downstream segments to automate and electrify processes, assure safety and eliminate fugitive emissions.

Sales
£283m

Sales growth
9%

Adjusted operating margin
22.6%

Read more P.76

Chemical, Process & Industrial

A supplier of specialist actuators and instruments for niche applications in the broad chemical, process industry and industrial sectors. The division identifies and solves critical reliability, efficiency and safety challenges for customers across a broad range of end markets including decarbonisation, chemical, HVAC and mining.

Sales
£198m

Sales growth
24%

Adjusted operating margin
25.8%

Read more P.78

Water & Power

Supplier of premium actuators, predominantly electric, and gearboxes for applications in the water and power generation sectors. Our products and services are used to solve water management, quality and scarcity challenges and in climate change adaptation and alternative energy, as well as to automate, electrify and digitalise our customers' processes.

Sales
£160m

Sales growth
8%

Adjusted operating margin
25.2%

Read more P.80

Global presence

	Americas	Europe, Middle East and Africa	Asia Pacific
Employees	513	1,698	1,023
Offices	10	24	29
Manufacturing facilities	3	9	4
Sales	£174m	£233m	£235m

What we do

The Pueblo dam in Colorado, USA, in operation with reservoir water flowing through a 60-inch valve of the type shown on P.07 (complete with Rotork IQ actuator)

What makes Rotork a market leader?

Rotork's market position is driven by our technical capabilities, the quality and reliability of our products and services and our reputation in the market. Our products must satisfy challenging and complex certification requirements which differ from industry to industry and geography to geography. Given the above factors, barriers to entry into the market are relatively high.

Safety, productivity and efficiency

Extraction

Our products are used in the extraction of high value materials such as oil & gas, metals and minerals

Processing

They are used to automate material processing plants, such as refineries and chemical facilities

Transportation

Rotork products provide critical safety functions during the transportation of fluids e.g. via pipelines

Storage

They control the flow of fluids in and out of storage tanks and can shut them down in an emergency

The flow control markets Rotork serves have great potential for growth.

Kiet Huynh
Chief Executive Officer

Utilisation

Our products are regularly used in the utilisation of fluids – for example producing hydrogen from water

Heating and cooling

They are used in severe service HVAC applications such as in semiconductor fabrication plants and data centers

Recovery

Rotork products have an important role to play in the circular economy, e.g. carbon capture and storage

Recycling

They often play a key role in recycling processes, for example of reclaimed and effluent water

Investment case

Keeping the world flowing for future generations

Ambitious growth targets

Targeting mid to high single-digit revenue growth over time

We are the global leader in highly attractive growth markets that have high barriers to entry and are relatively concentrated. Our served markets are benefiting from the mega trends of automation, electrification and digitalisation that are transforming industry. We aim to outgrow them through the implementation of our Growth+ strategy – focusing on Target Segments and delivering Customer Value and Innovative Products & Services.

Sales growth in 2022 (OCC)

+8.4%

Read more P.14

Strong operating leverage

Higher sales boost profits significantly

Our business has a high gross margin and relatively low variable costs meaning high operating leverage – higher sales boost profits significantly and quickly. As well as having high margins and relatively low fixed assets, the business has a comparatively low level of net working capital, meaning that revenue growth need not absorb significant cash.

Gross margin

45.5%

Net Working Capital/sales

28.7%

Return on Capital Employed

31.3%

20-year basic EPS growth CAGR

+8.8%

Read more P.82

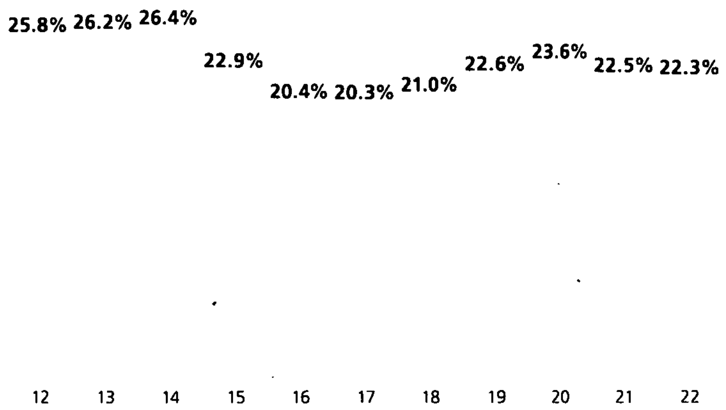
Leading returns

Market leading returns with room for upside

Our adjusted operating profit margin was 22.3% in 2022, amongst the highest in the industrial goods & services sector. We target a return to the mid-20s over time through operational gearing, continuous improvement and sourcing and supply chain initiatives. We have an asset-light business model and our return on capital employed (ROCE), at 31.3% in 2022, is ahead of our peers.

Adjusted operating profit margin

22.3%



Highly cash generative

Balance sheet strength

Our group is highly cash generative – cash conversion averaged 111% over the last five years. This cash flow enables us to fund organic investments, pay a progressive annual dividend and gives us the flexibility to make strategic acquisitions. The lower cash conversion of 76% in 2022 was in part a timing issue, reflecting a high level of sales in the final weeks of the year, and tactical inventory build.

20-year dividend growth CAGR

+8.2%

Read more P.82

Committed to sustainability

Enabling a sustainable future

Our sustainability framework is core to everything we do and embedded in the Growth+ strategy through our 'Enabling a Sustainable Future' initiative. Every day we work to help customers better their own environmental performance, including through our 'eco-transition' portfolio of products and services, whilst at the same time working to improve our own. Our sustainability initiatives are aligned with our management incentives.

S&P Global CSA

Top 5%

Ranked in the top 5% in our industry globally

Read more P.30

Disciplined capital allocation

A clear capital allocation framework

Our capital allocation priorities are: i) organic investment (new product development, innovation, new markets, internal systems); ii) our progressive dividend policy; iii) strategic investments; followed by, in the event in the future we determine we have excess cash, iv) return of cash.

Net cash balance

£106m

Organic investments

We are investing in the development of new products and services, innovation, IT systems, front end sales and in our internal processes.

Progressive dividends

We aim to grow our dividend with earnings over time whilst recognising the importance to our shareholders of an increasing dividend.

Strategic investments

We believe disciplined acquisitions can support and potentially accelerate our strategy whilst at the same time contributing to shareholder returns.

Return of cash

If at any time we consider ourselves to have more cash than we need to fund our priorities then we will return the surplus.

Chairman's statement

Rotork delivered a return to sales growth despite a volatile macro environment

Martin Lamb
Chairman

I am pleased with Rotork's performance in 2022. The Group's new Chief Executive, Kiet Huynh, and his team capably navigated what was once again a volatile economic environment buffeted by geopolitical events, COVID-19 and resurgent inflation. On several occasions when uncertainty was high, I reflected on the benefits of Rotork's strong market positions, pricing power and balance sheet. Notwithstanding this volatile and uncertain backdrop Rotork overcame its supply chain challenges and reported a welcome return to strong revenue growth, with sales 8.4% higher year-on-year on an organic constant currency basis.

In November the team presented the Group's new strategy, Growth+. This follows on from the Growth Acceleration Programme ("GAP"), which delivered a fundamentally leaner, stronger, Group aligned with its end markets and well placed to deliver profitable growth. We see Growth+ as the next leg of the journey that was started by GAP. Growth+ is about delivering the profitable growth we know we are capable of, by targeting the right end markets, being close to our customers and delivering innovation. The 'plus' in Growth+ refers to us helping deliver a sustainable future, strengthening our culture, and rewarding all our stakeholders.

Market update

The events in Ukraine have necessitated a reconsideration of energy security risks globally. A major change in approach is underway, with countries looking to reduce their dependence on energy imported from unpredictable countries (such as, but not only, Russia). The events may have caused the shift to renewable energies to accelerate but they have also strengthened the activity in traditional energy as additional investment is required to facilitate a secure energy transition. One area expected to see significant investment is liquified natural gas (LNG) which was already seen as an essential transition fuel but now also as a means of helping provide energy security.

An important example of an initiative to drive investment into the energy sector is the United States' Inflation Reduction Act. This promotes amongst other things investments targeting the reduction of methane emissions in the energy sector as well as investment in hydrogen production and carbon capture, utilisation and storage ('CCUS'). Rotork is well placed to benefit from investment in these areas.

The outlook for the water and waste water sector remains positive with increasing investment in new and existing infrastructure. The sector is focused on delivering water availability, improving water quality and reducing leakage. Automation and digitalisation in this sector are important mega trends benefiting Rotork. The Inflation Reduction Act includes significant funding for water quality.

The lifting of China's COVID-19 restrictions and the reopening of the country's economy has the potential to boost activity in this important region and is expected to be positive for global economic growth

Social performance

Whilst 2022 saw some return to normality post COVID-19 in certain parts of the world, the pandemic continued to cause loss and suffering elsewhere. Rotork continues to do everything it can to help colleagues affected by the pandemic, particularly in China following the lifting of the country's zero-COVID policy in December. I am pleased to report that illness levels amongst our colleagues in China were close to normal by January.

A knock-on effect of the invasion of Ukraine and pandemic restrictions lifting is consumer price inflation, particularly of essentials such as food and energy. Inflation has been a particular challenge for our colleagues in the UK and Europe, but also in other regions to a slightly lesser extent. I am pleased to report that we were able to assist our many affected colleagues in several ways, including through reviewing salaries.

Our net-zero target dates

2035 for scopes 1 & 2

2045 for scope 3

Environmental performance

Sustainability is a major focus for everyone at Rotork. Whilst the impact we have enabling our customers to improve their environmental performance likely far exceeds our own environmental footprint, the latter is no less important. We emitted 11.3 tCO_2e per £1m of revenue based on location-based calculations which is a reduction compared to 2021 of 21%.

Following the announcement of our net-zero targets a year ago, we were pleased to receive approval from the Science Based Targets initiative for our near-term greenhouse gas ('GHG') emission targets. Rotork was one of the first UK-based companies in our sector to receive approval for near-term 1.5oC aligned targets. Underlining the importance that we attach to achieving our net-zero targets, we are proposing the inclusion of scopes 1 and 2 greenhouse gas reduction targets into our senior team's long-term remuneration opportunity starting 2023.

Our validated near-term targets are:

- to reduce our absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2020 base year
- to reduce our absolute scope 3 GHG emissions from use of sold products 25% by 2030 from a 2020 base year
- that 25% of our suppliers by emissions covering purchased goods and services will have science-based targets by 2027

We are targeting net-zero by 2035 for scopes 1 and 2 and by 2045 for scope 3.

We made further progress in implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), including our work to quantify the potential impacts of climate risks and opportunities.

Whilst the Rotork team derives great motivation through its Purpose of 'keeping the world flowing for future generations', it is also pleasing to be recognised by external agencies. We were particularly proud to be ranked by S&P Global in the top 5% globally in the Machinery & Electrical Equipment industry in its highly-regarded Corporate Sustainability Assessment and included in the 2023 Sustainability Yearbook.

Board update

We were delighted to welcome Kiet Huynh to the Board and as Chief Executive on 10 January 2022. Kiet has settled into the Chief Executive role well. The highlight of his first year was the launch of the Growth+ strategy in November. This was well received by all our stakeholders.

Towards the end of the year as part of our Board succession planning we appointed a new non-executive director. Dorothy Thompson brings extensive experience of leading international industrial and power businesses, and has a deep understanding of the energy transition, a key component of the Growth+ strategy.

I will soon have been a director of Rotork for nine years, and Chairman for the last 8 years, and in-line with best governance practice I am not standing for reappointment at the AGM on the 28 April 2023. Dorothy Thompson will succeed me as Chair on this date and I wish her all the best in the role.

Post April's AGM Rotork's Board gender balance will be 50%, exceeding the FTSE Women Leaders Review Target (of 40% Board positions to be held by women by 2025). Rotork achieved the Parker Review's 'one by 2024' Board ethnic diversity target in 2021.

Dividend

Rotork recognises the importance of a growing dividend to our shareholders. We are committed to a progressive dividend policy, subject to satisfying the cash requirements of the business.

This year the Board recommends a final dividend of 4.30p per share. With the 2022 interim dividend of 2.40p, the total dividend for the year is 6.70p, a 4.7% increase on the 2021 full year dividend. This is equivalent to 1.9 times cover based on adjusted earnings per share (2021: 1.8 times). The final dividend will be payable on 19 May 2023 to shareholders on the register on 14 April 2023.

Proposed full year dividend

6.7p Up 4.7%

Outlook

The outlook for our end markets is positive and we entered the year with a record opening order book. Our new Growth+ strategy has momentum and we are already seeing early benefits from our focus on our strategy pillars of Target Segments, Customer Value and Innovative Products & Services. Whilst mindful of the uncertain economic outlook, we expect a year of further progress in 2023.

Martin Lamb
Chairman
27th February 2023

Business model

Keeping the world flowing for future generations

Rotork is a market-leading global provider of mission-critical intelligent flow control solutions

1
Identify our customers' automation challenges

Our customers rely upon Rotork for innovative solutions to safely control the flow of their liquids, gases and powders. We proactively seek out their product and service needs and develop solutions that offer improved efficiency, assured safety and environmental protection and are tailored to their precise requirements.

2
Innovation and development of products and services

The innovative research and development activities across Rotork ensure cutting-edge products are available for every application across the markets we serve. Our new product development is particularly focused on products that help improve our customers' efficiency and environmental performance.

Commitment to a sustainable future

Operating responsibly

Enabling a sustainable future

Making a positive social impact

Read more P.30

3
Industry leading application engineering

We have been widely acknowledged as the market leader in flow control for over 60 years, recognised for our comprehensive, high-quality range of products and solutions. Our products are available with extensive certifications, including for use in hazardous areas and safety applications, and as explosion proof.

4
World class product manufacturing

We are a global business with product manufacturing sites located around the world. Our factories operate to the highest international standards and supply our quality products to our customers on time and at short notice if required.

5
Lifecycle services & support

We offer dedicated, expert service and support from initial inquiry, to product installation, and through Rotork Site Services, long-term aftersales care including planned and predictive maintenance and end-of-life decommissioning.

The value we created in 2022

Our offering
We launched five new products in 2022, slightly less than planned due to supply chain challenges. Sustainability is a high priority for our innovation and product development teams.

(no. of product launches)

5

Employees
We offer our employees a safe working environment, fair pay, terms and conditions, equality and fairness in the workplace and engagement on important issues.

(wages, salaries etc. paid)

£157m

Suppliers
Our assembly-only philosophy means we have a sizeable supply chain. Social, environmental and ethical considerations are embedded into our Global Supplier Excellence programme.

(spend with external suppliers)

£335m

Communities
We endeavour to make a positive social impact by being a good corporate citizen. We are pleased to pay taxes and contribute to society in the countries in which we operate.

(corporation cash tax paid)

£30m

Our routes to market

Own sales Our highly experienced sales and application engineering teams

Channel partners Industrial distributors and manufacturer's agents

Rotork Site Services Our market leading global aftersales and service team

Specification approval Understanding customer needs and confirming our products meet them

OEMs Customers who incorporate Rotork components into their products and systems

EPCs, contractors and integrators Third-party infrastructure construction and specialty automation partners

Specification approval
Key to direct or indirect sales

45% OEMs/valve makers

Own sales

10%

5% EPCs

End users

Channel partners **20%** Distributors

Rotork Site Services **20%**

The environment

We delivered a good set of results across our key environmental metrics in 2022, including a 17% reduction in total scope 1 and market-based scope 2 tCO_2e emissions.

(CO_2 emissions, YoY)

-17%

Shareholders

We have a strong track record of creating shareholder value and have increased our ordinary dividend each year for more than 20 years.

(dividends paid)

£55m

Supported by

Key competitive strengths

- Brand and reputation, track record and references
- Product performance and quality
- Application and technology expertise
- Customer and end user relationships
- High-quality field service offering
- Intellectual property

Our market dynamics

Global mega trends driving our top line growth

Automation

Automation is the introduction of automatic equipment into processes to improve reliability, safety and efficiency. We benefit from this powerful trend as our end users upgrade from manual to actuated valves

Electrification

Electrification is the conversion of a machine or system to the use of electrical power. Electrification is occurring across many areas of industry, including flow control, driven by emissions reduction and improved control

Energy security

Energy security has risen up the global priority list following Russia's invasion of Ukraine and has triggered an acceleration in infrastructure spend including LNG capacity expansions, storage investment and life extensions

Water scarcity

Water scarcity is resulting in greater investment in leak detection and monitoring as well as water re-use and recycling. Rotork is well placed to benefit, for example through the recently launched CK range of waterproof actuators

Digitalisation

Digitalisation is the use of digital technologies to change a business model and provide new value to customers. Digitalisation is a major theme in the markets we serve –examples include condition monitoring and remote diagnostics

Sustainability

Sustainability is the societal goal of our time – people safely co-existing over the long term. Sustainability is a major opportunity for us, including through methane emissions and flaring elimination and low- and no-carbon fuels

Water quality

Water quality challenges are creating opportunities globally, for example in network infrastructure modernisation, water treatment and desalination. The USA's Inflation Reduction Act included significant funding for water quality

New energies

New energies have a major part to play in the energy transition and we see exciting opportunities in LNG as a bridging fuel as well as in biofuels, carbon capture utilisation and storage, green and blue hydrogen and concentrated solar

Managing the cost of living crisis

Responding to cost of living challenges

How we're helping

Reviewing benefits

We responded to the 'cost of living' challenge by bringing forward salary increases and providing additional support for colleagues in junior roles.

Discount schemes

We launched our first discount scheme (in the UK) and based upon its success we are looking to launch similar schemes in other countries.

A challenging year

This year has proved to be a challenging one for people around the globe. The rising cost of energy, fuel and goods alongside inflation has had an effect on so many but particularly on the lowest paid for whom disposable income is squeezed.

The Board and management team have taken feedback through several workforce engagement mechanisms to hear and understand these challenges and discussed this at length as we considered what the Board and the Company could realistically do to support employees in a way that was sustainable and supportive of all stakeholders.

A number of alternatives were considered and it was agreed to support colleagues by bringing forward the annual salary review, for all but the most senior people, from 1st April 2023 to 1st January 2023. Additional funds were also made available that could only be used to increase the pay of our lowest paid colleagues who are most affected most by the cost-of-living pressures.

Rotork continues to be a Real Living Wage Employer across the world where a published rate exists and aims to pay above these levels. Our Fair Pay Framework provides a guide to ensure we review, consider and do the right things.

We have also launched employee discount schemes in several countries, enabling employees to benefit from savings on every day spend, and have widened our salary sacrifice offerings in the UK and Australia to electric vehicles (also in support of our green fleet initiative). We are exploring opportunities to extend these benefits to more countries where possible.

We also provide a 24/7 employee assistance programme globally in all local languages. This enables our people access to financial advice as well as broader support including health and stress.

Our Rotork Benevolent Support charity continues to provide support to Rotork employees, ex-employees and their families facing hardship.

Chief Executive Officer's statement

I am extremely pleased to report a strong set of results

Kiet Huynh
Chief Executive Officer

I am pleased to report a resumption of organic sales growth and a strong second half performance as expected. This was particularly encouraging given 2022's highly challenging backdrop which included significant supply chain disruption and a resurgence in inflation.

During my first year as Chief Executive I have invested significant time meeting key stakeholders – including our end users, trade partners, colleagues and investors. I would like to thank everyone for the warm reception I have received, it was great to spend time renewing acquaintances and making new contacts.

Health, safety & wellbeing

The safety of our people, partners and visitors is our number one priority and our vision for health and safety is zero harm. In 2022 we recorded a lost-time injury rate of 0.13, an encouraging improvement on 2021's 0.20, in part reflecting the roll-out of the 'Rotork Life Saving Rules'. Our Total Recordable Injury Rate was 0.53 (2021: 0.56).

A knock-on effect of the invasion of Ukraine and of economies emerging from the pandemic has been significant consumer price inflation, particularly of essentials such as energy and food. We responded to the 'cost of living crisis' by announcing an employee benefits review, the result of which included additional support for colleagues in more junior roles and bringing forward salary increases.

We launched our first employee discount scheme (in the UK) and based upon its success we are looking to launch similar schemes in other countries. We also introduced electric-vehicle salary sacrifice schemes in several countries, helping colleagues to benefit from local financial incentives intending to accelerate the take-up of pure electric and hybrid vehicles.

Rotork also provided short-term financial help to employees and ex-employees facing hardship through Rotork Benevolent Support. The scheme made more grants in 2022 than it did in 2021.

We completed two employee engagement pulse surveys during the year, one in June and one in December. Participation was good in both, at 75%. The engagement survey asks employees to rate Rotork as a place to work between 1-10, where 10 is good. Engagement continues to improve, with the score increasing to 7.2 in December 2022, from 6.7 in June and 6.4 the year before. We believe that the effective communication of our Growth+ strategy and cost of living actions have helped to improve our scores.

We have a committed workforce who are proud to be Rotork employees and determined to deliver on our ambitious goals. We offer our warmest thanks and appreciation for all their efforts throughout 2022.

Growth+ strategy launch

In November we presented our new Growth+ strategy at our Capital Markets Event held in London. The starting point of Growth+ is our Purpose, 'keeping the world flowing for future generations'. Our Purpose is unchanged. It remains a powerful motivator, and it drives everything we do. It recognises the important part that we play in making our world a great place in which to live, but also the role we can play helping improve the safety, environmental and social performances of not just ourselves, but also of our end users, customers, suppliers and communities.

Our vision is for Rotork to be the leader in intelligent flow control. This recognises the ever-increasing importance of connectivity to our end users. Today's intelligent flow control systems not only ensure safety, they are also reliable, efficient and easy to use and play a vital role in ensuring the uptime of our end users' operations (including through predictive and preventative maintenance).

Growth+ is designed to deliver our ambition of mid to high single-digit revenue growth and mid 20s adjusted operating profits over time. The levers are its three pillars of Target Segments, Customer Value and Innovative Products & Services, each underpinned by our 'Enabling a Sustainable Future' initiative. It builds on the great work completed under the Growth Acceleration Programme which has embedded strong foundations into the business and moves us on to the next leg of our journey.To facilitate the delivery of Growth+ we have revisited certain aspects of our organisational structure. Our revised structure aims to foster increased collaboration, whilst eliminating complexity and driving efficiencies.

Operational responsibility for our manufacturing facilities is now managed by the divisional teams whilst a centralised operations excellence team manages quality, supply chain and health and safety. We have also created a new senior role, Business Transformation Director. This Director is responsible for executing the change programmes within the Growth+ strategy and further developing our end-to-end business processes. Additionally, we have recruited a Chief Technology Officer to deliver our new product development and manage and co-ordinate our approach to innovation.

We have already seen early benefits from our focus on target segments. In methane emissions reduction we have made encouraging early progress with our solutions positively received by the market. We are also making good progress in carbon capture, usage & storage with Rotork products selected for the world's first open-source CO_2 transport and storage infrastructure in Norway. In wastewater treatment, another target segment, we have had success winning plant modernisation and improvement projects across the world.

We are also making good progress on our Customer Value initiative, which is about putting the customer at the forefront of everything we do. One example is our 'Achieving Customer Excellence' ('ACE') pilot. Through ACE we have reduced product lead times to two weeks (from 16 weeks previously) at two European plants. We plan to roll-out ACE to other plants over the next several years.

During 2022 significant engineering resource was allocated to re-engineering and re-certifying product ranges impacted by reduced semi-conductor activity. Alongside this essential work we continued to innovate and develop new products and solutions aligned with our chosen target segments and key drivers automation, electrification and digitalisation. During the period we launched five new products as well as important enhancements to Intelligent Asset Management ('iAM'), our condition monitoring and analytics software.

Our strategy is changing, we have moved from...

GAP Growth+

Business performance

Group order intake increased 11.0% year-on-year (6.8% on an organic constant currency or OCC basis) to £681.6m. OCC order growth resumed in the fourth quarter with orders having fallen modestly in the third quarter reflecting the strength of the prior year period. All three divisions booked higher orders for the full year, with Chemical, Process & Industrial ('CPI') and Oil & Gas strongly ahead. Our customers continue to spend on automation and environmental projects as well as maintenance and upgrade activities.

Revenue

£642m +12.8%

Adjusted operating profit

£143m +11.8%

Adjusted operating profit margin

22.3%

Profit before tax

£124m +17.2%

Chief Executive Officer's statement continued

The wellbeing of our people, partners and visitors is our number one priority and our vision for health and safety is zero harm.

Kiet Huynh
Chief Executive Officer

Business performance continued

In response to the component cost inflation experienced during the year we raised prices twice in 2022. We are all too aware of the challenge of out-of-cycle price rises to customers and the increases implemented were carefully designed to cover the higher costs we experienced.

Our operational teams performed well in what continued to be a difficult period, especially in the first half. As we reported on 29 April 2022, our important Shanghai facility was closed in mid-April in accordance with local COVID-19 lockdown rules. The facility resumed full production in June and made excellent progress delivering delayed shipments to customers. Towards the end of the first half we started to see the benefit of the supply chain improvement measures we had implemented over the prior twelve months. These initiatives included direct purchasing and forward buying of semiconductors, re-certification and re-engineering of products, securing of contracted logistics routes and tactical inventory build.

Group revenue was 12.8% higher year-on-year (8.4% higher OCC), benefiting from higher price realisation and as expected a strong recovery in deliveries in the second half. Oil & Gas sales rose 8.9% (4.9% OCC), driven by a strong recovery in the Americas and the upstream and increased methane emissions reduction activity. CPI sales were 23.6% ahead (19.6% OCC), with Asia Pacific strong but all major geographic regions growing. Water & Power sales were up 7.8% (2.4% OCC), with good growth in the water segment offset by a decline in power.

By geography, Asia Pacific revenues by destination grew mid-single digits year-on-year on an OCC basis driven by a strong CPI performance. Europe, Middle East & Africa ('EMEA') sales grew mid-single digits (OCC), despite our exit from Russia, a high single-digits headwind for the region. Americas revenues were high teens ahead (OCC) driven by Oil & Gas but with all divisions contributing to growth in the region.

Rotork Site Services, our global service network and a key differentiator in our industry, performed well with revenues growing faster than the group overall. Our Lifetime Management and Reliability Services programmes have good momentum, as does our Intelligent Asset Management predictive analytics system. Rotork Site Services is managed as a separate unit within our divisions and contributed 21% of Group sales (2021: 21%).

Adjusted operating profit was 11.8% higher year-on-year (6.2% higher OCC) at £143.2m, reflecting higher volumes, price increases and higher component costs, particularly in respect of chipsets. Adjusted operating margins recovered strongly in the second half although not sufficiently to fully offset the first half margin decline and initial Growth+ related investment. The latter included headcount, travel and marketing. Full year margins were 20bps lower at 22.3% and statutory profit before tax was £124.1m.

Our eco-transition portfolio of products and services that have particular environmental or sustainability benefits, or which enable the energy transition and decarbonisation, consists of three sub-portfolios: 'water & waste water'; 'methane emissions reduction' and 'new energies & technologies'. Water & waste water and methane emissions reduction sales grew faster than the group year-on-year in 2022, however new energies & technologies sales fell due to the non-repeat of waste-to-energy projects completed in 2021. Overall, eco-transition sales grew 10.0% year-on-year in 2022.

Return on capital employed was 31.3% (2021: 30.1%), benefiting from a greater increase in adjusted operating profit than the increase in capital employed. Cash conversion was 76% (2021: 108%) with the reduction expected and in large part due to the delivery acceleration in the final months of the period. Our balance sheet remains strong, with a net cash position of £105.9m at the period end.

Capital allocation

We retain a strong balance sheet, with a net cash position of £105.9m at the period end (31 December 2021: £114.1m). This provides us with optionality in uncertain times and the financial flexibility to pursue our organic investment plans, pay a progressive dividend and execute our targeted M&A strategy. We regularly review our capital needs in line with our capital allocation strategy, and have demonstrated discipline and flexibility in our use of buybacks and dividends to deliver returns for shareholders. In the event that in the future we determine we have surplus cash, we will continue to look to return it to shareholders.

Board update

On behalf of everyone at Rotork I would like to offer our thanks to Martin Lamb who will be stepping down as Chairman and from the Board at the AGM in April 2023 after nine years of service. Martin has provided excellent stewardship and overseen significant development of the Group. We all very much look forward to working with his successor as Chair, Dorothy Thompson CBE.

Kiet Huynh

Kiet Huynh
Chief Executive Officer
27 February 2023

Rotork colleagues at our Bergamo (Italy) site meeting to review the safety performance of the facility

Strategy introduction

Our Growth+ strategy

PURPOSE
Keeping the world flowing for future generations

VISION
To be the leader in intelligent flow

	Target Segments	Customer Value	Innovative Products & Services
How this fits with our growth ambition	These are carefully chosen segments, where we have the right to play, and where there is significant growth opportunity. Through prioritising these areas we aim to grow faster than the overall market	We believe that by putting the value we provide to our customer at the forefront, by quoting more quickly and being more responsive, we can earn a greater share of our customers' spend	Innovation is the lifeblood of Rotork and our development of new products and services aims to strengthen our market positions as well as take us into new growth areas
Example initiatives	• Oil & Gas – methane emissions reduction, LNG, etc. • CPI – decarbonisation, chemical, etc. • Water & Power – water infrastructure, desalination, etc.	• Go to market enhancement • Global supply chain programme • Improved customer experience	• Target segment alignment • Electrification • Connected and digital • Make-vs-buy/M&A • Leverage Rotork Site Services

Enabling a Sustainable Future
Helping customers better their own environmental performance, whilst at the same time working to improve our own

Key performance indicators

Financial KPIs

Growth of the business, quality of earnings and efficient use of resources are our key financial indicators.

	Revenue growth %	Adjusted operating margin %	Cash conversion %
Performance	**+12.8%**	**22.3%**	**76.0%**
	20: -9.7% 21: -5.9% 22: 12.8%	20: 23.6% 21: 22.5% 22: 22.3%	20: 129.5% 21: 108.0% 22: 76.0%
Reasons for choice	A key driver for the business that is reported for each division and geography. The measure enables us to track our overall success and our progress in increasing our market share by end market and by region.	This measure brings together the combined effects of pricing, volume and procurement as well as the leveraging of our operating assets. It is also an important check on the quality of revenue growth.	Our cash conversion demonstrates our operational efficiency and enables us to fund future growth. We consider 85% conversion as a base level of achievement. It is also part of the senior management reward system.
How we calculate	Increase in revenue year-on-year divided by prior year revenue.	Adjusted operating profit shown as a percentage of revenue. We use adjusted operating profit as this aids comparison year to year.	Cash flow from operating activities before tax outflows, the cash impact of other adjustments (including Software as a Service), and the pension charge to cash adjustment, as a percentage of adjusted operating profit.
Comments on results	Group revenue was 12.8% higher year-on-year benefiting from higher selling price realisation and the second half's strong recovery in deliveries. Our ambition is to deliver mid to high single digit revenue growth year-on-year.	Adjusted operating margins recovered strongly in the second half and full year margins were 20bps lower at 22.3%. The reported operating margin was 19.3%. Our ambition is to deliver mid 20s adjusted operating margins over time.	The lower cash conversion in 2022 was in part a timing issue, reflecting a high level of sales in the final weeks of the year, and tactical inventory build.

Non-financial KPIs

We monitor non-financial areas such as the environment and health and safety closely.

Return on capital employed %

31.3%

32.5% 30.1% 31.3%

20 21 22

We use this KPI to monitor the efficiency of our capital allocation. We also use this ratio internally, to help Group management monitor efficiency within Rotork's divisions.

Adjusted operating profit as a percentage of average capital employed. Capital employed is defined as shareholders' funds less net cash held, with the pension fund deficit net of related deferred tax asset added back.

Return on capital employed increased during the year. Average capital employed increased by 7.8%,and adjusted operating profits increased by 11.8%.

Adjusted EPS growth %

+13.2%

-3.8% -9.6% 13.2%

20 21 22

Growth in EPS is a measure of our profit performance, taking into account all aspects of the income statement including the management of our capital structure, treasury and the Group's tax rate.

Increase in adjusted basic EPS (based on adjusted profit after tax) year-on-year divided by the prior year adjusted basic EPS.

Adjusted earnings per share was 13.2% higher year-on-year, slightly ahead of the 11.8% increase in adjusted operating profits.

Lost-time injury rate (LTIR)

0.13

0.24 0.20 0.13

20 21 22

LTIR is used as one measure of the effectiveness of our health and safety procedures.

LTIR is the number of reportable injuries resulting in lost time divided by the number of hours worked multiplied by 100,000.

LTIR for 2022 was 0.13, an improvement on the 0.20 in 2021. Our proactive approach is aimed at continuously identifying weaknesses in our safety processes and removing or mitigating risks when they are identified.

Carbon emissions tCO_2e per £m

11.3

14.5 14.3 11.3

20 21 22

Scopes 1 and 2 carbon emissions (tCO_2e) per £1m reported revenue. This KPI is a broad measure of our environmental efficiency.

Energy usage data (scope 1 and location-based scope 2) is converted to equivalent tonnes of CO_2e and reported as a function of revenue. 2021 data has been restated following an improvement to the previous calculations after a review of the carbon factors used; we previously reported 14.6 tonnes. See page 48.

Sourcing of renewable electricity and equipment upgrades in some of our facilities resulted in a 17% reduction in our scope 1 and market-based scope 2 emissions last year. Emissions per £1m were 21% lower than in the prior year.

From GAP to Growth+

Our new Growth+ strategy is designed to drive profitable growth whilst enabling a sustainable future

Target segments

We have identified key segments within each of our divisions where we have the right to play and where there are significant opportunities for profitable growth.

Kiet Huynh
Chief Executive

Strategy

Our first Growth+ pillar is 'target segments'. We have identified key segments within each of our divisions where we have the right to play and where there are significant opportunities for profitable growth. We will prioritise investment into these areas, helping us to grow faster than our overall markets. The focusing on these segments does not mean we will stop playing in other areas where we anticipate there will still be market growth.

We estimate the combined market size of our chosen target segments to be £3.7bn and their market growth rate to be high single digits. Our target segments represent around half of group sales currently.

What we will do

- Extend our segment domain expertise. We have significant domain expertise across our target segments however we will build on this, for example through tactical hires and training
- Accelerate business development in these target segments. Achieve this through identifying and communicating the value our solutions can bring to target segment flow control challenges
- Collaborate with carefully chosen partners. We can strengthen our product and service offering through working closely with key partners such as EPCs and OEMs
- Work with industry associations. Certain target segments, for example green hydrogen, are relatively immature and the commercialisation path is not yet clear. Through working with industry associations we can position ourselves to benefit as paths form

Target segments by division

Oil & Gas

- Methane emissions reduction
- Asia infrastructure growth
- LNG (energy transition bridge)
- Brownfield opportunities

Chemical, Process & Industrial

- De-carbonisation
- Chemical
- HVAC
- Mining

Water & Power

- Water infrastructure
- Water, wastewater & treatment
- Desalination
- Alternative energy

From GAP to Growth+

Our new Growth+ strategy has at its core our Purpose of 'Keeping the world flowing for future generations'

Customer value

We want to put the value we provide to our customer at the forefront of everything we do.

Lyndsey Norris
Business Transformation Director

Strategy

Our second Growth+ pillar is 'customer value'. We want to put the value we provide to our customer at the forefront of everything we do. To achieve this we need to further improve our company-wide processes, to streamline these and to break down silos. We will work on three main areas. Go to market enhancement is about strengthening our relationships with customers and maximising our opportunities with them. Our global supply chain programme aims to enable us to respond even quicker to supply chain challenges and to improve our delivery and lead times. Improved customer experience is about broadening our lean journey to cover not just our assembly operations, but all our business processes, allowing us to quote quicker and be more responsive to our customers.

What we will do

- We will build on our key account management, our global project pursuit programme and leverage our sales force realignment through increasing the target segment specialism within our teams, including through specialist hires
- We will think differently about inventory levels. We will have the right levels of the right inventory in the right places, recognising the developing global supply chain situation
- We will have a global network that provides visible, efficient and reliable transportation of freight, with improved service levels and significantly reduced scope 3 emissions

Customer value initiatives

Go to market enhancement

- Global key account management
- Project pursuit programme
- Salesforce academy
- RSS network expansion

Global supply chain programme

- Lead time reduction programme
- Global transportation programme
- Global shortages programme

Improved customer experience

- Business process re-engineering
- Faster quotations; on-time delivery

From GAP to Growth+
Our new Growth+ strategy recognises that innovation is the lifeblood of Rotork

Innovative products & services

Our key innovation drivers include electrification, connectivity, data analytics and product efficiency.

Ross Pascoe
Chief Technology Officer

Strategy

Our third Growth+ pillar is 'innovative products & services'. Innovation is the lifeblood of Rotork. Over the last several years we have brought our teams together and streamlined how we deliver innovation and the development of new products and services. Our teams are focused on projects which are aligned with our chosen target segments, customer value and our 'enabling a sustainable future' principle. Key innovation drivers include electrification, connectivity, data analytics and product efficiency. As well as this, our engineers remain focused on the affordability of our products and their ease of manufacture. Whilst we continue to innovate and develop new products we are always weighing 'make versus buy' arguments, recognising that own product development is not always the fastest route to successful commercialisation.

What we will do

- **Product energy efficiency:** The majority of CO_2 emissions from Rotork's value chain are generated when our customers use our products. We are focused on developing products that are more energy efficient and on supporting our customers in achieving their sustainability ambitions
- **Fugitive emission elimination:** Rotork is focused on replacing natural gas-powered actuation. Whilst fugitive emissions are outside of our direct control, Rotork is well-positioned to offer solutions to reduce these emissions
- **Product sustainability goals:** All new or next-generation products will have lower carbon footprints. We will continue to validate the environmental performance of our products ensuring that we meet our customers' requirements now and in the future

Innovative products & services strategy

Delivering for clients

- Target segment aligned
- Electrification
- Connected and digital
- Make-vs-buy/M&A
- Leverage Rotork Site Services

Our Purpose enables us to support the net-zero transition while creating a positive impact on our people and communities

Contents

Our progress

We made considerable progress on our sustainability agenda in 2022, as we continue to embed environmental, social and governance ('ESG') and sustainability at Rotork.

We continued to work on our two major workstreams during the year – implementing the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations and our net-zero commitment. We are making good progress on TCFD, having completed our gap analysis as well as having identified and assessed the climate risks and opportunities we face, and have quantified potential financial impacts and opportunities.

During 2022, we continued to advance our climate scenario analysis by modelling the potential financial impacts across forward-looking business and climate scenarios from some of our most material risks and opportunities. Estimating the possible financial implications of climate risks and opportunities across different climate scenarios is an important part of the TCFD process. It enables businesses to position climate risks against other business risks, strengthens the case for investment in low-carbon measures and facilitates the integration of climate considerations into financial planning and strategy development.

We introduced our 'eco-transition' portfolio, which includes 'Water & wastewater', 'Methane emissions reduction' and 'New energies & technologies' as well as other applications such as process water management and gasification. We estimate that the three portfolios represented around 28% of sales in 2022 and we are confident that this percentage will grow over time.

In line with the recommendations identified in our TCFD report, we continued to develop our roadmap to net-zero aligned with the climate science. In March 2022, we committed to net-zero for scope 1 and scope 2 emissions and scope 3 emissions by 2035 and 2045 respectively. We have adopted an evidence-based approach to net-zero and our near-term targets have been approved by the Science Based Targets initiative, including our climate science aligned scope 1, scope 2 and scope 3 emission reduction targets.

We provide examples of the role that Rotork's products play in each of these portfolios on pages 58 to 66, using case studies to help illustrate the scale of our opportunity to enable a sustainable future. We are hugely excited about the potential of our eco-transition portfolio of products and services to help address major global climate and environmental challenges, and of course to grow over time.

Our progress was recognised by several external stakeholders. S&P Global placed Rotork in the 95th percentile in the Machinery & Electrical Equipment industry in its 2022 Corporate Sustainability Assessment and included Rotork as a 'yearbook member' in its highly regarded Sustainability Yearbook 2023. Sustainalytics ranked Rotork 10th out of 416 companies in the industrial machinery industry.

Looking ahead

We have made good early progress on our sustainability journey, and we are committed to continuing our momentum.

Climate will no doubt remain a major topic in 2023, however, the discussion will be subtly different given the increased focus on energy security. We stand ready to play our part, whether it be through the electrification of new or existing energy infrastructure, LNG or hydrogen.

We recognise the benefits of a diverse workforce and will continue to work to encourage talent with different backgrounds to join us at all levels of the Group. We re-launched our graduate and internship scheme in 2022. Our schemes have a target that at least 50% of participants are female, ethnic minority or from other groups currently under-represented in our business to increase the diversity of our talent pipeline. We exceeded this target in 2022 (56%). We have also appointed our first Head of Culture & Inclusion.

Supply chains were a major challenge in 2022 and these challenges have not entirely gone away. We are continuously looking to optimise and simplify our supply chains, focusing our buying power on a smaller number of carefully selected suppliers that not only supply the products and services that we need at the right price and quality but also strive to reach our high standards. This work will continue in 2023.

Case study

Rotork's role in the transition to a low carbon economy

We have a major role to play in the new energies and technologies that will support the transition to a low-carbon economy. Our eco-transition portfolio consists of our products and services that have particular environmental or sustainability benefit. Included in it are three portfolios that together represented close to 30% of group sales in 2022, as well as other applications such as process water management and gasification which are very material but where revenues are not easy to estimate. We are investigating how we can measure these sales so we can report them in the future.

Stakeholder engagement and materiality

Our materiality assessment in early 2022 helped refresh our understanding of key sustainability issues and their relative importance – in terms of both risks and opportunities. Effective management of the key issues identified through our process plays a key role in the mitigation of risks to our business as well as developing opportunities to support growth and efficiency.

Key findings from our assessment

Key findings from our stakeholder interviews aligned with the outcomes of our materiality assessment. Overall, sustainability has become even more important to external stakeholders over the past year or so. Sustainability matters are now routinely integrated and considered as part of business-as-usual activities, particularly among customers, investors, and other financial partners.

Interestingly, the assessment highlighted that climate change is still growing in importance. It was rated more highly by stakeholders than last year, and among the top ESG issues in terms of its importance. Stakeholders expect businesses to align themselves with the transition to a low-carbon economy, communicate their transition plans, and set medium- and long-term emissions targets aligned with achieving net-zero by 2050 at the latest. The setting of science-based targets emissions reduction targets, using SBTi methodology, has become a basic expectation, particularly among customers and investors.

Stakeholder feedback

Almost all ESG issues were rated as being more important to external stakeholders this year, compared to last year. Notably, we also received a high number of responses from suppliers in this year's survey, showing a high level of engagement in the ESG agenda.

The following topics have increased the most in their importance to external stakeholders, compared with last year:

- Climate change & net-zero future
- Supply chain management
- Customer & end-user relationships
- Safety, health & wellbeing
- Safety benefits of products
- Diversity & inclusion
- Circular economy
- Social contribution

Brand & reputation, innovation, and training & development also increased in importance to stakeholders.

Prioritisation by Rotork

The prioritisation of topics by Rotork also changed as a result of our materiality assessment and input from our ESG Committee. The following five topics have been given higher priority in 2022 than in 2021:

- Climate change; net-zero future
- Customer and end-user relationships
- Environmental benefits of products
- Supply chain management
- Training & development

New topics in our 2022 materiality assessment

We added two new sustainability topics to our materiality assessment process because of our research to identify emerging issues. These are:

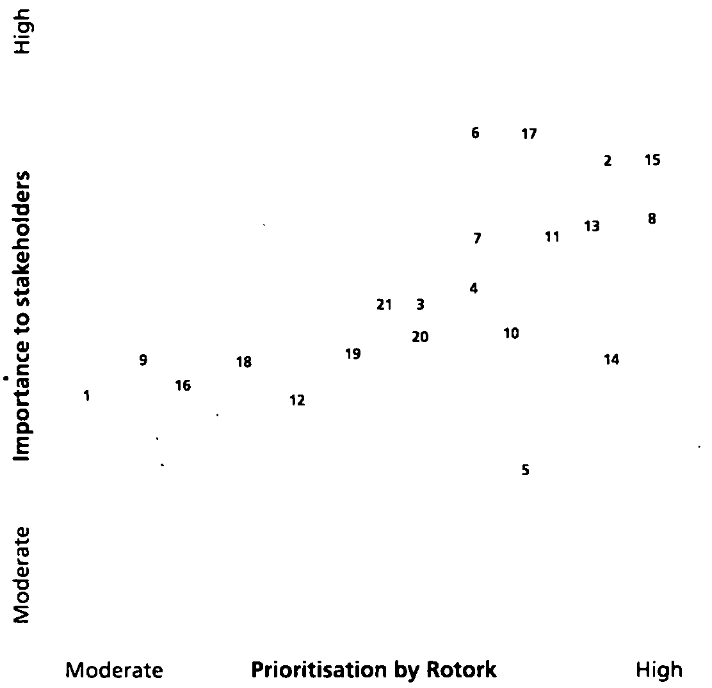
- **Energy security:** Global energy security risks and opportunities influencing Rotork's ability to create value for itself and its stakeholders.
- **Geopolitical risk:** The potential impact of geopolitical risks on the business, its strategy and planning, particularly in relation to global supply chains, and cross-over with activities to optimise returns and increase operational resilience.

We also separated 'talent & diversity' into two separate issues, recognising the increasing importance of each topic. The individual topics have been defined as follows:

- **Talent attraction & retention:** Attracting, developing and retaining talented employees to support the delivery of the Group's strategy, by being an employer of choice, targeting high levels of employee engagement, supporting colleagues' wellbeing and providing competitive pay and benefits.
- **Diversity & inclusion:** Demonstrating our commitment to diversity and inclusion, by providing positive role models and delivering initiatives to drive greater diversity within the organisation, including gender and ethnic diversity.

We recognise that materiality does not stand still and that there have been material developments in the year such as geopolitical impacts on the supply chain, logistics and on energy security, the cost of living crisis and higher inflation. In line with our value of 'Stronger Together' we will continue to work closely with our stakeholders and refresh our materiality assessment in the first half of 2023.

Materiality matrix



Operating responsibly
1 Circular economy
2 Climate change: net-zero future
3 Culture, ethics and governance
4 Cyber and information security
5 Geopolitical risk
6 Safety, health and wellbeing
7 Supply chain management

Enabling a sustainable future
8 Customer and end user relationships
9 Energy security
10 Energy transition
11 Environmental benefits of products
12 Infrastructure, investment and modernisation
13 Innovation
14 New end markets and applications

Making a positive social impact
15 Brand and reputation
16 Diversity and inclusion
17 Safety benefits of products
18 Social contribution
19 Stakeholder engagement
20 Talent attraction and retention
21 Training & development

Our climate agenda

We recognise the role Rotork can play in a green economy and a cleaner, sustainable future featured highly in our materiality assessments in 2021 and 2022. Our products will enable the move to a low-carbon world, with applications in transition fuels such as natural gas and biofuel. In the medium term there are also opportunities to participate in fast developing new sectors such as hydrogen, carbon capture, usage and storage, and battery materials.

In addition, there are considerable opportunities to assist our oil & gas customers in delivering against their ambitious net-zero commitments, including through providing products and services that deliver reliable, energy efficient solutions that minimise environmental impacts (for example, through lower emissions, energy consumption and water usage).

Similar opportunities present themselves in the power, water and industrial markets. For example, our products have applications in the roll-out and modernisation of critical infrastructure. Water scarcity is resulting in a greater need for recycling and desalination, and rising sea levels are necessitating flood defence investment. Case studies illustrating the role we can play are set out on pages 58 to 66.

Our climate change and net-zero agenda has been a key area of focus for the ESG Committee during the year. The ESG Committee oversaw the development of emissions targets for scopes 1, 2 and 3, and our near-term (2030) targets have been validated by the Science Based Targets initiative. Rotork was one of the first UK-based companies in the electrical equipment and machinery sector to receive this approval for near-term 1.5°C aligned targets.

We have adapted an evidence-based data-driven approach to identifying where we should prioritise our efforts to maximise impact across the value chain. Our approach has underpinned a significant commercial opportunity to partner with our value chain including existing and new customers by supporting their electrification and decarbonisation pathways.

Under the Group's science-based approach, we will reduce emissions associated with the use of sold products by 25% by 2030. This will give the Group an additional strategic advantage as it capitalises on its ability to offer energy efficient solutions, enabling customers to become more efficient overall. This involves influencing customers' process designs and product choices with a view to reducing emissions (such as methane) and ensuring the most environmentally beneficial approach for each application. Ultimately, Rotork will have a commercial advantage in becoming an environmental partner of choice.

Sustainability strategy

Sustainability framework

Operating responsibly

Enabling a sustainable future

Making a positive social impact

Aligned incentives and decision-making

We have continued to make progress on our sustainability framework based on three pillars: Operating responsibly; Enabling a sustainable future; and Making a positive social impact. It reflects the way we run our business, the impact we can have through our products and services, and the way we engage with our people and communities. The following page sets out the strategic commitments we have defined for each pillar.

Our sustainability framework has been informed by our materiality assessment and associated Sustainable Development Goals ('SDGs'). The diagram on page 35 sets out strategic commitments for each of the pillars of the framework to create a positive impact on our value chain, customers, people and communities. We report on our activity in support of these commitments throughout this report.

Operating responsibly

Our mission: to run safe, efficient and sustainable operations.

Our commitments

SDG targets:
12.2, 12.5, 12.6

- We will reduce our lost time injury rate each year and strive for a zero-harm workplace.
- We will embed social, ethical and environmental considerations into our Global Supplier Excellence Programme.

SDG targets:
13.1, 13.3

We will reduce our carbon emissions. We have intensity, interim and net-zero targets:

- Reduce emissions per £1m revenue year-on-year.
- To reduce scope 1 and 2 by 42% and scope 3 by 25% by 2030.
- Net-zero for scope 1 and 2 by 2035 and for scope 3 by 2045.

Enabling a sustainable future

Our mission: to help drive the transition to a cleaner future where environmental resources are used responsibly.

Our commitments

SDG targets:
6.4

- We will enable sustainable management of water resources and greater water efficiency for our customers.

SDG targets:
7.3

- We will support customers' energy and emissions reduction and enable them to incorporate renewable energy into their operations.

SDG targets:
9.1, 9.4

- We will play our part to enable the global energy transition and support a cleaner, more sustainable future.

Making a positive social impact

Our mission: to support thriving, fair and resilient communities.

Our commitments

SDG targets:
5.5

- We will develop and deliver initiatives to drive greater gender and ethnic diversity.

SDG targets:
8.5, 8.7

- We will contribute to a fairer society more broadly, including by ensuring 100% of employees are covered by our Fair Pay Framework.

ESG governance, integration and measurement

We use a range of tools to ensure ESG objectives are fully integrated within our approach to business. This includes tying the successful delivery of social and environmental objectives to management's remuneration. It also includes standardising our approach by formalising sustainability considerations and expectations within key management and decision-making processes. We employ a range of published codes and policies which guide our approach. We also commit to measuring our performance and reporting transparently on our progress.

ESG governance

Rotork plc Board oversight

The Board receives an update on our ESG and sustainability agenda from our CEO at every meeting. The Chair of our ESG Committee also provides an update on the activities of the Committee following its meetings. The Board reviewed and approved this report, prior to publication.

ESG Committee

We have a dedicated Board-level ESG Committee. The Committee oversees the Group's ESG strategy, performance and disclosures.

ESG Committee members include non-executive directors Ann Christin Andersen (Chair), Tim Cobbold (designated non-executive director for workforce engagement) and Karin Meurk-Harvey, as well as our CEO and Group HR Director.

It is also attended by the Investor Relations team, which is responsible for managing the implementation of the sustainability strategy and reporting on performance, both internally and externally.

The Committee formally met three times in 2022, though additional meetings took place throughout the year. Its Terms of Reference are published on our website at the following address: www.rotork.com/en/documents/publication/24495.

The Terms of Reference for the ESG Committee (and the Audit Committee) have been updated during 2022 to specifically describe their responsibilities for the oversight of the management of climate-related issues, as part of our ongoing work to implement the recommendations of the Task Force on Climate-related Financial Disclosures.

Rotork Management Board

Members of the Rotork Management Board ('RMB') take responsibility for elements of our ESG agenda as follows:

- Our Chief Executive Officer has overall responsibility for the delivery of our ESG agenda.
- Our Group Human Resources Director is responsible for the people and community strands.
- Our Operations Excellence Director is responsible for the environmental strands of our agenda and integration of ESG within procurement.
- Our Group Finance Director is responsible for financial and non-financial reporting, including compliance with disclosure requirements.
- Our Chief Information Officer is responsible for information and cybersecurity.
- The managing directors of the Oil & Gas, Water & Power and Chemical, Process & Industrial divisions are responsible for ensuring our sustainability objectives are embedded within their respective divisional strategies.

Management Board members also have specific responsibilities for climate-related matters, including to support the delivery of our science-based emissions reduction targets. See our TCFD report on pages 100 to 110 for further details.

Group-wide policies

We have an extensive suite of ESG policies which govern our approach. The key policies are published on our website, at www.rotork.com/en/environmental-social-governance/esg-reports-and-policies. Our policies set out our commitments to responsible and sustainable business practices. They apply group-wide.

We provide training to ensure employees understand and implement our policies. We also monitor compliance with our policies, for example through audits of higher risk suppliers. See page 55 for more information about employee compliance and ethics training.

Code of Conduct	Outlines our Values – Stronger Together, Always Innovating and Trusted Partner – and the standards of behaviour we expect of our employees.
Respect at Work and Equality of Opportunity	Sets out our commitment to the principle of equal opportunities to ensure that no employee or job applicant receives less favourable treatment on the basis of any individual characteristic.
Conflict Minerals Policy	Sets out the Company's commitment to not use tantalum, tin, tungsten and gold that directly or indirectly finances or benefits armed groups in the Democratic Republic of the Congo or adjoining countries.
Anti-bribery and Corruption Policy	We take a zero-tolerance approach to bribery and corruption. Our policy and related guidance helps employees understand how bribery can impact individuals and the company and how to report a potential breach.
Worldwide Charity Support Policy	Sets out how we implement charitable giving, providing every entity with authority to spend 0.1% of its prior year's profit before tax on charitable or good cause activities.
Health & Safety Policy	Sets out our commitment to the planning and management of health and safety for reducing accidents and cases of work-related ill-health. It applies group-wide, including to all persons working for or on behalf of the Company.
Environment & Energy Policy	Sets out our commitment to protecting the environment, ecosystems and biodiversity; continually improving our environmental and energy performance.
Board Diversity & Inclusion Policy	Sets out the Board's approach to diversity and inclusion and the framework for its approach to diversity and inclusion in senior management roles.
Supplier Code of Conduct	Covers our expectations on ethical behaviours and compliance with applicable laws; including promoting equal opportunities, human rights, freedom of association, labour rights, good environmental practices, and our zero-tolerance approach to bribery and corruption.
Modern Slavery Policy	Designed to raise employee awareness of modern slavery and human trafficking, our policy includes key performance indicators to measure the effectiveness of our control measures. The policy is supported by a face-to-face and online training programme.

Sustainability review continued

ESG governance, integration, and measurement continued

Our governance structure

Rotork plc Board

Receives an update on ESG and sustainability at every meeting. Reviews and approves Company reports.

ESG Committee

A sub-Committee of the Board. It comprises three non-executive directors, our CEO, and one RMB member.

Meets three times a year. Oversees the development, performance, and reporting of our ESG and sustainability agenda.

Rotork Management Board ('RMB')

Chaired by the CEO. Receives regular updates on ESG strategy and performance. RMB members take responsibility for individual strands of the sustainability agenda, aligned to their remits.

ESG integration

Key performance indicators

We measure the Group's performance against five financial performance indicators and two non-financial performance indicators: carbon emissions per £1m revenue and lost time incident rates. (See pages 22 and 23 of this report).

Link to remuneration

Our performance against these non-financial KPIs – carbon emissions per £1m of revenue and lost time injury rates – has been linked to executive directors' and senior leaders' remuneration for a number of years, thereby incentivising performance improvements. In 2022, we achieved a reduction of 21% in CO_2e emissions per £1m of revenue. Our injury rate measured 0.13 in 2022, down from 0.20 in the prior year.

In 2022 non-financial performance represented a 10% share of the bonus opportunity for executive directors. In order to drive increased focus, incentives for the entire senior leadership population (around 100 people) are also formally linked to these measures.

Performance indicators include four additional measures linked to our sustainability framework:

- environmental innovation, as measured through evidence of greater positive environmental impact through our products and increased customer engagement on sustainability issues; and,
- quantitative goals linked to the employee engagement score to diversity and inclusion.

Depending on their role, some individuals also have additional sustainability targets included in their personal objectives for the year (15% of the opportunity).

For 2023, remuneration linked ESG performance metrics were expanded to include scope 1 and 2 emissions reduction into the LTIP.

2022 total CO_2 emissions reduced by

17%

compared to 2021

2022 lost-time injury rate

0.13

0.20 in 2021

Female representation on our Board

44%

Integration into strategy and business processes

We are continuing to drive deeper integration of ESG into our strategy and core business processes.

Corporate strategy

We have integrated ESG and sustainability-related market dynamics into our Growth+ strategy. This includes embedding requirements to enable us to meet our science-based emissions reduction targets.

New product development

We are also creating product development roadmaps to reduce emissions associated with use of our sold products, to meet our emissions reduction target and customer demand for lower energy use/emissions products. We have also included sustainability considerations at each of the important checkpoints in the Rotork Development and Launch Process for new products. See page 110 for details about our emissions reduction targets.

Governance

Another way we are integrating ESG into the way we run our business is by formalising the integration of social, environmental and ethical considerations into our key governance documents.

Our communications and ratings

We are committed to measuring our ESG performance and reporting transparently on progress.

We also engage proactively with ESG ratings agencies. We are scored AA (leader) by MSCI and B by CDP in its Water Security program. Our CDP Climate score improved to B (from B-) in 2022. We also participate in the prestigious S&P Corporate Sustainability Assessment. We were ranked in the 95th percentile of companies in our sector.

Sector leading sustainability rankings

S&P Global CSA: 95th percentile in Machinery & Electrical Equipment sector

MSCI: AA (leader)

CDP Climate: B

CDP Water Security: B

Sustainalytics: ESG Industry Top Rated – ranking 10th out of 416 in the Industrial Machinery sector.

FTSE4Good: Constituent of the FTSE4Good index, 83rd percentile

Basis of preparation

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We have also provided disclosures against the Sustainability Accounting Standards Board ('SASB') framework to support our communication of financially material sustainability information. Corporate Citizenship confirms that in their view the index meets the requirements of 'In accordance – Core', as set out in the GRI Standards. Corporate Citizenship has also checked alignment to the SASB framework.

We shall publish our GRI index on our website in the first half of 2023. Our GRI index will have been checked by Corporate Citizenship.

Definitions of our material sustainability issues

Operating responsibly

Safety, health & wellbeing

Putting safety, health and wellbeing at the centre of what we do for our people and for our wider stakeholders.

Climate change; net-zero future

Playing our part in the transition to a net-zero future; including delivering our climate change strategy and science-based emissions reduction targets, implementing TCFD recommendations and seizing opportunities and managing the risks presented by climate change.

Circular economy

Adopting 'circular economy' approaches to support the decoupling of economic growth from the use of natural resources by using resources more effectively, designing out waste and pollution, reusing materials and regenerating natural systems to protect biodiversity and natural capital.

Supply chain management

Managing the supply chain to encourage high standards of social, ethical and environmental conduct to maximise shared value created and to reduce exposure to related risks and disruption (including in relation to potential climate impacts such as exposure to carbon taxes and an increase in extreme weather events).

Culture, ethics & governance

Living our Purpose, keeping the world flowing for future generations, and Values (Stronger Together, Always Innovating and Trusted Partner) and always acting ethically in the way that we do business.

Cyber and information security

The importance of robust cybersecurity arrangements to help manage the increasing risk and sophistication of cyber- and information-security threats, both within the business and within connected products provided to customers.

Geopolitical risk

The potential impact of geopolitical risks on the business, its strategy and planning, particularly in relation to global supply chains, and cross-over with activities to optimise returns and increase operational resilience.

Enabling a sustainable future

New end markets & applications

The importance of penetrating new end markets, and identifying new applications for our products, to support growth and at the same time help address global sustainability challenges.

Innovation

Innovating to broaden the application of existing products and accelerate new product development, with a focus on methane emissions reduction, reducing material inputs and costs and supporting customers' sustainability objectives (e.g. hydrogen, CCUS).

Energy transition

Assisting the global energy sector's shift from fossil-fuel based systems (oil, diesel and coal) through transition solutions (such as LNG, biofuel and hydrogen and carbon capture usage and storage), to renewable sources like wind, solar and hydropower.

Environmental benefits of products

Designing and supplying products and services that deliver reliable, energy efficient solutions to customers, and that minimise environmental impacts and emissions, such as avoiding methane emissions and enabling use of renewable energy.

Customer & end user value

Listening and responding to customers in the development of our products and services, strengthening our customer and end user partnerships, and extending our position as a solutions provider for customer needs.

Infrastructure investment & modernisation

Contributing to the roll-out and modernisation of the critical infrastructure upon which we all rely (such as water infrastructure and natural gas and hydrogen pipelines).

Energy security

Global energy security risks and opportunities influencing Rotork's ability to create value for itself and its stakeholders.

Making a positive social impact

Brand & reputation

Building on Rotork's well-recognised and well-respected brand among existing customers, new customers and potential future employees.

Talent attraction & retention

Attracting, developing and retaining talented employees to support the delivery of the Group's strategy, by being an employer of choice, targeting high levels of employee engagement, supporting colleagues' wellbeing and providing competitive pay and benefits.

Diversity & inclusion

Demonstrating our commitment to diversity and inclusion, by providing positive role models and delivering initiatives to drive greater diversity within the organisation, including gender and ethnic diversity.

Training & development

Ensuring that Rotork's people have the right skills and experience to deliver the Company's strategy and investing in their ongoing development.

Stakeholder engagement

Proactive and transparent engagement with all stakeholders, including customers, employees, suppliers, investors and local communities.

Social contribution

Supporting and engaging with local communities where we operate to ensure we have a positive impact and maintain our 'licence to operate' as well as our ability to attract the best local talent.

Safety benefits of products

Supporting customers' health and safety initiatives including through (i) reducing the need for their employees to physically access equipment on site and (ii) containing process/equipment failure issues (for example, tank overflows).

Further information

Sustainability Accounting Standards Board

We have also provided disclosures against the SASB framework to support our communication of financially material sustainability information. Corporate Citizenship has also checked alignment to the SASB framework. Our SASB index is set out on page 42 of this report.

Memberships

We have been a signatory to the United Nations Global Compact since 2003. We work to meet its Principles. This report meets our United Nations Global Impact Communication on Progress requirements. We are a member of the 30% Club, which aims to achieve at least 30% representation of all women on all boards and C-suites globally. As at 31 December 2022, there were four females on Rotork's Board, equating to 44% female Board representation. We are a member of the European Clean Hydrogen Alliance which aims for an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution.

We are also a member of the Manufacturers Standardization Society ('MSS'), which offers undergraduate and graduate scholarships in relevant disciplines.

ESG policies

We are committed to being open and transparent about our business. We have a comprehensive suite of sustainability policies. These are published at the following address: **www.rotork.com/environmental-social-governance.**

Get in touch

We welcome any feedback on this report and our sustainability agenda. Get in touch via: **esg@rotork.com.**

Sustainability Accounting Standards Board ('SASB') Index

Table 1. Sustainability disclosure topics & accounting metrics

Topic	Accounting metric	Category	Unit	Data/response
Energy management	(1) Total energy consumed.	Quantitative	Gigajoules (GJ)	Electricity = 12,255,270 kWh = 44,119 GJ Gas: 962,983m³ = 38,282GJ LPG = 178,859l = 4,674GJ Steam = 324MWh =1,166GJ Total figure = 88,241GJ
	(2) Percentage grid electricity.	Quantitative	%	66%
	(3) Percentage renewable (percentage of electricity purchased that is renewable).	Quantitative	%	34%
Employee health & safety	Total recordable incident rate (TRIR).	Quantitative	Rate	0.53 (2021: 0.56)
	Fatality rate.	Quantitative	Rate	0
	Near miss frequency rate (NMFR).	Quantitative	Rate	3.49 (2021: 1.90)
Fuel economy & emissions in use-phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles.	Quantitative	Gallons per 1000 ton-miles	Not applicable/material.
	Sales-weighted fleet fuel efficiency for non-road equipment.	Quantitative	Gallons per hour	Not applicable/material.
	Sales-weighted fuel efficiency for stationary generators.	Quantitative	Watts per gallon	Not applicable/material.
	Sales-weighted emissions of: (1) nitrogen oxides (NO) and (2) 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.	Quantitative	Grams per kilowatt-hour	Not applicable/material.
Materials sourcing	Description of the management of risks associated with the use of critical materials.	Discussion and analysis	n/a	See pages 52 to 54 of this report.
Remanufacturing design & services	Revenue from remanufactured products and remanufacturing services.	Quantitative	Reporting currency	Not applicable/material.

Table 2. Activity metrics

Activity metric	Category	Unit	Data/response
Number of units produced by product category	Quantitative	Number	Commercially sensitive; not disclosed
Number of employees	Quantitative	Number	3,234 as at year end; rolling average: 3,223.

Operating responsibly

Our mission

We aim to run safe, efficient and sustainable operations.

Our commitments

- We will aim to reduce our lost time injury rate each year and strive for a zero-harm workplace.
- We will embed social, ethical and environmental considerations into our Global Supplier Excellence Programme.
- We will reduce carbon emissions generated per £1m of revenue and work to implement our net-zero roadmap.

In this section

- Safety, health and wellbeing
- Climate change and environment
- Circular economy and product responsibility
- Supply chain management
- Culture, ethics and governance

SDGs we will progress

Sustainability review continued

Operating responsibly continued

Safety, health and wellbeing

We put safety, health and wellbeing at the centre of what we do for our people and for our wider stakeholders.

We have a 'zero-harm' vision for health and safety. This applies to our broader agenda of health and safety, environment and product safety.

Our approach

The safety, health and wellbeing of our colleagues, contractors and visitors is our utmost priority. Our vision for health and safety is 'zero-harm'. We strive towards eliminating the incidence of work-related accidents and ill-health. We work towards ensuring our colleagues' health and safety every day – whether they are working in our factories or offices. Our objectives are to:

- reduce the lost time and total recordable injury rates. ('LTIR & TRIR');
- reduce our work-related ill-health incidents (Included in TRIR calculation); and
- have zero avoidable severe road incidents.

Measuring performance

We use a combination of leading (proactive) and lagging (reactive) indicators to assess our health and safety performance. Our leading indicators help us anticipate safety risks before they cause an accident. During 2022 we continued to focus on developing our leading indicator philosophy.

Our leading safety indicators

We use a range of leading safety indicators, including training completed for the Global Standards competencies (see below), using gap assessment to measure the implementation of the Global Standards, Gemba safety walks and Safety Spots. Our focus on leading KPIs helped reduce our incident rates again in 2022.

Gemba is a 'lean' term for 'the place where the value is created'. From a safety perspective, it means that we go to where the work takes place – on the factory floor – and test how our safety requirements are followed in practice. In 2022 we completed 1,473 Gemba safety walks across all Rotork facilities, 10% higher year-on-year.

The Safety Spot system is part of our drive towards safety awareness, participation, hazard identification and engagement with our employees. We actively encourage colleagues to identify potential safety issues as part of their day-to-day roles. In 2022 our colleagues raised 8,820 safety spots, an increase of 13% year-on-year.

Our lagging safety indicators

Our main lagging indicator is our Lost Time Injury Rate ('LTIR'). This year, we recorded a LTIR of 0.13, compared with 0.20 in 2021, which is an excellent 35% reduction. The rate has reduced each year for the last five years. The number of first aid injuries also reduced by 11%.

In 2021 we also recorded our Total Recordable Incident Rate ('TRIR') for the first time, to meet the requirements of the SASB reporting framework and increase our communication of material sustainability information. In 2022 we recorded a TRIR result of 0.53, compared with 0.56 in 2021.

Our Global Health & Safety Standards

We continued the development and implementation of our Global Standards in 2022. The Global Standards focus on our business safety risk profile. The first six of the Global Standards were deployed during the year. The Standards require all our global businesses to follow principles to reduce risk in our workplaces. This is achieved through setting out criteria for hazard identification through risk assessment, developing control measures and aligning training and competency requirements.

In 2022, we also continued to use safety system Kaizen events to verify and finalise the content for seven of the 12 Global Standards. We used the Kaizen approach to ensure that the Global Standards are designed to develop the safest and most efficient way of working with our key risks.

All 12 Global Standards are expected to be fully implemented by the second half of 2023. We are also targeting the completion of competency assessments for the 19 safety competencies outlined in the Global Standards during the same period.

Hazard identification, risk assessment and incident reporting

We undertake health and safety risk identification and assessment in a collaborative manner. Our assessment process informs prevention and mitigation strategies to reduce risks in our operational environments. The implementation of the first six Global Standards has improved how we evaluate our risks.

We encourage employee engagement in hazard identification through our Safety Spot system. It proactively drives awareness and continuous improvement by capturing hazards, minor near miss events and behavioural requirements before they result in an incident.

Our HSE Investigation procedure is applicable globally. It requires businesses to have trained personnel with responsibility for reporting, classifying and investigating environmental, safety and health events. It also requires employees to report any events promptly to their line manager, so that appropriate and timely action can be taken.

Global annual audit programme

This programme provides an analysis of how each of our facilities perform against our standard HSE requirements. The programme is used as a key driver to continually improve our HSE performance. We delivered 281 improvement observations from the programme in 2022. We also used a gap assessment tool to aid the implementation of the Global Standards. The tool tested compliance against the requirements and standards at each Rotork location globally. Action plans were then created where gaps existed so that these can be closed out in a timely manner.

Employee wellbeing

Rotork recognises the importance of supporting colleagues' health and wellbeing. We aim to support colleagues' wellbeing by increasing awareness, providing practical support and promoting healthy choices. We strive to support employees to have a successful and balanced workplace wellbeing lifestyle.

2022 performance highlights

Lost-time injury rate
(LTIR)

0.13

2022	0.13
2021	0.20
2020	0.24
2019	0.25

Total recordable injury rate
(TRIR)

0.53

Increase in Safety Spots raised

13%

First aid injuries

2022	79
2021	89
2020	147
2019	198

Our wellbeing resources for colleagues include a global Employee Assistance Programme. It offers a range of services including counselling and legal and financial support for Rotork employees in all relevant languages. In 2022 we delivered a range of wellbeing activities as part of our celebration for World Mental Health Day. The activities included webinars, from Sleeping for Success to Workstation Posture.

We currently have 74 Mental Health First Aiders in the business globally. We plan to train a number of colleagues in Q1 2023 to increase the number of Mental Health First Aiders to at least 100.

Our role in ensuring our customers' safety

Our actuators play a key role when protecting our customers' safety and the safety of the public. For example, in 2022 we completed a project at the new international airport in Beijing. Over 130 Rotork actuators were fitted at Daxing airport. Our actuators carry out several duties, including control of relief valves at the tank farm to prevent dangerous build-up of pressure. Our Rotork Site Services team played a key role in the project, providing training to ensure that the customer understood how to safely operate and service the installed actuators.

Priorities for 2023:

- Continue to develop our health and safety strategy.
- Fully implement the remaining six of the 12 Global Health and Safety Standards in every Rotork working environment.
- Develop health and safety principles and behaviours to underpin the Rotork Life Saving Rules and the Global Health & Safety Standards.

Case study

Focus on health and safety

Throughout 2022, Rotork conducted a series of system Kaizen workshops to support the effective implementation of Rotork's 12 Health and Safety Global Standards. Most recently our team in Europe, comprising a cross-section of HSE, engineering and operations personnel, completed a successful workshop at our Lucca Factory in Italy, focusing on health and safety standards for plant and work equipment such as heavy industrial machinery, pressure systems safety and lifting equipment. The team spent a week collaborating, sharing existing best practices and drawing upon a wealth of experience from workshop participants. Each workshop completed produced a comprehensive suite of materials to support each of our locations globally in implementing the requirements of the Global Standards.

Sustainability review continued
Operating responsibly continued

Climate change and environment

We are committed to play our part tackling the climate crisis, and we have set targets in line with those required to meet the Paris Agreement goals.

Our approach to environment

Environmental considerations are an integral part of our strategy and the way we operate. Efficient use of natural resources is a commercial imperative, as well as an environmental one. We set high standards of environmental conduct for our business and supply chain. We are committed to reducing our emissions, energy and water usage, and waste to landfill.

We made significant progress during the year, setting out our net-zero roadmap. We are targeting net-zero by 2035 for scopes 1 and 2 and net-zero by 2045 across scopes 1, 2 and 3.

We have set science-based targets to underpin our ambition, covering scopes 1, 2 and 3. Our near-term targets were validated by the Science Based Targets initiative during the year.

Our commitments

Scope 1 and 2 tCO_2e absolute reduction: we will develop and implement energy reduction projects at our manufacturing facilities, improve data collection, and review additional ways to reduce our carbon emissions through 2023. We will also continue to develop our net-zero emissions roadmap and increase our use of renewable electricity to achieve at least a 34% reduction from the 2020 baseline by 2025.

Energy and emissions performance

We reduced location-based scope 1 and 2 emissions by 11% in 2022 compared with the prior year. We emitted 11.3 tCO_2e per £1m of revenue based on location-based calculations, which is a reduction compared to 2021 of 21%. In line with best practice, we report both market-based and location-based emissions. Our total scope 1 and market-based scope 2 emissions decreased by 17% in 2022 compared with 2021, reflecting our increased usage of renewable electricity. Our emissions and energy usage data has been calculated independently for 2022 and independently verified by Make UK.

We reduced grid electricity usage by 2% last year, or by 26% compared with 2017 (our baseline year for historical targets). We also achieved a reduction of 2% in gas usage, or 15% compared with our baseline year of 2017. Overall, our total energy consumption decreased by 7% from 24,801 MWh in 2021 to 23,130 MWh. Energy efficiency projects and site consolidation were the main contributors to the achieved reduction.

Our Manchester (UK) site reported a 53% reduction in electricity usage year-on-year through the divestiture of its machining facility, a new more energy efficient roof and other smaller projects. In Bath (UK) we installed new LED lighting and replaced inefficient air conditioning equipment. Other consolidation projects contributing to the decrease in scope 1 and 2 emissions include the closure of our Cusago (Italy) site and the relocation of manufacturing from Houston (USA) to Rochester (USA).

During 2022 we increased our Group-wide onsite renewable energy production by installing solar panels at our Manchester (UK) facility. The site joins seven other Rotork facilities that already have onsite renewable energy sources.

2022 performance highlights

tCO_2e per £1m revenue (location based)

11.3

Decrease in total scope 1 and market-based scope 2 tCO_2e emissions

17%

Reduction in electricity usage

2%

Reduction in gas usage

2%

Across the Group we have reduced gas usage since 2017 by

15%

Electricity sourced from renewable sources in 2022

34%

Case study

Reducing our scope 2 emissions – Manchester site

Our Manchester (UK) facility has historically been one of our top three consumers of electricity. A multi-faceted project to reduce the energy use in this 35,500 square foot facility that employs over 170 people has resulted in a significant 53% reduction in electricity usage. This reduction was achieved through the divestment of our machine shop and all machinery as part of our footprint rationalisation project, alongside a new roof upgrade to prevent energy leaks, the installation of solar photovoltaic panels, and LED lighting upgrades. Additionally, the staff have been engaged in a number of energy treasure hunts.

Water management

Water consumption across most of our sites is relatively small and is typically limited to domestic uses, such as for drinking and sanitary facilities. We use a small amount of water in operational activities at some of our sites.

Our operations are not major users of water, however Rotork plays a major part in managing this scarce resource. With our help, our customers are making significant efforts to reduce their environmental impact, including the recovery, recycling, and treatment of water.

The majority of sites only use water for domestic purposes. Some sites use water for paint processes, cleaning of products and pressure testing of units. Water used in production processes is removed by licensed and authorised contractors for pre-treatment prior to disposal, in line with local regulations. All water used across our global operations is sourced from domestic suppliers. Most of the water withdrawn is discharged.

In 2022, our water withdrawal was 6% higher than in 2021, but 25% lower than in 2017 (our historical baseline year). The increase in our water usage in 2022 was due to four water leaks at four separate Rotork facilities. In 2023 we will introduce a new investigation and corrective action criteria to help prevent future incidents like the ones we encountered in 2022.

Case study

Reducing our scope 2 emissions – Bath site

Our Bath (UK) facility is our largest both in terms of footprint and number of employees. It is also one of our older facilities and 2022 saw the start of a multi-year environmental performance upgrade project. In 2022 this included the replacement of all air conditioning units on the ground floor and the replacement of traditional lighting systems with energy efficient alternatives that also improve the light levels in the facility. Both of these projects are the first stage in an ongoing upgrade project which will continue in 2023.

Sustainability review continued
Operating responsibly continued

Climate change and environment continued

Water management continued

Despite our relatively low demand on water basins, we complete an annual water stress risk assessment to identify locations that should be prioritised for water use reduction projects. Our last water risk assessment was completed in early 2022, the assessment identified that three of our manufacturing facilities in India were in higher risk areas, in terms of water scarcity. We will complete another water risk assessment in Q1 2023. Also, during 2023 we will complete a water harvesting project at one of our facilities in India.

Our role in water preservation

Demand for water infrastructure is strong across both developing and developed markets. Leak detection and water quality are a major focus of the water industry and shortages are driving the development of smart grids. The water network infrastructure also requires modernisation in many countries. Increasing regulations relating to water quality, water re-use and sludge treatment are driving water-related capital expenditure across industry. Water scarcity is resulting in greater need for recycling and desalination, driving investment in these processes. Rising water levels are necessitating flood defence investment. There are applications for Rotork's products in all these processes.

Waste management

We encourage all our locations to minimise the amount of waste that they produce.

In 2022, total waste produced decreased by 19%. We recycled 69% of our waste in 2022, compared to 67% in the prior year. Our site consolidation projects at Cusago (Italy) and Houston (USA), were the biggest contributors to the reduction. At our Houston facility a reduction of total waste of 91% was achieved against the previous year total. This resulted in a net annual waste reduction of 34.9t when taking into account our Rochester (USA) site's related waste increase.

Waste sent to landfill decreased by 15% compared to 2021. Two of the projects that contributed to the decrease were completed by our team in Lucca (Italy), see case study on page 49.

As part of our environmental strategy, in 2023 we will target four facilities for the implementation of 'Zero Waste to Landfill' principles. The principles will include improvement of segregation of onsite waste streams and the selection of waste management partners that align with our environmental vision.

Total waste produced decreased by

19%

in 2022, compared to 2021

GHG emissions

Scope 1 and 2 greenhouse gas ('GHG') emissions were 11% lower year-on-year. The Group has no other GHG emissions (such as methane, N_2O, sulphur hexafluoride, HFCs or PFCs) to report.

Energy

	Unit of measure	2022	2021	2020	2019	2018	2017
Electricity used	kWh	**12,255,270**	12,458,000	13,598,000	14,501,917	16,194,145	16,438,473
Gas used	Cubic metres	**962,983**	982,287	1,016,741	1,149,779	1,165,313	1,134,506
Total energy consumption	kWh	**23,130,679**	24,800,937	26,007,079			

Emissions

	Unit of measure	2022	2021	2020	2019	2018	2017
Scope 1	Metric tonnes CO_2e	**3,132**	3,686	3,534	4,575	5,597	5,644
Scope 2 location-based	Metric tonnes CO_2e	**4,122**	4,464	5,237	5,833	6,286	6,682
Scope 3	Metric tonnes CO_2e	**412,747**	431,397	395,832			
Scope 2 market-based*†	Metric tonnes CO_2e	**3,920**	4,839	5,764*			

* We have calculated market-based scope 2 emissions as part of our work to set science-based reduction targets, with support from Corporate Citizenship. 2020 is the baseline year for our new targets. 2022 market-based scope 2 emissions have been verified by MakeUK as part of their verification of scope 1 and 2 emissions and energy usage data presented above.

† These market-based figures do not include travel and transport scope 2 emissions as these are impracticable to calculate. However, these are included in the location figures presented here.

We report our carbon emissions in line with the DEFRA Environmental Reporting Guidelines, aligned to the Greenhouse Gas ('GHG') Protocol Corporate Standard. These include guidance on compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, which contain the Streamlined Energy and Carbon Reporting requirements. Emissions and energy data reported here covers our global business. Scope 1 emissions are direct emissions from sources that are owned or controlled by Rotork, including combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity, heat, steam and cooling purchased for own use. Scope 3 emissions are indirect emissions (not included in scope 2) that occur in the value chain. Annual energy consumption (kWh) is obtained from both actual sources (invoices and meter readings) and estimated sources (some office energy rates included in monthly charge). Where conversion of units to kWh is required, the latest conversion factors from the UK Government are used. In line with the SECR requirement to disclose the proportion of carbon emissions and energy associated with the United Kingdom, we estimate that 23% of emissions and 27% of energy usage relates to our UK operations. The Group has no other GHG emissions (such as methane, N_2O, sulphur hexafluoride, HFCs or PFCs) to report.

Case study

Reducing waste – Lucca site

Our facility in Lucca (Italy) has targeted the reduction of the use of polystyrene packaging as part of their waste reduction initiative. The 1,300kgs per year of polystyrene removed from this process results in a reduction of 4 tCO_2e per year from this facility alone. The packaging design was altered to incorporate renewable and recyclable materials in place of the polystyrene historically used.

Lucca has also designed and trialled an osmosis-based system within their paint plant, where the amount of time between water changes is increased, therefore reducing the number of changes of water. The manual trial has resulted in an annual reduction of 35,000 litres of non-hazardous waste to landfill, and its success has led to the continuation of this project into 2023 with the implementation of a new automated system.

Water use

In 2022, our water withdrawal was 6% higher than in 2021, but 25% lower than in 2017 (our historical baseline year). The increase in our water usage in 2022 was due to four water leaks at four separate Rotork facilities during 2022. In 2023 we will introduce a new investigation and corrective action criteria to help prevent future incidents like these.

	Unit of measure	2022	2021	2020	2019	2018
Total water withdrawal	Cubic metres	**34,045**	32,200	32,653	38,738	44,463

Waste management

Waste sent to landfill decreased by 15% compared to 2021. As part of our environmental strategy, in 2023 we will target four facilities for the implementation of Zero Waste to Landfill principles. The principles will include improvement of segregation of onsite waste streams and the selection of waste management partners that align with our environmental vision.

	Unit of measure	2022	2021	2020	2019	2018
Total waste	Metric tonnes	**2,068**	2,545	2,205	2,273	3,592
Waste recycled	Metric tonnes	**1,428**	1,709	1,654	1,579	2,471
Sent to landfill	Metric tonnes	**401**	471	295	592	820
Of which hazardous	*Metric tonnes*	***56***	*60*	*67*	*264*	*360*
Sent to energy recovery	Metric tonnes	**239**	365	255	102	301

Sustainability review continued

Operating responsibly continued

Circular economy and product responsibility

We are committed to enabling a sustainable future, meeting our science-based emissions targets and contributing to a low-carbon economy through our intelligent products and services.

Materials use

We generally operate an assembly-only philosophy across the Group, meaning that most of the manufacturing processes to produce our products are undertaken by our suppliers. The main components of our products – aluminium, steel and copper – are highly recyclable.

Components vary by product family, depending on how they are operated – pneumatically, hydraulically, or electrically. The weight of material inputs also vary by product across our portfolio. Our IQ3 actuator, one of our flagship products, provides an example of the typical materials we use in our electric actuator product range. These are: metals, glass, electrical and electronic equipment, batteries, plastics, oil/grease and rubber.

We have significantly reduced the weight of several products in our portfolio in recent years. Through this, we have reduced the environmental impacts of materials used, as well as impacts associated with transportation and logistics. For example, we achieved a 30% weight reduction in developing the latest version of our CK range of modular electric actuators. There is also increased part commonality with other product ranges, improving our overall efficiency.

All suppliers – including component suppliers – are required to adhere to our Supplier Code of Conduct. This covers our expectations of social, ethical, and environmental conduct. We also expect suppliers to apply our principles to their own supply chains. In 2022, we updated our Supplier Code of Conduct to include new requirements, including an expectation that suppliers calculate and publish emissions associated with their manufacturing activities.

Our suppliers are also required to certify their compliance with RoHS and REACH regulations. RoHS restricts the use of specific hazardous materials found in electrical and electronic products, while REACH concerns chemicals and their safe use. We seek compliance from suppliers globally.

Product safety

Rotork products play an important role in supporting customers' safety objectives. Many of our products are certified to externally recognised safety standards. Approximately 50% of the products in our portfolio are certified for use in hazardous areas. Around 10% are certified to the highest safety standards for applications such as safe plant operation and emergency shutdown.

Product stewardship

Environmental and emissions criteria are considered as an integral part of our product development process. We target four key sustainability performance features: energy use reduction, emissions reduction, enabling the use of renewable energy and safety systems.

We are particularly focused on the environmental performance of products in their use phase, where we have the greatest opportunity to support a positive environmental impact. Benefits include decreased energy consumption, decreased water consumption (by reducing leakage), GHG emissions reduction, pollution reduction, decreased material use and increased product longevity.

We calculated emissions associated with the use of our sold products during the year, as part of the calculation of our scope 3 inventory. We have set a science-based target to reduce those emissions by 25% by 2030 and are building this into our product development roadmaps. See page 110 for details.

Lifetime Management

Rotork's Lifetime Management offering is a suite of services provided by Rotork Site Services to help customers manage their assets efficiently. It is a full life cycle asset programme that enables customers' critical assets to operate at peak performance level, ensuring wider site uptime and productivity, improved safety and reduced environmental impacts.

Intelligent Asset Management is the analytics branch of Lifetime Management. The latest system was launched in January 2021. It is a cloud-based platform that collects information from the data logs held within intelligent electric actuators, offering anomaly detection and simple, accurate reporting and monitoring of the conditions of valves and flow control assets to enable predictive and preventative maintenance.

Service and maintenance programmes can be designed several ways. One way of approaching maintenance is to service assets on a regular schedule, regardless of age or usage. However, the age of a device is not the best predictor of the likelihood of actuator or valve failure; the precise condition of an asset is much more accurate. Some actuators are not frequently operated, instead providing testing or Emergency Shutdown (ESD) capabilities. Conversely, some offer constant modulating control in harsh environments.

Specific condition monitoring, using data from each actuator in the field, provides information about the actual operational characteristics of each asset. Data can be collected, analysed and then used to optimise the delivery of maintenance. This proactive analysis of data is key. It enables earlier failure prediction, reduced failure risk and cost, and a maintenance programme that is scheduled to match risk levels. Longevity of data capture is also important; the longer an asset is monitored for, the richer the data it provides becomes. By keeping a site running at an optimum level, customers are able to make the most efficient use of environmental resources.

Responsible disposal at end of life

Our product manuals provide end user advice on disposal at product end of life, in accordance with environmental standards. We provide specific guidance on the disposal of batteries, electrical and electronic equipment, glass, metals, plastics oil/grease and rubber. The majority of these are readily recyclable, with others recyclable by specialists.

Our manuals also include detailed health and safety advice for installation, maintenance, and repair of products. We publish manuals on our website in numerous languages. See: www.rotork.com/en/documents

Due to their nature, our products typically have a long lifespan and are generally replaced infrequently. We offer customers a take-back scheme but generally customers take responsibility for disposal at end of life.

Rotork colleagues at our Chennai (India) site

Sustainability review continued

Operating responsibly continued

Supply chain management

We expect high standards of social, ethical, and environmental conduct in our supply chain, to maximise value created for us, those working in our supply chain, our communities and the environment.

Rotork has a long-standing reputation for integrity, fair dealing, ethical behaviour and paying on time. As part of our Growth+ strategy, we are working to rationalise our supply base and concentrate our spend with strategic supply partners. We spent £335m with suppliers in 2022. Approximately 95% of our spend in 2022 was with around 1,400 suppliers. Our spend on product assembly and supply can be grouped into three main categories, as shown in the adjacent pie chart.

We have comprehensive quality assurance procedures for suppliers. These include supplier approval and component qualification processes, supplemented by supplier visits and a vendor rating system, to measure their performance.

Our approach

All suppliers are expected to comply with our Supplier Code of Conduct. This describes expected standards, including promoting equal opportunities, human rights, freedom of association, labour rights, environmental protection and our zero-tolerance approach to bribery and corruption. It applies to all suppliers globally and their own supply chains. We will take appropriate action against any supplier that fails to adhere to our Code, which can include the termination of their contract.

We undertake due diligence on prospective suppliers and assessments of existing suppliers to better understand modern slavery risks in our supply chain. We engage an independent intelligence provider to help analyse our supply base and follow up with audits when necessary. Supplier auditors and other colleagues in our sourcing and supplier management functions undertook our new modern slavery training in 2022.

Our Supplier Code of Conduct

We updated our Supplier Code of Conduct during the year to express our expectations of suppliers on additional environmental, social and governance topics. It also includes a new clause providing an express right of audit, including a requirement to make supplier premises and personnel accessible to Rotork. The new Code is applicable to all suppliers and third parties globally.

Our updated Code now includes an explicit requirement for suppliers to pursue efforts to publicly report operational greenhouse gas emissions. In addition, it expressly sets out our requirement for suppliers to pay wages and benefits that meet or exceed national minimum requirements and to adhere to working time regulations; to comply with applicable laws and regulations relating to fair competition, money-laundering and the non-facilitation of tax evasion; and to adhere to both the spirit and the letter of our Conflict Minerals Policy. The Code also encourages suppliers to align with internationally recognised social standards, such as SA8000. The updated Code has been communicated to suppliers in 2022 and will be embedded in all new supplier contracts going forward.

We have a defined, Group-wide process to validate that suppliers are meeting the requirements of our Supplier Code of Conduct and upholding Rotork's commitments to social, environmental and ethical standards in the supply chain. The process outlines our approach to assessment of social, environmental and ethical risks, which includes four main components: continual online monitoring, supplier self-assessment, enhanced surveys for suppliers scored as medium or high risk, and site audits for medium- and high-risk suppliers.

Our risk scores are developed through a combination of factors, including scores relating to their country of operation, with country-based index scores for human freedom, child labour, corruption and health and safety, drawing on internationally recognised indices provided by organisations such as the International Labour Organization. The process also documents our escalation procedures for any concerns identified, with significant concerns being reported to the Legal Department.

Supply chain emissions

As one of our first steps on our net-zero journey, we have set a supplier engagement target for emissions associated with our purchased goods and services, among other near-term targets. We have committed to engaging with suppliers to improve their environmental performance and will be requesting that suppliers representing 25% of supply chain emissions set science-based targets by 2027.

Risk management

As an international group with a predominantly out-sourced manufacturing model, our supply chain is key to us delivering our Purpose of 'Keeping the world flowing for future generations'. Supply chain disruption is identified as a principal risk to the business. As a result, we monitor our supply chain very closely. Disruption could arise for a number of reasons; for example as a result of a tooling failure at a key supplier, a transportation issue, or a severe weather event impacting a key supplier.

We identify critical suppliers and components through our formal risk assessment process and focus our risk management efforts on the suppliers that present the greatest risk to our business. Criticality is determined via a number of criteria, including business dependency, criticality of the commodity supplied and financial considerations, such as spend and contribution to revenue. We currently have around 70 suppliers that meet these criteria.

We require suppliers to complete sustainability self-assessments annually, to help us identify any potential risks. In 2022, we invested in a new software platform to improve our management of supplier self-assessments and ensure their timely completion. The platform also includes additional ESG and compliance modules that we ask suppliers to complete on specific topics, such as greenhouse gas emissions reporting and cybersecurity management. The software automates the collection and collation of suppliers' responses to support our effective oversight and management of ESG issues in the supply chain.

Our supplier assessment and onboarding process ensures that potential suppliers that do not meet the minimum standards criteria are eliminated early from any formal tendering or engagement process. We also provide feedback to any companies we have assessed, even if they are unsuccessful, to provide them with potentially valuable development opportunities. Our group vendor approval questionnaire was updated in early 2022 to include new questions aligned to our updated Supplier Code of Conduct. We have also incorporated sustainability audits in our routine on-site supplier assessments; sustainability elements are now a mandatory part of all local site procedures.

Product assembly and supply spend (2022)

Key	£m
● Mechanical components	198
● Electronic and electrical components	56
● Other indirect categories	54
● Transportation and logistics	21
● Packaging	7

Sustainability review continued
Operating responsibly continued

Supply chain management continued

Conflict minerals

Rotork does not purchase raw materials or work directly with smelters or refineries – we purchase components several tiers removed from smelters in the value chain. Our approach is therefore based on engaging with our suppliers to identify, manage and correct any risks. We report transparently on our engagement and risk management procedures to support stakeholders' understanding of our approach.

Our Conflict Minerals Policy sets out our commitment to not use tantalum, tin, tungsten and gold ('3TG') that directly or indirectly finances, or benefits, armed groups in the Democratic Republic of the Congo or adjoining countries. In 2021, the scope of the Conflict Minerals Policy was expanded to include other Conflict Affected and High Risk Areas (CAHRAs) in addition to these countries. Management responsibility for the policy lies with our Group Operations Director. The policy is published on our website at **www.rotork.com/environmental-social-governance.**

We exercise due diligence based on the 'Responsible Minerals Initiative' ('RMI') guidance, by mapping our supply chain using their reporting templates and following up any concerns raised via a corrective action management process. We strengthened our supplier management approach in 2022 with the introduction of a new Group-wide procedure. It defines our risk management process and supports the commitments made in our Conflict Minerals Policy. It describes in-scope commodities; supplier communications approach (including the requirement for an annual supply chain conflict minerals survey, based on the template provided by the RMI); and the management approach in the event of supplier non-conformance.

Our Group-wide conflict minerals management procedure also describes our definition of 'high risk' smelters, to guide colleagues in interpreting the results of the supplier conflict minerals survey, which collects information on the smelters used by our suppliers and minerals' country of origin.

We have a dedicated conflict minerals section on our employee intranet site, to help drive awareness about conflict minerals, the problems associated with them, how to identify risk of them in the supply chain and how to respond to requests for Rotork's conflict minerals declaration.

We also educate suppliers of commodities that could contain 3TG about conflict minerals risks when we request their responses to our annual survey. If we identify and confirm that a supplier is using a high-risk smelter, our process is to engage with our supplier to request that they change their source, and ultimately may re-source to a supplier that does not use high risk smelters.

Modern slavery awareness training

We launched a new training programme in 2021 that aims to raise employee awareness of modern slavery and human trafficking risks in our business and supply chain. It includes interactive workshops for colleagues most likely to encounter modern slavery and human trafficking risks, as well as mandatory human rights eLearning for our global online population. We engaged the Slave-Free Alliance, part of the charity Hope for Justice, to deliver enhanced modern slavery training for colleagues who deal directly with suppliers. Hope for Justice is an international charity, working across five continents, running prevention programmes, rescue services for victims, and advocacy and aftercare to restore victims' lives, as well as working with government and business to provide expertise and support. All colleagues who undertake supplier audits have completed this training and will complete a refresher course every two years.

The Slave-Free Alliance is also providing a bespoke one-day modern slavery practitioner course to key staff members, featuring real life case studies about some of the people that the charity has supported. Delegates will also benefit from learning resources and modern slavery risk handbook.

See pages 55 and 56 for further information about our approach to mitigating modern slavery and human rights risks in our business and supply chain.

Priorities for 2023

- To continue negotiations with our suppliers that contribute the most CO_2e regarding our science-based target setting requirement, understanding their roadmaps, and to develop our non-compliance strategies.
- Partner with our critical supply chain to map physical and transition risk in line with the TCFD recommendations.

Culture, ethics and governance

We strive to act ethically in the way that we do business. Our Values – Stronger Together, Always Innovating and Trusted Partner – were chosen by our people. They are rooted in our culture and reflected in our Code of Conduct (the 'Code').

Our Code applies to anyone acting on Rotork's behalf, including all permanent employees, temporary workers and contractors globally. We expect everyone to follow the Code and act with integrity at all times.

We have a number of policies that sit beneath our Code of Conduct, covering Confidentiality, Conflicts of Interest, Speak-Up, Fair Competition, Gifts and Hospitality, Anti Bribery and Corruption, Data Protection, Trade Sanctions and Modern Slavery. These policies apply to our operations globally, including to subsidiary companies and joint ventures.

During 2022 we continued to embed our corporate Values and Code of Conduct across our organisation worldwide.

Compliance and ethics training

Employee training and awareness is one of the core elements of our Compliance programme.

We have an eLearning platform that enables a range of legal compliance training to be provided to employees and provides full auditability. This includes mandatory Code of Conduct and Speak Up training, which is available in several languages. The training further embeds key concepts from the Code and re-emphasises both the importance of speaking up if wrongdoing is suspected and Rotork's no-retaliation policy. To ensure the training reaches employees without access to the eLearning platform, classroom based sessions continued during 2022.

Additionally, in 2022, we delivered eLearning on specific topics within the Code, including anti-bribery and corruption, conflicts of interest, fair competition and gifts and hospitality.

As well as completing Code of Conduct training, new joiners were introduced to our Values and expected behaviours during formal induction sessions.

In 2022, as part of our commitment to good governance, we launched a mandatory compliance certification, whereby each year we ask colleagues to complete a statement confirming compliance with our Code of Conduct and associated policies, the completion of all mandatory training, and any actual or potential conflicts of interest.

Human rights and modern slavery

Rotork continually looks for ways to support the promotion of human rights within our operations and our sphere of influence. We obey the laws, rules and regulations of every country in which we operate. We respect internationally recognised human rights, as set out in the United Nations International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. These cover freedom of association, the abolition of forced labour, equality and the elimination of child labour.

Our Modern Slavery Policy includes a range of key performance indicators ('KPIs'), to monitor the risk-based actions we take to mitigate risk and to assess the effectiveness of our control measures. We review the KPIs annually to ensure they remain relevant and appropriate.

The policy is supported by a training programme that aims to raise employee awareness of modern slavery and human trafficking risks in our business and supply chain.

An online course on modern slavery was rolled out in the first quarter of 2022 to build knowledge of, and capability to manage risks. The training was mandatory for all employees with access to the eLearning platform and covered:

- what modern slavery is, its forms and key indicators;
- how to identify and respond to Modern Slavery risks;
- key risk areas; and
- how to report concerns.

The course also provided targeted content for directors and our Procurement and Human Resources functions who require specialised knowledge.

Our Supplier Code of Conduct sets out our minimum expectations regarding human and labour rights, among other requirements. We assess potential slavery and human trafficking risks arising from supplier relationships using a number of different methods. These include assessing new and existing suppliers and conducting supplier site visits. In the event that an issue is identified, we will undertake appropriate remedial action. This might include placing appropriate contractual obligations on a supplier; working together with a supplier on a corrective action plan; or ceasing to work with a supplier altogether.

In 2022, we updated our Supplier Code of Conduct and took this opportunity to provide more detailed information regarding our expectations of suppliers in relation to human rights.

Further information about the steps we take to address modern slavery risk is set out in our Modern Slavery Statement at **www.rotork.com/en/investors/modern-slavery-statement.**

Sustainability review continued
Operating responsibly continued

Culture, ethics and governance continued

Anti-bribery and corruption
Rotork has a zero-tolerance policy towards bribery and corruption worldwide, irrespective of country or business culture. Both our Code of Conduct and Anti-Bribery and Corruption Policy prohibit the offering, paying or solicitation of bribes in any form. Additionally, our Gifts and Hospitality Policy provides guidance on the rules relating to the giving and receiving of gifts and hospitality. In 2022, we updated the policy and introduced an automated request process and register, making it more efficient for employees to seek approval for the offer or acceptance of gifts and hospitality, and improving our oversight and record-keeping. A global communication campaign was deployed, including an introductory video message from the Group General Counsel and Company Secretary, followed by webinars and mandatory eLearning. A dedicated SharePoint site was created which, in addition to hosting the policy and automated process, contains example scenarios and other resources to help employees make informed decisions regarding the appropriateness of gift and hospitality exchanges.

We have procedures in place to manage third-party bribery risks across our operations, through each of the selection, appointment and monitoring stages.

Our policy on political donations
Rotork is a politically neutral organisation. We have a policy of not making political donations in any part of the world. No political donations were made during the year.

Encouraging colleagues to 'Speak Up'
Rotork has an open and transparent culture underpinned by our Speak Up policy.

Our Speak Up policy encourages colleagues to report suspected wrongdoing as soon as possible and without fear of detrimental treatment as a result of raising a concern. It applies to all individuals working within, for, or with Rotork, including suppliers.

We offer a range of channels for colleagues to raise concerns. Our policy encourages colleagues to contact their line managers, our Group HR Director or our Group General Counsel & Company Secretary. We also offer an independent, global, and multi-lingual external reporting service managed by Safecall. This service allows concerns to be raised anonymously if preferred. The service is available to employees, external stakeholders and the public and is operated 24 hours a day, seven days a week. Reports can be made to a local freephone number or submitted via Safecall's website. All concerns raised are investigated promptly.

In 2022, we continued to promote the importance of speaking up and our different Speak Up mechanisms. In addition to delivering mandatory eLearning on the topic to all new hires, we added a QR code to our Speak Up poster enabling instant access to the Safecall website, and ensured that all our offices and facilities are exhibiting the poster.

Priorities for 2023
Aiming to continuously improve, we plan to:

- perform a risk based review of our channel partners (agents, distributors and resellers);
- conduct a competition law risk assessment, followed by targeted, risk-based training;
- continue training on specific topics from the Code of Conduct, including data protection; and
- extend our new joiners training programme, to include all courses previously delivered to legacy employees

Board-level oversight
The Board receives regular updates on compliance with our expected behaviours, as outlined in our Code of Conduct and related policies. The Board reviews concerns reported about suspected wrongdoing, and, where required, agrees actions to be taken to prevent a potential reoccurrence. The Board is updated on the compliance training undertaken and planned during the year, together with completion statistics. It also reviews the results of our employee 'pulse' surveys, to help identify any areas where employees feel that there is a divergence between their experience and our stated culture. The findings and recommended actions arising from audits and risk assessments are shared with the Board or Audit Committee.

Enabling a sustainable future

Our mission

To help drive the transition to a cleaner future where environmental resources are used responsibly.

In this section

- Our role in the energy transition
- Eliminating methane emissions
- Hydrogen's role in net-zero
- Enabling lithium production
- Supporting energy efficiency
- Decarbonising the chemicals industry
- Water management

SDGs we will progress

Sustainability review continued
Enabling a sustainable future continued

We want to drive the transition to a cleaner future where environmental resources are used responsibly

Our businesses are well positioned to enable the low-carbon global economy with products and services used to electrify flow control processes, and in hydrogen, carbon capture utilisation and storage and battery production. We have a major part to play in the energy transition too, for example in reducing methane emissions, LNG/ gasification, and biofuel production. Rotork's products also have applications in processes that help preserve natural resources such as fresh water, through water recovery, recycling, treatment and desalination.

Enabling the global energy transition
We have a major part to play in new energies and technologies that will deliver a low-carbon economy and enable the transition to it. Rotork's products have applications in many processes for low- or no-carbon energies, all of which are valve and actuator intensive. Rotork's products have long been used in hydrogen processes, for example, where industry relies on Rotork's certified equipment for the production, storage, transportation and utilisation of hydrogen.

Supporting customers' energy and emissions reduction
As the world leader in electric actuation, Rotork is well placed to enable electrification of processes in all its end markets. Electric actuators have low power consumption and do not emit emissions during operation. For example, one of the main ways the oil & gas industry can reduce operational emissions is by replacing actuation systems in its upstream and midstream facilities traditionally powered by process gas with those powered by electricity.

Enabling sustainable management of water resources
Water crises are recognised as a major global risk and are being exacerbated by climate change. New technologies, better water infrastructure and more efficient water processes are key to narrowing the gap between supply and demand of fresh water. Rotork technology plays a key role in addressing each of these challenges, enabling the provision of a safe and efficient water supply, as well as supporting sustainable management of water.

In this section, we provide examples of the role that Rotork's products play in addressing major climate and environmental challenges, using case studies to help illustrate our role and the scale of our opportunity to enable a sustainable future.

Our strategic commitments

- We enable sustainable management of water resources and greater water efficiency for our customers.
- We support customers' energy and emissions reduction and enable them to incorporate renewable energy into their operations.
- We play our part to enable the global energy transition and support a cleaner, more sustainable future.

Did you know?
Half of our Rochester, US, facility's electricity requirement comes from renewable hydro-electric sources – specifically the nearby Niagara Power Project. This uses a gated tunnel under the city of Niagara to divert water from the Niagara river into two reservoirs, from where released water generates renewable electricity.

Eliminating methane emissions

Fugitive emissions from energy production are estimated to contribute around 6% of global greenhouse gas emissions annually – three times as much as the aviation industry (source: Our World in Data). Methane is a short-lived climate pollutant with an atmospheric lifetime of roughly a decade. It is a potent greenhouse gas, significantly more powerful than carbon dioxide at warming the atmosphere.

Reducing human-caused methane emissions is one of the most cost-effective strategies to rapidly reduce the rate of warming and contribute significantly to global efforts to limit temperature rise to 1.5°C. The high-profile Global Methane Assessment, published in May 2021, highlights electric actuators as one of the most important readily-available technologies to mitigate methane emissions.

Rotork is well placed to benefit from the conversion of the world's large population of methane emitting pneumatic actuators, used extensively in the oil & gas industry, to zero emission alternatives.

Electric actuators – particularly those sold into upstream oil & gas operations, which represents a large proportion of emissions and where the industry has traditionally used gas-operated pneumatic devices – can be used to prevent a very significant amount of methane from being emitted into the atmosphere.

Case study

Tackling methane emissions

According to the Intergovernmental Panel on Climate Change ('IPCC'), a tonne of methane has around 84-86 times the global warming potential of CO_2 over a 20-year timeframe.

More than 100 countries signed the Global Methane Pledge at COP26 in Glasgow, committing to cut methane emissions by 30% by 2030.

Rotork has a full solution suite of electric powered products that can be used in place of emitting solutions.

Sustainability review continued

Enabling a sustainable future continued

Hydrogen's role in net-zero

Hydrogen is an essential part of the energy mix needed to decarbonise society. It has multiple roles to play – as an energy source in itself and as a feedstock in industrial processes. The Hydrogen Council's 'Hydrogen Insights 2022' report from September 2022 concluded that to capture the maximum climate value of hydrogen to deliver the 2050 net-zero target would require investment of $700bn by 2030 compared to the $109bn of projects currently at FEED/feasibility study stage.

Hydrogen production offers a growing opportunity for component manufacturers, with the market potential for electrolysers alone estimated to be worth $50-60 billion annually by 2050 according to the BCG report, 'The Green Tech Opportunity in Hydrogen', though other estimates are significantly higher.

Rotork is focused on capturing the opportunities in hydrogen equipment and hydrogen applications across our end markets, with our existing product range already being ideally suited to, and certified for, use in hydrogen applications.

Hydrogen market developments

China, the US and India are currently the three largest hydrogen consumption markets. It is expected that China, followed by Europe and North America, will be the biggest markets by 2050.

Europe currently has the highest average annual funding potentially available for hydrogen projects, with strong financial support from governments, industrial decarbonisation policies and increasing carbon prices. However, the US's Inflation Reduction Act (IRA) includes significant support for hydrogen, including a $3 tax credit per kilogram of clean hydrogen produced, making the country increasingly competitive. China has also identified hydrogen as one of its six industries of the future and its project activity is rapidly growing.

Hydrogen will play in role in decarbonising several end markets served by our CPI division. Demand for actuators in hydrogen processes is expected to mostly come from 1) industrial processes; 2) the power sector; and 3) power-to-fuel processes.

Announced clean hydrogen production volume by pathway

Cumulative production capacity, MT p.a.
As of 8 May 2022

Source: Hydrogen Council, McKinsey & Co

Low carbon hydrogen
Announced[1]
Planning[2]
Committed[3]

Renewable hydrogen
Announced[1]
Planning[2]
Committed[3]

2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

1 Preliminary studies or at press announcement stage

2 Feasibility study or front-end engineering and design stage

3 Final investment decision has been taken, under construction, commissioned or operational

Case study

The electrolyser opportunity

Green hydrogen is hydrogen produced from water by a piece of equipment called an electrolyser which is powered by renewable electricity. Each electrolyser requires a significant amount of highly certified control equipment, including of the type developed by Rotork. The market for electrolysers is currently small but it is growing rapidly. Forecasting future market size with any confidence is not possible however we believe it could be a very significant opportunity and so have included it as one of our target segments. Our strategy is to partner with electrolyser manufacturers and offer them a full electric actuator solution set.

Potential uses for clean hydrogen

H_2

Feedstock applications
Industrial processes

- Refining
- Ammonia and methanol synthesis
- Direct reduced iron (DRI) for steel production

Energy applications
Power sector

- Flexible power generation
- Off-grid power supply
- Large-scale energy storage

Power-to-fuel

- Renewable gases
- Synthetic fuels
- Ammonia

Heating

- Industrial heating
- Residential and commercial heating

Transport

- Road transport
- Trains
- Aviation
- Shipping

Sustainability review continued

Enabling a sustainable future continued

Enabling lithium production

Lithium, typically used in rechargeable batteries for electric cars, as well as consumer goods such as laptops and mobile phones, is critical to the energy transition. The growth in demand for battery lithium will be driven primarily by the growth in demand for electric vehicle and storage batteries. Under the IEA's Sustainable Development Scenario, lithium demand will increase 42-fold between 2020 and 2040.

Rotork's products have applications in lithium mining and lithium ore and brine processing. Applications include dewatering, HVAC and dust control in underground mines, as well as slurry pumping, dewatering/water management and floatation in open pit mines and treatment plants. The mining industry has long relied upon Rotork's highly reliable and energy efficient equipment for flow control.

Commercial lithium arises from two major sources: underground brine deposits and mineral ore deposits. The majority of today's lithium is extracted from liquid brine reservoirs that are located beneath salt flats, most of which are located in South America and China. Mineral ore deposits are richer in lithium, though they are costlier to access.

The processing of mined lithium ore is concentrated in China, which accounts for more than half of all global processing. China is also a major player in salt lake lithium extraction, with its production expected to more than double by 2025, compared with 2020.

Expected increase in lithium demand by 2040

42x

Case study

The lithium battery value chain

Rotork's products have applications throughout the lithium battery value chain, from upstream mining, midstream salt evaporation and recovery, cell manufacturing to downstream battery pack production. As an example, in 2022 Rotork CK electric actuators were specified for slurry transportation control duties as part of a concentrator expansion project at one of the world's largest lithium mining complexes in Australia. Rotork was chosen for the reliability of its products and its aftermarket service.

Case study

The Tees Barrage White Water Centre

The White Water Centre is a recreational activity and sports site on the River Tees in North East England famous for its white water rafting, canoeing, kayaking and power boarding. The penstocks on the site – used to control water flow down the manmade course as well as prevent flooding at high tides – were hydraulically operated and proved costly to run and maintain. The customer chose to upgrade to Rotork electric IQ3 actuators to benefit from their greater energy efficiency, high reliability and ease of monitoring (via onboard data logging).

Supporting energy efficiency

Energy efficiency plays a fundamentally important role in delivering the clean energy transition.

The IEA refers to energy efficiency as the 'first fuel' as it represents the cleanest and most affordable way to meet the world's energy needs, while reducing energy production-related emissions at the same time. Energy efficient equipment is crucial in this.

In 2022 we set a target to further improve the efficiency of our products. We are targeting to reduce the total emissions associated with the use of our products by 25% by 2030. By choosing our products, customers will be able to reduce their operational emissions.

Sustainability review continued

Enabling a sustainable future continued

Decarbonising the chemicals industry

The chemical industry creates an immense variety of products that are essential to every aspect of modern life. The industry also plays an important role in supporting the transition to a low-carbon economy. For example, it provides coatings for solar panels and highly-efficient LED displays, lightweight plastics to reduce vehicles' energy consumption and insulating materials for buildings.

However, the production of chemicals is currently highly energy intensive and is a significant emitter of CO_2. The chemical and petrochemical industry typically uses fossil fuels for energy and as a feedstock for the products it creates. It is estimated to be responsible for between 5% and 6% of global annual greenhouse gas emissions and has historically been seen as 'hard-to-abate'. Hydrocarbons are used as both an important feedstock and an energy source by the chemicals industry.

The chemicals industry will undergo a major transformation over the coming decades to lower its energy intensity and CO_2 emissions and ultimately achieve net-zero. Solutions such as hydrogen, carbon capture and electrification will play an important role.

- Low-carbon hydrogen will play a role as a sustainable fuel and as a sustainable feedstock for the industry, alongside other alternative feedstocks – synthetic feedstocks from captured carbon; biomass; waste-to-energy, etc.
- Carbon capture and storage will reduce emissions in the first instance; it can also be used in the production of chemicals (for example, to create methanol in combination with hydrogen).
- Chemical industry operations will be electrified and innovations in chemistry will see chemical transformations that have been traditionally powered by heat being driven by electricity instead.
- Improved energy efficiency, incorporating more energy efficient electric-powered equipment in the industry's operations will also play a role, as will chemical recycling to re-use waste products.

Chemical industry's contribution to global greenhouse gas emissions

5-6%

Case study

Rotork electric actuators selected for Norwegian 'next generation' carbon capture storage project

Northern Lights is developing the world's first open-source CO_2 transport and storage infrastructure. It is a major milestone towards decarbonising Europe, and as a first-of-its-kind operation, it is trailblazing for similar projects in the future. It is scheduled to be operational by 2024.

The process begins when liquefied CO_2 is shipped from industrial capture sites to an onshore receiving terminal located on the Norwegian west coast. At the receiving terminal, liquefied CO_2 will be transferred to intermediate storage tanks. From there, the liquefied CO_2 will be transported by pipelines 100 km offshore to be injected and stored safely and permanently in a saline aquifer 2.6 km under the seabed.

Rotork electric actuators have been selected for CO_2 tank storage emergency shutdown applications and for pipeline shut-off applications. Equinor chose Rotork's robust, safe and reliable actuators due to their prior experience with Rotork products in the oil and gas offshore environment. The actuators are due to be installed in 2023.

Water management

Water crises are recognised as a major global risk. Almost 25% of the world's population already face water crises and by 2030, 700 million people could be displaced by water scarcity. Extreme weather events caused by climate change, such as droughts and floods, are increasing the frequency of water shortages. In addition to impacts on human health and ecosystems, water risks are increasingly material for businesses and economic growth.

Water efficient processes are key to narrowing the gap between supply and demand of fresh water. Reusing treated wastewater is also important for managing water pollution and creating alternative water sources. Better water infrastructure and services, and new technologies such as reverse osmosis desalination, also play a role in building resilience to water scarcity and shortages.

Rotork technology plays an important role in addressing each of these challenges, enabling the provision of a safe and efficient water supply, as well as supporting sustainable management of water. Our technology also assists water treatment, recycling and desalination processes, as well as being an integral component of flood defence infrastructure.

There is strong demand for water infrastructure across developing and developed markets, for health and safety and economic development reasons. Leak detection, monitoring and quality are a major focus of the water industry and shortages are driving the development of smart grids. Increasing regulations relating to water quality, water re-use and sludge treatment are driving water-related capital expenditure across industry. Water scarcity is resulting in greater need for recycling and desalination; and rising water levels are necessitating flood defence investment.

Rotork technology assists water treatment, recycling and desalination processes, as well as playing a role in flood defence infrastructure. In all these applications, we provide innovative, reliable flow control solutions to help manage water sustainably and build resilience to extreme weather events.

Sustainable development

Ensure availability and sustainable management of water and sanitation for all.

Case study

Improving water infrastructure

Water infrastructure, waste and wastewater treatment and desalination are target segments for the Rotork Water & Power division. During 2022, Rotork supplied electric and fluid power actuators to numbers of wastewater treatment plant modernisation and improvement projects around the world, including for example ones in Singapore and Texas (US). These will provide better quality water, more efficiently. In Malaysia, Rotork's IQ electric actuators were selected to replace existing ageing, and increasingly unreliable, actuators that provide flood defence across the country.

Sustainability review continued
Enabling a sustainable future continued

Water management continued

Case study
Improving water treatment processes

Ultrafiltration is an innovative technology that removes particles from water using pressure to drive it through membranes that remove contaminents. The resulting water is suitable for drinking. The San Felipe Springs water treatment plant in Texas (USA) uses hundreds of actuators in its ultrafiltration system. Existing actuators were becoming increasingly unreliable, inaccurate and expensive to maintain. Rotork supplied 400 K-Tork rotary vane actuators which provided the much improved performance the customer required.

Case study
Supporting innovation in water supply

Water and sanitation networks are essential to modern life and must be safe, robust and resilient. While many monitoring systems have been installed to help detect leaks and improve quality, some installations still require manual intervention.

A real-life example is a water reservoir in the UK serving a population of around 30,000 homes. The reservoir is fed by a primary and a reserve inlet, both of which are controlled by valves. During the warmer months of the year, it is often necessary for the reserve valve to be adjusted to control the level of water in the reservoir. The reserve valve is only operable manually. This involves two engineers visiting the site, testing and accessing an underground chamber and operating the valve by hand. This manual operation is expensive and presents health and safety risks in addition to operational risks; the operator asked Rotork for assistance with remote automation of the valve to negate these concerns.

Challenges
- Remote automation of an inlet valve to a water reservoir
- Live flow feedback
- No power or communication lines on site

Solution
Rotork has developed a solution to enable any network valve to be operated and monitored without access to external wired power or control infrastructure. Once deployed, control of the remote automation system enables optimisation and rapid response to dynamic changes in the network. Leveraging 60 years of developing and supplying reliable and efficient valve actuators into harsh environments across the globe, the solution uses secure and reliable 4G/5G communications and sustainable energy harvesting. The system has been well received by customers around the world, including in the UK water reservoir example mentioned here.

Making a positive social impact

Our mission

To support thriving, fair and resilient communities.

In this section

- Brand and reputation
- Our people and culture
- Delivering safety solutions
- Our social contribution

SDGs we will progress

Sustainability review continued

Making a positive social impact continued

We aim to support thriving, fair and resilient communities

We endeavour to make a positive social impact on people, supply chain and communities. We make a significant contribution through the high-quality employment we provide. We engage proactively and fairly with all stakeholders, to understand and meet their needs. We seek to extend the direct positive impact of our business through our support for charitable causes aligned to our sustainability goals and colleagues' interests.

We aim to be a fair employer and promote opportunity and equality for all. Importantly, we also strive to help tackle inequality in society through the role we can play as an employer. As part of this, we are particularly conscious of supporting progress for underrepresented groups. At the same time, we recognise the valuable contribution that diversity, in its broadest sense, can make to our overall business success and seek to nurture talent from a broad range of backgrounds.

In this section, we describe how we engage with and support our people and our communities to have a positive impact on individuals and society as a whole.

Our strategic commitments

Diversity

We develop and deliver initiatives to drive greater representation from diverse groups including gender and ethnic diversity.

Fair Pay

We contribute to a fairer society more broadly, including by ensuring 100% of employees are covered by our Fair Pay Framework.

Brand and reputation

Rotork's brand is well-recognised and respected globally. It stands for innovative, quality, dependable products, and a first-class approach to customer relationships. Our brand is very important to us.

Our 'brand and reputation' is consistently ranked as being among the most important sustainability issues for us in our materiality assessment. Our sustained success rests on building on Rotork's well-recognised and well-respected brand among existing customers, new customers, and potential future employees.

Attracting, developing and retaining a diverse range of talented people, by being an employer of choice, providing fair and equal pay and benefits, and demonstrating our commitment to diversity and inclusion, is central to our ability to maintain our market leadership position and seize new opportunities to grow our business.

Throughout this section we describe how our people play a key part in achieving our strategic objectives, as well as the wider positive social contribution we make through our innovative, cutting-edge solutions, our positive stakeholder engagement and our direct investment in local communities around the world.

Our people and culture

Rotork strives to be a great place to work. Engaged, committed people are key to the successful delivery of our strategy and sustainable business growth. We are committed to nurturing an inclusive and respectful culture. We want our people to feel they belong and can deliver at their best.

Our Company Purpose, 'Keeping the world flowing for future generations', along with our three Values – Stronger Together, Always Innovating and Trusted Partner – define both what Rotork does, and how we operate.

Our Values were selected by our people and are important in creating a culture that we can be proud of. They help to make Rotork a great place to work and give us a competitive edge.

Our Values

Stronger Together
Always Innovating
Trusted Partner

Our Values are embedded in our Code of Conduct.

Culture

We ensure our people policies and systems are aligned to our Values. They are aimed at engaging and motivating colleagues and protecting their rights. We strive to provide fair and equitable treatment, as well as opportunities to grow, learn and progress. As a global company, we embrace the importance of reflecting and connecting with the communities in which we operate. We have appointed a Head of Culture & Inclusivity to focus dedicated time to these topics.

Talent management

Attracting, recruiting, developing and retaining talented people is vitally important to the successful delivery of our strategy.

We complete a talent review process twice a year, involving both the Rotork Management Board and the Board. We review the top three management levels, as well as colleagues identified as future talent, for succession planning. In addition, our top 100 leaders complete a personal profile on a regular basis. This is reviewed by our Boards as part of our talent management process. Personal profiles enable us to better understand our talent pipeline for senior roles and ensure the right development is in place for key individuals.

Colleagues have regular, structured performance and development conversations with their line managers as part of our approach to performance management. We seek colleague feedback about performance conversations through our 'pulse' surveys, as these are an important element in helping to deliver our strategy.

We review our age profile to assist workforce and succession planning. We are committed to early career programmes and relaunched our graduate and internship programmes in 2022. We aim to launch our refreshed apprenticeship programme in 2023. We have set a target that at least 50% of participants in our schemes are female, ethnic minority or from other groups currently underrepresented in our business, to increase the diversity of our talent pipeline and we exceeded this target in 2022 (56%).

As we were not able to fully utilise our UK apprenticeship levy again in 2022, we donated unused funds to organisations supporting young people in other industries to develop new skills and capabilities.

We are proud to have a good mix of long-serving and newer employees. 39% of employees have been with Rotork for more than 10 years, while the percentage who joined in the last five years has increased to 46%, reflecting the amount of change in the labour market and hence our recruitment over 2022. Around half of our senior leaders have been promoted into their current roles from within Rotork. We believe the mix of Rotork experience and new external experience is integral to our success.

We consider it important to engage colleagues in our change programmes. We provide 'change workshops' locally before embarking on any programme. We use two cycles of a change diagnostic tool to understand how change is embedding and how our colleagues feel about it.

Sustainability review continued

Making a positive social impact continued

Our people and culture continued

Employee engagement

We seek employee feedback on a regular basis to ensure employees' views are considered in decisions made at Board and management level. Gaining regular insights also means we can respond to any concerns in a timely manner and understand what matters most to our people.

We conduct employee 'pulse' surveys twice a year. In 2022, 75% of employees participated in our surveys (2021: 62%).

Most surveys have a specific theme, but certain questions recur regularly so that we can track progress. In December 2022 our 'Rotork as a place to work' score was 7.2/10 (2021: 6.4).

As in 2021, for 2022 a portion of the management and leadership populations' bonus opportunity is linked to maintaining high levels of employee engagement through the year.

We continued our virtual induction sessions for new joiners and provide a 'working@rotork' email address, which enables colleagues to ask questions on a range of topics, including HR matters. Colleagues can also contact Tim Cobbold (designated non-executive director for workforce engagement) via our 'working@rotork' email address.

Fair pay and benefits

We believe that all colleagues should be appropriately and fairly rewarded for their contribution. In 2020, we launched a Fair Pay Framework. It includes five areas of focus to guide our reward policies, procedures, systems and decision-making to support fair and competitive remuneration.

Our original Framework included a commitment to pay a real living wage (rather than the minimum wage) where this exists in a country. In 2021, we improved our commitment, and now ensure that we pay more than the living wage published in a country. Rotork is accredited as a Living Wage Employer by the Living Wage Foundation.

Rotork is proud to have well above average employee share ownership, with the majority of employees owning shares. Colleagues in many of our locations receive a gift of Rotork shares each year, wherever is it practicable to do so. This gives our people an additional personal and financial stake in our success.

All employees participate in the Rotork bonus scheme. . We link performance to reward, ensuring we recognise those who make the greatest contribution in line with our Values. We benchmark our reward and benefits arrangements externally in every country we operate. We also provide pension arrangements, based on local laws and practices.

Collective bargaining

We uphold colleagues' freedom of association and recognise their right to collective bargaining. There are collective bargaining arrangements in place in several sites and countries in which we operate. Around 7% of our employees globally are covered by union agreements. We are committed to open and constructive engagement with our employees and their representatives.

Training and development

We work to ensure that Rotork's people have the right skills and experience to deliver the Group's strategy. We also recognise that a strong learning culture is an essential part of remaining an attractive employer in what is currently a tight labour market.

In 2022, colleagues undertook over two hours of training each a month. We are looking to increase the amount of training colleagues undertake, including through our learning@rotork site, which offers virtual training programmes on a broad range of topics. Line managers also complete Performance and Reward workshops, focused on achieving results in line with our Values and aligning reward with high performance.

In early 2022, we launched our 'Winning Mindset' workshops. These have been rolled out to our top 100 population and a further 50 of our 'talent' population. The workshops provide practical tools and techniques to help individuals and teams improve their performance. Our broader Leadership Programme launches in March 2023.

Diversity and inclusion

We are committed to fostering an inclusive and diverse workforce. We recognise the strategic advantage of valuing diverse perspectives and contributions. We continue to drive our commitment to diversity and inclusion and build this into the way we work.

Our last three appointments to the Board and Rotork Management Board have been diverse candidates, signalling our focus and commitment to gender and ethnic diversity. Our Board diversity policy is available to view at **www.rotork.com/en/careers/diversity-and-inclusion.**

In terms of highlights from the year, we undertook a series of women@rotork initiatives, in which our female Board members also participated with an objective of stimulating debate, discussions, networking and learning actions. We celebrated Pride Week, encouraging colleagues to adopt a rainbow version of the Rotork logo in their email signatures or to use a rainbow background in their Teams calls.

We re-launched our graduate and internship scheme in 2022. We want to reflect the diversity of the communities in which we operate. This continues to be a complex challenge, but we have already made progress. We have set a target that at least 50% of participants in our schemes are female, ethnic minority or from other groups currently underrepresented in our business, to increase the diversity of our talent pipeline. We exceeded this in 2022 (56%). We are launching a revised apprenticeship programme in 2023.

We actively review decisions around performance, talent and remuneration to ensure fairness. Our Board considers diversity as part of talent and succession reviews. In one of our 'pulse' surveys this year, employees scored Rotork as 7.6/10 in believing we offer an inclusive culture. Diversity is a measure in the bonus targets for our leadership populations. Our new Head of Culture and Inclusion will drive our diversity initiatives as a key focus of the role.

Our approach to being a responsible employer is reflected in our Respect at Work and Equality of Opportunity policy. This aims to ensure that fair and objective treatment is promoted across recruitment and employment and regardless of any protected characteristic.

Gender diversity

We are committed to increasing the number of women in our organisation at all levels. Globally across our workforce, females make up 23.1% of our people (2021: 22.5%). In 2022, females comprised 44% of our Board and 23.1% of the Rotork Management Board (our Executive Committee) and its direct reports.

Our 2022 Gender Pay Report shows that our mean pay gap in the UK of -8.3% (2021: -5.2%) continues to be in favour of women and our median average pay gap is 5.5% (2021: 1.0%). These compare to the UK's national gender pay gap figure of 14.9% and are reflective of the continued work we have undertaken in this area. Our full Gender Pay Report for 2022 will be published in April 2023 and available on our website.

We are a member of the 30% Club, which aims to achieve at least 30% representation of women on all boards and C-suites globally. In addition, we participate in the Bloomberg Gender Reporting Framework, a voluntary disclosure of gender-related metrics, demonstrating our commitment to transparency and the pursuit of gender equality. We are also a partner of Women in Engineering Society (WES), which aims to inspire women to achieve as engineers, scientists and as leaders.

We are proud to have achieved the target set out in the Hampton-Alexander review of 33% female representation on our Board. Any new appointments to the Board are made with consideration to our Board Diversity and Inclusion Policy. The Board is committed to ensuring its membership has diversity in its broadest sense and we work with search firms who are signed up to the Voluntary Code of Conduct.

Ethnic diversity

We already exceed the Parker Review target for all FTSE 250 boards to have at least one member from an ethnic minority background by 2024. Rotork met this target during 2021, with the appointment of Karin Meurk-Harvey to the Board. Kiet Huynh was appointed Chief Executive Officer in January 2022 and joined the Board on the same date, increasing ethnic diversity on the Board further. Both Karin and Kiet are also members of the Board's ESG Committee.

We are making further efforts to increase the ethnic diversity at our Executive Committee (Rotork Management Board) and their direct reports levels. We believe this is important in providing role models from diverse backgrounds at senior levels. As set out on page 69, we consider diversity in our talent management process. We actively review decisions around performance, talent and remuneration to ensure fairness. We have set a target that at least 50% of participants in our early careers programme are from diverse and under-represented groups in our business.

Since 2019 we have published our Ethnicity Pay Report alongside our Gender Pay Report. Our mean pay gap is -28.1% (2021: -6.0%) in favour of ethnic minorities and our median pay gap is 9.9% (2021: -13%). The full details can be found within our Gender Pay Report for 2022 which will be published in April 2023 and will be available on our website.

Supporting colleagues' mental wellbeing

We continued our support of International Wellbeing Week in 2022. We have 74 Mental Health First Aiders around the world and plan to increase that to 100 in 2023, as well as offering mental health awareness training for managers and employees more broadly. We continue to provide a Global Employee Assistance Programme, which includes support for mental health as well as counselling 24/7 in colleagues' local languages.

Sustainability review continued

Making a positive social impact continued

Employees

Age profile

(Group, as at 31 December 2022)

● 30 to 49	60%
● 50 and over	30%
● Under 30	10%

Gender profile

(Group, as at 31 December 2022)

● Male	76.9%
● Female	23.1%

Senior leaders' ethnicity

(As at 31 December 2022, includes RMB members and their direct reports)

● White	77.7%
● Asian	12.7%
● Black	3.2%
● Hispanic	3.2%
● Mixed	3.2%

Our people and culture continued

Gender pay reporting

All Rotork employees in the UK:

At 5 April	2022	2021	2020
Mean Gender Pay Gap across all Rotork employees in the UK	(8.3)%	(5.2)%	(12.9)%
Median Gender Pay Gap across all Rotork employees in the UK	5.5%	1.0%	2.8%
UK's National Gender Pay Gap*	14.9%	15.4%	14.9%

* Source: Office of National Statistics 2022

Gender pay data

Gender pay gap reporting is a comparison of the hourly pay of men and women, irrespective of their role or level in the organisation, on a specific date. A negative percentage figure indicates an outcome in favour of women.

The mean (average) gender pay gap uses hourly pay of employees to calculate the difference between the average hourly pay of men, and average hourly pay of women. Mean averages give a useful overall indication of differences in pay; however, a small number of highly paid individuals can significantly impact the figure.

The median pay gap is calculated by comparing the pay of people who are in the middle of the lists of hourly pay for men and women.

Rotork's mean average pay gap in the UK has been in favour of women since 2019. Our median has been influenced by the level of recruitment in the UK in 2022 but remains well below the national average gender pay gap in the UK of 14.9%.

Ethnic origin

(based on those who declared their information)

White	53.5%
Asian	36.6%
Hispanic	4.5%
Black	2.6%
Other	1.5%
Mixed	1.3%

Registered disability

(based on those who declared their information)

No	98.8%
Yes	1.2%

Sustainability review continued

Making a positive social impact continued

Our social contribution

Rotork strives to make a positive contribution to the communities in which we operate around the world. We consider this an integral part of our commitment to be a good corporate citizen. Our ethos is grounded in our Values and behaviours and is part of what makes Rotork a great place to work.

We are committed to making a positive contribution to the communities in which we operate around the world. We target an annual contribution of 0.1% of profits for our nominated charity partners, and a similar percentage to local charitable causes around the world. In keeping with our Values, local teams are empowered to decide how to distribute funds and support their local communities.

Charity partner selection process

We partner with international charities that align closely with Rotork's Purpose, Values and chosen UN SDGs. We select charity partners using four key parameters:

1 Accountability requirements
How will donations be used, how readily are accounts available, what proportion reaches recipients?

2 Fit. Do key causes align and what's the global reach?
Do they align with our business and support our Purpose of 'Keeping the world flowing for future generations'?

3 Do they empower for the long term?
Are they involved in supporting communities longer-term? For example, by empowering them to support themselves?

4 How are they funded?
Are they an established and registered charity, non-political and non-religious in nature?

© GRA

Our global charity partners

Our charity partnerships are aligned to our Purpose and the UN Sustainable Development Goals we are targeting to support. We donated £130,000 in total to Renewable World, Pump Aid and WeForest in 2022, increasing our donations to our global charities compared to the previous year. We also donated £25,000 to the Disasters Emergency Fund in support of the Ukraine appeal.

We continued our partnership with UK-Malawi charity Pump Aid. Pump Aid focuses on increasing access to clean water and sanitation for Malawi's poorest people. Rotork's annual commitment supported the establishment of gender segregated toilets, handwashing facilities and kitchen gardens at two community based childcare centres that provide day care for children under-5. We also supported five individuals to establish a career in maintaining and repairing community waterpoints. Pump Aid train and employ these area mechanics to provide a professionalised service to rural communities – ensuring that safe water continues to flow for over 15,000 people and prosperous livelihoods can flourish.

Rotork's recent donations to Renewable World are supporting two multi-year projects in Nepal, which are improving access to education for 3,400 children and bringing safe and sustainable water to 1,200 people in some of the most marginalised communities of rural Nepal.

WeForest was a new partnership in 2020 as a direct result of the pulse survey in which Rotork colleagues expressed a desire to support tree planting. Rotork's donation this year enabled WeForest to plant and grow 57,692 trees this year in the Mara region of Tanzania. This has improved the resilience of local farms against drought, increased household incomes and improved nutrition while also helping the ecosystem including sequestration of carbon from the atmosphere as the trees grow.

Divisional review

Oil & Gas

The increase in oil & gas sector activity first experienced in the second half of 2021 continued through the year. Industry capital expenditure grew, with the strongest recovery in the upstream segment and in North America. Natural gas production rose, responding to the restrictions placed on Russian gas exports. Productivity and emissions reduction related spending grew. Looking forward, China's reopening is forecast to be positive for global oil & gas demand.

£m	2022	2021	Change	OCC[3] Change
Revenue	**283.3**	260.2	8.9%	4.9%
Adjusted operating profit	**64.0**	56.3	13.5%	8.3%
Adjusted operating margin	**22.6%**	21.7%	+90bps	+70bps

Divisional highlights

- EMEA sales were broadly unchanged year-on-year
- Asia Pacific revenues declined
- Americas sales grew, benefiting from recovering markets and higher methane emissions reduction activity
- Adjusted operating profit margins were 22.6%, 90bps higher year-on-year

Following a challenging first half where deliveries were restricted by supply chain challenges the second half saw a strong recovery and full year divisional sales were ahead 4.9% year-on-year (OCC). All segments grew and downstream sales represented 50% of the total (51% in 2021); the upstream 25% (24%) and the midstream 25% (25%).

EMEA sales were broadly unchanged year-on-year, largely reflecting the exit from Russia. Downstream sales were higher, benefiting from refinery work in the Middle East and North Africa, whilst upstream and midstream revenues were lower. APAC revenues declined overall despite strong growth in the small upstream segment which benefited from offshore projects in China and gas field developments in Australia. Americas benefited from recovering markets as well as methane emissions reduction initiatives and was the division's fastest growing geographic region in 2022. All three Americas segments grew, with the midstream reporting the fastest growth benefiting from increased MRO activity.

The division's adjusted operating profit was £64.0m, 13.5% up year-on-year. Positive pricing plus volume growth contained the impact of higher material costs, with product mix in the division less weighted to those ranges where price increases were most significant (due to higher electronic component content). With improved labour productivity and other costs broadly flat, adjusted operating margins rose 90 basis points to 22.6%.

Oil & Gas' focus on target segments delivered notable order wins in emissions reduction, CCUS and LNG during the period. Demand from choke valve manufacturers for the Rotork IQTF electric actuator grew strongly year-on-year as North American upstream operators sought to eliminate methane emissions from new and existing wellheads. The division also supplied electric actuators, which will replace methane emitting traditional 'gas over oil' fluid

% of Group revenue

44%

power actuators, to pipeline operators in France, Italy and Spain. The division is supplying over a hundred intelligent actuators to China's first offshore carbon capture and storage project. Once commissioned this will store each year the carbon dioxide equivalent to the annual emissions of one million cars. In the LNG segment we won several important actuation package orders including a major Gulf of Mexico stage 3 expansion project.

Growth+

Target segments

Methane emissions reduction

Countries representing over 40% of annual oil & gas sector methane emissions have committed to halving their emissions in the coming years. The majority of methane emissions are from the upstream segment however there are also emissions from pipeline and distribution activities. Rotork has a robust solution portfolio that can support the electrification of upstream and midstream assets

LNG (the energy transition bridge)

The LNG market is forecast to grow by as much as 50% by 2030 driven by energy security initiatives and its position as a transition fuel. Rotork offers a broad range of actuation solutions and controls, and benefits from a significant installed base and global service footprint and its dedicated LNG project pursuit team

Asian infrastructure growth

Oil & gas infrastructure is forecast to grow strongly in Asia through 2030 – e.g. upstream capex up 40%. Rotork has a leading local-for-local product portfolio, a strong presence on NOC vendor lists and excellent relationships with the international valve makers that will benefit from this growth

Brownfield potential

Over half of Oil & Gas's revenues are generated by retrofits, upgrades, maintenance, spares and services to our installed base in Western European and North American refineries, tank terminals and storage facilities

Read more in the financial review on P.82

Divisional review

Chemical, Process & Industrial

CPI is a supplier of specialist actuators and instruments for niche applications in the broad chemical, process industry and industrial sectors. The division serves a broader range of end markets than Rotork's other divisions.

£m	2022	2021	Change	OCC[3] Change
Revenue	**198.4**	160.5	23.6%	19.6%
Adjusted operating profit	**51.2**	42.8	19.7%	15.2%
Adjusted operating margin	**25.8%**	26.7%	-90bps	-100bps

Divisional highlights

- Asia Pacific revenues grew driven by the process sector
- EMEA sales grew low teens despite the loss of Russian business
- Americas sales grew mid-teens
- Adjusted operating profit margins were 25.8%, 90bps lower year-on-year

The division delivered a strong full year sales performance with revenues 19.6% higher year-on-year on an OCC basis after a slow start caused by supply chain disruption.

Asia Pacific was the CPI division's fastest growing geography overall, despite COVID-19 related supply chain disruption, benefiting from our coverage expansion initiative and growth in target segments including HVAC, chemicals and mining. In EMEA, sales growth accelerated in the second half after a slow start to the year, resulting in full year revenue growth in the low teens despite the loss of Russian business. Americas sales grew mid-teens. Sales benefited from customer value improvements and business wins in the mining, HVAC and marine end markets.

The division's adjusted operating profit was £51.2m, 19.7% higher than the prior year. The combination of very strong volume growth plus pricing meant CPI was the fastest growing division but this increases its share of common costs. As a result of this, and despite gross margins being held close to prior year levels, adjusted operating margin fell 90 basis points to 25.8%.

CPI is clearly benefiting from the pursuit of its chosen Growth+ target segments such as decarbonisation (hydrogen and carbon capture, usage and storage), chemicals, HVAC (semi-conductor, lithium-ion battery and data centre) and mining. Electric actuators were selected for the first-of-its-kind Northern Lights carbon capture and storage project in Norway. The customer chose Rotork's robust, safe and reliable actuators due to their prior experience of them in the oil & gas offshore environment. Rotork's pneumatic actuators were chosen by innovative European and Asian automotive battery manufacturers for use on their battery production lines and as part of water and heating systems. Rotork's IQ electric actuators have also been selected by the largest manufacturer of high performance resin films in China. These resin films (POE and EVA) are used in photovoltaic solar panels and the customer has ambitious growth plans.

% of Group revenue

31%

Growth+

Target segments

Decarbonisation

At COP26, 200 countries agreed to keep alive the goal of limiting global warming ideally to 1.5 degrees celsius and to strengthen carbon emissions reduction goals. Hydrogen and CCUS have important roles to play, are forecast to grow rapidly and are already material revenue contributors

Chemical

The chemical segment is already a significant one for CPI, and all geographies offer good growth opportunities, including through market share gain, electrification and leveraging RSS's strong position

HVAC

Capturing new applications for Rotork's intelligent flow control products through the 'go to market' enhancement initiative, for example in air quality, ventilation and cooling applications in the high growth semiconductor, data centre and battery markets

Mining

The metals and mining sectors benefit from increased demand for rechargeable batteries. Related CPI revenues are growing, and we look to continue this through NPD and working closely with key partners

Read more in the financial review on P.82

Divisional review

Water & Power

Water & Power is a supplier of premium actuators, predominantly electric, and gearboxes for applications in the water, wastewater and treatment and power generation sectors. The water segment contributed 67% of divisional sales in the year.

£m	2022	2021	Change	OCC[3] Change
Revenue	**160.2**	148.6	7.8%	2.4%
Adjusted operating profit	**40.3**	40.4	-0.3%	-6.2%
Adjusted operating margin	**25.2%**	27.2%	-200bps	-220bps

Divisional highlights

- Asia Pacific revenues were lower year-on-year as a result of supply chain issues
- Americas sales grew, driven by higher water sector activity
- EMEA was the division's fastest growing geography
- Adjusted operating profit margins were 25.2%, 200bps lower year-on-year

Following a challenging first half where deliveries were restricted by supply chain disruption the second half saw a strong recovery and full year divisional sales were ahead 7.8% year-on-year.

Despite a strong second half recovery, Asia Pacific sales were lower year-on-year as a result of supply chain issues and reduced power sector activity. Americas sales grew year-on-year driven by higher water sector activity. EMEA was Water & Power's fastest growing geographic region in 2022. The region benefited from a strong second half and higher power station refurbishment revenues year-on-year.

The division's adjusted operating profit was £40.3m, 0.3% lower year on year. The impact of cost increases on electronics and the availability of these components had a disproportionate impact on the division as a result of its higher proportion of electric actuator sales. Second half revenue grew sharply but with the slower first half, and despite other costs only growing modestly, adjusted operating margins fell 200 basis points to 25.2%.

The division made good progress in its target segments of water infrastructure, waste and wastewater treatment, desalination and alternative energy during the year. Rotork supplied electric and fluid power actuators to numbers of wastewater treatment modernisation and improvement projects around the world which will provide better quality water more efficiently, including ones in Singapore and Texas (US). In Malaysia, Rotork's IQ electric actuators were selected to replace existing ageing, and increasingly unreliable, actuators that provide flood defence across the country. The solution includes Rotork iAM (Intelligent Asset Management) for diagnostics and predictive analytics. Rotork colleagues worked with the innovation team at a major UK water utility exploring ways to automate the 'flushing' of the utility's water sample-taking equipment. The solution is currently being trialled at multiple sites.

% of Group revenue

25%

Growth+

Target segments

Water infrastructure

This market offers significant growth potential driven by population growth and climate change adaptation. Infrastructure needs to be made resilient and adaptive. We see significant opportunities, including in reservoirs, rivers, stormwater pipelines and irrigation management

Water and wastewater treatment

The wastewater and water treatment markets are the core of the division and have significant growth potential globally but particularly in developing markets. We are well positioned to grow our share through the shift to electric actuators, our customer value initiative and Rotork Site Services

Desalination

The outlook for the desalination segment is positive, driven by the global shortage of quality potable water. We will look to grow our share, including through the introduction of new technologies

Alternative energy

Sectors such as waste-to-energy, concentrated solar power and energy storage are flow control intensive and represent significant growth opportunities for the division

Read more in the financial review on P.82

Financial review

We delivered a much stronger performance in the second half as expected

Jonathan Davis
Group Finance Director

Order intake for the year was £681.6m (2021: £614.1m), up 11.0% from the prior year or 6.8% on an organic constant currency (OCC) basis. Order intake was split evenly between the first and second half of the year.

Group revenue was £641.8m for the year, 12.8% higher (+8.4% OCC) than 2021. Revenue for the second half of the year was £361.8m, which was 29.2% higher than the first half of the year, as expected. The first half of 2022 was impacted by supply chain constraints, in particular the sourcing of components such as chipsets and electronics and disrupted freight services, which had started in the second half of 2021. Revenue grew in all three divisions with CPI once again reporting the strongest year-on-year growth. CPI finished the year 23.6% ahead (+19.6% OCC), Oil & Gas (O&G) grew 8.9% (+4.9% OCC) and Water & Power (W&P) grew 7.8% (+2.4% OCC) but having been most impact by the supply chain challenges in the first half, reported the strongest sequential growth, up 46.8% in the second half of the year. Within O&G, upstream sales increased the most, up low-double digits OCC, sales to midstream were up mid-single digits OCC and downstream, still the largest segment, increased low-single digits OCC.

Rotork Site Services, our global service network and a key differentiator in our industry, again made good progress in the year growing 13.3% compared with 2021. Performance in the second half of the year was considerably strongly than the first as both COVID-19 restrictions eased and the improved supply chain situation allowed more retrofit projects to proceed. Revenue was 9.5% ahead of 2021 on an OCC basis and our lifetime management and reliability services programmes performed well. Rotork Site Services is managed as a separate unit within Rotork's divisions and contributed 21% (2021: 21%) of Group revenue.

Gross margin reduced 70 basis points to 45.5% (-60bps OCC). Cost increases related to components, most acute for chipsets and electronics but experienced in many components, were successfully mitigated by price increases. Sales prices were increased twice in the year. Elevated logistics costs continued to be offset by the surcharge introduced in 2021.

Overheads increased by £10.4m (+7.8%) on an OCC basis compared with 2021, driven by the wage inflation (which continues into 2023), an increase in global travel as restrictions ease, and investment in commercial activities. Overheads as a percentage of revenue decreased from 23.7% in 2021 to 23.1% in 2022.

Reported operating profit was £123.6m, 16.9% higher year on year. Adjusted operating profit was £143.2m, an 11.8% increase with adjusted operating margin decreasing 20 basis points to 22.3% (2021: 22.5%). On an OCC basis, adjusted operating profit decreased 40 basis points to 22.1%.

Net finance income was £0.5m (2021: income of £0.2m) benefiting from more favourable interest rates.

Statutory profit before tax was £124.1m, up from £105.9m in 2021.

Adjusted basic earnings per share was 12.7p (2021: 11.3p), an increase of 13.2%. Statutory basic earnings per share was 10.9p (2021: 9.2p), an increase of 17.6%.

Growth Acceleration Programme

2022 marked the final year of the Growth Acceleration Programme (GAP) which delivered a fundamentally leaner and stronger Group aligned with its end markets and well placed to deliver profitable growth.

Revenue grew in all three divisions with Chemical, Process & Industrial once again reporting the strongest year-on-year growth

Jonathan Davis
Group Finance Director

Revenue
£642m

Adjusted operating profit
£143m

Adjusted operating profit margin
22.3%

Profit before tax
£124m

Within the Operational Excellence pillar of GAP, the focus was on managing our factories through the continued impact of COVID-19 and the geo-political situation, and this meant efforts that might otherwise have been spent on driving GAP initiatives needed to be redirected. The procurement team had to prioritise managing our existing supply chain to ensure we maintained the supply of components required to meet customer deliveries. This impacted the time available to drive improvements and cost saving initiatives. Continuous improvement and lean initiatives continued, delivering around £2.2m of savings in the year. The footprint optimisation programme continued with the completion of the initiatives at the Houston, San Sebastian and Cusago sites. The in-year benefit of these transfers, and those completed part-way through 2021, was £1.9m of incremental savings. New product development continued to contribute positively to the Group, with £2.4m of benefits recognised in 2022.

Reflecting on the five years of GAP there are areas of notable success and some where our initial objectives have not been fully achieved. Revenue growth has been hard to achieve in recent years, as a result of business exits (including in response to geopolitical events), COVID-19 and supply chain challenges, and revenue is now very similar to the level it was in 2017. Despite that, adjusted operating margin has improved 200 basis points through a combination of footprint optimisation, lean and productivity improvements and despite a supply chain which, rather than reflecting the improvements of the early years of GAP, ended up as a net headwind. Cumulatively GAP has driven £30m of profit improvement. Return on capital employed has increased 640 basis points to 31.3% over the course of GAP, reflecting both the profitability improvements and footprint optimisation impact on net assets.

Cash was the other focus area of GAP as we sought to make it a self-funding programme. In the first four years the programme generated a £40m working capital reduction but the much higher weighting of revenue in the last quarter of 2022 and the tactical inventory build has reduced this benefit to £4m (further explanation below). Combined with the cash resulting from higher profitability and disposal of surplus assets this has broadly funded the investment in the ERP system to date.

Finally, GAP led a fundamental change of our divisional structure and the focus on end market rather than product divisions. In November we launched the Group's new strategy, Growth+, which builds upon the progress made under GAP. Growth+ is specifically designed to deliver profitable growth by targeting the right end market segments, being close to our customers and delivering innovation.

Adjusted items

Adjusted profit measures are presented alongside statutory results as we believe they provide a useful comparison of underlying business trends and performance from one period to the next. The Group believes alternative performance measures, 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.

The statutory profit measures are adjusted to exclude amortisation of acquired intangibles, the net restructuring costs resulting from GAP, IT transformation costs associated with the new ERP development, Russia market exit costs and other adjustments that are considered to be significant and where treatment as an adjusted item provides stakeholders with additional useful information to assess the trading performance of the Group on a consistent basis.

Adjusted earnings reconciliation

£m	Statutory results	Amortisation	Gain on property disposal	IT transformation costs	Redundancy and other restructuring costs	Russia market exit	Adjusted results
Operating profit	123.6	7.0	(1.2)	8.9	1.4	3.5	143.2
Profit before tax	124.1	7.0	(1.2)	8.9	1.4	3.5	143.7
Tax	(30.9)	(1.1)	0.4	(2.2)	(0.5)	—	(34.3)
Profit after tax	**93.2**	**5.9**	**(0.8)**	**6.7**	**0.9**	**3.5**	**109.4**

The table above adjusts the statutory results for the significant non-cash and other adjustments to give adjusted results. Note 2 sets out the alternative performance measures used by the Group and how these reconcile to the statutory results. Further details of the restructuring costs are provided in note 4.

Financial review continued

Organic constant currency rates

We also present OCC figures to exclude the impacts of currency, acquisitions, business closures and disposals.

	%	2022 as reported (£m)	Constant currency adjustment (£m)	%	2022 at 2021 exchange rate (£m)	%	2021 (£m)
Revenue		**641.8**	**(25.0)**		616.8		569.2
Cost of sales		**(350.1)**	**14.4**		(335.7)		(306.4)
Gross profit	**45.5**	**291.7**	**(10.6)**	45.6	281.1	46.2	262.8
Overheads	**23.1**	**(148.5)**	**3.4**	23.5	(145.1)	23.7	(134.7)
Adjusted operating profit[1]	**22.3**	**143.2**	**(7.2)**	22.1	136.0	22.5	128.1

1 Adjusted operating profit is before the amortisation of acquired intangible assets and other adjustments (see note 4).

Currency

In 2022 we experienced a more pronounced currency impact than for several years. The major currencies affecting the income statement are the US dollar and the euro. The US dollar/sterling average rate of $1.24 (2021: $1.38) was a 14-cent tailwind, whilst the euro/sterling average rate was €1.17 (2021: €1.16), a 1 cent headwind. With the average sterling rate across the basket of other currencies, particularly China and India, strengthening in 2022 it resulted in a £25.0m or 3.9% tailwind reported to revenue.

The impact of currency on the Group is both translational and transactional. Given the locations in which we operate and the international nature of our supply chain and sales currencies, the impact of transaction settlement differences can be very different from the translation impact. We are able partially to mitigate the transaction impact through matching supply currency with sales currency, but ultimately we are net sellers of both US dollars and euros. It is the net sale of these currencies which we principally address through our hedging policy, covering up to 75% of net trading transactions in the next 12 months and up to 50% between 12 and 24 months.

In order to estimate the impact of currency, at the current exchange rates we consider the effect of a one cent movement versus sterling. A one euro cent movement now results in approximately a £150,000 (2021: £200,000) adjustment to profit and for US dollar, and dollar-related currencies, a one cent movement equates to approximately a £550,000 (2021: £600,000) adjustment.

Return on capital employed (ROCE)

Our capital-efficient business model and strong profit margins mean Rotork generates a high ROCE. Our definition of ROCE is based on adjusted operating profit as a return on the average net assets excluding net cash and the pension scheme liability, net of the related deferred tax. The average capital employed increased 7.8% over the year to £458.0m, driven largely by the profit for the year and foreign exchange translation gains. Due to the increase in adjusted operating profit, ROCE rose to 31.3% (2021: 30.1%).

Taxation

The Group's headline effective tax rate increased from 24.2% to 24.9%. Removing the impact of the adjusted items provides a more reliable measure and, on this basis, the adjusted effective tax rate is 23.9% (2021: 23.8%). The Group expects its adjusted effective tax rate to remain higher than the standard UK rate due to higher rates of tax in China, Germany, Australia and the US.

The Group's approach to tax continues to be to operate on the basis of full disclosure and co-operation with all tax authorities and, where possible, to mitigate the burden of tax within the local legislation.

Cash generation

We finished the year with a net cash position of £105.9m (2021: £114.1m) which leads to a cash conversion KPI of 75.9% of adjusted operating profit into cash, down from 108.0% reported in 2021. The lower cash conversion is explained by the tactical decision to build inventory levels to protect against further supply chain disruption and the high relative weighting of revenue in the final months of the year where the cash will be collected in 2023. Capital expenditure was £8.3m (2021: £13.2m), plus £2.1m in capitalised software (2021: £5.2) and £8.9m in software costs which were expensed in the period (2021: £8.5m). Our Research and Development (R&D) cash spend increased 6.4% to £13.4m which represents 2.1% of revenue (2021: £12.6m and 2.2%). Dividends of £55.4m, tax payments of £30.2m and pension contributions (above the charge recognised in the income statement) of £7.0m were the other major outflows excluding working capital.

Control of working capital as defined in the cash-flow statement, using average exchange rates, is key to achieving our cash generation KPI. Inventory increased by £23.9m, as we sought to mitigate supply chain disruption. Trade receivables increased to £134.3m reflecting the relative high weighting of sales in the final months of the year, this led to an effective cash outflow of £32.6m. Trade receivables measured as days' sales outstanding[2], only increased slightly from 57 to 58 days. Net working capital in the balance sheet increased to 28.7% of revenue compared with 21.8% the year before and generated a £60.4m outflow in the cash flow statement.

COVID-19 disruption and geopolitical risk

We have previously reported COVID-19 and geopolitical uncertainty as two areas of risk that we were monitoring, and which could impact Rotork. These mirror some of the scenarios we include in our annual viability statement which can be found on page 98. Our COVID-19 Committee continued to monitor the external influences of COVID-19 on the business through the year, and also coordinate the internal response.

Our teams in certain countries, especially China, were impacted by COVID-19 during the year. Whilst we made every effort to keep our production facilities open, we did not hesitate to shut them if we believed there was any undue risk to our colleagues, and our Shanghai facilities

2 Days' sales outstanding is calculated on a count-back method. The sales value including local sales taxes is deducted from the year-end trade receivables to calculate the number of days sales outstanding.

were closed or operating at limited capacity at times during the year. Similar issues were also faced by some of our component suppliers, causing supply chain delays and disruption. Supply chain delays and disruption were further compounded by the impact from the war in Ukraine. We have responded by utilising our global network to mitigate supply chain disruption and have continued to grow some tactical inventories where appropriate. During the second half of the year, we started to see evidence of the supply chain stabilising and upward pressure on component costs easing.

Deliveries to Russia ceased at the end of February 2022. Rotork had no manufacturing presence in Russia and has suspended the activities of its sales and service operations in the country in an orderly manner. A small number of employees are currently retained to manage the process of exiting the business. The Russia, Ukraine and Belarus region contributed around 3% to group sales in 2021. The costs associated with exiting the Russian market and impairing the assets have been recognised in other adjustments in the year.

As a global business we continue to monitor the trade position between all locations where we are based or have customers or suppliers, and have considered the potential impact of additional trade barriers between these countries. We will take steps where necessary to mitigate any such changes but continue to believe they will not materially impact the Group's results. We have included scenarios in the viability assessment which models the impact of all of these current uncertainties. The viability statement can be found on page 98.

Non-controlling interest

The Group invested £4.1m for 75% of the share capital in a newly-established entity in Saudi Arabia during April 2022, with the remaining 25% owned by a third party. Owing to this third-party shareholding, a "Non-controlling interests" position is now reported in the financial statements.

Credit management

The Group's credit risk is primarily attributable to trade receivables, with the risk spread over a large number of countries and customers, and no significant concentration of risk. Creditworthiness checks are undertaken before entering into contracts or commencing trade with new customers, and in companies where insurance cover operates, the authorisation process works in conjunction with the insurer, taking advantage of their market intelligence. We maintained coverage of the credit insurance policy during the year and have cover in place for virtually all of our companies at an aggregate of 90% of receivables. Where appropriate, we use trade finance instruments such as letters of credit to mitigate any identified risk.

Treasury

The Group operates a centralised treasury function managed by a Treasury Committee, chaired by me and also comprising the Group Financial Controller and Group Treasurer. The Committee meets regularly to consider foreign currency exposure, control over deposits, funding requirements and cash management. The Group Treasurer monitors compliance with the treasury policies and is responsible for overseeing all of the Group's banking relationships. A Subsidiary Treasury Policy restricts the actions subsidiaries can take and the Group Treasury Policy and Terms of Reference define the responsibilities of the Group Treasurer and Treasury Committee.

The Group uses financial instruments where appropriate to hedge significant currency transactions, principally forward exchange contracts and swaps. These financial instruments are used to reduce volatility which might affect the Group's cash or income statement. In assessing the level of cash flows to hedge with forward exchange contracts, the maximum cover taken is 75% of net forecast flows. The Board receives treasury reports which summarise the Group's foreign currency hedging position, distribution of cash balances and any significant changes to banking relationships.

The £60m committed loan facility in place on 31 December 2021 expired on 25 June 2022 and the Group decided not to renew the facility past this date given the strong cash position. Of the £60m loan facility £nil was drawn down at 31 December 2021.

Retirement benefits

The Group accounts for post-retirement benefits in accordance with IAS 19, Employee Benefits. The balance sheet reflects the net assets of these schemes at 31 December 2022 based on the market value of the assets at that date, and the valuation of liabilities using year-end AA corporate bond yields. We closed both the main defined benefit pension schemes to new entrants; the UK scheme in 2003 and the US scheme in 2009, in order to reduce the risk of volatility of the Group's liabilities. In 2018 we further reduced the risk of volatility when we completed the closure to future accrual of both the UK and US schemes. Members of the defined benefit schemes were transferred onto the relevant defined contribution plan operating in their country.

The most recent triennial valuation of the UK scheme took place at 31 March 2019 and showed an actuarial deficit of £28.7m and a funding level of 86%. A recovery plan was agreed with the Trustees as part of the 2019 valuation, resulting in required annual contributions from the Company of £6.8m with effect from 1 April 2020. The 31 March 2022 valuation is ongoing.

On an accounting basis the deficit in the schemes remained broadly flat at £8.0m compared to £7.6m in 2021 and the funding level decreased from 97% to 94%. The Company paid total contributions of £6.8m over the year. The schemes' assets decreased in value by £89.1m (2021: increase of £11.1m) and the schemes' liabilities reduced by £88.7m (2021: decrease of £13.9m), mainly due to the 285 bps increase in discount rate at the year-end to 4.8%, which reflected the increase in yields on AA corporate bonds during 2022.

The accounting deficit is different to the actuarial deficit as on an accounting basis we are required to use AA-rated corporate bond yields to value the liabilities. The UK scheme's actuarial valuation uses gilt yields since this most closely matches the investment strategy which is designed in part to hedge the interest rate and inflation risks borne by the scheme. Cash contributions are driven by the actuarial valuation.

Dividends

The Board is proposing a final dividend of 4.30p per share. When taken together with the 2.40p interim dividend paid in May 2022, the 6.70p (2021: 6.40p per share) represents a 4.7% increase in dividends over the prior year. This gives dividend cover of 1.9 times (2021: 1.8 times) based on adjusted earnings per share.

Jonathan Davis
Group Finance Director
27 February 2023

Risk management

How we manage risk

Managing the risks of our business is essential to our Purpose of 'Keeping the world flowing for future generations'. Our approach to risk is intended to protect the interests of all our stakeholders.

In this section

Managing business risks

As with all businesses, there are certain risks and uncertainties that may impact Rotork's ability to achieve our objectives. The risk management process is an established way of identifying and managing risk and is part of our governance framework as set out in our Corporate Governance report, see page 139. The continuous improvement and execution of a comprehensive and robust risk management system is of paramount importance to Rotork.

The Group continues to build on the progress made in recent years in relation to our risk management framework, further integrating it into business practices and decision-making. In 2022, we developed our principal risks to reflect our business strategy and provide a clearer picture to our stakeholders on how we view and manage the key risks to our business.

An established functional risk review process results in a 'bottom-up' assessment of Group risks. The 'bottom-up' assessment process includes a review with all central functions, a focus on risk identification, mitigation and reporting, including emerging risks, risks associated with ESG and development of further plans to respond to risks in accordance with risk appetite. The risks identified in the 'bottom-up' reviews are consolidated before a 'top-down' evaluation is performed by management and then reviewed by the Board. The consolidation process looks at all risks identified, the impact and likelihood of each risk and where common risk themes have been identified. The Group risks are then evaluated against the existing set of principal risks and uncertainties, and management review if any changes are required to the principal risks and uncertainties.

Risk management process

Top-down risk assessment

Ongoing risk mitigation reviews and controls testing

Rotork plc Board

- Oversight of risk management and internal controls
- Define risk appetite, statements and preferences
- Promote a risk-aware culture that emphasises integrity at all levels of business operations
- Determine our principal risks and consider emerging risks, ensuring that risk management is embedded within the core processes of the Group

Audit Committee

- Review the risk management policy
- Review the effectiveness of internal controls
- Approve the internal audit assurance plans

ESG Committee

- Promote appropriate risk management of ESG matters
- Review how we use the three pillars of our sustainability framework (Operating Responsibly, Enabling a Sustainable Future, and Making a Positive Social Impact) to guide our decision-making and drive our success in line with our risk appetite

Rotork Management Board (RMB)

- Identify, consolidate, report and manage principal and key risks
- Report to the plc Board on the management of our principal and key risks

Functional management

- Identify current and emerging risks specific to the relevant function/business unit
- Implement risk management within their designated area of accountability

Group risk and compliance

- Support the Group to identify risks and put in place appropriate mitigations
- Promote a risk-aware culture and adherence to risk appetite
- Report on the status of principal risks and emerging risks periodically, including key risk indicator dashboards

Bottom-up risk assessment

Divisions and functions identify, manage and monitor risks

Group internal audit

- Provide independent assurance over the risk management framework through audits and other assurance work performed during the year, which is reported to the Audit Committee

Risk management continued

Risk appetite framework

Risk appetite

Rotork's Purpose, 'Keeping the world flowing for future generations', is embedded in the way we assess risks. We are committed to generating stakeholder value through innovation and sustainable growth and will only take considered risks that fulfil our strategic objectives and do not risk our Values, financial stability or our resilience. We use the three pillars of our sustainability framework – Operating Responsibly, Enabling a Sustainable Future, and Making a Positive Social Impact to guide our decision making and drive our success.

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving our strategic objectives. Our Group risk appetite statement sets the tone from the top and supports decision making. The risk appetite framework provides qualitative and quantitative insight on risks and supports proactive mitigation planning.

Risk management process

The Board sets the Group's risk appetite preference, stating whether we are tolerant, neutral or averse to a particular risk. These preferences guide our approach to managing risk. The risk appetite statements provide guiding principles to support decision making at both a Board level and throughout the Group. During 2022, the Board reviewed and updated the risk appetite framework to reflect changes to the nature of Rotork's business and our operating environment, including responses to the risks associated with sustainability, people and supply chain disruption.

The Board have also reviewed the application of risk appetite statements and preferences by monitoring the key risk indicators which are presented to the Board on a quarterly basis.

1

Review and update the risk appetite preferences

2

Identify key decisions

3

Evaluate decisions against risk appetite

4

Review Key Risk Indicators

Principal risks and uncertainties

Our risk management processes are dynamic. We continue to assess and prioritise the risks related to our strategic objectives and their impact on the principal risks.

The principal risks identified are the result of the robust 'top-down' and 'bottom-up' risk assessment process previously described. Risks include those that would threaten the Group's business model, future performance, solvency or liquidity. During 2022, Rotork's risk framework has been realigned to reflect our business, strategy and reporting lines. Senior leaders within the business have created a greater culture of risk awareness through training and workshops and an increased focus on mitigating actions. Further consistency in risk measurement and reporting has been embedded across the organisation.

Emerging risks and opportunities

Our risk management process includes consideration of risks and opportunities that may impact Rotork in the future. Emerging risks are risks that are unlikely to materialise in the short term, risks that cannot be fully assessed yet, or risks that we are not monitoring but that could have a significant impact on our ability to achieve our strategy. Emerging risks are identified throughout the year, investigated in detail at our divisional and functional risk workshops, and with the Rotork Management Board and plc Board formally twice a year. Emerging risks are managed and monitored based on the information available. In 2022, we reviewed the potential impact of a number of new and emerging risks and expanded our understanding of risks identified previously. We believe our ability to identify risks and opportunities that may pose a future impact to Rotork and our stakeholders is fundamental to our successful risk management process.

Horizon scanning

Horizon scanning is a technique of viewing risks and opportunities over the medium to longer term and allows the Group to look beyond the short term and evaluate its strategy against possible future realities which are then used to inform future business planning. Our horizon scanning exercises are performed in conjunction with our analysis of emerging risks and in 2022, we focused on the risks and opportunities associated with technology and in relation to climate change across multiple time horizons to further enhance our disclosures in line with Task Force on Climate-related Financial Disclosures (TCFD). For more information see pages 100 to 110.

Update on our response to COVID-19

Whilst 2022 saw some return to normality in certain parts of the world, the pandemic continued to cause loss and suffering elsewhere. Rotork continues to do everything it can to help colleagues affected by the pandemic, particularly in China following the lifting of the country's zero-COVID policy in December. During 2022, the plc Board and Rotork Management Board considered how COVID-19 impacted our principal risks and the COVID-19 steering committee continued to meet as required. The plc Board also reviewed risk appetite in light of the impact of COVID-19 and the key risk indicators were also kept under review. Our operations in China were impacted by some local lockdowns and through the year the availability of some components posed a challenge, although we have seen some improvements in the availability of key components in recent times. See principal risks on pages 90 to 97.

Principal risks and uncertainties continued

Principal risks

Update on 2022 principal risks

Overview

Following an in depth review process with the individual functions of the business, the Rotork Management Board and the plc Board, a number of changes were made to our principal risks in 2022. We have replaced two strategic risks with one new strategic risk. The 'Growth Acceleration Programme' risk and the 'Failure to deliver value from an acquisition' risk have been replaced by our 'Business change management' risk, which incorporates the delivery of our Growth+ strategy, and includes achieving value from any future M&A activity. In addition, a risk called 'People' and a risk called 'Climate commitments' were introduced to our principal risks. We have amended our risk categories to reflect the changes made to our principal risks by changing the category called 'Corporate Social Responsibility' to 'Environment, Social and Governance'. These changes represent a positive step in how Rotork evaluates and manages our principal risks as the changes reflect our business, what is important to the Group and our stakeholders.

Business change management

The 'Business change management' risk was included as a principal risk as the Group recognises the importance of delivering key strategic programmes related to our Growth+ strategy. This risk will incorporate risks associated with delivering value from a merger or acquisition, should they arise. For more information see page 97.

People

The inclusion of a 'People' risk is driven by a) the increased risk in the market environment in relation to the recruitment and retention of talent; b) our new Growth+ strategy and what is required to deliver this. For more information see page 95.

Climate commitments risk

Our 'Climate commitments' risk is driven by the Group's commitment to enable a sustainable future, and our understanding of the challenges we face in delivering our targets, both internal and external. Sustainability is a key pillar of our Growth+ strategy and the transition to a low-carbon-economy holds many opportunities for Rotork. We recognise that as a company we must live up to our promises and deliver on the targets we have set. Operating responsibly is important for Rotork and for our stakeholders and monitoring this risk will support our strategic objectives. For more information see page 94.

Risk categories

A risk category called 'Environmental, Social and Governance' replaces the risk category called 'Corporate Social Responsibility'. This change only impacts our categorisation of the principal risks and provides a more aligned classification. For more information see pages 91 to 97.

2022 principal risk movements

The risk landscape has continued to be complex, with many risks interconnected. In 2022, as described above, we made important changes to our principal risks, reflecting some of the key developments in our business risks. Apart from those changes, there were movements within our existing principals risks. Rotork has started to see some improvements in the availability of key components and as a result of this we reduced our supply chain disruption risk, from a heightened level last year. We have increased our geopolitical tensions risk reflecting on various global events and the potential for further impacts. See page 93 for more details. Key Risk Indicators (KRIs) were kept under review during 2022. A KRI dashboard is presented on a quarterly basis to the Board. Our KRI dashboard is an important tool to measure the effectiveness of management actions. In 2022, KRI thresholds for earnings volatility were reviewed to improve the quality of analysis provided to the Board in relation to those risks.

Climate change

During 2022 we performed a significant amount of risk and opportunity analysis in preparation for our disclosures in line with TCFD. The Group has embedded the identification of climate-related risks and opportunities into the Group's risk management framework. Climate-related risk remained as a specific agenda item in every functional risk workshop held in the business. We continued to work with an independent third party to run a series of dedicated risk workshops with senior leaders in the business. The output of this work is described in more detail in the TCFD section of this report on pages 100 to 110. Risks are also identified throughout the normal course of business and captured in detailed risk registers. This includes an assessment of the physical risks of climate change and the risks related to the transition to a low carbon economy. Following the identification, qualification and quantification of the risks and opportunities in 2022, the next step is to continue to update and monitor our progress, taking into account any new information, new risks and new opportunities that may arise. Our strategic planning will consider how best to take advantage of the opportunities, particularly in supporting our customers to reduce their emissions, as well as look internally to minimise our own impact on climate change. The inclusion of a new principal risk called 'Climate commitments', demonstrates that Rotork is committed to delivering our sustainability strategy. The ESG Committee has monitored the development of our ESG Strategy, including the risks associated with climate change for more information see pages 142 to 144.

Business continuity planning

During 2022, we continued to develop our approach to business continuity planning, building on existing plans, taking into account changing environments, any lessons learnt though the pandemic and associated supply chain disruption. Rotork has remained incredibly resilient over the last number of years and this work will support the Group going forward to remain operationally resilient. In 2023, we will refresh our business impact analysis and continue to reflect on our current plans.

Focus for 2023

In 2023 we will continue to build on the work performed in 2022. We will focus on the development of our emerging risks, developing the level of detail behind our measurement of those risks. We will continue to develop the business continuity planning exercises and support risk management within the new programmes associated with the Group's Growth+ strategy. We will monitor the effectiveness of our responses to our key risks using our risk appetite dimensions.

Net impact

Low Medium High

Net likelihood

Low Medium High

Change management

11

Economic and market conditions

3 2

1

IT security, continuity and system implementation

10

4 5

9

7 6

Environment, Social and Governance

8

Product quality and reliability

Principal risks

Economic and market conditions

1. Decline in market confidence
2. Increased competition
3. Geopolitical instability

Environment, Social and Governance

4. Health & safety
5. Compliance with laws and regulations
6. Climate commitments
7. People

Product quality and reliability

8. Major in-field product failure
9. Supply chain disruption

IT security, continuity and system implementation

10. Critical IT system failure and cybersecurity

Change management

11. Business change management

Principal risks and uncertainties continued

Economic and market conditions

1. Decline in market confidence

Risk owner: Chief Executive Officer

Link to strategy

Link to viability scenario
1: Revenue decline

Likelihood	Impact	Trend
High	High	

Description

A decline in government and private sector confidence and spending will lead to cancellations of expected projects or delays to existing expenditure commitments. This lower investment in Rotork's traditional market sectors would result in a smaller addressable market, which in turn could lead to a reduction in revenue from that sector.

Update

This risk remains unchanged from the prior year. We continue to identify opportunities in how we can support our customers to reduce emissions and increase efficiency.

Key mitigating actions

- Product development and innovation to address new markets and new applications in existing markets.
- Geographic and end market diversification provides resilience to a reduction in any one geographic area but may not fully mitigate a change in the larger end markets.
- Small to mid-sized orders are generally less likely to come under pressure during uncertain economic times. We estimate that 75% of Rotork orders by value are small to mid-sized, i.e. less than £100k.
- Increased focus on service offerings to capitalise on increased demand for product maintenance.

Risk appetite statement

We will in the long term move to increase the addressable markets which we serve.

Focus for 2023

Alongside the continuation of our existing key mitigating actions we will:

- Continue our investment in innovation converting the pipeline into launches.
- Identify opportunities to support our customers to increase efficiency, aligned to the electrification of everything trend.

2. Increased competition

Risk owners: End Market MDs

Link to strategy

Link to viability scenario
1: Revenue decline
2: One-off costs

Likelihood	Impact	Trend
Medium	Low	

Description

Increased competition on price or product offering leading to a loss of sales globally or market share.

Update

This risk remains unchanged since the prior year, the availability of components is recovering, demand remains strong and our Growth+ strategy has identified key areas of focus for the Group.

Key mitigating actions

- R&D investment and organic product development, or acquisition of companies with new products, to maintain differentiation from the competition both in terms of the features and quality of our products and the services we provide.
- Global procurement team securing lower prices and efficiencies despite difficult market.
- Rotork has production or sales and service operations in many low-cost countries.

Risk appetite statement

We will invest in R&D in order to retain a differentiated product portfolio and will support this by providing a leading service element to our offering. We will invest in new products and technologies where there is evidence of market opportunity. We will in the long term move to increase the addressable markets which we serve.

Focus for 2023

As outlined in our Growth+ strategy, we will:

- Continue our investment in innovative products and services.
- Focus on global key account management.
- Continue to deliver benefits from various key programmes such as lead time reduction, global transportation and global shortages.
- Work with our supply chain partners to build strategic partnerships.
- Review how we deliver to customers including moving forward with our digital strategy.

Strategy key

Target segments   Customer value   Innovative products & services

Trend key

Increasing   Stable   Decreasing

3. Geopolitical instability

Risk owner: Group Finance Director

Link to strategy

Link to viability scenario
1: Revenue decline
2: One-off costs
3: Loss of profitability

Likelihood	Impact	Trend
High	High	

Description
Increasing social and political instability results in disruption and increased protectionism in key geographic markets. Business disruption could impact our sales and might ultimately lead to loss of assets located in the affected region.

Update
This risk is increasing since the prior year as a result of heightened tensions globally. Rotork continues to monitor geopolitical events.

Key mitigating actions
- Regular review of global markets considering social and political risks and contingency plans. Market exit strategies developed and implemented as required.
- Key Risk Indicator monitoring the percentage of revenue from high risk markets reported quarterly to the Board.
- The geographic spread of Rotork's operations and customers limits the impact of any one market on the results of the Group as a whole.
- Group Treasury policy sets cash limits for overseas businesses, restricting our exposure to any one market. The Treasury Committee assesses compliance with these limits on a monthly basis.

Risk appetite statement
We will continue to operate a geographically diverse business and actively pursue opportunities and efficiency of our global supply chain.

Focus for 2023
- Continuation of our existing key mitigating actions.
- Review of plans to deal with the impact of geopolitical tensions in the territories we do business in.

Environmental, Social and Governance

4. Health & safety

Risk owner: Operations Excellence Director

Link to strategy

Link to viability scenario
2: One-off costs

Likelihood	Impact	Trend
Medium	High	

Description
The nature of Rotork's core business and geographical locations involves potential risks to the health and safety of our employees or other stakeholders.

Update
This risk is unchanged from the prior year. A number of initiatives have been delivered in the last year including the implementation of the Rotork Life Saving Rules and roll out of our refreshed Global Standards. There are twelve in total which are designed against our risk profile. We continue to focus on the health, safety and wellbeing of our colleagues and customers.

Key mitigating actions
- Compliance with relevant legislation and codes of best practice.
- Robust health and safety policy and training included in all staff inductions, in addition to regular refresher training.
- Refresh of the global health and safety standards.
- Regular health and safety audits, site checks and reporting.
- Appropriate training is provided for known safety risks.
- Regular communications about accidents at work and visible key risk indicators.
- Engagement of a third-party to provide international support and travel advice in all markets and geographies.
- Proactive culture of 'safety spots' introduced to help reduce safety issues.
- Internal assurance reviews conducted during the year.
- Monitoring of our energy usage and emissions of our sites and implementation of more energy efficient solutions.

Risk appetite statement
We are fully committed to ensuring the health and safety of all our employees and other stakeholders and we are committed to reducing any negative impact of our environmental footprint.

Focus for 2023
Alongside the continuation of our existing key mitigating actions we will:
- Enhance our environment data collection processes to support the identification and targeting of high energy usage and emissions across our group.
- As part of the Global Standards programme we will provide additional specific training to colleagues to enhance their competencies and safety awareness against our highest risks.

Principal risks and uncertainties continued

Environmental, Social and Governance continued

5. Compliance with laws and regulations

Risk owner: Group General Counsel & Company Secretary

Link to strategy

Link to viability scenario
2: One-off costs

Likelihood	Impact	Trend
Low	Medium	

Description
Failure of our staff or third parties who we do business with to comply with laws or regulations or to uphold our high ethical standards and Values.

Update
This risk is unchanged from the prior year. We updated our procedures during the year to take into account the changing sanctions to confirm our ongoing compliance.

Key mitigating actions
- We are committed to reduce our environmental impact and to comply with all legal and regulatory requirements.
- A 'no tolerance' culture, supported by a tone from the top, reinforcing our high ethical standards and Values.
- A training programme providing appropriate learning and awareness on a range of compliance topics to relevant staff.
- Due diligence procedures in place for agents and acquisition targets before engaging in business relationships.
- Availability and promotion of the 'Speak Up' policy and hotline; no retaliation policy with concerns raised being investigated.
- Monitoring of changes in legislation, including sanctions, with appropriate safeguards put in place.
- Ongoing assessment of the modern slavery risks arising in our business against specific KPIs.
- Template contract terms include requirements on third parties to comply with applicable laws.

Risk appetite statement
We have zero tolerance for non-compliance with relevant laws and regulations in the markets in which we operate.

Focus for 2023
Alongside the continuation of our existing key mitigating actions we will:
- Continue with our ongoing training programme on key compliance topics.
- Continue the enhancement of our controls relating to the appointment and monitoring of third party intermediaries.
- Continue to enhance our people's awareness and confidence in using our 'Speak Up' hotline.

6. Climate commitments

Risk owner: Chief Executive Officer

Link to strategy

Link to viability scenario
1. Revenue decline
2. One-off costs
3. Loss of profitability

Likelihood	Impact	Trend: New
Low	Low	

Description
We do not deliver against our commitment to enable a sustainable future and Rotork is not recognised by our stakeholders as being part of the solution, leading to reputational damage.

Update
Climate risk has been included as a principal risk for the first time in 2022, driven by the Group's commitment to enable a sustainable future, and our understanding of the challenges that are posed in delivering our targets, both internal and external. In 2022, the Science Based Targets initiative (SBTi) validated that the interim greenhouse gas emission reduction targets submitted by the Group were deemed to be in conformance with the SBTi Criteria and Recommendations (version 5).

Key mitigating actions
- ESG Committee established to set Rotork's ESG strategy and provide oversight.
- Our annual report outlines and updates stakeholders on progress against delivering against stated targets.
- Net-zero commitment published.
- Compliance with TCFD guidelines and requirements.
- Science based targets defined and monitored.

Risk appetite statement
Rotork is committed to enabling a sustainable future. We are responsible for our own operations and supporting our suppliers and customers to operate responsibly and sustainably.

Focus for 2023
- Procure renewable energies in our operations globally, where available.
- Develop our approach to providing assurance over our key environmental data reports.
- Development of climate transition plans required to further enhance resilience and alignment with a future low-carbon economy.
- Assess supplier readiness to set science-based targets.
- Standardise the climate scenario analysis process to enable continuous assessment of risks and opportunities to the business.

Strategy key

Target segments | Customer value | Innovative products & services

Trend key

Increasing | Stable | Decreasing

7. People

Risk owner: Group Human Resources Director

Link to strategy

Link to viability scenario
2: One-off costs

Likelihood	Impact	Trend: New
Medium	Low	

Description

Our people, epitomised through our Stronger Together value, are critical to delivering our culture and plans. An inability to attract, retain and develop key and diverse talent could mean we fail to successfully deliver our strategic goals.

Update

This risk has been included as a principal risk for the first time in 2022, driven by the increased risk in the market environment in relation to the recruitment and retention of talent and linked to the importance of people to the successful delivery of our new Growth+ strategy. Whilst we have strong response mechanisms in place, we deem this risk to have increased when compared to the previous year, and appropriate to include as a principal risk.

Key mitigating actions

- An early careers talent pool through graduate, intern and apprenticeship programmes to support our future talent needs and an increased recruitment team.
- Adjusted ways of working including hybrid working guidance.
- 'One Rotork' Values & Behaviours are embedded in how we do business.
- A global wellbeing and employee assistance programme is offered 24/7 in all local languages.
- We publish our Ethnicity Pay as well as our Gender Pay Report. We have a Fair Pay Framework covering all employees globally and have been a Real Living Wage Employer since 2020.
- We perform pulse engagement surveys twice a year to hear from our employees and understand where we can make improvements.
- We have a talent review process including succession planning to identify talent around the business with oversight from the Nominations Committee twice a year.
- We adjusted our reward approaches to offer more support to those facing cost of living challenges the most (our lowest paid) and our Rotork Benevolent Support Charity offers support to employees and ex-employees and their families facing hardship.
- We appointed a dedicated Head of Culture & Inclusion in 2021.

Risk appetite statement

We will invest in ensuring that we have the right people, with the right skills to deliver our strategy. This will include ensuring that we maintain appropriate succession plans, develop and attract the right talent.

Focus for 2023

- Enhancement of our family friendly policies to support the retention and attraction of talent.
- Increase of training availability through a new Learning Management System which, alongside career paths for all functions, continues investment in the development of employees.
- A Leadership Programme linked to our new Growth+ strategy.
- Launch of a new talent acquisition platform.
- We appointed a dedicated head of culture and inclusion in 2021.

Principal risks and uncertainties continued

Product quality and reliability

8. Major in-field product failure

Risk owners: Operations Excellence Director & Chief Technology Officer

Link to strategy

Link to viability scenario
3: Loss of profitability

Likelihood	Impact	Trend
Low	Low	

Description

Major in-field failure of a new or existing Rotork product potentially leading to a product recall, major on-site warranty programme or the loss of an existing or potential customer.

Update

This risk is unchanged from the prior year.

Key mitigating actions

- An established product design review process pre-launch, using Rotork's extensive product launch experience.
- Fitting and commissioning products wherever possible by Rotork engineers to ensure correct operation when first used.
- Comprehensive set of quality control procedures over suppliers. These include supplier visits, audits and a scorecard system to measure their performance.
- Global service coverage ensures that any product failure issues should be dealt with quickly and efficiently to minimise any reputational impact.

Risk appetite statement

We will maintain robust quality control procedures over components purchased and over our finished products in all of our manufacturing locations.

Focus for 2023

Alongside the continuation of our existing key mitigating actions we will:

- Focus on quality throughout the innovation pipeline.
- Leverage our unrivalled installed base through our digital offerings such as the recently launched iAM.
- Our cost of quality programme will continue and we expect this to generate customer value in 2023 and beyond.

9. Supply chain disruption

Risk owner: Operations Excellence Director

Link to strategy

Link to viability scenario
1: Revenue decline
2: One-off costs

Likelihood	Impact	Trend
High	High	

Description

Supply chain disruption which may arise such as a tooling failure at a key supplier, logistics issues, severe weather events impacting key suppliers which would cause disruption to manufacturing at a Rotork factory.

Update

Rotork has started to see some improvements in the availability of key components and as a result of this we reduced our supply chain disruption risk, from a heightened level last year. We continue to forecast our component requirements and proactively work with our supply chain partners.

Key mitigating actions

- Dual sourcing for key components wherever possible provides mitigation for key suppliers or a tooling failure.
- A Key Risk Indicator measures single sourced critical components and is reported quarterly to the Board.
- Maintaining safety stock levels sufficient to protect against short-term disruption.
- Regular monitoring and replacement of our tooling at all suppliers reduces the risk of a tooling failure.
- Identification of our critical suppliers and components, and improvements in supply.
- Supply chain due diligence and monitoring of supplier quality.
- Strengthening of our risk monitoring processes, including the ways we identify and respond to early warning signs of potential supplier failure.
- Building tactical inventories and increasing direct purchasing of key components.

Risk appetite statement

We will use our purchasing power to optimise our vendor base, ensure value for money and reduce lead times whilst maintaining quality.

We will maintain robust quality control procedures over components purchased and over our finished products in all our manufacturing locations.

Focus for 2023

Alongside the continuation of our existing key mitigating actions we will:

- Work with our suppliers and partners to source key components.
- Re-engineer products and review the adaptability of alternative components, following robust quality testing processes.

Strategy key

Target segments Customer value Innovative products & services

Trend key

Increasing Stable Decreasing

IT security, continuity and system implementation

10. Critical IT system failure and cybersecurity

Risk owner: Chief Information Officer

Link to strategy	Link to viability scenario
	1: Revenue decline 2: One-off costs

Likelihood	Impact	Trend
Medium	High	

Description

Failure to provide, maintain and update the systems and infrastructure required by the Rotork business. Failure to protect Rotork operations, sensitive or commercial data, technical specifications and financial information from cybercrime.

Update

Accreditation for cybersecurity was achieved in 2022 which sets the benchmark for future improvements in our cyber response. Cyber risk continues to increase globally and the Group continue to invest in risk mitigation and preventative controls. Threat intelligence and patching has played a key role in the mitigation of this risk.

Key mitigating actions

- Established security controls, policies and procedures. Dedicated security team using monitoring and defence tools.
- Third party cyber maturity assessments performed regularly.
- Continuously raising cybersecurity awareness through regular training and simulated phishing attacks.
- All new IT services are designed with a 'cloud first' approach to improve security, resilience and availability.
- All IT services are patched in accordance with vendor support contracts and external advice.
- A disaster recovery solution (supported by third party service level agreements) is in place for all critical systems.
- Increased security and authentication controls implemented for all IT users.
- Key risk indicators and a cybersecurity report submitted on a quarterly basis to the Board.

Risk appetite statement

We will continue to review current external and internal cyber threats and respond to them to ensure that we have appropriate processes and controls in place.

Focus for 2023

Alongside the continuation of our existing key mitigating actions we will:

- Continue to deliver our cybersecurity strategy in line with internationally recognised standards against an evolving threat landscape.
- Deliver our obsolescence plan, focusing on confidentiality, integrity, and availability of our data and services.
- Continue with our D365 ERP rollout, transitioning to a more modern, resilient and integrated architecture, optimising business performance and improving the security and resilience of our systems.

Change management

11. Business change management

Risk owner: Business Transformation Director

Link to strategy	Link to viability scenario
	1: Revenue decline 2: One-off costs 3: Loss of profitability

Likelihood	Impact	Trend: New
Low	Medium	

Description

The delivery of our strategic initiatives relies upon our ability to deliver a series of key change programmes without causing business disruption or having a negative impact to our day-to-day operations.

Update

Following the launch of our Growth+ programme, we have adjusted this risk to reflect the importance on delivery of the key elements of our strategy and incorporated the risks associated with delivering value from an acquisition. This new risk will track the key change programmes underway in Rotork as the management team are aware of the importance of the delivery of the key aspects of our Growth+ strategy.

Key mitigating actions

- A new function has been set up to focus on delivery of our key change programmes spanning finance, IT and commercial.
- A dedicated project management office is in place to manage key deliverables with a mix of both operational and specific project management experience.
- Outcomes are monitored and tracked against the initial objectives of each initiative.
- Metrics are in place to indicate and manage any impact to day-to-day operations.
- Regular governance forums are in place to report on risks and deal with issues in a timely manner.

Risk appetite statement

We will ensure that management capacity is sufficient to implement our strategy and that business decisions do not negatively influence our day-to-day business.

Focus for 2023

- Continue with the roll out of technologies to enable delivery of Growth+, including digitalisation.
- Develop the key programme plans to deliver customer value and innovative products and services.
- Build the resources required to deliver Growth+.

Viability statement

Assessment of Prospects

The Group Strategy (see pages 21 to 28) and Principal Risks (see pages 89 to 97) are well documented. The Group works closely with its customers on projects ranging from several weeks to several years, discussing operational plans and longer-term capital expenditure programmes. The Growth+ strategy, launched this year, is expected to improve the Group's longer-term operational and financial performance and financial position.

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the directors have assessed the viability of the Group over a three-year period taking account of the Group's current position and the potential impact of the principal risks.

Three years is considered an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated and is aligned with our planning horizon at both Group and divisional level. The Board has considered whether it is aware of any specific relevant factors beyond the three-year horizon and confirmed that there are none.

Assessment of Viability

A robust assessment of the principal risks facing the business was conducted through the year with the review of the risk appetite framework and risk dashboards contributing to a fuller consideration of those risks which might impact the business model or future performance. The directors have considered each of the remaining principal risks, individually and some in combination, and the potential impact they could have in severe but plausible scenarios.

The scenarios contained significant one-off financial shocks and significant profit erosion impacting the Group's revenue. In particular, the scenarios cover different potential impacts associated with geo-political instability, the COVID-19 virus, disruption to supply chain or to logistics, whatever the source of that disruption, increasing political protectionism in respect of trade tariffs and lower investment in the oil and gas markets. These events occurring individually or at once have been considered in the modelling of the different scenarios.

Financial scenario modelling was carried out to assess the impact of these risks on the Group's three-year plan, including a reverse stress test. Assumptions were made concerning market activity levels, the impact of the scenarios on working capital cycles and the mitigating actions that could be taken to reduce the cash and financial impact of the stress-test scenarios. Further mitigating actions not modelled that could be taken if needed include curtailment of dividends or capital asset investment.

In coming to this view, the Board has considered the current level of geo-political instability, inherent volatility in exchange rates and oil and other commodity prices, the current inflationary environment, the current challenges around the supply chain, and the nature of the industry and the business cycles involved.

Given the current position of the Group and the likely effectiveness of any mitigating actions, the Board has assessed the impact these would have on the business model, future performance, solvency and liquidity over the period and have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

Scenario modelled	Scenario modelled	Link to Principal Risks
1: Revenue decline	Decline in revenue across the three-year period. The Board considered events that would result in a gradual erosion of revenue and gross margin which would ultimately reduce operating cash generation.	• Decline in market confidence • Geo-political instability • Increased competition • Major in-field product failure • Climate commitments • Critical IT system failure and cybersecurity • Business change management • Supply chain disruption
2: One-off costs	Significant one-off costs in year one and no growth in revenue. Impact of a one-off cost due to a specific issue, accompanied by a reduction or downturn in forecast revenue due to an interruption to production, supply chain disruption or disruption to a specific end market.	• Geo-political instability • Supply chain disruption • Increased competition • Health & safety • Compliance with laws and regulations • Major in-field product failure • Business change management • Climate commitments • People • Critical IT system failure and cybersecurity
3: Loss of profitability	Significant one-off costs in year one and a decline in revenue across the three-year period. One-off cash costs as a result of a specific issue and an erosion of revenue and gross margin which reduces operating cash generation.	• Geo-political instability • Major in-field product failure • Business change management • Climate commitments
4: Reverse Stress Test	Significant one-off costs in year one and a decline in revenue across the three-year period.	• Multiple concurrent risks

Task Force on Climate-related Financial Disclosures

2022 TCFD report

We made significant progress during 2022 in implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') in each of the four thematic areas: governance, strategy, risk management and targets and metrics.

Introduction

We support the purpose of TCFD, which is to stimulate better climate-related disclosures that will enable financial and other partners to gain a clear view of which companies will endure or even flourish as the environment changes, regulations evolve, new technologies emerge and customer behaviour shifts. Better information about climate risks and opportunities will then also flow into companies' risk management and strategic planning processes. As this occurs, companies' and investors' understanding of the financial implications associated with climate change will grow, empowering the markets to channel investment to sustainable and resilient solutions, opportunities, and business models.

Our progress during 2022

During 2022, we continued to advance our climate scenario analysis by modelling the potential financial impacts across forward-looking business and climate scenarios from some of our most material risks and opportunities.

Estimating the possible financial implications of climate risks and opportunities across different climate scenarios is an important part of the TCFD process. It enables businesses to position climate risks against other business risks, strengthens the case for investment in low-carbon measures and facilitates the integration of climate considerations into financial planning and strategy development.

As part of our assessment, we quantified the incremental financial impact of climate-related risks and opportunities across three time horizons: short-term (0-10 years), medium-term (10-25 years) and long-term (25+ years). For both transition and physical risks, Rotork reports the net present value ('NPV') for the period 2022–2050.

The potential financial impacts presented provide a single snapshot of Rotork's potential positive and negative exposure to selected climate risks and opportunities. Behind this snapshot lie numerous assumptions related to factors such as energy consumption, fuel prices, and others, which are all subject to variability. Our analysis of financial impacts will therefore be an ongoing process and any changes, including to data and assumptions, will be continually updated in our calculations.

TCFD Statement of Compliance

Rotork is disclosing in accordance with the Financial Conduct Authority (FCA) amendment to Listing Rules (Policy Statement 20/17). The main disclosures are set out here, within the TCFD Report, on pages 100 to 110. There are additional disclosures on pages 48, 49 and 58 to 65. The disclosures describe activity to date and future areas of focus to further strengthen our strategic approach and communication of climate-related issues. Below is a summary of the TCFD recommendations which will not be fully disclosed against in this report, and an explanation for each as to what actions are planned to improve reporting in future.

- **Strategy – financial planning process:** Through 2021 and 2022 Rotork has been building its understanding of the potential financial impact of climate-related issues on its business and operations. In 2022 we completed a financial quantification of our priority climate-related risks and opportunities. We will further integrate the findings of our climate scenario analysis in the years ahead.
- **Strategy – business resilience:** In this report we are disclosing our assessment of risks and opportunities against three forward-looking climate scenarios and across time horizons. Our key next step is to develop the climate transition plans required to further enhance resilience which we aim to complete in the years ahead.
- **Metrics and targets – climate-related metrics:** Monitoring climate issues through climate-related metrics and targets is important for Rotork to able reduce our risk exposure and seize potential opportunities. A breakdown of our operational energy (renewable and non-renewable), waste, water reduction, and scope 1, scope 2 and scope 3 emissions in line with GHG reporting protocol is reported in this report on pages 48 and 49. We will further develop our targets and the reporting of them in 2023.

Response to the Task Force on Climate-related Financial Disclosures

Governance

Summary of Disclosure

- The CEO has overall responsibility for the delivery of the Environmental, Social and Governance (ESG) agenda, which includes addressing climate-related issues. The CEO reports to the Board which has responsibility for the oversight of the effective management of opportunities and risks related to climate change.
- The Board is supported by the ESG Committee, and the Audit Committee, through its oversight of the Company's strategy and policy for risk management, and the Rotork Management Board in its oversight of climate-related issues.
- Individual members of the Rotork Management Board take responsibility for the delivery of components of the climate strategy within their areas of responsibility.
- For 2022, remuneration linked ESG performance metrics were unchanged from 2021. These were: environmental innovation, as measured through evidence of greater positive environmental impact through our products and services, and increased customer engagement on sustainability issues. ESG measures were 10% of the bonus opportunity and apply to the entire senior leadership population of around 100 people.

Next steps

- Individual Directors will be given roles to support the process of setting, monitoring, and achieving climate-related targets.

Climate-related responsibilities of the Board

Climate strategy

The Board supports the ongoing development of Rotork's business strategy. This year, the Board has been particularly focused on growth opportunities linked to decarbonisation, the energy transition and climate change adaptation across each of the Group's divisions.

Performance

The Board monitors the Group's performance against five key financial and two non-financial performance indicators: carbon emissions per £1m revenue and lost time injury rates. Performance against these measures is evaluated by the Board and the ESG and Remuneration Committees.

Updates: The Board and ESG committee receives regular reports on the Group's progress towards science-based targets emissions reduction targets and our net-zero carbon roadmap.

Climate risk assessment: The Board reviews and assesses current and emerging climate and environment-related risks at Group Risk Review meetings held twice a year. The plc Board provides a top-down view of climate risks and assesses how risks are being responded to by management.

Climate-related responsibilities of management

Targets: Climate strategy and targets are set by the Rotork Management Board, with support from the ESG & Sustainability team, and are approved by the ESG Committee and the Board. We have set operational energy, water, and waste reduction targets, and in early 2022, science-based greenhouse gas (GHG) emissions reduction targets, covering scopes 1 & 2 and scope 3.

Remuneration: For 2023, remuneration linked ESG performance metrics were expanded to include scope 1 and scope 2 emissions reduction into the LTIP.

Management team responsibilities during 2022

Individuals

- **Chief Executive Officer:** Responsible for overseeing integration of climate considerations within the corporate strategy and M&A-related activity. The CEO is a member of the ESG Committee.
- **Group Finance Director:** Responsible for climate reporting and compliance with disclosure requirements.
- **Group Operations Director:** Responsible for i) overseeing the implementation of environmental and energy efficiency projects at our manufacturing sites to deliver energy, waste and water reduction targets, and ii) overseeing emissions reduction opportunities in the upstream value chain, including engaging with suppliers to set science-based targets.
- **Group Engineering Director/Chief Technical Officer:** Responsible for realising product efficiency opportunities within new product development and overseeing continuous improvement and innovation in product design to manage our demand on resources and limit our environmental impact.
- **Other members of the Management team:** Responsible for supporting the individuals above and meeting their own emissions reduction mandates. For example, our Group HR Director is responsible for the development and implementation of our fleet strategy to reduce associated emissions.

Teams

- **ESG team:** Responsible for developing the ESG and climate strategy and delivering related communications and reports. This includes monitoring and addressing stakeholder expectations in relation to climate issues, as well as monitoring broader ESG and climate-related developments, risks and opportunities to support the management team and meet disclosure requirements.
- **Health, Safety and Environment team:** Responsible for setting and adhering to environmental standards for our operations and collating environmental performance data. It is also responsible for overseeing the implementation of the operational components of the climate strategy set by the Board.
- **Group Sourcing team:** Responsible for supplier engagement on climate issues and engaging suppliers to set science-based targets. In addition, the team is responsible for analysing and responding to ESG risks and opportunities in our supply base, including the development of forecasts of climate-related supply chain disruption issues and implementation of mitigation strategies where required.

Task Force on Climate-related Financial Disclosures continued

Strategy

Summary of disclosure

- We conducted a gap analysis against TCFD recommendations to identify actions required for full TCFD disclosure.
- We undertook systemic scoring and ranking of climate-related risks and opportunities across different future climate-related scenarios, including a lower than 2°C scenario, and different time horizons.
- We also undertook extensive internal stakeholder engagement to identify and assess potential climate impacts across Rotork's business value chain.
- We quantified the potential financial impact of selected material transition risks and opportunities across climate scenarios

Next steps

- Integrate the results of the climate scenario analysis into the business strategy, financial planning and risk management processes.
- Develop climate transition plans required to further enhance resilience and alignment with a future low-carbon economy.
- Begin to standardise climate scenario analysis process to enable continuous assessment of risks and opportunities to the business.

Assessment of climate-related risks and opportunities

Climate scenario analysis

In 2021, Rotork launched its climate strategy project to i) develop a net-zero roadmap, with science-based GHG emissions reduction targets and ii) better understand material climate-related risks and opportunities to inform business strategy and management. A key component of this project is establishing an ongoing climate scenario analysis process that will be core to informing Rotork's response to TCFD disclosure recommendations under the 'Strategy' pillar.

Rotork defines time horizons as short term (0-10 years), medium term (10-25 years), and long term (25+ years). Our analysis considers climate impacts across these time horizons by referencing climate scenarios that allow us to explore different possible futures and assess potential risks and opportunities. The climate scenarios we used are taken from a set of hypothetical scenarios developed by Network for Greening the Financial System ('NGFS'). These include three categories within which there are six possible scenarios.

- **Orderly transition:** Early, ambitious action to support the transition to a net-zero CO_2 emissions economy. This includes a net-zero 2050 scenario and a Below 2°C scenario, reflecting a policy ambition to limit temperature increase to between 1.5°C and 1.7°C respectively.
- **Disorderly transition:** Late, disruptive, sudden and/or unanticipated action no earlier than 2030. This includes a Divergent net-zero 2050 scenario and a Delayed Transition scenario, reflecting a policy ambition to limit temperature increase to between 1.5°C and 1.8°C respectively.
- **Hot house world:** Limited action resulting in continued global warming and significant increases in exposure to physical risks. This includes a Nationally Determined Contributions scenario and Current Policies scenario, reflecting a policy ambition to limit temperature increase to between ~2.5°C and 3°C+ respectively.

The purpose of climate scenario analysis is first to conduct a non-financial assessment of the potential impact of climate-related risks and opportunities over future climate scenarios and time horizons (qualitative analysis), and secondly to assess the potential financial impacts from the risks and opportunities considered most material to the business (quantitative analysis). Our approach spans over two years and was largely completed in 2022.

Our climate scenario analysis timeline

Phase 1 (completed in 2021)			Phase 2 (2022)	
TCFD gap analysis	**Identify climate risks & opportunities**	**Assess climate risks & opportunities**	**Quantify financial impact**	**Integrate into Rotork processes**
Identify actions to implement key TCFD recommendations by 2023	Establish a long list of risks and opportunities based on internal interviews and workshops, sector research and climate scenarios	Score and prioritise risks and opportunities across climate scenarios and time horizons	Quantify the potential cashflow impacts for material climate risks and opportunities	Integrate the results of the climate scenario analysis into business strategy, financial planning and risk management processes

Phase 1

Qualitative climate scenario analysis

Our focus during 2021 was to complete a non-financial assessment, scoring and ranking of identified climate-related risks and opportunities. We followed a two-stage process for our assessment:

1. **Risk and opportunity identification:** Initial research on sectoral and climate scenario impacts was supplemented with extensive internal engagement across numerous business functions to identify risks and opportunities and understand those that are relevant for different functions.
2. **Qualitative risks and opportunities assessment:** Identified risks and opportunities were scored and prioritised using three assessment criteria: vulnerability, magnitude and likelihood. Each physical and transition risk or opportunity was considered across time horizons and climate scenarios using indicators from IPCC and NGFS databases (specifically, IPCC WGI Interactive Atlas, NGFS IIASA Scenario Explorer and CA Climate Impact Explorer).

This process enabled Rotork to understand the range of risks and opportunities it is exposed to and prioritise those that could have the most material financial impact. The outcomes of our qualitative assessment are set out in full on pages 104 and 105 of this report.

Phase 2

Quantification of financial impact from material risks and opportunities

During 2022, we continued to advance our climate scenario analysis by modelling the potential financial impacts across forward-looking business and climate scenarios from some of our most material risks and opportunities.

Estimating the possible financial implications of climate risks and opportunities across different climate scenarios is an important part of the TCFD process. It enables businesses to position climate risks against other business risks, strengthens the case for investment in low-carbon measures and facilitates the integration of climate considerations into financial planning and strategy development.

As part of our assessment, we quantified the **incremental** financial impact of climate-related risks and opportunities across three time horizons: short term (0-10 years), medium term (10-25 years) and long term (25+ years). For both transition and physical risks, Rotork reports the net present value ('NPV') for the period 2022–2050.

The potential financial impacts presented provide a single snapshot of Rotork's potential positive and negative exposure to selected climate risks and opportunities. Behind this snapshot lie numerous assumptions related to factors such as energy consumption, fuel prices, and others, which are all subject to variability. Our analysis of financial impacts will therefore be an ongoing process and any changes, including to data and assumptions, will be continually updated in our calculations.

Task Force on Climate-related Financial Disclosures continued

Summary of material climate-related risks and opportunities

The below table sets out the risks and opportunities that were assessed qualitatively during phase 1 of our project. Full details of these climate risks and opportunities are set out on pages 104 to 110.

Transition risks

Risk	
Policy and legal	• Carbon tax • Stricter climate legislation • Green credentials for manufacturing
Market and technology	• Change in energy costs • Increased cost of raw materials • End market demand changes • Costs to transition to lower emissions technology
Reputation	• Increased stakeholder concern and expectations • Inability to attract workforce

Opportunities

Opportunity	
Energy source and efficiency	• Implementation of energy efficiency measures • Customer engagement to consider alternative products and switch to renewable energy sources • Development of new technologies to facilitate mitigation • Reduced risk exposure, and lower operating costs from energy savings and procurement of renewable electricity
Products and markets	• Increasing demand as new and existing technologies emerge that support a low-carbon world, including hydrogen, battery storage, gasification, biofuels, etc. • High-quality Rotork products are resilient under extreme climate conditions • Rotork products can respond to physical climate challenges, e.g. water flow control in floods
Resilience	• Regionalise supply chain to avoid overspending in carbon tax, and reduce distance between manufacturing plants and customers • Build supply chain resilience by using environmental risk assessment criteria and demanding 'green' credentials from suppliers

Physical risks

Risk	
Chronic – gradual climate change	• Changes in weather patterns • Rainfall interannual variability • Rising temperatures
Acute – extreme temperatures	• Extreme cold and hot temperatures affect working conditions, impacting employees and equipment
Acute – rainfall & floods	• Intense rainfall events and increase in frequency and/or severity of floods results in damage to assets
Acute – extreme weather events	• Frequency and intensity of hurricanes and snowstorms causing disruption to assets

Transition risks and opportunities

Rotork referred to the UNEP FI risk factor pathway framework to inform the initial selection of transition risks and opportunities for financial quantification. This framework identifies three categories of cross-sector 'risk factor pathways' that represent financial pressures experienced by firms from the transition to a low-carbon economy. These include GHG emission costs, investment in low-carbon transition measures and revenue from low-carbon market opportunities. For the assessment of transition risk, impacts on Rotork's cash flow have been determined based on projected changes to global operational costs. Rotork used four scenarios modelled by the World Energy Outlook ('WEO') which examines future energy trends based on the World Energy Model ('WEM'), as follows:

- **Stated Policies (STEPS):** Reflection of current and in-progress policies that exist for sectors and countries. Does not assume governments will achieve their goals and commitments.
- **Announced Pledges (APS):** Illustrates the impact of governments meeting their announced pledges. Assumes all countries meet national targets up to 2050.
- **Sustainability Development (SDS):** Assumes a surge in green energy policies and significant investment in green markets. Also assumes a substantial reduction in air pollution and universal energy access.
- **Net-zero Emissions (NZE):** A pathway for the global energy sector to achieve net-zero by 2050. Does not rely on emissions reductions from outside the energy sector.

UNEP FI's risk factor pathway framework

1. Incremental emissions costs

1a. **Direct** (price on carbon)

1b. **Indirect** (fossil fuel price)

2. Incremental expenditure for low-carbon transition and avoided risk from mitigation

3. Incremental revenue from new market opportunities and increasing demand

Climate adjusted NPV

To understand the way transition costs manifest and the impact on cash flows

Task Force on Climate-related Financial Disclosures continued

Climate opportunity

The role Rotork can play in a green economy and a cleaner, more sustainable future featured highly in our materiality assessments in 2021 and 2022. Our products will enable the move to a low-carbon world, with applications in transition fuels such as LNG, natural gas and biofuel. In the medium term there are also opportunities to participate in fast developing new sectors such as hydrogen, carbon capture, usage and storage, and battery materials.

In addition, there are considerable opportunities to assist our Oil & Gas customers in delivering against their ambitious net-zero commitments, including through providing products and services that deliver reliable, energy efficient solutions that minimise environmental impacts (for example, through lower emissions, energy consumption and water usage).

Similar opportunities present themselves in the power, water and industrial markets. For example, our products have applications in the roll-out and modernisation of critical infrastructure. Water scarcity is resulting in a greater need for recycling and desalination, and rising sea levels are necessitating flood defence investment.

Case studies illustrating the role we can play are set out on pages 47 to 66.

Transition risks and opportunities impact assessment

Impact thresholds (key):

Negative exposure: ● <£3m ● £3-5m ● £5-10m ● £10-20m >£20m

Positive exposure: ● <£3m ● >£20m

UNEP FI transition risk factor pathway category	Value drivers assessed	Incremental financial impact (by scenario)	Potential management responses
Direct GHG emission costs	**Carbon prices** • Future costs of carbon taxes applied to scope 1 and 2 emissions across our operations • EU Carbon Border Adjustment Mechanism (CBAM) applied to iron, steel and aluminium imported into our EU operations	● Stated Policies ● Announced Pledges ● Sustainable Development Net-zero Emissions	**Potential response** • Identify and implement measures to reduce gross GHG emissions • Analyse what data will be required to fulfil our obligations and proactively evaluate potential CBAM impact on operations, global value chain and footprint **Metrics** • Global scope 1 and 2 emissions **Targets** • In line with Rotork's SBTs, reduce emissions from scope 1 and 2 sources by 42% by 2030
Indirect GHG emission costs	**Change in cost of fossil fuel energy** • Prices of fossil fuels (gas and diesel) will change in the energy transition as society shifts to low-carbon alternatives	● Stated Policies ● Announced Pledges ● Sustainable Development ● Net-zero Emissions	**Potential response** • Switch consumption from fossil fuels to low-carbon alternatives, e.g. replacement of gas boilers with electric, or electrification of fleet • Procure renewable energy where possible. In 2022 we sourced 34% of our electricity from renewable sources (2021: 12%) **Metrics** • Gas and diesel consumption **Targets** • Reduce consumption of gas and diesel
Expenditure on low-carbon transition and avoided risks	**Savings and expenditures associated with GHG emission reductions** • Costs of procuring renewable energy • Avoided carbon tax from a reduction of gross emissions	● Stated Policies ● Announced Pledges ● Sustainable Development ● Net-zero Emissions	**Potential response** • Develop a long-term transition plan to align with the net-zero transition • Consider developing a cost of carbon for the business to be used in business cases for mitigation measures **Metrics** • Global scope 1 and 2 emissions **Targets** • Increase roll-out of mitigation measures
Incremental revenue from new market opportunities	**Increasing demand from hydrogen-related end markets**	● All scenarios	We presented a summary of the conclusions of our hydrogen sector market research at our Capital Markets Event in November 2022. We see the sector as a high potential future opportunity for Rotork.
	Increasing demand from methane emissions reduction in North American upstream markets	● All scenarios	We presented a summary of the conclusions of our methane emissions reduction market research at our Capital Markets Event in November 2022. We see the sector as a high potential future opportunity for Rotork.

Physical climate-related risks

The physical impacts of climate change are expected to increase in the future through incremental changes to the climate as well as an increase in frequency and severity of extreme weather events. Rotork identified four of its most significant manufacturing locations to analyse the potential impacts of extreme weather events such as heatwaves, hurricanes, heavy precipitation, and storms, increasing in intensity and frequency.

We assessed the value at risk due to climate change compared to 1995 exposure to determine incremental financial impacts. Many climatic models are set up with a 1995-2005 baseline; the period is taken to represent the current climatic 'normal', including in the IPCC Sixth Assessment Report, for example. We used 'Shared Socioeconomic Pathways' (SSPs) to represent a low, middle, and high warming scenario – SSP1-2.6, SSP2-4.5 and SSP5-8.5 respectively – and used associated data projections out to 2050. These SSPs are the same scenarios input in the climate models used in the IPCC Sixth Assessment Report, ensuring our analysis uses latest climate science. The SSPs are described as follows:

- **SSP1-2.6:** A high-priority scenario which broadly aligns to a 2°C increase in temperature by 2100.
- **SSP2-4.5:** A scenario which broadly aligns to a 2.7°C increase in global warming by 2100 and assumes little shift in current trends of social, economic and technological trends.
- **SSP5-8.5:** A low energy transition scenario which aligns to a 4.7°C increase in temperature by 2100 and in which there is strong fossil-fuel development up to the end of the century.

We quantified two key drivers of financial costs – 1) damage to property value and 2) productivity loss due to weather events – to analyse the financial impacts of physical hazards at our selected manufacturing locations.

Physical risk impact assessment

Impact thresholds (key):

Negative exposure: ● <£3m ● £3-5m ● £5-10m ● £10-20m >£20m

Positive exposure: ● <£3m

Value drivers assessed	Description	Incremental financial impact (by scenario)	Potential management responses
Damage to property value at our four most significant manufacturing operations	The potential impact to property value from physical damage pertaining to potential increases in expenditure on maintenance, replacement, and repair. • Extreme weather events degrade building materials requiring increased maintenance and replacement • Asset failures where facilities are not constructed fit for future climate risks	● 2°C increase (SSP1-2.6) ● 2.7°C increase (SSP2-4.5) ● 4.7°C increase (SSP5-8.5)	**Potential response** • Review disruption plans for sites to ensure they are tailored to likely weather events and protect our people and assets • Consider climate risk factors as part of operational footprint optimisation or site improvement decision-making processes **Metrics** • Number of sites with tailored severe weather event plans **Targets** • All sites to have tailored severe weather event plans in place
Productivity loss at our four most significant manufacturing operations	The impact of climate-related events on sites' productivity and continuity. The aggregated percentage loss of productivity from all physical hazards at each respective manufacturing site has been applied to annual manufacturing revenues. • Reduced efficiency due to extreme weather conditions • Temporary shutdowns due to extreme weather events	● 2°C increase (SSP1-2.6) ● 2.7°C increase (SSP2-4.5) ● 4.7°C increase (SSP5-8.5)	**Potential response** • Continually monitor weather patterns to ensure enough time is given to implement adaptation plans **Metrics** • Number of days operations are disrupted due to extreme weather events **Targets** • Reduction of expected disruption through investment in adaptation

It should be noted that these calculations can only provide estimates of value at risk and are based on place-based assumptions concerning likelihood, magnitude and asset vulnerability which vary between future climate scenarios.

Climate resilience and transition planning

In 2023, we plan to continue the process of integrating the results of our climate risk and opportunity analyses into our decision-making processes relating to business strategy, financial planning, and capital allocation. We also intend to embed the results into our Group-wide risk management processes.

We made significant headway during 2021 and 2022, having developed emissions reduction targets that will reduce our exposure to climate risks and support our transition planning. We will continue to work towards our target on supplier engagement, emissions reduction and customer engagement, to contribute positively to the energy transition. Examples of the work we are already undertaking as part of our resilience planning processes include:

- Assessing supplier readiness to set science-based targets and beginning active disengagement from suppliers who will not have set SBTs by 2027.
- Actively procuring renewables in the UK and Europe.
- Focusing on developing product energy usage efficiencies.
- Developing adaptation response to severe weather events, such as dual-sourcing.

The results of our analysis provide detailed information about the magnitude of potential impacts of climate change on our business and operations. Understanding these impacts will enable us to strengthen the business case for investment in mitigation and adaptation measures and address those risks that have the largest potential impacts first. This will strengthen our business resilience to climate change and support our ambition to reduce our gross emissions.

Next steps

- Further integrate the results of the climate scenario analysis into financial planning.
- Develop climate transition plans required to further enhance resilience and alignment with a future low-carbon economy.
- Standardise climate scenario analysis process to enable continuous assessment of risks and opportunities to the business.

Risk management

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving our strategic objectives. Our Group risk appetite statement sets the tone from the top and supports decision-making to mitigate, control or accept risks. Rotork's Purpose, 'Keeping the world flowing for future generations', is embedded in the way we assess risks.

The Board considers climate issues in strategic and financial planning throughout the year; however, a formal review process is conducted twice yearly. It is assisted in the assessment of climate-related matters by the ESG Committee, the Audit Committee, and the Rotork Management Board.

Our Group risk management process reviews those risks that could have an immediate or longer-term impact. As part of this process in 2022, and following the detailed work performed to evaluate climate-related risks as part of TCFD, it was decided that a new risk be included in our Principal risks, titled 'Climate commitments'. Our Climate commitments risk is driven by the Group's commitment to enable a sustainable future, and our understanding of the challenges that are posed in delivering our targets, both internally and externally to align with the climate science. Sustainability is a key pillar of our strategy, and we are well positioned to support the transition to a low-carbon-economy, sustainable future. This is further outlined in our 'Growth+' strategy on page 21 to 28. We recognise that as a company we must live up to our promises and deliver on the targets we have set. This risk demonstrates that we understand that operating responsibly is important for Rotork and our stakeholders. For more information see pages 43 to 56.

Climate-related risks and response options are managed using the Group's Risk Management Framework which incorporates both a bottom-up and top-down assessment. Climate change is a standing agenda item at risk workshops held at least twice a year. Given the unique characteristics of climate-related risks, we use our Horizon risk methodology to assess risks against longer time horizons relevant to climate change. Risk owners are assigned to the most material risks and appropriate control measures are decided based on the perceived materiality and the agreed risk appetite.

Risk control and management

When risks are identified, a risk owner is assigned who is accountable for monitoring and managing the risk. In some cases, climate-related risks identified may already sit as risk drivers to an existing risk. For example, within our Supply Chain Disruption risk, there is an element that is related to delays and unavailability of products related to increased severity of the physical effects of climate change.

Where a new response is required to manage a risk, an action owner is assigned who is accountable for the delivery of the action, with support from the Risk & Compliance team. An appropriate action could be to perform further analysis, to put in place controls and mitigations, or to address the risk by identifying other opportunities.

Climate risk identification and assessment

Risk management framework: Climate-related risks and opportunities are assessed and managed using the Group's overarching risk management framework (see pages 86 to 88 for more information). Our established risk management framework incorporates both a 'bottom-up' and a 'top-down' risk identification and review processes. The bottom-up process is carried out at functional, divisional and regional levels and the top-down process is performed at the management and Board level.

Horizon risk methodology: For many climate-related risks, either the severity of the impact or the likelihood may be uncertain, and typically these risks may materialise over longer-term time horizons than more traditional business risks. To account for this, we use a 'Horizon risk methodology' to assess those risks that are more uncertain or intangible, such as climate change. This uses a wider timeframe than typically used, with short-term as 0-10 years, medium-term as 10-25 years and long-term as 25 years and beyond.

Climate risk identification: Climate-related risks are identified, monitored and managed through risk workshops held with all key functions at least twice a year. During 2022, in addition to the established risk management process, additional cross-function workshops were convened to identify and contextualise climate-related risks and opportunities that affect different functions. The potential impacts were discussed and ranked based on perceived business importance.

Climate risk assessment: In accordance with the TCFD recommendations, our assessment primarily focused on understanding the potential financial impact of these risks. To achieve this, each transition and physical climate risk or related opportunity has been qualitatively assessed and scored based on the potential financial impact. The level of potential financial impact is a function of three criteria including vulnerability (consisting of level of exposure, sensitivity and adaptive capacity), likelihood and magnitude. We also assessed opportunities in terms of the size of opportunity and ability to execute.

The risk and opportunity assessment results (see page 103) were used to inform the next stage of the climate risk assessment – the quantification of potential financial impact for some of the most material risks. This will be used to inform the continued development of risk management responses for incorporation into our climate transition plan.

Next steps

- Continue to explore how our products can assist our customers to reduce their emissions and supporting new customers' flow control needs as energy transition markets evolve.

Metrics and targets

Summary of disclosure

- Rotork has reported operational GHG emissions (scope 1 and 2), energy, waste and water data, trends over time, and related reduction targets for many years. CO_2e per £m revenue is a long-standing non-financial key performance indicator.
- Scope 3 emissions have also been reported for some categories for a number of years. In 2021, Rotork calculated its full scope 3 inventory and have continued to track performance in 2022. Emissions for all relevant categories are set out below.
- Rotork also further developed its net-zero roadmap during the year. We have developed and committed to science-based emissions reduction targets for scopes 1, 2 and 3 and have had our near-term emission reduction targets validated by the SBTi.
- Emissions are calculated according to the GHG Protocol. Scope 1 and 2 emissions are independently verified by MakeUK. Scope 3 emissions have been calculated with support from Corporate Citizenship.

Next steps

- Develop a strategy for achieving net-zero as well as a strategy for GHG removals for residual emissions.

GHG emissions and climate risks

Rotork has calculated and reported CO_2e emissions relating to its own operations for many years, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. During 2021, Rotork expanded the measurement scope to include its full scope 3 inventory, also in line with the GHG Protocol.

Rotork's 2022 GHG emissions

Breakdown of scope 3 emissions (2022)

GHG emissions	Tonnes CO_2e (2022)	Associated risks
Scope 1 direct	3,132	• Price volatility for fossil fuels
Scope 2 indirect	4,122	• Fluctuation in electricity costs (renewable and non-renewable)
Scope 3 other indirect	412,747	• Insufficient decarbonisation action from suppliers • Complexity of evidencing avoided emissions from use of products by customers (which are not captured in typical GHG emissions corporate accounting methodology)
Total GHG emissions	420,004	• Increase cost of carbon both through carbon tax and carbon price • Faster than expected growth resulting in an increase in GHG emissions beyond planned mitigations

Category	Emissions (tonnes CO2e)
Purchased goods and services[1]	93,879
Capital goods[1]	271
Fuel- and energy related activities	1,958
Upstream transportation and distribution[1]	24,108
Waste generation in operations	205
Business travel[2]	4,106
Employee commuting[3]	1,894
Downstream transportation and distribution[1]	—
Use of sold products[4]	285,588
End of life treatment of products	638
Total GHG emissions	412,747

1 Emissions were estimated based on mapping spend data against the US EPA's Environmentally Extended Economic Input Output (EEIO) model.

2 Business travel data was calculated using a combination of BEIS conversion factors and the EEIO model.

3 Emissions were estimated based on travel and working from home data.

4 BEIS and IEA emissions factors were applied to the average operational energy usage of products over their life.

Task Force on Climate-related Financial Disclosures continued

Climate-related metrics

Rotork has reported operational GHG emissions (scope 1 and 2) per £1m revenue as one of its key non-financial performance indicators (linked to senior leaders' remuneration) since 2013 and has a track record of improving its efficiency year-on-year. In 2022, our total scope 1 and market-based scope 2 emissions decreased by 17%. Emissions per £m revenue reduced by 21%, with 11.3 tonnes CO_2e being produced per £m, compared to 14.3 tonnes in 2021.

We use the following metrics to track performance:

- CO_2e emissions – scope 1, 2 and 3
- Energy consumption:
  - Non-renewable electricity
  - Renewable electricity
  - Gas usage
  - Diesel usage
- Water consumption
- Waste
- Opportunity: low-carbon market revenues (our 'eco-transition' portfolio)
- Remuneration: CO_2e per £1m revenue

Energy, water, and waste data is reported on pages 48 and 49 of this report. Renewable and non-renewable energy consumption in 2022 is reported on page 46.

Rotork acknowledges the need to continue to expand its range of climate-related metrics to track performance and control the exposure to risks as well as take advantage of opportunities. The list below describes planned development of additional cross-industry, climate-related metrics in line with the 2022 TCFD implementation guidance update:

- **Capital deployment:** Rotork is in the process of refining pathways to achieve our science-based targets, including in R&D for product development to capitalise on opportunities in the transition and in a low-carbon economy. As part of the development of our net-zero roadmap we will also assess any investment required to deal with further abatement and residual emissions.
- **Cost of carbon:** The process of quantifying financial impact from climate-related risks and opportunities in 2023 will help develop a bespoke cost of carbon for the business.

Climate-related targets

In 2022, we committed to net-zero for scope 1 and 2 by 2035 and for scope 3 by 2045. Our near-term emissions reduction targets for scope 1 and 2 and scope 3 emissions have been validated by the Science-Based Targets initiative. The baseline year for all targets is 2020.

We have set a market-based target to reduce scope 1 and 2 emissions by 42% by 2030 compared with 2020. This is an absolute reduction target, aligned to a 1.5°C pathway. Our market-based emissions are reported on page 48. We aim to achieve our target through renewable energy usage/procurement, use of on-site solar photovoltaic generation, energy efficiency projects across our estate and our fleet emissions reduction strategy.

For scope 3, we have also set an absolute reduction target for emissions associated with the use of sold products. We are targeting to reduce emissions by 25% by 2030, in line with a well-below 2°C pathway. We target energy efficiency improvements as part of the new product development process and two out of five new products launched in 2022 deliver environmental benefits for customers. During the year we appointed a Global Head of Product Sustainability and Programme Management to deliver our commitments in this area. Our work to calculate our scope 3 inventory has enabled us to identify and prioritise further opportunities for improvement. We aim to achieve our target by driving product developments and initiatives and partnering more closely with customers to support their emissions reduction strategies. Our ambition will also be supported by the progressive 'greening of the grid' which will mean that over time our products will increasingly be powered by renewable energy during their use.

In addition, we have set a supplier engagement target for emissions associated with purchased goods and services. We are engaging with suppliers to improve their environmental performance. We are requesting that suppliers representing 25% of supply chain emissions set science-based targets by 2027.

As in prior years, Rotork has an intensity target to reduce emissions per £1m revenue year-on-year. For 2022, the target was to reduce emissions by 2% per £1m revenue compared to the prior year. This was one of the performance measures linked to the bonus opportunity for the senior leadership population.

Rotork has also set absolute targets to reduce water use and waste to landfill by 1% in 2023 compared with 2022. Performance against these targets will be assessed on a monthly basis and reported externally annually. We are continuing our work to develop longer term strategies and targets for waste to landfill and water reduction.

Non-financial information statement

The Non-Financial Reporting Requirements in sections 414A and 414CB of the Companies Act 2006 are addressed in this statement using cross references to indicate pertinent sections within this report.

This report refers to a range of policies that support our performance across environment, social and governance topics. The majority of the policies are available to read on our website: www.rotork.com/en/environmental-social-governance/esg-reports-and-policies.

Environmental information

Where material information can be found in the strategic report	Material policies	How we monitor the effectiveness of policies
Our approach to managing our environmental impacts is set out on pages 46 to 49. See also our TCFD report on pages 100 to 110. We set reduction targets for carbon, energy, waste to landfill and water usage. We report progress against them in our Annual and Sustainability Reports, and in the GRI and SASB appendices to the Sustainability Report.	**Environment & Energy Policy** This sets out our commitment to protecting the environment, ecosystems and biodiversity; continually improving our environmental and energy performance; and complying with all applicable environmental and energy regulations. It applies to the whole Group, including subsidiaries.	We measure performance against key environmental metrics and report this publicly. We also include environmental obligations in our agreements with suppliers and monitor performance. See the non-financial performance KPIs on page 23 for GHG emissions per £m revenue performance in 2022 and trends over time.

The Company's employees

Where material information is located	Material policies	How we monitor the effectiveness of policies
Our approach to People and Culture is set out on pages 69 to 73. Our employee engagement approach is also covered in our Section 172 statement on pages 113 to 117. Related principal risks, on page 89 to 97, are Health, Safety and the Environment and Change Management.	**Board Diversity & Inclusivity Policy** Sets out the Board's approach to diversity and inclusion and provides the framework for the Board's approach to diversity and inclusion in senior management roles. **Code of Conduct** Outlines our Values – Stronger Together, Always Innovating and Trusted Partner – and the standards of behaviour we expect of our employees. **Health & Safety Policy** Sets out our commitment to the planning and management of health and safety for reducing accidents and cases of work-related ill-health. It applies Group-wide, including to all subsidiary businesses and persons working for or on behalf of the Company. **Speak Up Policy** Outlines our commitment to conducting our business with openness, integrity and fairness, and encouraging people to report suspected wrongdoing as soon as possible and without fear of detrimental treatment as a result of raising a concern. It applies to all individuals working within, for, or with Rotork, including suppliers.	Our regular 'pulse' surveys assess employees' engagement and their views of Rotork as a place to work. Surveys include questions on diversity and inclusion and the pace of change. We conduct regular audits of our health and safety system. We track colleague diversity at different levels within the organisation, reviewing gender, ethnic and age diversity among others. We also monitor the number of contacts made through our whistleblowing lines and the outcomes of any investigations. The Lost Time Injury Rate ('LTIR') is one of our two key non-financial performance indicators. Performance in 2022 and trends over time are set out on pages 23 and 45.

Non-financial information statement continued

Social and community matters

Where material information is located	Material policies	How we monitor the effectiveness of policies
Our contribution to the communities in which we operate, including charitable giving, is covered on pages 74, 75 and 117. Our approach to supplier management is on pages 52 to 54 and 116 and covered in our Sustainability Report.	**Supplier Code of Conduct** Our Supplier Code of Conduct sets out our minimum expectations regarding human and labour rights, among other requirements. We assess potential slavery and human trafficking risks arising from supplier relationships using a number of different methods. These include assessing new and existing suppliers and conducting supplier site visits. In the event that an issue is identified, we will undertake appropriate remedial action. This might include placing appropriate contractual obligations on a supplier; working together with a supplier on a corrective action plan; or ceasing to work with a supplier altogether. In 2022, we updated our Supplier Code of Conduct and took this opportunity to provide more detailed information regarding our expectations of suppliers in relation to human rights. **Worldwide Charity Support Policy** This policy sets out how we implement charitable giving, in line with our corporate responsibility aims. Every location has authority to spend 0.1% of its prior year's profit before tax on charitable or good cause activities chosen by the employees of that location. **Group Tax Strategy** Our overall tax strategy is for full disclosure and cooperation with all tax authorities. We consider reputational, financial and operational risks in our approach to tax planning. We are committed to creating an open and transparent working relationship with tax authorities in the jurisdictions in which we operate, and to abiding by all applicable laws.	We capture and report data on our charitable giving and assess the impact we have made. We audit high risk suppliers, as required, to ensure compliance with our Supplier Code of Conduct.

Respect for human rights

Where material information can be found in the strategic report	Material policies	How we monitor the effectiveness of policies
Our approach to diversity and inclusion and respect for human rights is covered on pages 54 to 56 and 68 to 73. Our Modern Slavery Statement is published on our Group website at www.rotork.com	**Modern Slavery Statement** This covers our policy on working to ensure that slavery and human trafficking is not occurring in any part of our business or supply chain. **Modern Slavery Policy** Our Modern Slavery Policy was introduced in 2021. It is designed to raise employee awareness of modern slavery and human trafficking and includes key performance indicators to measure the effectiveness of our control measures. **Code of Conduct** Outlines the values and standards of behaviour we expect from employees, including our approach to protecting human rights and empowering staff to 'Speak Up' if they have a concern. **Respect at Work and Equality of Opportunity** Sets out our commitment to the principle of equal opportunities to ensure that no employee or job applicant receives less favourable treatment based on their age, race, nationality, ethnic origin, disability, sex, sexual orientation, religion or belief or marital status. **Conflict Minerals Policy** This policy sets out the Company's commitment to not using tantalum, tin, tungsten and gold that directly or indirectly finances or benefits armed groups in the Democratic Republic of the Congo or adjoining countries.	We deliver a range of mandatory training courses, including Code of Conduct and Speak Up training. In 2022, the programme included training designed to raise employee awareness of modern slavery and human trafficking risks in our business and supply chain. Completion is tracked and a number of the courses include a knowledge check assessment. We also introduce new joiners to our Values during their induction sessions. In 2022, we introduced mandatory compliance certification, requiring colleagues to confirm compliance with our Code of Conduct and associated policies, the completion of all mandatory training, and any actual or potential conflicts of interests. We review our suppliers for modern slavery risks. We engage an independent intelligence provider to help analyse our supply base. We follow up with audits when necessary. We monitor the number of reports of suspected wrongdoing received. We investigate all concerns, and analyse the outcomes for any trends or risk indicators. We exercise due diligence based on the 'Responsible Minerals Initiative' guidance, by mapping our supply chain using their reporting templates for tantalum, tin, tungsten and gold, and following up any concerns raised via a corrective action management process.

Anti-bribery and corruption

Where material information is located	Material policies	How we monitor the effectiveness of policies
Culture, ethics and governance section (pages 55 & 56), our people and culture section (pages 69 to 73).	**Code of Conduct** This sets out our zero-tolerance approach to bribery and corruption and the standards of behaviour expected to minimise the risk of bribery, including in relation to gifts and hospitality. **Anti-bribery and Corruption Policy** We take a zero-tolerance approach to bribery and corruption. Our policy and related guidance helps employees understand how bribery can impact individuals and the Company and how to report a potential breach. **Gifts and Hospitality Policy** Provides guidance on the rules relating to the offering and acceptance of gifts and hospitality. We updated the policy in 2022. **Supplier Code of Conduct** Outlines our zero-tolerance policy to extortion, bribery and corruption and to offering, paying, soliciting or accepting bribes in any form.	In addition to mandatory Code of Conduct and Speak Up training, employees are required to complete anti-bribery and corruption courses on a regular basis. We track training completion rates. See page 55 for more information. In 2022, we introduced an online gifts and hospitality approval tool and register, improving our oversight in this area. We investigate all concerns raised and remain alert to risk indicators.

We also submit responses to the CDP Climate and Water Security questionnaires annually. Our Sustainability Reports and policies are published at the following address: www.rotork.com/en/careers/diversity-and-inclusion and www.rotork.com/en/environmental-social-governance/esg-reports-and-policies.

Non-financial information

Non-financial information	Section	Pages
Business model	Business model	12-13
Key non-financial performance indicators	Key performance indicators	22-23
	Sustainability Review	30-75

Information for funds applying the Sustainable Finance Disclosure Regulation ('SFDR')

Our end-markets

In 2022, 44% of our sales were into Oil & Gas, 31% into Chemical, Process & Industrial and 25% into Water & Power. The most common application of Rotork's products and services across all end markets is for the control and management of water, including for water recovery, recycling and treatment processes.

Rotork's products are an essential component in processes for new energies and technologies that enable climate change mitigation and adaptation. They also contribute positively to the sustainable use of water resources, as well as having applications in flood protection.

Our 'eco-transition portfolio' includes three portfolios: 'Water & wastewater', 'Methane emissions reduction' and 'New energies & technologies portfolio' as well as other applications such as process water management and gasification. We estimate that these three portfolios represented around 30% of sales in 2022, with other applications also material but difficult to estimate. Eco-transition portfolio sales promote environmental or sustainability characteristics, specifically methane emissions elimination, water preservation, carbon capture, and new capacity renewable energy generation. See pages 58-66 for case studies. For the avoidance of doubt, Rotork does not produce nuclear power, own fossil fuel reserves, produce or sell tobacco or military or other weapons or operate in the gambling sector.

Our business

- **ESG ratings:** Rotork is highly ranked by numerous ESG ratings agencies, including MSCI, Sustainalytics, S&P Global and CDP. See page 39 for details.
- **Alignment to the 2015 Paris Agreement:** Rotork has set science-based emissions reduction targets across scopes 1 and 2 and scope 3. We have also committed to target net-zero by 2035 for scopes 1 and 2 and by 2045 for scope 3. See page 110 for details.
- **UN 2030 Agenda for Sustainable Development:** As part of Rotork's sustainability framework, launched in 2021, we are targeting progress for UN SDGs 5, 6, 7, 8, 9, 12 and 13. Rotork was also an early signatory of the UN Global Compact. See page 41 for details.

Further details of our ESG performance, including on metrics such as accident frequency rate, gender pay gap, human rights policy, anti-corruption practices and whistleblowing are set out in the Sustainability Review on pages 45, 55, 56 and 73.

Section 172 statement

Engaging with our stakeholders

Our Purpose of 'Keeping the world flowing for future generations' demonstrates the importance we place on stakeholder relationships and our contribution to wider society.

S172(1) statement

As a Board, we have a duty to promote the success of Rotork for the benefit of our members. In doing so, the Board has regard for the interests of our people, the success of our relationships with suppliers and customers, the impact of our operations on the community and the environment, and the desirability of maintaining a reputation for high standards of business conduct and the consequences of decisions in the long-term. Stakeholder considerations are woven throughout all Board discussions and decisions. The Board receives presentations from management to help it understand the impacts at operational level and the merits of proposed business activities over the short, medium and long term. Like any business, we sometimes have to take decisions that adversely affect one or more of these groups and, in such cases, we always look to ensure that those impacted are treated fairly.

Our policy is to understand our stakeholders views, and to deal with issues with integrity when they arise. We aim to:

- demonstrate how we have taken stakeholders' views into account;
- as far as possible, achieve positive and fair outcomes for all stakeholders, while recognising that they sometimes have conflicting needs; and
- disclose full and accurate information about our performance, in a way that is accessible and understandable to our stakeholders.

The following pages describe our engagement with stakeholders and constitutes our Section 172(1) Statement. Further examples of decisions taken by the Board and how stakeholder views and inputs, as well as other Section 172 considerations have been taken into account in its decision-making are set out on pages 132 to 135 of the Corporate Governance Report. Details on how stakeholders were engaged for our sustainability strategy can be found on pages 32 to 33. These are incorporated by reference into this Section 172(1) Statement. Further information on how these duties have been applied can be found throughout the Annual Report.

We engage proactively with all our key stakeholder groups

Customers

We serve customers in the Oil & Gas, Water & Power, and Chemical, Process & Industrial sectors in more than 170 countries around the world. Our customers rely on Rotork for innovative, cutting-edge solutions and dedicated lifecycle service and support. We invested £13.4m in research and development in 2022.

How we engage

We aim to be a 'Trusted Partner' to our customers. Rotork has a long-established tradition of innovation and of tackling challenging engineering problems. Customer engagement and satisfaction is a key topic in Board discussions. As part of our Growth+ Programme, we have focused on further aligning our business with our customers' needs and delivering value to them.

Outcomes

- Our Voice of Customer surveys confirm that our sales force realignment initiative has significantly improved our customer intimacy.
- We launched five new products in 2022, many of which are helping customers meet their energy and emissions reduction challenges and reduce operating costs through leveraging the latest control systems.
- Sales of our 'eco-transition portfolio' products and services grew double-digits year-on-year.
- Rotork Site Services continued to develop its offering and grew faster than the group overall in 2022.

Priorities for 2023

We are focused on delivering our pipeline of innovative new products, leading with those offering high efficiency and which are aligned to the electrification trend. We are also working to apply greater focus to customer value, including through delivering on our voice of customer survey findings.

Colleagues

We have around 3,200 employees, working in 63 offices and 16 manufacturing facilities across the world. Our employees expect safe working conditions, fair pay and terms and conditions, equality and fairness in the workplace and engagement on important issues for the Company.

How we engage

We offer a broad range of channels for employee engagement. These include employee forums, 'pulse' surveys, town halls and our working@rotork email channel. The Chief Executive Officer's regular Board reports include updates on employee engagement and views of the wider workforce. Our designated non-executive director for employee engagement, Tim Cobbold, also brings the employee's voice into the boardroom, including through direct suggestions received via email. Tim Cobbold's report on employee engagement in 2022 is on pages 136 and 137. Both Tim Cobbold and Kiet Huynh participate in induction sessions for new starters.

Outcomes

- We increased our 'Fair Pay' commitment in 2021 such that we will now pay more than the living wage published in a country. Rotork continues to be accredited as a Living Wage Employer by the Living Wage Foundation.
- We published our second UK ethnicity pay review in early 2022, now providing three years' data for comparison.
- We achieved a reduction in lost time injury rates again in 2022, recording a rate of 0.13 compared to 0.16 the prior year.
- We improved our employee engagement in 2022. Our engagement survey asks employees to rate Rotork as a place to work between 1-10, where 10 is good. The engagement score increased to 7.2 in December 2022, from 6.7 in June and 6.4 the year before.
- We continued our support of International Wellbeing Week and we have at least one trained Mental Health First Aider per site.

Priorities for 2023

We will ensure that all our colleagues are well-informed of our Growth+ strategy, and their role in helping to deliver it, via regular communications from the CEO and leadership team. Our pulse surveys measure engagement and seek to understand any issues, with robust action plans to follow-up where necessary. We celebrate key events such as International Women's Day, World Wellbeing Week, and Women in Engineering. We'll also promote diversity and inclusion and plan to introduce family-friendly policies on wellbeing and mental health.

Section 172 statement continued

Engaging with our stakeholders continued

Shareholders

Our shareholders expect us to deliver sustainable value. We have a strong track record of creating shareholder value and have increased our dividend each year for over 20 years. We paid £55m in dividends in 2022. Our share register is on page 239 of this report.

How we engage

We actively engage with our investors, advisers and the investment community, as well as our employee shareholders. All shareholders, whether they are individual or institutional, are treated fairly and have equal access to information. Our Chairman, Chief Executive Officer, Group Finance Director and our Investor Relations Director regularly communicate with existing and potential shareholders. During the year, they engaged with investors representing over half of our issued share capital.

Our corporate website contains a variety of resources for investors including current webcasts, presentations, and press releases, as well as annual and interim reports. We offer shareholders a choice of receiving Annual Reports electronically or in hard copy. We also offer internal communication channels for our employee shareholders.

Outcomes

- In 2022, the Chief Executive Officer, Group Finance Director and Investor Relations Director attended (either in person or virtually) over 100 meetings with over 150 separate institutions, as well as participating in several shareholder events. The global supply chain situation was a major discussion topic in meetings during the year, as was energy security.
- Tim Cobbold, as Remuneration Committee Chair, engaged proactively with our largest shareholders to understand their views on our proposed new Remuneration Policy. The new policy will be put to shareholders for approval at the AGM in April 2023.
- The views expressed by investors are shared with the full Board at each Board meeting and with the relevant committees, enabling the Board to take these views into account in its wider decision making.
- A highlight of the year was our Capital Markets Event which was held in November in London. A recording of the event is available on the Rotork investor relations website.

Priorities for 2023

We will continue to offer an extensive investor engagement programme, to include further information on how we will achieve our net-zero commitment.

Suppliers

Our suppliers expect fair ordering and contracting, on-time payments and information about our policies and procedures, including in relation to ESG standards. We continue to invest in our supplier relationships as these are vital to our success. We have a reputation for integrity, fair dealing, ethical behaviour and paying on time.

How we engage

Our Procurement team oversees global engagement with suppliers. The team sets standards relating to social, environmental and ethical conduct, directs communication to suppliers and monitors adherence to standards. Our supplier engagement was particularly active during 2022, as the geopolitical crisis and lockdown in Asia/China continued to pose significant challenges for supply chains around the world. We also continually review our global supply chain to ensure we are doing everything we can to prevent modern slavery and human trafficking occurring.

Outcomes

- We spent £335m with suppliers in 2022.
- We revised our Supplier Code of Conduct in June 2022, including new requirements of suppliers on social, ethical and environmental topics.
- We set up additional processes which have increased our supplier coverage and our overall diligence.
- We engaged with suppliers with higher carbon footprints and encouraged them to set science-based emissions reduction targets, in line with our near-term engagement target validated by the Science Based Targets initiative.
- Details of the steps we took to mitigate the risk of modern slavery in our supply chain are detailed in our Modern Slavery Statement, see: **www.rotork.com/en/investors/modern-slavery-statement.**

Priorities for 2023

During 2023, we will focus on embedding our revised Supplier Code of Conduct across our global supply chain. We will also continue to engage with suppliers with higher carbon footprints regarding their science-based targets and expand engagement to the next tier of suppliers.

Communities

Our communities expect us to engage with them and operate in a responsible manner. We aim to make a positive contribution to communities through the employment we provide, suppliers we work with and taxes we pay. Our social impact is extended through the contributions we make to selected local and global charitable causes.

How we engage

We engage positively with our local communities, investing in job creation, using local talent and supply chains, helping to support and grow the communities in which we operate. We consider social and environmental impacts of our business decisions carefully, including potential impacts on local communities. We also offer support through charitable giving. Rotork currently has three global charity partnerships, with Renewable World, Pump Aid and WeForest. In addition, charity committees at Rotork sites also support causes that are important to employees locally through charitable giving and volunteering.

Outcomes

- We donated £130,000 in total to charities around the world in 2022.
- In addition, we have channelled almost £80,000 of funds from individuals, Rotork charity committees and the Company to our own charitable foundation, Rotork Benevolent Support, since establishing it in July 2020. The foundation supports past and present Rotork colleagues facing financial hardship.

Priorities for 2023

We will continue to ensure our charitable partnerships have a positive social impact, aligned to our Purpose and the UN SDGs we have identified to support. We will also continue to support our employees in contributing to local causes close to their hearts. As per our Company policy and ethos, we will also engage proactively with communities about any changes to our operations.

Governments

Governments expect us to engage positively with them, comply with applicable laws and pay taxes that we owe on time.

How we engage

We conduct our business in an open and transparent manner and engage regularly with government officials. We are committed to paying the right and fair amount of tax in each territory in which we operate, abiding by both the spirit and the letter of the law.

Outcomes

- We paid £30m in taxes in 2022.
- We published a detailed tax strategy setting out our responsible tax conduct last year (see **www.rotork.com/en/investors/corporate-governance/group-tax-strategy**).
- We maintain regular and open communication with the UK Government's Department for Business, Energy and Industrial Strategy (BEIS). We engaged BEIS officials in our materiality assessment again in 2022, to understand their views about key sustainability issues relevant to Rotork (see page 32 for details).

Priorities for 2023

We will continue to engage with government stakeholders, including on our sustainability strategy and performance.

The Strategic Report was approved by the Board on 27 February 2023 and signed on its behalf by:

Kiet Huynh
Chief Executive Officer
27 February 2023

Kiet Huynh

Corporate governance

The Rotork Board continues to be committed to the highest standards of governance and stakeholder engagement.

Contents

Chairman's governance overview

Applying the principles of the UK Corporate Governance Code 2018

On behalf of the Board, I am pleased to introduce Rotork's Corporate Governance Report for 2022

Martin Lamb
Chairman

The aim of this report is to provide a clear explanation of Rotork's governance framework and the practical application of the principles of good corporate governance. As a Board, we consider that strong governance underpins the successful management of the Group and enables us to focus on the key strategic issues.

Introduction

I am pleased to introduce this report, which describes the activities of the Board during the year and our governance arrangements. This will be my last report as your Chairman having served for nearly nine years on the Board when I step down at the end of this year's AGM on 28 April 2023. It has been a privilege to serve as your Chairman. Over the past nine years of my tenure, Rotork's journey has continued at pace, addressing the evolving needs of its stakeholders in challenging times, and is now well placed to benefit from the industrial megatrends of automation, electrification and digitalisation to enable a sustainable future.
I am delighted to hand over to someone of Dorothy Thompson's calibre. She brings to the Board her extensive experience of leading international industrial and power businesses, and has a deep understanding of the energy transition, a key element of Rotork's new Growth+ strategy. Dorothy also has a wealth of listed Board experience. I believe she will both lead and serve Rotork well, complementing and adding to the skills of the existing Board and leadership team.

Board activities in the year

Our Purpose at Rotork is to keep the world flowing for future generations, and we play an integral role in enabling the transition to a low-carbon economy through our intelligent products and services. A large part of the Board's focus during the year has been to explore and evolve the strategy under CEO, Kiet Huynh. The outcome, our new Growth+ strategy, launched in November and was explained in detail to investors at our Capital Markets Day. It has been designed to deliver our ambition to be the leader in intelligent flow control, targeting key market segments, delivering value to our customers, and accelerating innovation in our products and services. The Board will continue to oversee and monitor the progress of the Growth+ strategy through review and discussion at its meetings and through deep dives sessions on key strategic initiatives.

The Board has also been focused on understanding market and sector trends and addressing the continuing supply chain challenges faced by the manufacturing sector as a whole, due in part to the shortages of semiconductors, electronics and other components. The Board has examined the issues at Board level and shared with the management team our combined knowledge and experience on addressing similar operational demands, both currently and in the past. Through the constant focus of the Board and management team, these challenges have started to be mitigated through a variety of initiatives.

Another key area of attention for the Board, in conjunction with the Nomination and Remuneration Committees, has been to understand the issues currently facing the business regarding talent attraction and retention and to ensure we have the optimum structures in place to attract and develop our people at all levels of the business so as to deliver our Growth+ strategy. We are also keenly aware of the pressures being faced by our colleagues as a result of the cost of living crisis with the Board endorsing management's initiatives to address them (see page 16 for more details). A fuller summary of the Board's activities during the year can be found on pages 126 to 131.

Board changes

The Board keeps its balance of skills, knowledge, experience, independence and diversity under regular review and is mindful of the best practice requirements under the UK Corporate Governance Code 2018 and the new requirements in Listing Rule 9.8.6. There have been two key Board appointments made this year.

On 10 January 2022, Kiet Huynh was appointed as Chief Executive Officer. Formerly the Managing Director of Rotork's Water & Power and CPI divisions, Kiet replaced Kevin Hostetler who stepped down from the Board and as CEO after nearly 5 years to return to the US having led Rotork through the Growth Acceleration Programme. The Board considers that Kiet has embedded himself effectively as CEO in the business, having made an impressive start and having established good traction across the Group.

Dorothy Thompson joined us as an independent non-executive director and Chair Designate on 1 December 2022 and will succeed me as Chair at the conclusion of the AGM on 28 April 2023. I have been working with Dorothy to ensure there is a smooth handover. Dorothy is also participating in a comprehensive induction programme.

New appointments are subject to a formal, rigorous and transparent process, led by the Nomination Committee and further details on the procedures taken for these recent appointments can be found on page 151.

Diversity and inclusion

The issue of diversity, both in the boardroom and throughout the entire Group, is taken seriously by the Board as part of our stated commitment to nurture an inclusive and respectful culture. The Board is committed to ensuring that its membership reflects diversity in its broadest sense. We believe that in order to provide a range of perspectives, insights and challenge in support of good decision making and to enable achievement of strategic objectives, a combination of skills, experience, race, age, gender, educational and professional background, thinking and other personal attributes is required. The importance of this area forms the basis for succession planning as we consider the best constitution of the Board to successfully take Rotork forward. You can read more about our overall approach to diversity and inclusion across the Group on page 152.

Stakeholders

The Board takes account of the impact of its decisions on all our stakeholders, whether they are our customers, employees, suppliers, shareholders or the communities in which we operate, while taking steps to secure the Group's longer-term success. As a trusted partner, working together with all our stakeholders to understand their different perspectives during these continuing challenging times remains a focus for the Board. There has been a regular dialogue with our stakeholder groups and, on behalf of the Board, I would like to thank them for their partnership during the year.

Our people continue to be fundamental to Rotork's success. Tim Cobbold has held the role of designated non-executive director for Workforce Engagement since 2019. The role ensures employees' views represented and their interests are considered at the strategic level in the Board's decision making. You can read about Tim's engagement with our colleagues undertaken during the year on pages 136 and 137.

Details of the ways we have engaged with stakeholders to understand their views can be found on pages 132 to 135. A statement on how the directors have had regard to the matters set out in Section 172 of the Companies Act 2006 can be found on page 114.

Board performance review

Under the Corporate Governance Code, there is a requirement to undertake an externally facilitated Board evaluation once every three years, with our last external review having taken place in 2019. We were due to conduct an external process during 2022. However, in view of the change in Chair, the Board decided that it would be of greater value to postpone the external Board evaluation to 2023 once Dorothy has taken office. This planned deferral will enable more time for the impact of the change in leadership and the implementation of the new strategic initiatives over the course of 2023 to become better embedded and, given that the 2023 evaluation will be undertaken independently, will provide a more meaningful baseline against which to assess Board effectiveness. For 2022, therefore, the evaluation process for the Board and its Committees was once again facilitated internally. A report on the process and outcomes of the 2022 internal evaluation can be found on pages 138 and 139.

Governance

Throughout the year, we have applied the principles of the Code to our decision-making and have ensured that there is good co-operation within the Group to enable us to discharge our governance responsibilities effectively. The application of the principles of the Code are described throughout this report, together with explanations and signposts providing direction to the relevant page where more detail can be found.

A new Directors' Remuneration Policy, which includes only a few changes from the existing policy and the proposed introduction of an ESG-related performance target and measure for the Long Term Incentive Plan, is being recommended to shareholders for approval at this year's AGM. We are confident that the new policy, intended to operate for the period until the 2026 AGM, is fit for purpose, aligns the interests of the executives with those of shareholders and promotes the long-term success of Rotork. The changes proposed, the positive outcome of the consultation undertaken with major shareholders and the new policy in full, can be found in the Directors' Remuneration Report on pages 153 to 181.

The Company's Corporate Governance compliance statement for 2022 is set out on page 122.

On a personal note, I would like to thank shareholders, the Board and all our employees for their support and hard work during my tenure as Chairman. Rotork is a world class business and I believe it is well placed to take advantage of the opportunities over the coming years. I wish Rotork, Dorothy, Kiet and all our colleagues every success in the future.

Martin Lamb
Chairman
27 February 2023

Governance at a glance

Highlights from 2022

Launching our Growth+ strategy

In November we launched the next phase of our strategy, Growth+ which is designed to drive growth through focus on target segments, customer value and innovation.

See pages 21 to 28

Sales growth in 2022 (OCC):

8.4%

Connecting with our people

Continued engagement with our people through site visits, webinars, direct two-way communication, all-employee surveys.

See pages 69 to 73

Survey participation rate:

75%

Ensuring strong succession

Succession plans, designed to promote diversity of gender, social and ethnic backgrounds and cognitive and personal strengths are in place for the Board and senior management. Following a rigorous recruitment process, Kiet Huynh was internally promoted to the role of Chief Executive Officer and Dorothy Thompson appointed as non-executive director and Chair Designate during 2022.

See pages 150 to 152

Average non-executive director tenure:

3.9 years

Progressing diversity and inclusion

We are committed to maintaining a diverse and inclusive culture on the Board and working to achieve a diverse executive and leadership composition.

See page 152

Board female representation:

44%

Board ethnicity:

22%

Enabling a sustainable future

We play an integral role in accelerating the transition to a low carbon economy through our intelligent products and services.

See pages 142 to 144

Commitment to be net-zero by:

2045

2030 target to reduce scope 1 and 2 emissions:

42%

Shaping our remuneration policy

We engaged with our shareholders on proposals for our renewed Remuneration Policy ahead of our 2023 AGM. We have listened to what they had to say, in particular around setting an appropriate, meaningful and quantifiable ESG target within our Long Term Incentive Plan.

See page 155

Response rate of our largest shareholders contacted:

81%

UK Corporate Governance Code

Corporate governance compliance statement

It is the Board's view that for the financial year ended 31 December 2022, the Company complied with all of the provisions and applied the principles of the UK Corporate Governance Code 2018 (the 'Code') with the exception of provision 21. Provision 21 outlines that a company should hold an external Board evaluation every three years. Our last external review had taken place in 2019. In view of the forthcoming change in Chair, it was decided to postpone the external Board evaluation to 2023 so as to enable the impact of the change in leadership and the implementation of the new strategic initiatives to become better embedded for insights and assessment.

The Company's auditor, Deloitte LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for its review by Listing Rule 9.8.10 and to report if it does not reflect such compliance. No such report has been made.

The Code is publicly available on the website of the Financial Reporting Council at www.frc.org.uk.

Task Force on Climate-related Financial Disclosures – Statement of Compliance

Rotork's statement of compliance in implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), required to be made under Listing Rule 9.8.6(8) is set out on page 100.

Board composition

Non-executive director Board tenure

as at 31 December 2022

	0–3 years	4–6 years	7+ years
2021	2	3	1
2022	3	3	1

Board gender

as at 31 December 2022

	Female	Male
2021	3	5
2022	4	5

Female Board representation is 44% and exceeds the target set under the Listing Rules and DTRs of 40% female representation on boards by 2024.

Focus for 2023

Sales growth and Growth+ strategy

Board oversight of the delivery of mid to high single-digit revenue growth and mid 20s adjusted operating margins over time. Embedding the Growth+ strategy throughout the organisation.

Stakeholders

Continued engagement and awareness of the need to balance the concerns and interests of our stakeholders when making our decisions in the face of supply chain challenges and cost of living issues.

Sustainability

Progressing our net-zero roadmap: we plan to be a net-zero business by 2045. Enabling a sustainable future through our 'eco-transition' portfolio, focusing on our water and wastewater, methane emissions and new energies and technologies portfolios.

Effective transition to new Chair

A comprehensive and tailored induction programme will be undertaken in 2023 to familiarise the new Chair with Rotork's business operations and governance arrangements.

Directors' skills and experience matrix

The matrix below captures the skills we see as key to driving Rotork's long-term success and supporting its purpose of keeping the world flowing for future generations. An essential element in addition to skills is diversity in approach and thinking styles which results from the varied backgrounds and experiences of the directors. This is covered more fully in the individual biographies on pages 124 and 125. The matrix therefore only represents one element of Board contribution and is based on the depth of practical expertise which the directors have acquired by way of functions in management or consulting.

Independence/skills/experience	Kiet Huynh	Jonathan Davis	Martin Lamb[1]	Dorothy Thompson[1]	Peter Dilnot	Ann Christin Andersen	Janice Stipp	Tim Cobbold	Karin Meurk-Harvey
Independence			●	●	●	●	●	●	●
Listed CEO experience			●	●	●			●	
Sector experience[2]	●	●	●	●	●	●			
Engineering & Innovation	●		●		●	●	●	●	●
Operations	●		●	●	●	●		●	●
International	●	●	●	●	●	●	●	●	●
Health & Safety	●		●	●	●	●		●	●
Finance & Banking		●		●			●	●	
Strategy and M&A	●	●	●	●	●	●	●	●	●
Environment & Sustainability				●	●	●	●		●
Digital, Cyber & Technology	●	●				●	●	●	●

1 Martin Lamb and Dorothy Thompson were considered independent upon appointment.

2 Sector experience means experience in the Flow Control sector together with the Oil & Gas; Chemical, Processing & Industrial; and Water & Power sectors, being Rotork plc's end markets.

Board ethnic diversity

as at 31 December 2022

2021 12.5%

2022 22.2%

● Ethnically diverse ● Other

Rotork has exceeded the Parker Review recommendation for FTSE 250 companies for at least one ethnically diverse Board member by 2024.

Board of directors

A Board with experience

Chairman

Executives

Non-executives

Martin Lamb (63)

Chair

N

Appointed to the Board

June 2014

Skills, competencies and experience

Martin has extensive experience in the global engineering sector having served as Chief Executive of IMI plc for 13 years and has held many senior management roles over 34 years. He was a non-executive director of Severn Trent plc and Spectris plc and has served on the boards of a variety of engineering businesses in a non-executive capacity, both in the public and private equity arena.

External appointments

Non-executive director of Evoqua Water Technologies Corporation

Kiet Huynh (44)

Chief Executive Officer

E

Appointed to the Board

January 2022

Skills, competencies and experience

Kiet joined Rotork in 2018 as Managing Director responsible for the Instruments division. Following the Group's divisional realignment in 2019, he has led both the Chemical, Process & Industrial and the Water & Power divisions. Kiet has more than 15 years' experience working as a senior executive for world-leading industrial companies, beginning his career at IMI plc before moving on to Trelleborg. Kiet was appointed as CEO on 10 January 2022.

External appointments

None

Jonathan Davis (56)

Group Finance Director

Appointed to the Board

April 2010

Skills, competencies and experience

Jonathan joined Rotork in 2002 after holding finance positions in several listed companies. He gained experience of the Rotork business initially as Group Financial Controller, and then as Finance Director of the Rotork Controls division. Jonathan was appointed as Group Finance Director in 2010.

External appointments

None

Peter Dilnot (53)

Senior Independent Non-executive director

N A R

Appointed to the Board

September 2017

Skills, competencies and experience

Peter joined Melrose Industries Plc as Chief Operating Officer in 2018 and became Interim Chief Executive Officer of GKN Aerospace, which is part of the Melrose Group, in October 2020. He was appointed to the Board of Melrose Industries plc as an executive director on 1 January 2021. Prior to this, Peter spent seven years as Chief Executive Officer of Renewi plc (previously Shanks Group plc), an international recycling company. Peter has an engineering background and was a senior executive at Danaher Corporation, a leading global industrial business listed on the New York Stock Exchange. His earlier career included six years at the Boston Consulting Group based in both London and Chicago.

External appointments

Executive director of Melrose Industries plc

Chair Designate

Dorothy Thompson, CBE (62)

Non-executive director and Chair Designate

N

Appointed to the Board

December 2022

Skills, competencies and experience

Dorothy was previously Chief Executive Officer of Drax Group plc, the UK renewable power business, from 2005 to 2017. She is currently a Non-Executive Director of Eaton Corporation plc, a leading global power management company listed on the New York Stock Exchange, and of the InstaVolt group, a provider of electric vehicle charging infrastructure. Dorothy retired as Senior Independent Director of the Bank of England in July 2022, where she had been on the Court since 2014. From 2018 to 2021 she served as the non-executive Chair of Tullow Oil plc and was a non-executive director of Johnson Matthey plc from 2007 to 2016.

External appointments

Eaton Corporation plc

N Nomination Committee
A Audit Committee
R Remuneration Committee
E ESG Committee
- None
Denotes Chair

Ann Christin Andersen (56)

Non-executive director

N A R E

Appointed to the Board

December 2018

Skills, competencies and experience

Ann Christin Andersen is a non-executive director with more than 30 years' experience of the oil & gas industry. An engineer by profession, she has been Chief Digital Officer for TechnipFMC. She has served as chair and non-executive director on a number of companies over the past several years.

External appointments

Non-executive director of Ferrexpo PLC

Non-executive Chair of Å Energi (formerly Glitre Energi AS) (unlisted)

Non-executive Chair of Quantafuel AS

Tim Cobbold (60)

Non-executive director responsible for workforce engagement

N A R E

Appointed to the Board

December 2018

Skills, competencies and experience

Tim has extensive experience in leading large, complex international listed businesses having previously served as the Chief Executive Officer of Chloride Group plc, De La Rue plc and most recently, UBM plc. Prior to this, Tim held senior management positions at Smiths Group/TI Group for 18 years. He was a non-executive director at Drax Group plc until September 2019.

External appointments

Non-executive Chair of TI Fluid Systems plc

Karin Meurk-Harvey (57)

Non-executive director

N R E

Appointed to the Board

September 2021

Skills, competencies and experience

Karin has an international background in engineering, technology and telecoms spanning over 30 years, adding commercial expertise to Rotork's Board, particularly in high-growth technology/digital markets. Between 1996 and 2013, Karin held a number of senior roles with Ericsson and has also served as a non-executive director of Korala Associates Ltd, a privately-owned ATM software business.

External appointments

Chief Commercial Officer Smart DCC Ltd

Janice Stipp (63)

Non-executive director

N A R

Appointed to the Board

December 2020

Skills, competencies and experience

Janice brings highly relevant sectoral and financial expertise to the Rotork Board, together with a global perspective, particularly in Asia. Janice was formerly Senior Vice President and Chief Financial Officer of Rogers Corporation, a US speciality engineered materials technology and manufacturing company. Prior to this, Janice held senior financial positions in various international manufacturing and engineering companies.

External appointments

Non-executive director of Sappi Ltd

Non-executive director of ArcBest Corporation

Corporate governance report

Our governance framework

The Board

Accountable to shareholders for the long-term sustainable success of the Group. This is achieved through setting priorities and overseeing their delivery in a way that enables sustainable long-term growth, whilst maintaining a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders.

Chair

Responsible for the leadership of the Board and for ensuring that it operates effectively through productive debate and challenge.

Chief Executive Officer

Responsible for the day-to-day running of the Group's business and performance and the development and implementation of strategy.

Board committees

Responsible for overseeing and making recommendations to the Board on their respective specialist areas as set out below.

Rotork Management Board

Led by the Chief Executive Officer, the Rotork Management Board comprises the Company's senior leadership team below Board level and facilitates the execution of the strategy through running the day-to-day operational management of the business.

Audit Committee

Janice Stipp
Chair

To assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half-year financial statements and accounting policies, internal and external audits and controls.

Read more P.145

Nomination Committee

Martin Lamb
Chairman

To keep under review the composition, structure and size of, and succession to, the Board and its Committees. To oversee succession planning for senior executives and the Board, leading the process for all Board appointments. To evaluate the balance of skills, knowledge, experience and diversity on the Board.

Read more P.150

Remuneration Committee

Tim Cobbold
Chair

To recommend the Group's policy on executive remuneration, determining the levels of remuneration for executive directors, the Chair and the Rotork Management Board. To oversee remuneration and workforce policies and take these into account when setting the policy for directors' remuneration.

Read more P.153

Environmental, Social & Governance Committee

Ann Christin Andersen
Chair

To recommend the overarching ESG vision to the Board to ensure that ESG priorities are anchored at the top of the Company. To identify the relevant ESG priorities that most significantly impact the operations of the Company and its stakeholders, its reputation and public interest role.

Read more P.142

* In addition, the Disclosure Committee of the Board oversees the disclosure of market sensitive information and other public announcements.

How the Board monitors culture

As part of its responsibility to provide effective leadership to the Group as a whole, the Board sets the culture and tone from the top, leading by example to ensure our high standards and expected values, attitudes and behaviours are understood and consistently applied throughout the Group. The Board monitors corporate culture by regularly receiving People updates and reviewing the outcomes of Group employee pulse surveys which are conducted twice a year. Tim Cobbold, as our designated Non-executive Director for Workforce Engagement, also brings the employee voice into the boardroom through sharing updates on his engagement with employees, supplemented by Rotork site visits conducted by other non-executive directors during the year.

Our purpose, values and behaviours are embedded across the business and represent the way we live and breathe our culture. They underpin our business model, are fundamental to the way we work with our employees, customers, suppliers and other stakeholders and guide the way we engage with the wider community and environment.

Our purpose

Rotork's purpose, keeping the world flowing for future generations, through providing innovative, high-quality engineered solutions and services for our customers, helps guide our culture alongside our three values as described below. The way that Rotork uses its resources to fulfil its purpose is set out in our business model on pages 12 and 13.

Our three values

Stronger together

We put people first, we collaborate, inspire and support each other to win together.

Always innovating

We're committed to continuous improvement, thinking differently and improving for the future.

Trusted partner

We're a responsible business, proud of our customer focus.

We put quality and service at our heart.

Our Code of Conduct, which applies to all permanent employees, temporary workers and contractors, sets out the principles that underpin and guide the way we conduct business. A high level summary of our Code is set out on pages 55 and 56.

The Board aims to ensure that our values are integrated into decision-making and that policies and procedures, such as the Code of Conduct and our Anti-Bribery and Corruption Policy maintain these expected behaviours. Where this is not the case, the Board and management team take appropriate action. This is achieved through regular updates to the Board on, for example, compliance matters and reports received through our 'Speak Up' whistleblowing helpline. The regular employee surveys also help evaluate the implementation of our values and culture.

The Board is satisfied that the Company's purpose, values, strategy and culture are aligned and promote the long-term success of the Company, generating and protecting value to shareholders and other stakeholders.

Board leadership and Company purpose

The Board is responsible for determining the Company's strategy, purpose, culture and values, reflecting in particular the generation of long-term value for shareholders and Rotork's role in a sustainable future. It oversees the execution of its strategy by management and the governance and control framework underpinning the Company. The Board is assisted by four principal committees (Audit, Nomination, Remuneration and Environmental, Social and Governance), each of which is responsible for reviewing and dealing with matters within its terms of reference. The activities and decisions made at the committee meetings are reported to the subsequent Board meeting.

This year's strategy meeting held in June at our Bergamo facility explored Rotork's strategy through to 2027. The outcome, Rotork's Growth+ strategy and business model is covered on pages 21 to 28 and pages 12 to 13 of the Strategic Report. The Board is confident that the necessary resources are in place for the business to meet its strategic objectives.

The Board is also responsible for the review and oversight of the effective management of risk, whilst delegating oversight of the controls framework to the Audit Committee. The Board rigorously challenges strategy, performance, responsibility and accountability to ensure that decisions are made effectively and in the long-term interests of the business.

In its duty to promote the long-term success of Rotork, the Board recognises that its responsibilities extend not only to the creation of value for its shareholders but also to the Company's wider stakeholders, including employees, customers, suppliers, the governments and communities in which it operates, as well as the environment. In so doing, the Board has also sought to understand the views of these other key stakeholders. Pages 132 to 135 describe how their interests have been considered at Board-level discussions. Tim Cobbold is the designated non-executive director dedicated to improving employee engagement and details of the work he has undertaken in fulfilment of this role can be found on pages 136 and 137.

Division of responsibilities

All the non-executive directors have the appropriate skills, experience in their respective disciplines and characteristics to bring independence and objective judgement to Board discussions. As well as chairing the Board meetings, Martin Lamb chairs the Nomination Committee. As the Senior Independent Director, Peter Dilnot provides a sounding board for the Chair in addition to acting as an intermediary for other directors and shareholders. During 2022, Peter led the process for the search for the new Chair, resulting in the appointment of Dorothy Thompson as Chair Designate. In December 2022, he met with other non-executive directors, without the Chair present, to appraise the Chair's performance.

Janice Stipp chairs the Audit Committee which meets three times a year. Ann Christin Andersen chairs the Environmental, Social and Governance Committee. Tim Cobbold chairs the Remuneration Committee as well as being the designated non-executive director responsible for supporting increased engagement with the workforce and for bringing the voice of the workforce into the boardroom.

Private meetings of the non-executive directors are held at each Board meeting and each year the Chair, together with the non-executive directors, meet outside of the formal meeting structure, and without the executive directors present, to scrutinise and hold to account the performance of management and individual executive directors.

The roles of the Chair, Chief Executive Officer, Senior Independent Director, Group Finance Director as well as the members of the Rotork Management Board are set out in the table on page 126.

Corporate governance report continued

Responsibilities of the Board

Non-executive Chairman
Martin Lamb

Leading the Board and setting its agenda; setting high standards of integrity and ensuring effective governance is maintained; supporting and guiding the CEO; overseeing Group performance; representing the Group and leading relations with shareholders to understand their perspectives.

Chief Executive Officer
Kiet Huynh[1]

Overall management of the Group and leadership of the Rotork Management Board delivering the Group strategy, leading operational management, business development, growth opportunities; influencing and developing succession planning; managing Investor Relations.

Group Finance Director
Jonathan Davis

Reports to the Board on the Group financial performance; supports the CEO in delivering the Group strategy and in managing investor relations; implements Board decisions; responsible for compliance with financial policy and controls.

Senior Independent Director
Peter Dilnot

Provides a sounding board for the Chair and acts as an intermediary for other directors and shareholders; leads the annual performance evaluation of the Chair; ensures the orderly succession of the Chair's role.

Non-executive directors
Ann Christin Andersen, Tim Cobbold (designated non-executive director for workforce engagement), Karin Meurk-Harvey, Janice Stipp and Dorothy Thompson (non-executive Chair Designate)

Independent non-executive directors provide independent oversight, judgement and challenge to the executive directors on delivery of the Company strategy within the agreed control framework and governance structure; ensure balance in the Board's decision making process.

As the designated non-executive director for Workforce Engagement, Tim Cobbold provides an effective engagement mechanism for the Board to understand the views of the workforce; brings the views and experiences of the workforce into the boardroom; ensures that the views of the workforce are considered in the Board's decision making. This role combines well with Tim's responsibilities as Chair of the Remuneration Committee, providing a valuable linkage and insight between the workforce and remuneration matters at all levels across the business.

Group General Counsel & Company Secretary
Stuart Pain

Advises the Board on legal and corporate governance matters and supports the Board in applying the Code, complying with UK listing obligations and other statutory and regulatory requirements; ensures Board members have access to the information they need.

1 Until 10 January 2022, Kevin Hostetler held this office. Kiet Huynh was appointed CEO from 10 January 2022.

Rotork Management Board	Responsibility
Paul Burke Chief Information Officer **Kathy Callaghan** Group HR Director **Jonathan Davis** Group Finance Director **Kiet Huynh** Chief Executive Officer **Metin Gerceker** Managing Director, Water & Power **Lyndsey Norris**[i] Business Transformation Director **Xin Man**[ii] Managing Director, Chemical, Process & Industrial **Ross Pascoe** Chief Technology Officer **Stuart Pain** Group General Counsel & Company Secretary **Mike Pelezo** Site Services Director **Grant Wood** Operations Director	The Rotork Management Board comprises the Company's senior leadership team below Board level and facilitates the execution of the strategy through running the day-to-day operational management of the business. Members of the Rotork Management Board attend Board meetings by invitation to update the Board on operational matters of importance.

(i) Role changed from 1 January 2023; previously MD, CPI during 2022.

(ii) Appointed from 1 January 2023.

Non-executive director independence

The Chairman is committed to ensuring that the Board comprises a majority of independent non-executive directors who objectively challenge management on the execution of its strategy.

The Company maintains clear records of the terms of service of the Chair and non-executive directors to ensure they meet the requirements of the Code. Neither the Chairman nor any non-executive director has exceeded their nine-year recommended term of service. Martin Lamb will retire from the Board and as Chairman at the conclusion of the 2023 AGM, having served nearly nine years on the Board. Dorothy Thompson, who was appointed as a non-executive director on 1 December 2022 and as Chair Designate, will take over from Martin Lamb as Chair from the end of the AGM on 28 April 2023.

The Board considers all non-executive directors, Tim Cobbold, Peter Dilnot, Ann Christin Andersen, Karin Meurk-Harvey and Janice Stipp to be independent. Martin Lamb, Chairman and Dorothy Thompson, Chair Designate, were considered to be independent on their respective appointments

Board effectiveness

Board meetings

The Board meets regularly during the year as well as on an ad hoc basis, as business needs dictate. The Board met formally seven times during the year, with video calls held in other months for updates on key matters relating to trading and financial performance. Meeting attendance is shown opposite. The Chair, Chief Executive Officer and Group General Counsel & Company Secretary agree a structured agenda ahead of each Board meeting. Board activities are structured to help the Board achieve its goals and to provide support and advice to the executive management team on the delivery of strategy within a robust governance framework. Throughout the year, the Board has received regular in-depth progress reports and presentations on current trading and financial performance and presentations from the Chief Executive Officer, Group Finance Director and from the wider executive management team, particularly regarding implementation updates on our Growth+ strategy, emerging issues relating to our supply chain, and the development of our people. Other regular reports have included health and safety, legal, compliance and governance updates, investor relations activities, environmental and sustainability issues, risk management reviews and cybersecurity updates. If a director is unable to attend a meeting due to exceptional circumstances, he/she still receives the papers in advance of the meeting and has the opportunity to discuss with the relevant Chair any matters on the agenda they wish to raise. Feedback is provided to the absent director on the decisions taken at the meeting.

The Chair meets privately with the Senior Independent Director and with the non-executive directors on a regular basis.

Board meeting attendance in 2022

Member	Member since	Eligible meetings (max. 7)	Attendance
Martin Lamb, Chairman	June 2014	7	7
Dorothy Thompson, non-executive director and Chair Designate[i]	December 2022	1	1
Peter Dilnot, Senior Independent Director	September 2017	7	7
Kevin Hostetler, Former Chief Executive Officer[ii]	February 2018	0	0
Kiet Huynh, Chief Executive Officer[iii]	January 2022	6	6
Jonathan Davis, Group Finance Director	April 2010	7	7
Ann Christin Andersen, Non-executive director	December 2018	7	7
Tim Cobbold, Non-executive director	December 2018	7	7
Karin Meurk-Harvey, Non-executive director	September 2021	7	7
Janice Stipp, Non-executive director	December 2020	7	7

(i) Dorothy Thompson joined the Board on 1 December 2022.

(ii) Kevin Hostetler retired from the Board on 10 January 2022.

(iii) Kiet Huynh joined the Board on 10 January 2022.

Corporate governance report continued

Composition

The Board currently consists of nine Board members, seven of whom are non-executive directors. As at 27 February 2023, female representation on our Board was 44.4% with ethnic diversity representation being 22%.

The Board members come from a variety of professional backgrounds including engineering, manufacturing and finance, and collectively possess significant managerial experience, as well as experience of being executive directors of other public limited companies. A more detailed analysis of Board composition, skills and experience can be found on pages 122 to 123. In line with Provision 18 of the Code, each director is subject to annual re-election at the AGM.

The Board delegates certain matters to specific committees for more in-depth consideration, including to the Nomination, Audit, Remuneration and Environmental, Social and Governance ('ESG') Committees. Each Committee has formal, written terms of reference which are available to download from the Rotork website at www.rotork.com and which are reviewed annually. All Committees have at least three independent non-executive directors within their composition, with the ESG Committee also comprising the CEO and a member of the Rotork Management Board. The Company also has a Disclosure Committee. The Group General Counsel & Company Secretary acts as secretary to the Committees. The number of Board meetings can be found on page 129. The number of meetings of the Audit, ESG, Nomination and Remuneration Committees can be found on pages 142 to 159.

Time commitment

All directors are expected to attend all meetings of the Board and any committees on which they serve. They are also expected to attend the AGM and Board away days. Directors are also expected to devote sufficient time to prepare for each Board and Committee meeting.

By accepting their appointment each non-executive director has confirmed that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. In accordance with the Code, directors are also required to seek prior approval of the Board before accepting additional external appointments.

The Chair, through the Nomination Committee under its terms of reference, monitors the time commitment of non-executive directors with no issues having been identified during the year.

Information and support

All non-executive directors are entitled to unfettered access to information and management across the Group. Rotork's executive directors understand the distinction between their roles as executive managers and as Board directors.

The Board has a procedure for directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties. All directors have access to the advice of the Group General Counsel & Company Secretary who supports the Board on legal and corporate governance matters, including compliance with the Company's Listing Rules obligations and other regulatory or statutory requirements. Together with the CEO and the Group General Counsel & Company Secretary, the Chair ensures that the Board is kept properly informed and is consulted on all issues reserved for it. Board papers and other information are distributed in a timely fashion to allow directors to be properly briefed in advance of meetings.

In accordance with the Company's Articles of Association, directors as well as the Group General Counsel & Company Secretary, have been granted an indemnity by the Company to the extent permitted by law in respect of liabilities incurred as result of their office. The indemnity would not provide any coverage where they are proved to have acted fraudulently or dishonestly. The Company has also arranged appropriate insurance cover in respect of legal action against its directors and officers.

Ongoing professional development

In order to facilitate greater awareness and understanding of Rotork's business and the environment in which it operates, directors are given regular updates on changes and developments in the business. Over the course of the year, directors will continually update and refresh their skills and knowledge and seek independent professional advice when required.

Conflicts of interest

Procedures are in place to identify and manage declared actual and potential conflicts of interest which directors (or their connected persons) may have and are obliged to avoid under their statutory duties and the Company's Articles of Association. The Board considers each director's situation and decides whether to approve any conflicts based on the overriding principle that a director must at all times be able to consider and exercise independent judgement to promote the success of the Company. This procedure has operated effectively throughout the year. Authorisations given by the Board are reviewed on a regular basis. No director has declared any material conflicts of interests.

Insight into the Boardroom

An insight into the breadth of matters discussed by the Board during the year and their outcomes is set out below:

	Topics	Outcomes
Strategy and sustainability	• Next phase of the Group's strategy in line with vision of 'Keeping the world flowing for future generations' • M&A strategy • Deep Dives on new product development, and the growth strategy for the target segments • Progression of sustainability strategy in line with our three pillars	• Launch of Growth+ strategy • Capital Markets Day in November 2022 • Setting our science-based emissions reduction targets for 2030 with external validation received • Publication of Sustainability Report
Financial	• Regular financial performance updates • 2023 budget • Year-end, half-year and trading updates • Cash flow, liquidity, going concern and long-term viability • Use of cash	• Pricing evolution • Preliminary results • Annual Report and Accounts • Final and interim dividends • Tax strategy • Board training on TCFD reporting
Operational	• Health & Safety • Market and sector trends • Supply chain issues • ERP platform rollout • Cybersecurity • Capital expenditure and contract approvals • Russian business in light of Ukraine conflict	• Adapting to customers' needs • Building business resilience and mitigating challenges • Focus on use of data in business to make better informed decisions • IASME accreditation sought and achieved • Suspension and wind down of operations in Russia
People and organisational	• Succession planning • Talent • Diversity and inclusion • Culture • Gender pay • Cost of living crisis • Employee pulse surveys • Employee voice in the boardroom • Renewal of all-employee share schemes	• Appointment of new CEO in January and Chair designate in December • Top leadership development plans • Gender and Ethnicity pay review • Implementing learning and development programme, especially early careers programmes • Cost of living review and approval of initiatives • Continued employee share ownership
Risk, governance, legal, compliance and IR	• Risk review including principal and emerging risks and insurance renewal strategy • 'Speak Up' reports and compliance updates • Supplier Code of Conduct Policy • Modern Slavery • Meeting reports from Chairs of Audit, Remuneration, Nomination and ESG Committees • Board and Committee effectiveness • Shareholder engagement and IR updates	• Risk appetite and tolerance ranges for each principal risk • Enhanced compliance training • Approval of Supplier Code of Conduct policy • Approval of Modern Slavery Policy and annual statement • Internal Board evaluation • Continued active dialogue with our shareholders and investment community

Corporate governance report continued

Consideration of stakeholder interests in decision making

Our Section 172 statement and an explanation of our approach is given on pages 114 to 117. To add more colour to our Section 172 statement, the following pages provide an insight into how the Board consider stakeholders interests when making key decisions and ensuring the long-term success of the Company.

Board oversight of engagement with stakeholders

Shareholders

s.172(1)(f)

The need to act fairly between members of the Company

The Board understands that acting fairly in the interests of all shareholders ensures good governance and increases investor confidence.

Our 2022 AGM was held in person in Bath, UK for the first time since 2019. The AGM provided an opportunity for the Board to interact with shareholders and to answer any questions they might have. All resolutions were approved by shareholders, with votes in favour ranging from 79.89% to 99.99%. The Board values feedback from our shareholders and reached out to those shareholders who voted a combined 20.11% against the re-election of non-executive director, Ann Christin Andersen, to understand their reasons for doing so. The Board discussed the feedback received and determined that Ann Christin continues to have the capacity to discharge her role at Rotork effectively. The outcome from the engagement with those shareholders who voted against this resolution was published as an RNS announcement on 5 October 2022 and submitted to the Investor Association register so that all our shareholders might understand the steps taken and the outcome. We enjoy an active dialogue with our investors and the investment community. Our Chairman, Chief Executive Officer, Group Finance Director and our Investor Relations Director regularly communicate with existing and potential shareholders, and over the course of the year have engaged with investors representing over half of our issued share capital. In 2022, they attended over 100 meetings with over 160 separate institutions as well as holding a Capital Markets Day in early November to launch our Growth+ strategy. The views expressed by investors are shared with the full Board at each Board meeting and with the relevant committees, enabling the Board to take these views into account in its wider decision making. The Board understands shareholders' need for return on investment and approved an interim and final dividends based on the Company's profits.

Shareholder engagement in action

We remain satisfied that the Policy continues to work effectively and is aligned to the interests of shareholders and other stakeholders.

Tim Cobbold
Remuneration Committee Chair

Shaping remuneration policy

Rotork's Remuneration Policy is subject to a three-yearly binding vote from shareholders, with it last being approved at the 2020 AGM with 96% support.

In July 2022, Tim Cobbold, Chair of the Remuneration Committee, wrote to Rotork's largest shareholders, as well as to the advisory agencies, to set out the proposed, minor changes to the current policy and to seek their views on the proposed introduction of environmental measures for Rotork's Long Term Incentive Plan (LTIP). The level of response from this initial letter was high and was followed up with virtual meetings held in September and October between Tim and shareholders where views on the appropriate environmental targets and other minor policy proposals were shared and discussed. All of the substantive feedback from shareholders related to the introduction of environmental measures in the LTIP with the general consensus being favourable.

Shareholder responses were considered at the Remuneration Committee meeting at the end of October and, in collaboration with the ESG Committee, relevant environmental targets and measures linked to our strategy, together with appropriate weightings for inclusion within the LTIP were explored further at the Remuneration Committee meeting held in December 2022. With the agreement of the Remuneration Committee, a further letter was sent to shareholders at the beginning of January 2023. This letter reported the feedback which had been received to date and set out the proposed environmental targets for inclusion in the LTIP for the 2023 awards as well as confirming the minor changes proposed to be made to the Remuneration Policy at the 2023 AGM. At the Remuneration Committee's February 2023 meeting, the Committee proposed to set an LTIP target linked to the evolution of our net-zero and sustainability strategy to performance. Further details on all our LTIP targets, measures and weightings can be found on pages 160 to 181.

This engagement with shareholders contributed to the Remuneration Committee's understanding of the prevailing views of our shareholders on the extent to which they value ESG-related targets, the expected close link to strategy and how such targets could be best structured within Long Term Incentive Plans to align executive remuneration with the interest of shareholders and stakeholders generally.

Employees

s.172(1)(b)

The interests of the Company's employees

The Board takes into consideration the interests of the Company's employees when making decisions and understands the value of having a diverse workforce.

Updates on employee relations and views are regularly presented to the Board by the Chief Executive Officer and Group HR Director. These include sharing insights and feedback gathered through a twice annual employee engagement survey. Tim Cobbold is the designated non-executive director, bringing the voice of employees to the boardroom, ensuring employees' views are represented and their interests are considered at the strategic level in the Board's decision making.

A structured programme of activities ensures direct engagement between Board members and employees, creating opportunities to seek feedback and insights to deepen the understanding of employee opinion and concerns across Rotork's business. For example, engagement between employees and the Board is undertaken through interactions during site visits throughout the year.

During these visits, attention is given to meeting colleagues from all levels and areas which enable open conversations and more personal interactions between directors and employees. In addition, employees can reach out via email directly to Tim with any concerns or questions they wish to raise, to which he responds personally. A further focus activity this year has been the engagement of employees in broader conversations around diversity and directors hosted virtual conversations which provided great insights in how colleagues feel Rotork's approach to diversity currently contributes to our culture and ways of working.

This year, the cost of living has been an employee concern brought to the Board's attention. The Board endorsed management's initiatives to address this matter, including the decision to bring forward the annual pay review to January 2023. For more information, please see page 16.

Employee engagement in action

Site visits to Lucca and Bergamo in Italy and Langenzenn, Germany

Visiting our global sites is a valuable way for our non-executive directors to hear directly from employees, as well as deepening their understanding of our operations in practice and monitoring the Company's culture and health and safety standards.

I was impressed with the active and agile supply chain management that keeps the shop running at full speed – in spite of a difficult environment.

Ann Christin Andersen
Non-executive director

Ann Christin Andersen and Janice Stipp visited our sites in Lucca, Italy in October 2022 and Langenzenn, Germany in November 2022. During their visits, Ann Christin and Janice participated in factory tours led by local plant managers. The non-executive directors viewed key production areas including an automation upgrade which had improved the efficiency of assembling products. They also engaged with the operational teams, including local research and development employees, and learned from the team their views on local supply chain issues and market opportunities. One of the common concerns raised by employees was the increase in the cost of living. Ann Christin and Janice heard how the increase in energy and inflation had impacted the employees and the local Rotork business.

Ann Christin and Janice met with female employees at both sites to discuss diversity and inclusion. This discussion was an invaluable insight into the views of the employees and areas of improvement that Rotork could focus on relating to gender diversity and inclusion.

The Board's annual strategy session was held at our site in Bergamo, Italy. The opportunity was taken for all Board members to spend time with the plant manager and her senior staff, undertaking a tour of the factory and gaining insights from a presentation on operations.

During the year, other site visits were undertaken by Martin Lamb, Karin Meurk-Harvey and Peter Dilnot who spent time engaging with local management and employees at our facilities in Rochester, NY and Leeds, UK. The activities undertaken by Tim Cobbold, as the designated non-executive director for Workforce Engagement are described in full detail on page 136 and 137. Martin, Tim, Ann Christin, Janice, Peter and Karin all provided a summary of their site visits and stakeholder views to the wider Board which are taken into consideration in decision making.

Corporate governance report continued

Board oversight of engagement with stakeholders continued

Customers

s.172(1)(c)

The need to foster the Company's business relationships with suppliers, customers and others

Fostering the Company's business relationships with customers is a key consideration for the Board.

Interaction with our customers remains a key topic in Board discussions and especially so in the light of the supply chain challenges we faced during 2022. Putting the customer at the centre of our business remains a strategic priority of our Growth+ strategy with the Board approving customer value as one of the key strategic pillars. As our dedicated end market organisations continue to increase contact and intimacy with our customers, we are expanding our capabilities to deliver greater customer satisfaction throughout the selling process. We continue to gain a greater insight into more of the niche areas of our end markets. We have been able to focus on specific application needs which help us to develop wider product solutions with clear benefit to the customers.

As our customer partnerships develop, we have introduced key account management with some of our largest customers which has generated clear mutual benefits through aligning business needs and priorities. As we begin to see some of the pandemic operational and transportation challenges ease, we are working closely with our customers for longer term business planning which will help them to be more competitive and at the same time reduce indirect transactional costs. All of these improvements are helping us to become a trusted partner to our customers and the supplier of choice.

Community

s.172(1)(d)

The impact of the Company's operations on the community and the environment

Board decisions are made with consideration of our operational impact on the communities in which we work.

The Board and the ESG Committee reviews key community initiatives in meetings and as part of the sustainability strategy. The Company continues to commit 0.1% of profits to global charities. This year, the ESG Committee reviewed our partnerships with three global charities: Renewable World, Pump Aid and WeForest. The Committee received an update on the impact the funding made in local communities such as the Keep Kids in School project where Rotork funding improved access to education for over 3,400 children through access to water and sanitation in secondary schools in Nepal. The Committee endorsed management's proposal to renew the partnerships and funding for the three global charities.

Upon Russia's invasion of Ukraine, the Board acted promptly and discussed in detail the impact of our presence in Russia. Having already suspended deliveries to Russia at the end of February 2022, the Board made the decision to wind down our operations in Russia in early March 2022 and approved a donation of £25,000 to the Disasters Emergency Committee to support the relief efforts in Ukraine.

In 2022, our own charity, Rotork Benevolent Support, made further grants to employees, ex-employees and families to help relieve financial hardship being faced as a result of either the COVID-19 pandemic or the ongoing cost of living crisis.

Suppliers

s.172(1)(c)

The need to foster the Company's business relationships with suppliers, customers and others

s.172(1)(e)

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board understands the value of fostering our relationships with suppliers and maintaining high standards of business conduct.

Our suppliers are key to the success of Rotork and our Growth+ strategy. The Board received regular updates on the supply chain issues and discussed solutions including inventory levels, supply chain availability and key supplier relationships. With the Board's support, management invested in initiatives to help mitigate the risks and impacts of key component and material availability required in the manufacture of our products.

The Board appreciates that our suppliers are integral to our sustainability strategy. Following review by the ESG Committee, the Board approved an update to our Supplier Code of Conduct to highlight our ever increasing focus on environmental topics. The current version can be found at www.rotork.com/en/about-us/terms-and-conditions/suppliers/supplier-code-of-conduct.

Following the re-issue of the Supplier Code of Conduct, Rotork's supplier assessment and annual audit process was updated to reflect the sustainability and ESG priorities to ensure the supply base supporting Rotork on those requirements are set out in the Code of Conduct.

We continually review our global supply chain and operations to ensure that we are working to prevent modern slavery in these areas. In July, the Board approved a Modern Slavery Policy which provides guidance on how to prevent and detect modern slavery in any part of our business or supply chains. Details of the efforts we have made in 2022 to combat modern slavery are detailed in our 2022 Modern Slavery Statement which can be found on the Rotork corporate website at www.rotork.com/en/investors/modern-slavery-statement.

Environment

s.172(1)(d)

The impact of the Company's operations on the community and the environment

Environmental responsibility is an important commitment for everyone at Rotork with the Board focusing on both our 'footprint' and 'handprint' on the environment and how we can enable a sustainable future.

The ESG Committee assists the Board in overseeing the execution of the Company's sustainability strategy and monitoring its progress. In recognition of the increasing importance of ESG matters to all our stakeholders, the Committee receives updates on the views of stakeholder groups including their key priorities to ensure our sustainability plans are aligned. In early 2022, the Board committed to be a net-zero business by 2045 and set a science-based target to reduce scope 1 and 2 emissions, being those arising from its operations, by 42% by 2030. The Company has also set targets to reduce emissions in its value chain, committing to reducing emissions associated with the use of sold products by 25% by 2030, and to have 25% of its suppliers committed to science-based targets by 2027. These corporate greenhouse gas emissions reduction targets have been validated by the Science Based Targets initiative ('SBTi').

The Board supports the purpose of TCFD in stimulating better climate-related disclosures that will enable financial and other partners to gain a clear view of which companies will endure or even flourish as we transition towards a low-carbon future. During the year, the Board received training on developing practice on ESG reporting and assurance and endorsed the approach and actions being taken by the management team in implementing the recommendations of the TCFD in the key areas of governance, strategy, risk management and targets and metrics.

In June 2022, under the ESG Committee's oversight, Rotork published our Sustainability Report which detailed the Group's non-financial performance. Further details on how the ESG Committee has provided leadership and direction on these key environmental issues can be found on pages 142 to 144.

Corporate governance report continued

Workforce engagement in action

Non-executive director for Workforce Engagement

Tim Cobbold has held the role of designated non-executive director for Workforce Engagement since its inception in 2019. This role helps ensure an effective engagement mechanism between the Board and employees operates so that employees' views are better represented, and their interests more fully considered at all levels of the Board's decision making.

The insights and needs of employees provide a valuable contribution to the Board's decision-making process and is important towards building a workplace where employees can thrive and ultimately the long-term success of our business.

Tim Cobbold
Remuneration Committee Chair

I have been pleased to serve as the designated non-executive director for Workforce Engagement for the last four years, since the role was created.

In Rotork, the Board recognises that success as a business relies on the Rotork culture, articulated in our values, and in our people. The Board knows that long-term success is built by the teams around the world and how we work together to deliver value for all stakeholders.

In my role as the NED for Workforce Engagement, I help ensure our employees' perspective is represented in the Board's decision-making process by bringing their views and experiences to the boardroom, and ensuring that the views, experience and opinions of colleagues are considered as Board discussions take place and as decisions are made.

This role combines well with my responsibilities as Chair of the Remuneration Committee, providing a valuable linkage and context to remuneration matters at all levels across the business and also helping the Remuneration Committee fulfil its responsibilities of oversight of pay and remuneration across Rotork's wider workforce.

Each year, we create a structured programme of activities that seeks to involve as many of the Board as possible. The aim is to ensure there is sufficient direct engagement between Board members, including myself and colleagues, in order to create opportunities for feedback to the Board to deepen the Board's understanding of the perspective of employees as well as to give voice to the concerns of employees across Rotork's business.

I am responsible for developing the programme each year and for reviewing progress during the year with the Group HR Director, Communications Director and the Chief Executive Officer. I also provide updates to the Board. In Rotork, the framework for workforce engagement comprises three streams of activities, taking into account the fragmented, global nature of Rotork's workforce, to best ensure we connect with as many employees as possible.

Survey participation rate

75%

Direct, two-way communications – between employees, myself as the designated NED and other Board members as appropriate, to allow direct communication outside the existing lines of communication that follow the management line.

I continue to receive emails from employees through the 'Ask Tim' approach, a channel established to provide a route to contact me directly with any concerns, questions or issues. I respond to each of these personally and follow-up with the executive management team on actions or elevate topics for a discussion by the Board, as appropriate. I also review whistleblowing data.

Individual Board members communicate with the workforce as a whole where it is topical. In 2022, Ann Christin Andersen, Chair of the Environmental, Social and Governance ('ESG') Committee wrote to all employees on Sustainability Day raising awareness of this important topic and to share and reaffirm our commitment to net-zero. This generated some thoughts and ideas from employees which Ann Christin was able to respond to. She updated the ESG Committee and the Board itself, all of which helped inform our Sustainability plans.

Face to face meetings – with employees and members of the Board, including the designated NED, allow for more personal interactions and to help create a level of intimacy between Board members and the individual employees.

With the restrictions due to COVID-19 lessening it was helpful to be able to allow many of the interactions between Board members and employees to take place in person. In 2022, each Board member visited at least one Rotork site and met with senior local management, held 'skip level' meetings with employees (without local senior management) and toured facilities. In the USA, Martin Lamb visited the Houston facility, Karin Meurk-Harvey visited the Rochester site, Ann Christin Andersen visited the Langenzenn operation in Germany and also met with employees during a visit to Lucca in Italy together with Janice Stipp. Peter Dilnot, Senior Independent Director, spent time with colleagues at our Leeds site. I visited the Manchester facility and also attended, virtually, a meeting with employees in Bath and focus groups with Italian colleagues. During these visits, attention is given to meeting colleagues from all levels and areas, in particular those that may not always be easily reached through other channels, such as email, due to the nature of their work and role.

Group Employee Surveys – are used to inform, in a data driven way, the view of the workforce on specific topics in a repeatable manner, with response rates indicating the degree of engagement.

Employee engagement is a key measure for the success of our organisation, receiving direct feedback from employees is important to understand what is working well and where we should focus to make improvements. Twice a year we ask all employees anonymously to provide their views and measure engagement scores and feedback across key areas.

I'm very pleased that the participation rate for both surveys in 2022 was 75%. Scores also indicated a positive trend in nearly all areas and particularly in the number of colleagues who fall into the highly engaged category. The rating of Rotork as a Place to Work, which reflects our progress on employee engagement and experience rose from 6.4 in December 2021 to 7.2 in December 2022, an increase of 12.5%.

Whilst there is an overall sense of positivity about the future direction of the business, we've clearly heard from colleagues that there are challenges, particularly the cost of living. We discussed this at length at the Board as we considered what the Board and the Company could realistically do to support employees in a way that was sustainable and supportive of all stakeholders. The executive management presented a number of alternatives and recommended a course of action. Following the discussion at the Board, it was agreed to support colleagues by bringing forward the annual salary review for all but the most senior people, from 1 April 2023 to 1 January 2023. Furthermore, additional funds were made available to increase the pay of the lowest paid colleagues who are most affected by the cost of living pressures.

In response to feedback received through the Employee Surveys we have taken action to improve engagement. It was clear that we should improve the communication of the business' strategy and with the launch of the Growth + strategy much more focus has been given to its cascade through the business. More effective communication increases the sense of collaboration and communication across the business.

A further focus activity this year has been the engagement of the Board with employees in broader conversations around diversity and inclusion. Karin Meurk-Harvey, Ann Christin Andersen and Janice Stipp each hosted separate virtual conversations as part of a Women@Rotork webinar series. Each of the sessions were attended by more than 20% of the workforce and provided powerful insights and provoked interesting debates on how colleagues felt about Rotork's approach to diversity and the way it contributes to culture and ways of working.

Looking ahead, I look forward to continuing to promote actively Rotork's Board's engagement in 2023 and to strengthening the meaningful two-way communication between employees and the Board.

Corporate governance report continued

Annual Board evaluation

In accordance with the Code, the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and directors. The purpose of the evaluation is to ensure key areas such as the Board's composition, expertise, interaction, management, key decision-making processes and meeting focus and prioritisation continue to be assessed and developed.

2021 internal Board evaluation

The areas identified for development during the previous year's evaluation process and the actions that we have taken during 2022 to address them are set out below.

Areas identified for development	Actions taken in 2022
Embed the new CEO in his new role with support as needed from Board members.	Developed and implemented a structured induction programme for Kiet Huynh. Board members made themselves available to support outside of meetings. The Board considers that Kiet has embedded himself effectively as CEO in the business, having made an impressive start and having established good traction across the Group.
Focus on delivering growth, including revitalising the product portfolio.	Our 2022 strategy meeting focused on refining our strategy to accelerate growth, including new product development and innovation. In November, we launched the next phase of our strategy, Growth+ which is designed to drive growth through focus on target segments, customer value and innovation.
Continue with engagement with the RMB and our People, to enhance the Board's understanding of the issues affecting the business and how our employees are addressing them.	During the year, more opportunities and means of engagement were created to enable the Board to engage, both formally and informally, with the RMB and our People. More details on the engagement process are given on pages 130 to 133.

2022 Board evaluation

In view of the change in Chair, it was felt that it would be of greater value to postpone the external Board evaluation, due to take place during 2022, to 2023. Such deferral, to be undertaken under the supervision of the new Chair, will enable the impact of the change in leadership and the implementation of the new strategic initiatives over the course of 2023 to become better embedded and, given that the 2023 evaluation will be undertaken independently, will provide a more meaningful baseline against which to assess Board effectiveness.

During 2022, led by Martin Lamb, Chairman, and with guidance and support provided by the Group General Counsel & Company Secretary, an internal evaluation of the performance and effectiveness of the Board and its Committees was conducted. The process was undertaken in November 2022 by way of questionnaires targeted at the agreed key action areas with input from all Board members. The Group General Counsel & Company Secretary collated and analysed the results, discussing them with the Chairman prior to feedback being provided to the December 2022 Board meeting. Subsequently, the Board agreed an action plan for implementation in the year ahead as set out below.

Areas identified for development	Actions to be taken in 2023
Embed the new Chair successfully	A comprehensive and tailored induction programme will be undertaken during 2023 to familiarise Dorothy Thompson with Rotork's business operations, people and risk and governance arrangements.
Board to focus on delivery of strategic initiatives under the Growth+ strategy	The Board will oversee and monitor the execution of the Growth+ strategy through review and discussion of the issues reported in the regular updates at its meetings and through deep dives on key strategic initiatives.
Board papers	Continuous improvement of Board and committee papers to be made to ensure they are concise, targeted and provide appropriate insight to enable effective decision making.
RMB engagement	Given the recent changes to the RMB membership, more opportunities will be created for the Board to engage with the RMB both formally at meeting presentations and deep dives and informally.

Chairman's performance evaluation

Led by Peter Dilnot, as the Senior Independent Director, an internally-facilitated review of the Chairman's performance was undertaken by means of an online questionnaire and private meetings held between Peter and the non-executive and executive directors. It was concluded that Martin Lamb's performance and contribution to Rotork remained strong, with particular recognition being given to the excellent support he has provided during the year to Kiet Huynh as the new CEO. It was agreed that Martin continued to demonstrate overall effective leadership and promoted constructive debate. The outcome was shared with Martin, and also with Dorothy Thompson as the incoming Chair, recognising that this would provide valuable insight ahead of her taking over the Chair role at the end of April. The 2023 Chair's performance review will be undertaken externally.

2023 external evaluation

With internal evaluations having been carried out in each of the last three years, an external evaluation of the Board and its committees will be conducted in 2023 as the beginning of a new three-year cycle. Details of the findings from the external evaluation will be provided in next year's Annual Report.

Audit, Risk and Internal Control

Whilst maintaining overall responsibility, the Board delegates the establishment of formal and transparent policies and procedures relating to independence and effectiveness of internal and external audit functions to the Audit Committee. The Audit Committee scrutinises the integrity of financial and narrative statements and considers whether the assessment of Rotork's position and prospects are fair, balanced and understandable and then recommends these statements to the Board for approval.

The established risk review process produces a 'bottom up' assessment of the risks facing the Group, reflecting the views of the commercial divisions and functional teams. These are consolidated before a 'top down' review is performed by management and then by the Board to ensure the corporate risks are complete and adequately assessed.

A risk dashboard is presented to the Board on a quarterly basis. This includes a set of Key Risk Indicators which provide a means of monitoring the Group's risk exposures, and highlights areas where the Group exceeds, or will potentially exceed, risk appetite. Quarterly reporting is supplemented, as necessary, by more detailed monthly reporting to the Board by the executive management team on new or evolving risks, the effectiveness of existing mitigations and plans to further strengthen mitigations.

The Risk and Compliance team, led by the Head of Risk and Compliance, monitor the effectiveness of risk management across the Group. During the year this team was bolstered with the onboarding of a Risk and Compliance Manager and promoting an internal candidate to Risk and Compliance Analyst. The team is responsible for supporting the Group to identify risks and put in place appropriate mitigations, promoting a risk-aware culture, adherence to risk appetite and reporting on the status of Principal and emerging risks periodically. The Risk and Compliance team also operates a practice of peer financial control reviews whereby experienced finance professionals from across the business, who have received training from the compliance team, perform financial control reviews at different entities within the Group, the results of which are reported to the Audit Committee. PwC leads the Group's third line of defence through the provision of an internal audit function.

The Board is satisfied that the main roles and responsibilities of the Audit Committee, as set out in Provisions 25 and 26 of the Code, are included in its terms of reference. Further details of how the roles and responsibilities of the Audit Committee have been discharged are on pages 145 to 149.

The Board is required to carry out a robust assessment of the Company's emerging and principal risks. A summary of the assessment undertaken by the Board and a description of the principal risks and procedures in place to identify and manage the emerging risks can be found on pages 86 to 97.

Corporate governance report continued

How the Board operates effectively

Risk management and internal controls

The Board is responsible for Rotork's system of risk management and internal control. The Board's annual review of the system's effectiveness is completed with the assistance of the Audit Committee.

During 2022, the Board and Audit Committee regularly considered matters relating to the Group's risk management and internal control systems. This year, areas which received particular focus were:

- the continued impact of COVID-19 and the Ukraine conflict on the Group and particularly on our supply chain and our people;
- the effectiveness of internal controls;
- the finance transformation programme, including resourcing levels across the finance function and the development of the new ERP and reporting tool; and
- UK Corporate Reform.

Throughout the year, the Board received reports on the impact of COVID-19 and the Ukraine conflict, in particular, the impact of this and other external factors on global logistics and the supply chain. The COVID-19 Steering Committee continued to meet throughout the year to consider the ongoing impact of the pandemic in each of the countries in which we operate. The Board has monitored the impact of disruption and changing working patterns on our internal controls, and overseen return to work procedures. Challenges with logistics and supply chain have been managed by dedicated teams who have reported on a regular basis to the management team and to the Board.

At each Audit Committee meeting during the year, progress with various elements of the finance transformation programme has been discussed. The focus for each meeting has varied, as needed, as this broad programme of work incorporates two major systems changes, further development of a standardised Business Controls Framework and the change to a new target operating model over time.

Following publication of the Government's response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems, the Audit Committee agreed a plan of action to respond to the anticipated medium-term changes in the regulatory environment.

Further details of reports undertaken and reviewed are set out in the Audit Committee Report on pages 145 to 149.

The Audit Committee has confirmed to the Board that the systems, which were in place for the year under review, and up to the date of approval of the report, are effective and are in accordance with the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and are regularly reviewed.

Main features of the Group's risk management process

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving our strategic objectives.

This is expressed through a number of risk dimensions against which risk appetite is defined and risks are monitored and reported. A risk dashboard is presented to the Board on a quarterly basis. It constitutes a set of Key Risk Indicators, which provide a means of monitoring the Group's risk exposures and focuses the Board on risks where the Group exceeds, or will potentially exceed, risk appetite. As part of the monthly reporting process the Board receives reports on any specific new or emerging risks and any actions planned in mitigation.

An established divisional and functional risk review process results in a 'bottom-up' assessment of Group risks. These are consolidated before the top-down evaluation is performed by management and then reviewed by the Board. The bottom-up assessment process includes a review with all central functions, a focus on risk mitigation reporting, and development of plans to respond to risks in accordance with risk appetite.

Further details of the Group's internal control and risk management systems and the process for identifying, evaluating and managing the principal risks faced by the Group during 2022, emerging risks, and the Board's risk appetite, are covered on pages 86 to 97.

Main features of the Group's internal control systems

All Board members receive Audit Committee papers and meeting minutes, which contain the Audit Committee's annual review of the assessment of the effectiveness of the Group's risk management and internal control systems. The Chair and executive directors attend Audit Committee meetings with other members of the senior leadership team presenting or attending as necessary. In addition, a dedicated Board Risk Review session is held each year.

Key elements of the control environment, which form part of the review of the effectiveness of risk management and internal control and which enable Rotork to respond appropriately to all types of business risks, include:

- The Rotork values and behaviours;
- The Code of Conduct supported by Group-wide policies and procedures, including authority levels and division of responsibilities;
- Training of staff on policies and procedures relevant to their roles;
- Ongoing monitoring of business performance, including Key Risk Indicators;
- Ongoing monitoring of internal audit and financial control reviews;
- A formal schedule of reserved matters for the Board, including responsibility for reviewing Group strategy;
- A formal whistleblowing policy, with an external whistleblowing hotline, the results of which are reported to the Board; and
- Defined controls and assurance processes over, for example, financial reporting and health and safety procedures.

During the year, work on the finance transformation programme continued with key areas being prioritised and progressing well, as follows:

- Development of the new ERP system continued and 'go-live' at the Bath Factory was achieved in January 2023;
- Development of the new Group reporting toolset which achieved technical go-live in October 2022 and will be operational for 2023 reporting; and
- Development of a new application, to support the monitoring of compliance with the Group's business control framework, which is set to go-live in mid-2023 and will support the quality of our reporting in anticipation of UK corporate reform changes.

The first two system changes detailed above form the bedrock for most of the other target operating model changes and so have been the key focus in 2022. Work on other aspects of the finance target operating model will continue in 2023.

Remuneration

The responsibility for determining remuneration arrangements for the Chair and executive directors, as well as oversight over workforce remuneration, has been delegated to the Remuneration Committee, chaired by Tim Cobbold. Four meetings of the Remuneration Committee took place in 2022.

Rotork's remuneration policies and practices are designed to support its strategy and promote the long-term sustainable success of the Company. A description of the work undertaken by the Remuneration Committee in 2022 can be found at pages 153 to 181.

Environmental, Social and Governance ('ESG') Committee report

I am pleased to present the 2022 annual report of Rotork's Environmental, Social and Governance ('ESG') Committee. During the year, the Committee continued to oversee the significant acceleration of Rotork's ESG agenda. We are proud that 2022 saw Rotork set its commitment to be net-zero by 2045 and to reduce scope 1 and 2 emissions by 42% by 2030. I am delighted that these have been validated by the SBTi, adding another dimension to our strategic areas of focus – Operating Responsibly, Enabling a Sustainable Future, and Making a Positive Social Impact.

Ann Christin Andersen
Chair of the ESG Committee

Committee composition and meetings

The Committee comprises three independent non-executive directors: myself as Chair, Tim Cobbold and Karin Meurk-Harvey, together with two members from the RMB, being the Chief Executive Officer and the Group HR Director. Meetings are also attended by the Investor Relations Director and the Head of ESG & Sustainability. The Group Finance Director also attends by invitation with other non-executive directors joining our meetings when possible. The Group General Counsel & Company Secretary acts as secretary to the Committee. The Committee normally meets three times a year. Details of the Committee members and their attendance at the meetings held during the year are set out below. The Chair reports to the Board on the key issues covered at each meeting.

Member	Member since	Eligible meetings (max 3)	Attendance
Ann Christin Andersen, Committee Chair	October 2020	3	3
Tim Cobbold, Non-executive director	October 2020	3	3
Kiet Huynh, Chief Executive Officer	January 2022	3	3
Kathy Callaghan, Group HR Director	October 2020	3	3
Karin Meurk-Harvey	September 2021	3	3

Notes: Kevin Hostetler stepped down from the Board and from the Committee on 10 January 2022. Kiet Huynh, who was appointed Chief Executive Officer on 10 January 2022, was appointed to the Committee from the same date and attended his first meeting in February 2022. Vijay Rao, Strategy and M&A Director, stepped down from the Committee on 31 January 2022.

Net-zero is an important commitment for everyone at Rotork as we strive to eliminate our emissions. Rotork also has a broader role to play in enabling the transition to a sustainable, low carbon future. Our products and services are being used in many of the flow-intensive new energy technologies that will help deliver a decarbonised economy and enable our customers to reduce their emissions and achieve their environmental goals. Key achievements this year have been to commit to a net-zero target by 2045 and to set near-term science-based targets to reduce CO_2 emissions by 42% by 2030. The ESG Committee has a crucial role in ensuring the development of Rotork's net-zero roadmap, driving momentum and in reviewing performance against ESG targets.

The ESG Committee is responsible for:

- **Recommending the overarching ESG vision to the Board in order to ensure that ESG priorities are embedded in the Group's strategy and, in so doing, agree the annual plan and targets relating to ESG matters; this includes agreeing appropriate ESG performance targets as part of the executive directors' personal strategic objectives;**
- **Agreeing a process for determining which ESG goals are material and significant for the business and taking on board management's views on what are considered to be the most meaningful areas of focus;**
- **Acting as a focal point to gather and discuss relevant insights from a variety of sources on ESG matters before sharing with the Rotork Management Board and the business;**
- **Ensuring development of, and regular updates to, a suitable transformation roadmap that measures progress on the annual targets (informed by, and aligned to, the Remuneration Committee targets and incentive arrangements);**
- **Reviewing the Company's performance against its annual plan and ESG targets including challenging performance against the Company's long-term ESG goals, targets (including KPIs), initiatives and commitments;**
- **Guiding the Company's ESG communication strategy and reviewing the detail of external communications on ESG matters on behalf of the Board; and**
- **Ensuring that ESG priorities are reflected in the Company's culture through its purpose, vision, values and behaviours as well as its Code of Conduct.**

Our sustainability framework

Our framework is founded on the three pillars

Operating responsibly	Enabling a sustainable future	Making a positive social impact
We aim to run safe, efficient and sustainable operations.	We want to help drive the transition to a cleaner future where environmental resources are used responsibly.	We aim to support thriving, fair and resilient communities.

Read more in our ESG section on page 30

Activities of the Committee during the year

The Committee met three times during the year. At all meetings held during the year, the Committee received updates from management on commitments and goals set for each of our sustainability pillars to drive continued progress. The Committee recognises the need to develop increasingly quantitative measures, where practicable to track and report on progress as the Group's ESG and sustainability strategy evolves and continues to mature. The key areas of focus for the Committee during the year are explained below.

Net-zero roadmap

At its meeting in February 2022, the Committee undertook a detailed review of the proposed strategy to achieve further reductions in scope 1 and 2 emissions targets in line with 1.5°C climate science on net-zero targets, whilst recognising that Rotork had reported on scope 1 and 2 emissions for many years and achieved significant emissions reductions. The Committee offered guidance for the development of the net-zero roadmap and endorsed the approach for the calculation and reporting of Rotork's scope 3 emissions.

The Committee subsequently approved Rotork's target to be net-zero by 2045 and the near-term emissions reduction targets that will support its journey towards this goal. Rotork has set a science-based target to reduce scope 1 and 2 emissions – those arising from its operations – by 42% by 2030. The Company has also set targets to reduce emissions in its value chain, committing to reducing emissions associated with the use of sold products by 25% by 2030, and to have 25% of its suppliers by emission committed to science-based targets by 2027. In October, Rotork was pleased to announce that the Science Based Targets initiative ('SBTi') validated our corporate greenhouse gas emissions reduction near-term targets which have been deemed to be in conformance with the SBTi Criteria and Recommendations. Rotork is one of the first UK-based companies in the electrical equipment and machinery sector to receive this approval for near-term 1.5°C aligned targets. I am pleased that the Committee has been in a position to steer and guide Rotork in achieving this validation.

Further details of progress achieved during the year towards our net-zero targets can be found within the Strategic Report on pages 2 to 117.

ESG integration within M&A activity

In April, the Committee reviewed and endorsed the approach being taken to how our ESG agenda is embedded in Rotork's M&A strategy prior to the Board's detailed review of strategy in June. Going forward, potential targets will be assessed on the extent to which they would support the growth of our 'eco-transition' portfolio and can support Rotork's ESG vision.

ESG Committee report continued

Activities of the Committee during the year continued

Sustainability Report

The Committee reviewed and approved Rotork's second annual Sustainability Report which was published at the end of June 2022 (available at: www.rotork.com/en/environmental-social-governance/environment). The report details Rotork's non-financial performance for the year ended 31 December 2021, providing detailed disclosures on material ESG topics. It was prepared in accordance with Global Reporting Initiative ('GRI') Standards and the Sustainability Accounting Standards Board ('SASB') framework.

TCFD reporting

The Committee received updates during the year on developing practice on ESG reporting and assurance and the approach and actions being taken by the management team in implementing the recommendations of the Task Force on Climate-related Financial Disclosures 'TCFD' in each of the four thematic areas: governance, strategy, risk management and targets and metrics. We support the purpose of TCFD which is to stimulate better climate-related disclosures that will enable financial and other partners to gain a clear view of which companies will endure or even flourish as we transition towards a low-carbon future. As part of the governance arrangements under TCFD whereby the directors have a role to oversee the process of monitoring and achieving climate-related targets for public disclosure, a degree of interaction between the duties of the ESG and Audit Committees was recognised. As a result, the respective terms of reference of both Committees were updated to specifically set out Committee members' responsibilities for the oversight of climate-related issues and, in the case of the Audit Committee, the additional scope required for assurance. Rotork's TCFD Report can be found on pages 100 to 110.

Social

During the year, the Committee's focus turned towards the social aspect of ESG and received updates on the initiatives being taken to drive a diverse and inclusive culture throughout the business and our commitments towards the overall social agenda, noting that Rotork had been a Living Wage employer since 2020. We recognise that, as an international business, Rotork has a role to play in promoting the right culture and behaviours which value diversity. Rotork believes that this will be in the long-term interests of our employees, shareholders and the wider communities in which we operate, and appropriate initiatives will continue to be prioritised internally. Further details on how Rotork drives the right culture and behaviours are given on pages 68 to 71. The Committee also reviewed Rotork's charitable donations programme through which 0.1% of our global profits is donated to global charities, with local entities making similar levels.

Linking ESG strategy to remuneration

During 2022 the Committee, working closely with the Remuneration Committee, oversaw the approach to align our ESG strategy with management performance incentives in recognition that investors increasingly expect ESG targets, which are fundamentally linked to the long term strategy of the Company, to be considered within long-term incentive schemes. At the October meeting, the Committee reviewed a number of proposals for potential target metrics linked to each of our sustainability framework pillars with the outcome of those discussions being reported to the Remuneration Committee for their consideration and determination. Further details on the environmental target and performance measures ultimately proposed for the 2023 award under the LTIP, together with the 2022 outturn for the ESG-related annual bonus measures can be found within the Directors' Remuneration Report on pages 153 to 181.

Looking ahead

Our three sustainability pillars will continue to be a key area of focus for the Committee in 2023 as Rotork embeds its net-zero roadmap and implements the TCFD recommendations. The Committee will also continue to help drive and demonstrate progress in our broader ESG agenda. We have more work to do but we are making good progress. Rotork can play a pivotal role in the low carbon/net-zero transition and I am proud to be a part of that journey.

I would like to thank all our colleagues across the business for their support towards our ESG strategy and my fellow Board members for their constructive inputs and personal commitment to this crucial agenda throughout 2022 and beyond.

Ann Christin Andersen
Chair of the ESG Committee
27 February 2023

Audit Committee report

Continued delivery of effective scrutiny and oversight of Rotork's reporting processes, risk management and internal controls in conjunction with our external auditor.

Janice Stipp
Chair of the Audit Committee

Committee membership and meeting attendance

All Audit Committee members are independent non-executive directors. There have been no changes to the membership of the Committee during the year.

Member	Member since	Eligible meetings (max 3)	Attendance
Janice Stipp, Committee Chair	December 2020	3	3
Peter Dilnot	September 2017	3	3
Ann Christin Andersen[1]	December 2018	3	3
Tim Cobbold	December 2018	3	3

1 Ann Christin Andersen attended the February and July meetings via video conference.

Janice Stipp and Tim Cobbold hold professional accounting qualifications and are deemed to have recent and relevant financial experience. All Committee members have experience of working in complex global industrial products businesses, a number of which share common end markets with Rotork. The biographies and skillsets of each member of the Audit Committee can be found on pages 124 and 125.

The Audit Committee operates under formal terms of reference which are reviewed annually and were last updated in December 2022. A copy of the terms of reference is available on the Rotork website at www.rotork.com/en/investors/corporate-governance/committees.

Principal responsibilities:

The principal responsibilities of the Audit Committee are to review and report to the Board on the:

- **Integrity of financial and non-financial reporting;**
- **Application of significant accounting policies and judgements;**
- **Internal audit programme, its remit, resourcing and effectiveness;**
- **Adequacy and effectiveness of the Group's internal controls and risk management systems;**
- **Appointment, independence and remuneration of the external auditor; and**
- **Effectiveness of the external audit process.**

Audit Committee report continued

Activities of the Committee during the year

Financial reporting

- Reviewed the Annual Report and Accounts (including whether they are fair, balanced and understandable and new disclosures related to TCFD), the Corporate Governance Report and results announcements.
- Reviewed material judgements and estimates, going concern assumptions and the viability statement in the Annual Report and Accounts.
- Reviewed the half-year accounts including material judgements, estimates and half-year results announcement.
- Reviewed the external Auditor's Report on the year-end accounts and proposed full year external audit scope, key risks, materiality and all matters associated with the financial year end.

Internal controls and risk management

- Reviewed processes and procedures for risk management and the effectiveness of the internal controls framework.
- Reviewed the development of the Business Control Framework and integration of this work with the design of the new ERP system.
- Reviewed the financial control review plan.
- Reviewed significant internal control reports, findings and management responses.
- Discussed compliance with Group policies.
- Reviewed and approved the Group risk management policy.
- Reviewed anti-bribery and corruption procedures, compliance and whistleblowing activity and the gifts and hospitality policy.

External audit

- Reviewed the external audit plan and scope of the work and considered whether there was any reason to provide further specific direction to the external auditor; the Audit Committee concluded that there was not and accordingly approved the plan.
- Considered and reported to the Board on the external auditor's independence, objectivity and effectiveness of the audit process.
- Reviewed the external auditor's representation letter, views on the control environment and fraud risk management.
- Reviewed and approved non-audit services undertaken by the external auditor and the policy on non-audit work.
- Considered audit fees and engagement terms.
- Considered the re-appointment of the external auditor.
- Evaluated the effectiveness of the external audit process.
- Agreed the timeline, process, and invitees for the external audit tender for the 2024 financial year.

Internal audit

- Reviewed and approved the internal audit programme.
- Reviewed the maturity and effectiveness of internal audit, its remit and resourcing.
- Reviewed the policy on the independence of the internal auditor.
- Approved the internal audit charter.
- Discussed and monitored progress on implementing recommended actions, including overdue actions.
- Evaluated the effectiveness of the internal audit process.

Other work

- Reviewed progress of the finance transformation programme.
- Reviewed Audit Committee effectiveness and terms of reference.
- Approved the Audit Committee's schedule of work for 2023.

I am pleased to present the report of the Audit Committee for the year ended 31 December 2022. This year the key areas of focus for the Audit Committee, in addition to its usual schedule of work, have been:

- **Reviewing progress of the finance transformation programme.** This multi-year programme has made good progress in the development of the new ERP system and reporting toolset during 2022 with both systems going 'live' in January 2023. These system implementations will improve resilience and security and enhance the quality and consistency of financial analysis provided to the business. The ERP rollout programme is expected to accelerate through 2023.

  The Committee has also monitored the resourcing levels across the finance team and has supported the business in closing out vacancies across the Group. This included bolstering the second line of defence with the onboarding of an experienced Risk and Compliance Manager and promoting an internal candidate to Risk and Compliance Analyst.
- **Reviewing progress with UK Corporate Reform.** The Audit Committee agreed the high-level project plan as to how the Group is proactively responding to UK Corporate Reform and updates to the UK Corporate Governance Code.
- **Commenced the external audit tender for the 2024 financial year.** A tender process for our external audit service provider for the 2024 financial year was started during the year. The Committee has agreed the timeline, process, and invitees for the tender. The process is ongoing with a sub-Committee appointed to oversee the process.

Governance

The Audit Committee maintains an annual schedule of work which is kept under review and forms the basis of its principal meetings throughout the year. The annual schedule is supplemented by consideration of specific matters as and when they arise.

The Audit Committee met three times during the year. Details of attendance are set out on page 145. The Chairman, Chief Executive Officer, Group Finance Director, Group Financial Controller, Assistant Group Financial Controller, Head of Internal Audit, Head of Risk and Compliance and representatives of the external auditor (including the lead audit partner) also attend meetings by invitation. The Group General Counsel & Company Secretary acts as secretary to the Audit Committee.

As Chair of the Committee, I additionally hold regular meetings with the Group Finance Director, the external audit partner, the outsourced Head of Internal Audit, Head of Risk and Compliance and other members of the management team. These meetings provide me with a better understanding of key issues and identify those matters which require meaningful discussion at Audit Committee meetings.

During the year, the Audit Committee received reports from management, the risk and compliance team, the internal audit team and the external auditor. Through face-to-face discussions and detailed written reports the Committee is able to challenge, scrutinise and ask questions where clarification or discussion is required. Meetings were also held with the external auditor and the Head of Internal Audit without management present.

Further details of the work undertaken by the Audit Committee during 2022 is set out on page 146.

Financial reporting

A key role of the Audit Committee in relation to financial reporting is to review the quality and appropriateness of the half-year and year-end financial statements with a particular focus on:

- accounting policies and practices;
- the clarity of disclosures and compliance with International Financial Reporting Standards, UK company law and the UK Corporate Governance Code;
- material areas in which significant judgements have been applied or where there has been discussion with the external auditor;
- upon request of the Board, advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance;
- review and challenge of the judgements applied in the timing of revenue recognition in line with the requirements of IFRS 15 *Revenue from Contracts with Customers*; and
- review of alternative performance measures to ensure that they are not given undue prominence, and challenging the nature and value of significant adjusting items.

In order to assess the financial statements, the Committee receives reports from members of the Group finance team who are invited to attend meetings. Through face-to-face discussions and detailed written reports the Committee is able to understand and challenge the key judgements and estimates and how they are being recorded and disclosed in the financial statements.

The Committee also receives reports from, and holds meetings with, the external auditor. It uses these reports and meetings to help challenge management's judgement and understand the quality and appropriateness of the financial reporting.

The principal matters of judgement and estimation considered by the Audit Committee in relation to the 2022 accounts and how they were addressed were:

Retirement benefit schemes. At 31 December 2022, the Group operated two defined benefit retirement plans, both of which are now closed to future accrual. The valuations are prepared by an independent qualified actuary. The Audit Committee considered the report from the Group Financial Controller and were satisfied the assumptions used were appropriate. The detailed disclosure for these schemes under IAS 19 is shown in note 24 of the financial statements and the Audit Committee is satisfied they are complete and accurate.

Alternative performance measures. The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures provide additional useful information to assist in the comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. The Audit Committee reviewed the presentation of the alternative performance measures in the financial statements and were satisfied that they were not given undue prominence. The Audit Committee considered the report from the Group Financial Controller and were satisfied that the nature and value of significant adjusting items was appropriate.

The Audit Committee considered the output from the review carried out by The FRC of the Company's Annual Report and Accounts for the year ended 31 December 2021 which they performed in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The Committee was pleased to note that the review raised no questions or queries requiring a substantive response. The Committee also noted that the FRC raised a few areas where they believed that the users of the accounts would benefit from improvements to existing disclosures, these matters have been taken into consideration when preparing the Annual Report and Accounts for the year ended 31 December 2022.

Audit Committee report continued

External auditor

The year under review marks the ninth year during which Deloitte LLP has been the Group's external auditor following a formal tender process in 2014. The 2022 year-end audit will be the fourth year that David Griffin has acted as Deloitte LLP's lead audit partner for Rotork. During the year David and the Deloitte senior team started to visit Rotork locations again, after having had limited options to do this in 2021. They also continued to use technology to communicate with and supervise the broader team.

The Audit Committee assesses the effectiveness of the external audit process, the scope of the Group audit and the quality of the audit work throughout the year, and the independence of the auditor. The assessment considers:

- any issues in conducting the prior year external audit;
- the proposed external audit plan, including identification of risks specific to Rotork;
- external audit scope and materiality thresholds;
- matters arising during the external audit and the communication of these to the Audit Committee;
- the independence and objectivity of the external auditor including the level of challenge provided to management; and
- the FRC audit quality review report on selected audits undertaken by Deloitte.

The Committee performs the assessment by:

- reviewing the external audit plan, identified risks and audit scope with Deloitte.
- obtaining feedback from executive management and the Group Finance team on the quality and effectiveness of the audit, who in turn have canvased the opinions of various Group entities using a questionnaire on audit quality.
- discussing with executive management, the Group Finance team and Deloitte as to whether the audit has been delivered in line with the plan.
- holding discussions throughout the year directly with the Deloitte lead partner and other senior members of the audit team to understand the work they have performed, their knowledge of the Group's business and industry, and how they have maintained independence, demonstrated professional scepticism and challenged management's assumptions.
- Reviewing written reports prepared by Deloitte for the Committee on key audit findings and financial reporting topics.
- Ensuring the policy on non-audit services has been applied.

Having completed this review, the Audit Committee agreed that the audit process, independence and quality of the external audit were satisfactory.

Consideration was given to the possibility of re-tendering the external audit during the year but as the Committee is satisfied with the work of Deloitte, the decision was made not to re-tender. The Audit Committee has recommended that Deloitte LLP be re-appointed auditor for the 2023 financial year and Deloitte's continuing appointment will be subject to shareholder approval at the 2023 AGM.

The 2023 financial year will be the tenth year end since Deloitte took over as external auditor, therefore in line with the requirements to put the external audit out to tender every ten years we have begun a process to re-tender our external audit service provider for the 2024 financial year. We expect the tender to be conducted during 2023 with the appointment of the external audit service provider for the 2024 financial year being subject to shareholder approval at the at the 2024 AGM.

Statement of compliance

The Company confirms that it has complied with terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order') throughout the year.

Non-audit services

In order to safeguard the independence and objectivity of the external auditor, the Board has adopted a policy on non-audit services, which restricts the work and fees available to the external audit firm. The Audit Committee reviews the policy annually to ensure it remains appropriate. The policy reflects the FRC's Revised Ethical Standard 2019 on permitted non-audit services.

The policy permits the use of the external auditor only for services identified on the list contained in the Revised Ethical Standard. Prior to commencing any activity the external auditor will assess whether it meets the requirements of their independence checks. If those checks are satisfied the Chair of the Audit Committee will then have the delegated authority to approve or reject each activity. Any work that is approved is reported at the next Audit Committee meeting.

An analysis of fees paid to Deloitte, including the split between audit and non-audit is included in note 8 of the financial statements. The only non-audit services provided related to the interim review performed on the half year results under ISRE2410.

Internal controls, internal audit and risk management

The Audit Committee has responsibility for reviewing and monitoring the effectiveness of the Group's control environment, risk management and internal audit process.

As set out in the Strategic Report, the continuous improvement and execution of a comprehensive and robust system of risk management is a high priority for Rotork. During the year internal control reviews were performed in person where possible as the COVID-19 travel restrictions eased. The methods of remote working established during the pandemic continued to work effectively where in person reviews were either not permitted or were impractical.

The Audit Committee received reports at each meeting on progress with the work. Plans for 2023 were approved by the Audit Committee in December 2022 and progress will be monitored in the coming year.

In 2021 the appointment of an internal Head of Risk and Compliance to take responsibility for risk management and financial compliance reviews created a distinct second line of defence team. The core team is supplemented by Rotork finance staff from other parts of the business who received training from the compliance team during the year on the compliance review process and reporting requirements to enable them to contribute to the work programme. This combined team has delivered financial compliance reports for 30 of our global locations during 2022 and an additional four reviews of functional areas including expenses, the 'eco-transition' portfolio, treasury and the new ERP system. Guidance is provided to the Risk and Compliance team on the nature and extent of testing to be undertaken including and to ensure the team focus their efforts in key areas of risk, tailored by site.

The Audit Committee receives reports on financial compliance review activity, any significant matters arising and the management responses. During the year, recommendations were made for improvement to controls, which management is charged with implementing, none of which related to significant failings or weaknesses. The status and effectiveness of actions are monitored by the Head of Risk and Compliance and regularly reported to the Audit Committee. We are continuing to see improved accountability in respect of improvement actions arising from financial control reviews and the number of overdue actions has fallen again this year driven by greater levels of finance team accountability and the continued rigour of the 'follow up' process.

The risk and compliance team continue to manage the process for sites to confirm the operation of key financial controls. In the fourth quarter a confirmation process was deployed to confirm operation of key controls in advance of the year end and to provide an update on the earlier Business Control Framework activity. The results of the assessment were shared with management and the Audit Committee.

Other means of assessing the internal control systems include the risk assessment process, the Audit Committee's assessment of the effectiveness of risk management and annual letters of assurance from the divisional leadership team. These controls sit alongside our system of governance, including key committees that monitor our processes and controls, such as the Audit Committee and ESG Committee.

The Risk Management Policy documents the Group's risk management processes and the connections between those various processes and the day-to-day operations of the Group. Each member of the executive team who is a designated risk owner has responsibility for producing and updating detailed 'get to green' plans to respond to risks in accordance with risk appetite. These plans are updated to reflect the changing risk environment as well as any changes in risk appetite and progress on completion of 'get to green' plans is reported to the Board as part of the risk review process. Work on these plans will continue in 2023.

PwC continued to provide internal audit services throughout 2022. The function is led by an experienced Head of Internal Audit from PwC. Risk-based internal audit reviews have been completed during 2022 covering the following areas:

- IT ransomware readiness;
- Rotork Development and Launch Process;
- sanctions processes; and
- product change management.

The Audit Committee receives updates on internal audit activity, any significant matters arising and the management response. The status of actions are monitored by internal audit and regularly reported to the Audit Committee.

In selecting risk-based internal audits for the 2023 plan, the team has focused on those risks where reliance on mitigations is most significant whilst ensuring a broad coverage of areas over a multi-year cycle. The compliance and risk team has determined the sites to be subject to second line review in 2023 based on a thorough risk-assessment using a number of criteria. The Audit Committee reviewed and approved the 2023 programme for risk and compliance at its December 2022 meeting and internal audit at its February 2023 meeting.

Having reviewed and monitored the effectiveness of the Group's control environment, risk management and internal audit process throughout the year, the Audit Committee is satisfied that it is adequate and operating effectively.

Other matters

In accordance with its terms of reference, the Audit Committee carried out a review of its effectiveness including how it discharged its responsibilities. An internally-facilitated questionnaire was used to reflect on progress in the year from the previous work and the output from this was discussed in the December 2022 meeting and recommendations agreed.

The Audit Committee continued to monitor progress to report in line with the recommendations from the TCFD and received reports on the recommendations and considered assurance requirements over disclosures.

Throughout the year, the Audit Committee also considered relevant accounting and corporate governance developments, in addition to those in relation to risk and internal controls discussed above.

Areas of focus for 2023

Key areas of focus for the coming year, in addition to the usual schedule of work are:

- to conduct the tender of the external audit service provider for the 2024 financial year;
- to review ongoing progress with the finance transformation programme;
- to review implementation and roll-out of the ERP system and the impact of the integrated controls to enhance the control environment and drive consistency between locations; and
- to review the implications for Rotork of developments in the external audit process and regulation arising from UK Corporate reform.

Janice Stipp
Chair of the Audit Committee
27 February 2023

Nomination Committee report

A successful year to position Rotork for the next phase in its development, with the appointment of Kiet Huynh as CEO and Dorothy Thompson as Chair Designate.

Martin Lamb
Chairman of the Nomination Committee

Committee composition and meetings

The Committee, under the Chairmanship of Martin Lamb, currently comprises all independent non-executive directors. Together, they bring a diverse and complementary range of backgrounds, personal attributes and experience to discharge the Committee's duties effectively. The skills and experience of the Committee members are set out on pages 124 and 125. The Committee met four times during the year and members' attendance at the meetings is set out below. The Chief Executive Officer, Group Finance Director, Group HR Director and the Group General Counsel & Company Secretary also attend the meetings by invitation.

Member	Member since	Eligible meetings (max 4)	Attendance
Martin Lamb, Committee Chair	June 2014	4	4
Peter Dilnot	September 2017	4	4
Ann Christin Andersen	December 2018	4	4
Tim Cobbold	December 2018	4	4
Karin Meurk-Harvey	September 2021	4	4
Janice Stipp	December 2020	4	4

The terms of reference of the Nomination Committee were reviewed in October 2022. A copy of the current terms of reference are available on Rotork's website at www.rotork.com/en/investors/corporate-governance.

The Nomination Committee is responsible for:

- **Leading the process for Board appointments and making recommendations for appointments to the Board;**
- **Ensuring plans are in place for orderly succession to both the Board and senior management positions and overseeing the development of a diverse pipeline for succession;**
- **Reviewing the structure, size and composition and balance of the Board, including its balance of skills, diversity, knowledge and experience;**
- **Making recommendations to the Board on the composition of the Board's committees;**
- **Assessing each year whether non-executive directors continue to be independent; and**
- **Reviewing the Company's policy on diversity and inclusion, its objectives and linkage to strategy, how it has been implemented and progress made on achieving the objectives.**

The role of the Committee

The Committee evaluates and examines the skills and characteristics needed to ensure the Board and senior management has the right balance, knowledge and attributes to operate effectively in the execution of its business strategy, and in the delivery of the long-term success of the Company. Board and Committee composition is formulated to ensure a full range of diverse experience and that business is conducted with the utmost integrity and in full alignment with the Company's culture, purpose and values. It also reviews the succession needs of the Company and puts in place the appropriate processes for nominating, training and evaluating directors, taking into account the need for diversity and inclusion.

Activities of the Committee during the year

- Concluded the appointment process for a new Chief Executive Officer.
- Under the leadership of Peter Dilnot as Senior Independent Director, oversaw the selection process and appointment of the Chair Designate.
- Reviewed the talent management process and personal profiles development and succession plans for Rotork's senior leaders.
- Reviewed the latest developments in gender and ethnicity reporting and approved Rotork's UK Gender and Ethnicity Pay Report 2022.
- Approved an updated Board Diversity & Inclusion Policy and monitored performance against targets set therein.

Succession planning

Succession planning for the Board and senior management is continuous. During the year, the Committee considered the composition, structure and size of the Board and the need to maintain an appropriate range of skills, knowledge, diversity, independence and experience to ensure that, as it evolves, the Board and senior management remain appropriately balanced and complementary. The mix of skills and experience of the current Board required to drive Rotork's long-term success is set out on page 123.

Chief Executive Officer appointment

The process for the recruitment and appointment of a new Chief Executive Officer, Kiet Huynh, was reported fully in last year's Nomination Committee report. The appointment process was concluded during January 2022 with Kiet having been appointed by the Board to take office from 10 January 2022 and Kevin Hostetler stepping down from the Board and as CEO from the same date. Kevin remained available until mid-April 2022 to support a smooth and successful transition.

Chair succession planning

As Martin Lamb's role as Chairman will be coming to an end at the conclusion of the 2023 AGM after nine years, planning for his successor was a key focus for the Nomination Committee during the year. Peter Dilnot, as Senior Independent Director, led the selection and appointment process and a summary of the steps taken are set out by Peter below.

Global talent review

At the Committee's October meeting, in fulfilment of its role to oversee the Group's global talent review and executive succession process, the Committee reviewed with management how talent was identified, developed and managed across the top leadership team and senior roles in the organisation. The Committee also had the opportunity to review the personal profiles of those high-potential successor candidates identified for key future roles within Rotork required to take the business forward. The increased focus and investment in rolling out development plans in line with delivering our Growth+ strategy was also endorsed by the Committee. The success of this process was noted with the internal moves, on 1 January 2023, of Lyndsey Norris as Business Transformation Director and Man Xin as Managing Director, CPI and his appointment to the Rotork Management Board. We also welcomed Ross Pascoe to the Rotork Management Board as Chief Technology Officer in December 2022.

Appointment of new Chair

During 2022, the Nomination Committee commenced a selection process to appoint a new Chair to take over from Martin when he steps down on 28 April 2023. The Lygon Group was engaged to act as Rotork's search consultants. Other than supporting historic Board appointments, Lygon Group has no other connection with the Group or the directors. They are also a signatory of the Voluntary Code of Conduct for Executive Search firms which is a requirement of our Board Diversity and Inclusion Policy. Following an extensive and comprehensive search involving all Committee members, the preferred candidate met with the executive directors and the Group General Counsel & Company Secretary. Taking into account the balance of skills and experience of the Board and the future direction and challenges affecting the business, it was unanimously agreed that the preferred candidate would bring to the Board her extensive experience of leading international industrial and power businesses, together with a deep understanding of energy transition. The Nomination Committee therefore recommended to the Board that Dorothy Thompson be appointed as a non-executive director and Chair Designate with effect from 1 December 2022. The Board determined Dorothy to be independent upon appointment.

We are delighted that Dorothy is joining the Board to succeed Martin as Chair. Dorothy brings extensive experience of leading international industrial and power businesses, and has a deep understanding of the energy transition, a key element of Rotork's Growth+ strategy. On behalf of the Board, I would like to extend our thanks to Martin for his excellent stewardship. He will be leaving a strong legacy of leadership, positive momentum and delivery for all stakeholders when he steps down in April.

Peter Dilnot
Senior Independent Director

Nomination Committee report continued

Diversity and inclusion

Succession planning for the Board and senior management team is a key focus for the Committee to ensure the right diverse mix of skills, experience, knowledge and background is achieved. The Board Diversity and Inclusion Policy provides a high-level indication of the Board's approach to diversity and inclusion in senior management roles which is governed in greater detail through the Group's policies. In April, the Committee reviewed and approved an updated policy which can be found at www.rotork.com/en/documents/publication/24261 which now includes the new areas of activity and initiatives currently being undertaken and practiced by Rotork, including the diversity related Sustainable Development Goals, reference to the FTSE Women Leaders Review and the Parker Review, alongside our continued commitment to the aims of the 30% Club. The Committee endorsed management's initiatives and actions for increased focus on diversity and inclusion undertaken throughout the business during the year which included the creation of the new role of Head of Culture & Inclusion. The Committee also reviewed and approved the publication of the Gender Pay Report figures for 2022 which can be found on our website. Rotork also publishes its ethnicity pay figures within that document.

At its October meeting, the Committee considered the impact of the new requirements under the FCA's Listing Rules and DTRs covering new diversity and inclusion reporting for UK listed Companies in particular the three specified targets: (i) at least 40% of the Company's Board of directors be women; (ii) at least one of the company's senior Board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) be held by a woman; and (iii) at least one member of the Company's Board be from a minority ethnic background. The Board is pleased to report that Rotork will meet all these targets well ahead of their required effective date once Dorothy becomes Chair at the end of April 2023, with the other two targets having already been met. As at 27 February 2023, female Board representation was 44% with ethnic representation on the Board being 22%. Details of the percentage of women in senior leadership positions and within the Group, together with details of our ethnic diversity achievements are set out on pages 69 to 73. The adoption in full of the new Board diversity reporting requirements will be implemented, in compliance with the regulations, within the Annual Report for the year ended 31 December 2023 to be published next year.

Internal board evaluation process

During the year an evaluation of the Board, its Committees and the Chairman was undertaken in line with the Committee's terms of reference. For the reasons explained on page 121, the evaluation process was once again internally facilitated by the Group General Counsel & Company Secretary. Further details on the full evaluation process can be found on pages 138 and 139.

Re-election of directors

Led by the Committee Chairman it was concluded that, based on an assessment of the individual skills, relevant experience, contributions and time commitment of the non-executive directors and taking into account their other offices and interests held, all non-executive directors remain independent, committed to their role and continue to be highly effective members of the Board. The Board continues to be mindful of the number of external appointments held by directors. At the 2022 AGM, whilst all resolutions were passed, there was a significant minority vote against the resolution relating to the re-election of Ann Christin Andersen as a non-executive director with total votes received in favour of this resolution being 79.89%. The Company actively sought to engage with significant shareholders who voted against Ann Christin's re-election to better understand their voting decision and concerns. In addition to her role at Rotork, Ms Andersen currently holds publicly listed company roles as non-executive Chair of Quantafuel AS, and as a non-executive director at Ferrexpo PLC, having stepped down as a non-executive director of The Drilling Company of 1972 AS ('Maersk Drilling') in November 2022. The Board believes that Ann Christin continues to have the capacity to discharge her duties at Rotork effectively. The Board is recommending the election or re-election to office of all continuing directors at the 2023 AGM. Details of the service agreements for the executive directors and letters of appointment for the non-executive directors are set out in the Directors' Remuneration Report on pages 166 and 167.

Nomination Committee evaluation

The Committee carried out an internally facilitated review of its performance as part of the overall internal Board and Committee evaluation in 2022 and its findings were discussed by the Committee and the Board. It was concluded that the Committee continued to fulfil its duties effectively. The priorities for improving the Committee's effectiveness for 2023 were agreed to be: continuous improvement of succession planning with the business, finding ways to for the Board to increase exposure to top and emerging talent and updating the Committee's terms of reference to ensure clarity on the Committee's role in diversity and inclusion in relation to other committees.

Martin Lamb
Chairman of the Nomination Committee
27 February 2023

Directors' Remuneration report

The Remuneration Committee believes that our proposed new Policy provides an appropriate framework which aligns the interests of Rotork, its shareholders and other stakeholders and focuses executive directors on the delivery of the Company's strategic objectives.

Tim Cobbold
Chair of the Remuneration Committee

The Remuneration Committee is responsible for:

- **Within the approved policy, determining individual remuneration packages for the executive directors, Chair and, on the advice of the Chief Executive Officer, the Rotork Management Board;**
- **Selecting the measures and setting the performance criteria for the annual bonus and LTIP and, at the end of their performance periods, evaluating performance against these criteria and considering whether any discretion should be applied in determining the level of payment;**
- **Agreeing the terms and conditions to be included in service agreements for executive directors, including termination payments;**
- **Selecting, appointing and setting terms of reference with any remuneration consultants who may advise the Remuneration Committee;**
- **Monitoring the principles and structures of remuneration across the Group and ensuring there is consistency and there are procedures in place to monitor fairness of application. In this regard, the Remuneration Committee reviews internal relativities, pay ratios and gender and ethnicity pay gaps, and invites the Group HR Director to its meetings to provide a broader picture of workforce remuneration across the Group;**
- **Taking into account guidance issued by shareholders, their representative bodies and proxy agencies (including the Investment Association, Institutional Shareholder Services and Glass Lewis); and**
- **Taking into consideration any views expressed by shareholders during the year (including at the AGM) and encouraging an open dialogue with its largest shareholders. Major shareholders are consulted in advance about changes to the Policy or any significant proposed changes to the way in which it is implemented.**

Rotork's key remuneration principles:

The Remuneration Committee is committed towards remuneration being:

- **Performance driven, competitive and fair;**
- **Motivating, affordable and proportionate;**
- **Aligned to shareholders' interests; and**
- **Globally relevant and transparent.**

Annual statement by the Chair of the Remuneration Committee

Dear Shareholder

In many respects 2022 saw the continuation of the challenges emanating from the preceding two years. The business continued to deal with both COVID-19, the impact of which was less pronounced than in the previous two years and the supply chain difficulties which persisted throughout 2022. Of course, added to this were the impacts of the war in Ukraine, in particular elevated energy prices. Rotork was not unique in facing these issues but the business dealt with them well in all the circumstances. The Committee was mindful of these realities and their consequences for all stakeholders as it considered all aspects of remuneration through the year.

In addition, there was a smooth CEO succession from Kevin Hostetler to Kiet Huynh which was completed whilst maintaining focus on the Growth Acceleration Programme and latterly the new Growth+ strategy (itself an evolution of the Growth Acceleration Plan) developed by Kiet and his team.

Priorities and key activities for the Committee in 2022 included:

- As part of the implementation of the CEO succession plan that led to the appointment of Kiet Huynh in January 2022, the Committee reviewed and approved Kiet's remuneration package and the terms of Kevin Hostetler's departure as a good leaver in a managed succession process.
- The Committee undertook a review of the Remuneration Policy which will be put before shareholders at the 2023 AGM and will be subject to a binding vote. An extensive and helpful consultation process on the proposed Remuneration Policy, the nature and impact of which is explained below, was undertaken with major shareholders. The Committee remains satisfied that the Policy continues to work effectively, is aligned to the interests of shareholders and other stakeholders and operates in line with Rotork's business strategy, culture and Values. Therefore, there are no substantive changes being proposed. Minor updates and clarifications are proposed which are designed to enhance the flexibility and capacity available to the Committee to take decisions as needed, but which are very largely within the existing Policy parameters. The proposed minor changes are explained below and are set out in more detail on the table on pages 162 and 163.
- To strengthen the alignment of the implementation of the Policy to the new CEO's Growth+ strategy, with its increased focus on business growth through sustainability, after much deliberation the Committee decided to make a significant change to the way the incentive plans operate within the Policy by including an ESG measure within the LTIP. Whilst this change could have been made under both the existing and proposed Policies, in the Committee's view, its significance and novelty warranted consultation with shareholders. This consultation took place at the same time as the Remuneration Policy consultation and the results are outlined below.
- The Committee, mindful of fostering the right pay culture across the business, especially in the light of the cost of living challenges, ensured that the breadth and depth of its oversight of Rotork's reward philosophy continued to improve. More detail on the actions taken by management in response to this challenge is provided below in the section on Wider Workforce Remuneration Matters.
- During the first quarter of 2022 the Committee engaged with shareholders regarding the 2021 remuneration outcomes for the executive directors ahead of the 2022 AGM. From responses received, shareholders were supportive of the approach taken which was reflected in the AGM voting of 98.9% in support of the 2021 Remuneration Report.

Rationale for the proposed Remuneration Policy

The Remuneration Committee reviewed the existing Policy, which was last approved by shareholders at the 2020 AGM with 96% support and was satisfied that it works effectively, is aligned to the interests of shareholders and other stakeholders and operates in line with Rotork's business strategy, culture and values. In the Committee's view, advised by Korn Ferry its Remuneration adviser, there are no changes needed to bring the Policy in line with the UK Corporate Governance Code; in particular, directors' pensions are now aligned to the wider workforce and directors' shareholdings are now subject to post-cessation shareholding requirements. The Committee is also conscious and grateful for the significant level of support it has received from shareholders for the Remuneration Reports published since the 2020 AGM, which it believes reflects shareholder satisfaction with the way the Policy has operated. Therefore, following this review and an extensive consultation with major shareholders, the Committee decided not to propose any significant changes to the current Remuneration Policy at the 2023 AGM. We do propose to make some minor updates and clarifications which are explained below.

Minor updates and clarifications proposed in the new Remuneration Policy

These minor updates and clarifications include greater flexibility with benefits, in the case of appointing a director from overseas in the future, so as to enable an individual to move from overseas to the UK and not necessarily be penalised as a result and further clarity around directors being able to participate in any all-employee share plans. With respect to pensions, the current Policy refers to the historic rates before alignment which were achieved by 31 December 2022. Under the new Policy, in clarification, we propose to amend this to refer only to the rate available to the majority of the workforce in the country in which the director operates (currently, in the UK this is 10.24% of salary). For both annual bonus and long-term incentive plans, we propose to strengthen the malus and clawback provisions to include reputational damage and unreasonable failure so as to better protect the interests of stakeholders. We also intend to align the award (proportion of maximum opportunity) at threshold, target and maximum for the EPS Growth measure in the LTIP with the other LTIP measures. The details of these changes are shown on pages 160 and 161.

Key change in the operation of the proposed policy in 2023

The Committee is aware that there is a market wide expectation that environmental measures should become a feature of long-term incentives, especially as businesses publish their net-zero (or equivalent) ambitions. Bearing this expectation in mind, the Committee is also conscious that the new Growth+ strategy is, inter alia, more focused on business growth through sustainability. Consequently, the Committee decided to make an important change to the way the incentive plans operate within the Policy so as to strengthen the alignment of the remuneration incentives to the business's ESG performance as follows.

Long Term Incentive Plans (LTIPs) – ESG incentives focused on environmental performance

- We plan to include an environmental measure, accounting for 10% (of the maximum opportunity) of the LTIP, with a corresponding reduction in the proportion applied to the existing measures, all three of which will be retained and will remain equally weighted.
- The measure will be an absolute reduction in scope 1 and 2 CO_2 emissions (2020 base year) with targets aligned to the accredited, published 2030 Science Based Targets initiative ('SBTi') targets. The targets, which are set out on page 158 are at least as demanding as the path required to meet the SBTi target in 2030. The performance required at threshold, target and maximum have been set and approved by both the ESG and Remuneration Committees.
- For the avoidance of doubt, the LTIP measures and weighting will therefore be as follows:
  - Adjusted EPS Growth (30% weighting)
  - Relative TSR (30% weighting)
  - Return on Invested Capital (30% weighting)
  - Scope 1 and 2 CO_2 Emissions Reduction (10% weighting)
- There is no change to the operation of the existing measures other than the changes in weightings to 30% each to accommodate the addition of the ESG measure and to align the threshold payout level for the EPS measure with that used in the other measures.
- The Committee has also decided that environmental emissions performance will only be incentivised through the LTIP given the longer-term nature of the criteria and so no element of the executive directors' Annual Bonus opportunity will attach to environmental emissions performance.

Annual bonus – ESG incentives focused mainly on societal performance

- Within the Annual Bonus Plan, the 10% of maximum opportunity linked to ESG performance will remain unchanged but will be focused on societal objectives such as diversity and inclusion and employee engagement, environmental innovation as well as retaining the focus on health and safety. There will therefore be no overlap between the ESG measures in the Annual Bonus and the LTIP.
- The Committee's preference is to have quantitative targets wherever possible for societal measures.

Shareholder consultation on the proposed Remuneration Policy and key change proposed in the operation of the policy

Following the Committee's initial review of the existing Remuneration Policy, I wrote to shareholders and the leading proxy advisory bodies to explain the Committee's preliminary proposal to retain the existing Policy with only minor updates and clarifications. At the same time, I explained the Committee's proposals to introduce an ESG measure, worth between 10% and 25% of the maximum opportunity, into the LTIP and invited their comments on doing so.

In the period between July and September 2022, I spoke to most of the major shareholders/proxies. With regard to the retention or rollover of the existing Policy into the new Policy with minor updates and clarifications there was universal approval for doing so.

However, with regard to the introduction of an environmental measure into the LTIP, some concern was expressed that, as this is the first time such a measure will have been used, it would be sensible to proceed with caution (conscious of wanting to avoid unintended consequences) both as to weighting and in the selection of measure. Although some shareholders/proxies expressed a preference for quantitative measures that were closely aligned to the business's strategy (rather than emissions) there was a pragmatic acceptance that, at this early stage, it might be better to use emissions measures as they are likely to have more integrity than 'new' measures more closely aligned to the strategy.

The Committee considered the feedback from shareholders/proxies at its meeting in October and was pleased that the proposals with respect to the Policy itself had been endorsed. With regard to the introduction of an environmental measure in the LTIP, the Committee concluded that, bearing in mind that the Growth+ strategy is new, it was not currently possible within Rotork to identify a measure closely aligned to the strategy that would have sufficient integrity for use as the basis for an effective incentive. The Committee was concerned about the risk of unintended consequences. Therefore, the Committee decided, for 2023 at least, that its preference was to use an emissions based measure and to only allocate 10% (of the maximum opportunity) of the LTIP to an environmental measure, though it will keep this under review for subsequent years.

Between October and December 2022, the process by which an emissions based measure might operate was explored. At its meeting in December, the Committee decided to use an absolute reduction in scope 1 and 2 CO_2 emissions (from a 2020 base) noting that Rotork had been measuring scope 1 and 2 emissions for some time and that targets could be aligned to published SBTi targets which would give the Committee (and shareholders) confidence in relation to credibility. The Committee also decided to publish targets prospectively. As the Growth+ strategy is implemented the Committee will consider environmentally based measures which are more closely aligned to the strategy with a view to using them in place of an emissions measure at some point in the future.

Following the December meeting, I wrote to the major shareholders/proxies informing them of the approach taken by the Committee in order that any further concerns could be expressed. Very nearly all shareholders who responded were supportive of the planned approach and none expressed any substantive dissatisfaction.

Both the Committee and I strongly believe in the value of consulting with shareholders and I am grateful to all those shareholders who have participated. I hope that it is clear how their views have been reflected in our plans for both the proposed Remuneration Policy and the key change in its operation. The Committee formally approved the proposed Remuneration Policy, inter alia, in February 2023 ahead of publication within the 2022 Annual Report.

The Committee's approach to remuneration in 2022

The Committee's approach to remuneration in 2022 across Rotork in general and for the executive directors and senior managers, for whom the Committee is explicitly responsible, was guided by Rotork's Key Remuneration Principles. In particular, the approach was based on a sensitive appreciation of the business's performance, the experience of shareholders during the period and the employee experience during the year. The Committee's specific considerations are described below.

Directors' Remuneration report continued

Annual statement by the Chair of the Remuneration Committee continued

Business performance

In the Committee's view, Rotork continued to perform well despite the ongoing challenges of the global supply chain issues, COVID-19 and the war in Ukraine.

- On a reported basis 2022 adjusted operating profit was £143.2m, up 11.8% on 2021 with revenues 12.8% higher. On a constant currency basis, 2022 adjusted operating profit at £136.0m was 6.2% higher. Adjusted operating margins were 20 bps lower as higher supply chain costs impacted.
- The book to bill ratio at 1.06 was high as order flow, up 6.8% on a constant currency basis, remained strong but supply chain issues inhibited delivery performance. The Committee noted the order book at 31 December 2022 was materially higher than in earlier periods, demonstrating the underlying health of the business notwithstanding the shorter-term supply chain issues.
- Operating cashflow was poorer than in previous years as, to address supply chain issues, the decision was taken to increase buffer inventory causing stock levels to rise. This fed through into cash conversion at only 76%. Working capital rose £60.4m year-on-year.

The Committee's conclusion was that the business had continued to perform well given the supply chain challenges and the other issues that fed through into financial performance. The Committee was conscious that the overall level of order intake and consequently higher order book was encouraging going forward.

Shareholder experience

2022 was a challenging year in stock markets generally in reaction to macro-economic factors and the conflict in Ukraine. Rotork's share price declined by 39% from 373p at the start of the year to a low of 229p in September 2022 but, following the well received Capital Markets Day in November 2022 at which the new Growth+ strategy was launched, the share price had risen to 307p at 31 December 2022. It should be noted that, at the time of writing, the share price had increased to 330p.

The Committee is aware that dividends are an important part of the business case for many shareholders. The full year dividend for 2021 was paid following the 2022 AGM and an interim dividend of 2.40p was declared and paid in the second half of the year as usual. Looking forward, the Board is recommending the payment of a final dividend of 4.30p at the 2023 AGM such that the full dividend for 2022 of 6.70p is in line with the stated dividend policy but also reflects an improvement in dividend cover.

In the Committee's view, shareholders can take some positives from what has been a difficult year with Rotork demonstrating its resilience for the third year in which it has faced significant headwinds.

Employee experience

Led by the Board and senior management, Rotork's approach continues to be to protect the health (including mental health) and financial wellbeing of employees through this period, mindful of obligations to other stakeholders.

The Committee is aware of the elevated cost inflation challenges in many countries and the impact of this on the financial position of employees, particularly for those at the lowest paid levels and has reviewed and considered the proposals and actions taken by management to respond to this. This context has also been considered by the Committee within its own decision-making.

- The 2023 annual salary review, ordinarily due 1 April 2023, was brought forward to 1 January 2023 for all employees below the directors and Rotork Management Board.
- In addition, to explicitly address the cost of living challenges, our lowest paid employees are eligible for an additional higher pay review to reflect the reality that the cost of living pressures fall most acutely on those paid the least.
- The overall average pay increase for the wider workforce, excluding promotions but including additional awards for lower paid employees was 6.41% globally and 6.34% in the UK. The increase for the lower paid employees was over 2 percentage points above that for higher paid employees.
- Salary reviews for all directors and the Rotork Management Board will be made in the usual course, effective from 1 April 2023. As a matter of policy, normally salary reviews for these individuals will be no higher than the average increase for the wider workforce for the country in which they work. However, the Remuneration Committee retains the discretion to award higher increases where appropriate (for example, to reflect progression in the role or increased experience of the individual).
- All employees in Rotork continue to participate in a bonus scheme with targets based on a combination of the performance of their local business and the performance of the Group. Bonus awards in respect of 2022, paid in 2023, at an average of 50.2% of maximum, will be higher than in 2021 as the performance of the business has been stronger.
- The business continued to support the physical and mental health of employees during an ongoing challenging pandemic year through the global Employee Assistance Programme (EAP).
- Our charity, Rotork Benevolent Support, maintained support for employees, ex-employees and their families through hardship, making more grants in 2022 than in 2021.
- Pulse engagement surveys of the workforce continued to show high engagement levels at 7.2/10 compared with 6.4/10 at the end of 2021.
- In recognition of our responsibility to help reduce inequality and to contribute to a fairer society more broadly, Rotork committed to a Real Living Wage Policy in 2020 and, since then, has ensured any employee is paid above this level where a published rate exists in a country. Rotork is an accredited Real Living Wage Employer.

Our Fair Pay Framework continues to guide Rotork's reward policies, procedures, systems and decision-making globally in support of the commitment to deliver fair and competitive remuneration in line with the remuneration principles. This provides assurance that processes are non-discriminatory and operate to help reduce any gender or ethnicity pay gaps. All new employees are made aware of the Framework in their global induction and all managers globally have attended a Performance and Reward workshop to ensure they understand the approach and how to implement this fairly.

Overall, the Committee's assessment of the employee experience is that Rotork has acted responsibly towards all employees and has proactively supported their health (including mental health) and particularly their financial wellbeing during 2022 and into 2023, being mindful of the cost of living crisis, the impact of which falls hardest on the lowest paid. The Committee also believes that Rotork has maintained a pay culture, pay policies and frameworks that support wider societal expectations through 2022 and into 2023.

Remuneration outcomes for 2022

Salary review

Salaries are normally reviewed and any changes take effect from 1 April in each year. In line with the average increase level awarded to the wider UK workforce, Jonathan Davis' salary as Group Finance Director increased by 3.3%, effective from 1 April 2022. From his appointment date of 10 January 2022, Kiet Huynh received a salary of £550,000 with his first salary review being due from 1 April 2023. The Chairman's fee was also increased by 3.3% and the Board determined the non-executive director base fee and supplementary fees for the Senior Independent Director, ESG Committee Chair and the Workforce Engagement director should also increase by 3.3%. Fees for the Audit and Remuneration Committee Chairs increased from £10,500 to £11,000, all effective from 1 April 2022.

Annual bonus

The Annual Bonus targets for 2022 were based on: annual profit (60% of opportunity); cash generation (15% of opportunity); ESG measures (10% of opportunity) including lost time injury rate, together with a mix of quantitative targets covering carbon emissions, culture and engagement scores and qualitative targets focused on environmental innovation, and individual personal objectives (15% of opportunity).

Having reviewed the performance of the business against these targets, including the personal objectives, set at the start of the year, the Committee decided that the level of payout, expressed in percentage of maximum opportunity, should be 46.8% for Kiet Huynh and 44.3% for Jonathan Davis with no need for discretion to be applied. In approving this level of payout for the executive directors, the Committee noted that at this level:

- The 2022 pay out results in an award, as a percentage of maximum opportunity, between 2.9 and 5.4 percentage points lower than in 2021 on an adjusted operating profit increase of 6.2% on a constant currency basis.
- The payout results in an award for the CEO and GFD of 70.2% and 55.4% of salary respectively compared to 73.1% and 60.9% respectively in 2021.
- The 2022 payout for employee groups in the wider workforce averaged 50.2% of maximum opportunity with significant variance due to the performance of the local elements of individual schemes. This represents an increase of 3.9 percentage points on 2021 on an adjusted operating profit increase of 6.2% at constant currency.

The Committee was therefore satisfied that the bonus award to the executive directors was aligned with Rotork's Key Remuneration principles and to the performance of the business and was appropriate and fair in comparison with the wider workforce.

Under the Remuneration Policy, any bonus awarded to executive directors greater than 60% of maximum opportunity is deferred in shares for three years under the Deferred Annual Bonus Plan. Accordingly, in respect of 2022, there will be no bonus deferred in shares under the Deferred Annual Bonus Plan.

LTIP – including consideration of windfall gains

For the avoidance of doubt and as a reminder, the Committee reaffirmed its decisions of 2020 and 2021 that there should be no COVID-19 or other business related adjustments to LTIP targets for inflight awards.

The outturn for the 2020 LTIP award, which vests in April 2023, is based equally on growth in adjusted earnings per share 'EPS', relative total shareholder return 'TSR' over three years and the rate of growth in economic profit (a return on invested capital measure) over the three years to December 2022.

As reported in the 2020 Remuneration Report, which was approved by shareholders in April 2021, the 2020 LTIP award was made, (with the structure of the performance conditions consistent with the 2019 award) with no COVID-19 related adjustment to targets. At the time, the Committee was satisfied that although the award had been made at a share price reduced by COVID-19, having regard to both the good share performance in the previous 12 months and a decline in the share price of less than 25%, that it was not appropriate or necessary to scale back the award and that explicit windfall provisions would not be necessary. However, the Committee did commit to look explicitly at the value of these awards relative to the shareholder and employee experience over the same period. This review was made a condition of receipt of the award.

The outcomes on each of the performance measures over the three year period were as follows. Adjusted EPS did not grow during the period versus a requirement of 9% growth for threshold vesting. As a result, this measure was not met. Economic profit declined over the measurement period and so did not reach the threshold level for payment. This tranche of the award also lapses in full. Rotork's relative TSR ranking within its comparator group was also insufficient for vesting. This resulted in an overall level of vesting of 0.0% for the 2020 LTIP award. As a consequence no windfall gains were made in relation to the 2020 LTIP. Kiet Huynh's Restricted Stock Unit award, which was granted before his appointment to the Board, is due to vest in April 2023 and has been included in the single figure table on page 171.

In March 2022, an annual LTIP award was made to the executive directors, a group of senior managers and a number of less senior, high performing and talented employees. The structure of the performance conditions was consistent with prior awards under the rules of the LTIP Plan which were approved in 2019. In accordance with policy, the award levels were 200% of salary for the CEO and 175% of salary for the GFD. As is now normal policy, the Committee will, at vesting, as part of its normal review of formulaic remuneration outcomes, explicitly look at the value of these awards relative to the shareholder and employee experience over the same period. All recipients accepted this in writing, as a condition of receipt of the award.

Overall level of remuneration in 2022

The Committee carefully considered the extent to which the overall remuneration outturn for executive directors, taking the salary review, Annual Bonus and 2020 LTIP outturns together, reflected the substantive performance of the business and both the shareholder and employee experience in the year. The Committee was satisfied that the overall outcome was fair, appropriate and proportionate and in line with the pay culture and approach within Rotork.

Full details of the targets and performance against those targets for both the Annual Bonus Plan and the 2020 LTIP are set out on pages 171 to 174.

Outgoing CEO's remuneration

As explained in last year's Annual Report, Kevin Hostetler was treated as a good leaver, given the planned and managed approach to succession to which he contributed. Details of his outgoing remuneration arrangements, which are in line with the Remuneration Policy, are disclosed within the Annual Report on Remuneration.

Directors' Remuneration report continued

Annual statement by the Chair of the Remuneration Committee continued

Remuneration in 2023

The structure of remuneration in 2023 will be consistent with 2022.

Salary review – executive directors

In reviewing the salaries of the executive directors, the Committee was conscious that the increase for the wider workforce in the UK was 6.34%. When Kiet Huynh was appointed in January 2022, it was agreed that the appropriate remuneration package for him was the package in place for the outgoing CEO as it was 'the rate for the role', as approved by shareholders and in line with the Remuneration Policy. Kiet Huynh's package was therefore structured in the same way, with the same maximum Annual Bonus and LTIP opportunities and with the same shareholding guidelines as for his predecessor. As a new executive director, pension contributions were set in line with the wider UK workforce and in accordance with the Remuneration Policy. However, in terms of base salary, mindful of both the current business environment and Kiet Huynh being a first time CEO appointment, his starting base salary was set at £550,000, 11.9% lower than the base salary of his predecessor. As was explained in the 2021 Remuneration Report, the Committee's intention was that after appointment, Kiet's salary would be increased, over a period of approximately two years, to the level of his predecessor's salary in 2021, also taking into account the impact of workforce increases and in line with the market. The Committee, mindful of the Board's view that Kiet's performance has been strong, therefore approved an increase to £616,400 to the CEO's salary, an increase of 50% of the difference between his current salary and the outgoing CEO's 2021 salary plus 5% (below the average workforce increase in the UK of 6.34%, excluding promotions), effective from 1 April 2023. The Committee is aware that this total results in an increase ahead of that for the wider workforce in the UK but it sees it as fulfilling its commitment made to the CEO on appointment and believes that the increase is fully merited. Shareholders are reminded that in 2021 they approved the Remuneration Report which explained this approach. It is the Committee's expectation that, subject to performance, in 2024 Kiet's salary will increase again in line with the agreement made.

Jonathan Davis will receive a basic salary increase of 5% (below the average workforce increase in the UK of 6.34%, excluding promotions), taking his salary to £390,100, effective from 1 April 2023.

The fee for the Chair will also increase by 5%, with the non-executive director base fee also increasing by 5% from 1 April 2023. There will be no change to the supplementary fees payable to those directors with additional responsibilities.

The Committee has followed closely the inflationary pressures on pay that developed in nearly every business location across the world during 2022. As noted earlier, action has been taken in the business, with the Committee's support, to ensure that pay levels remain locally competitive and this has resulted in many employees, particularly lower paid employees receiving salary increases well ahead of those awarded to the executive directors.

Pensions

Under the proposed new Policy, if approved, the rates of pension referred to will be 'the rate available to the majority of the workforce in the country in which the director operates'. In Rotork, the UK basic rate of pension is 9% but as Rotork passes on savings in National Insurance from sacrificed salary to employees, the majority pension contribution rate in the UK is 10.24% at current NI contribution levels. In accordance with the current and proposed Remuneration Policies, from 1 January 2023 Jonathan Davis' pension allowance was aligned to the contribution available to the majority of the wider workforce at 10.24%. Kiet Huynh's pension allowance was aligned with the wider workforce rate on appointment and therefore remains at 10.24%.

Annual bonus

In line with the current and proposed Remuneration Policy the maximum opportunity for Kiet Huynh and Jonathan Davis will be 150% and 125% of salary respectively. The performance metrics will be:

- EBITA Performance (60% of opportunity) – the bonus plan is based on the 2023 Budget approved by the Board.
- Cash Generation (15% opportunity) – the target to achieve maximum outturn will remain at 110% (it was increased to this level in 2020), reflecting the importance of the sustained focus on cash generation.
- ESG (10% of opportunity) – measures will be aligned to the three pillars of the ESG strategy, as set by the ESG Committee but exclude environmental emissions reductions which will be part of the LTIP opportunity. Half of the opportunity will continue to be based on Health and Safety (LTIR) with a threshold set on the basis of the average performance over the last three years and a maximum that requires improvement from 2022. The other half (5% of maximum opportunity) will be split across quantitative targets set to cover culture and engagement scores (including diversity); and qualitative targets focusing on environmental innovation, particularly in relation to products.
- Strategic Personal Objectives (15% of opportunity) – these will be set for both executive directors with a focus on the strategic development of the business with the focus on the implementation of the new Growth+ strategy.

In accordance with the Remuneration Policy, any payout in excess of 60% of the maximum opportunity will be deferred in shares under the Deferred Annual Bonus Plan.

As is usual, executive directors will be invited to participate and must agree in writing to all the conditions pertaining to the Annual Bonus Plan, including those relating to the post-cessation of employment shareholding arrangements that will apply to any bonus deferred in shares.

LTIP

In line with the current and proposed Remuneration Policy, the maximum opportunity for Kiet Huynh and Jonathan Davis will continue to be 200% and 175% of salary respectively.

The structure of the 2023 LTIP performance conditions and metrics will be as set out below. As explained earlier, following shareholder consultation, the Committee will add, for the first time, an emissions reduction target directly linked to published SBTi targets.

- Adjusted EPS (30% of opportunity) – the threshold and maximum set at 9% and 35% growth over the 2022 adjusted EPS by 2025 respectively.
- TSR (30% of opportunity) – in line with market standards for this measure the maximum outturn will be achieved if TSR is in the top quartile relative to the constituents of the FTSE 350 Industrial Goods and Services sector.
- Economic profit (30% of opportunity) – performance will be measured against the long-term plan for the business. Maximum award will require a growth rate in the economic profit over the period of 17.3% CAGR equivalent to growth of more than 10.4% CAGR in profit after tax.
- Absolute reduction in scope 1 and 2 CO_2 emissions from a 2020 base (10% of opportunity) – maximum performance will represent a reduction of 39% by the end of 2025 which compares with the 2030 SBTi target of a reduction of 42%. Threshold performance will represent a reduction of 35%.

As part of the minor adjustments to the Policy, the proportion of maximum earned at threshold performance will be standardised at 25% for all four measures.

These awards will attract dividend equivalents in the form of additional shares and will be subject to the same post-vesting holding period requirements. The awards will be made in the normal course following the publication of the results and subject to the executive directors agreeing in writing to all the conditions under which awards are made including to the post-cessation of employment shareholding arrangements that will apply to these awards.

Wider workforce remuneration matters

Our Key Remuneration Principles provide the foundation for a fair pay agenda at Rotork and this has been reflected in our approach to pay and remuneration during 2022.

We look to apply the Key Remuneration Principles, along with our Fair Pay Framework consistently through the business and we seek to ensure there is consistency in how we structure pay so that performance measures and incentives reinforce the right behaviours in the business. If specific actions are necessary to satisfy governance expectations or are required under the Directors' Remuneration Policy, these are made once the right remuneration structure for the business has been set.

Our Fair Pay Framework helps ensure standards are met throughout our operations globally, including ensuring our approaches and decisions are non-discriminatory.

The Committee keeps the business's performance on any potentially discriminatory factors under regular review. Whilst there has been no evidence of deliberate or wilful discrimination, the Committee will continue to monitor the potential consequences of bias in remuneration decision-making. Gender pay gap metrics are reviewed each year before they are published, as is the gender-based distribution of pay increases, promotions and bonus awards. We have also focused our attention on pay and ethnicity and the Committee now reviews these metrics in addition to gender related metrics. We have again published our ethnicity pay gap alongside our Gender Pay Report.

Recruitment processes are reviewed to help remove potential bias in order to help the business have access to the whole talent pool and to help ensure that there is no bias against any potential employees.

The Company considers employee participation in the success of the business to be a key part of the Company's overall remuneration strategy which aligns the interests of employees and shareholders and helps to recruit, retain and motivate employees at all levels within the Group. The Company offers annual bonus opportunities to all employees, offers share ownership schemes where practicable and delivers a profit-sharing programme to the vast majority of employees and continues to review its expansion to those where legal complexities currently prevent doing so. The Committee believes that this approach provides a meaningful and important incentive to employees in promoting share ownership at all levels in the Group with over half of our employees being employee shareholders.

As part of this programme, the Sharesave scheme in the UK continues to operate and we are planning to renew the scheme for a further ten-year period at this year's AGM, having extended the operation of the Share Incentive Plan last year. Further details on the renewal of the Sharesave Scheme are given in our Notice of AGM.

Notwithstanding the considerable progress that has been made, we set ourselves high standards and will continue to review and update our approaches and continue to commit to doing the right thing. More details are provided in the 'Making a positive social impact' section on pages 67 to 75.

Bringing the employee voice into the boardroom

In addition to my role as Chair of the Remuneration Committee, I am the designated non-executive director for workforce engagement which provides a useful linkage to the wider remit of the Remuneration Committee itself. Details on how I and my fellow Board members have engaged with Rotork's employees during the course of the year are set out on pages 131 and 133. There is no doubt that this process of engagement has fed through into the Committee's discussions on the approach to remuneration across the business. While there is an overall sense of positivity about the future direction of the business, we've heard from colleagues that there are also challenges, some of which are external, such as the rise in cost of living. To support colleagues around the world through this we have brought forward the annual remuneration review and salary increases for all but our most senior people from 1 April 2023 to 1 January 2023 as well as offering higher pay increases for our lowest paid colleagues.

Composition of the Committee

There have been no changes in the Committee's membership during the year. All members of the Committee are independent non-executive directors with their respective views, backgrounds and experience being reflective of the demographic diversity of our global business. Peter Dilnot brings his knowledge of the UK remuneration environment to our discussions which complements Ann Christin's and Karin's European perspective and Janice's US outlook. I would like to note my thanks to the Committee members for their important contribution to the operation of the Committee through 2022 and into 2023 and to all our colleagues across the business for their hard work and support during the past year.

Committee performance

In accordance with good governance, the Committee evaluated its performance during 2022. As is usual, opportunities for greater focus and improvement were identified, including the clarification of the responsibility for the oversight of diversity, inclusion and ESG incentive metrics with the other Board Committees as well as the introduction of more data to allow further remuneration based review across the business, especially on diversity and ethnicity. However, noting the continuing challenging nature of remuneration, at all levels, in the current environment it is very pleasing to report that the Committee is regarded as operating effectively.

Tim Cobbold
Chair of the Remuneration Committee
27 February 2023

Remuneration at a glance

Our Remuneration Policy in 2023 (assuming AGM approval and subsequent implementation of the new Policy)

Purpose	Element	Kiet Huynh (Chief Executive Officer)	Jonathan Davis (Group Finance Director)
Attract and retain high-calibre executive directors	**Salary**	£616,400	£390,100
	Benefits	Benefits comprise a car and fuel allowance, personal accident and private medical insurance and life assurance.	
	Pension	Fixed at rate available to the majority of the workforce in the country in which the director operates (currently in the UK this is 10.24% of salary).	
Drive and reward short-term performance	**Annual bonus**	150% of salary maximum (90% salary on-target)	125% of salary maximum (75% salary on-target)
		Based on profit, cash generation, ESG and personal targets.	
Incentivise long-term value creation and provide alignment with shareholders	**Long term incentive plan (LTIP)**	200% salary performance share award	175% of salary performance share award
		Based on adjusted earnings per share 'EPS', relative total shareholder return 'TSR' growth in economic profit assessed over a three-year performance period 'ROIC' and absolute reduction in scope 1 and 2 CO_2 emissions with targets aligned to the accredited, published 2030 SBTi targets. A two-year post-vesting holding period also applies, together with malus and clawback provisions.	
Provide alignment with shareholders	**Shareholding requirements**	350% of salary	300% of salary
		Executive directors are required to build a shareholding equal to their variable pay opportunity within five years of appointment. A requirement to hold 200% of salary in shares will apply for two years after cessation of employment (but does not apply to shares held which were purchased with the executive's own funds) subject to the shares having been acquired from share awards made after the approval of the 2020 Remuneration Policy.	
Total remuneration opportunity at on-target performance		£1,416,000	£843,000
Actual total remuneration for 2022		£1,087,000	£644,000

Note: actual total 2022 remuneration for Kevin Hostetler as an executive director was £27,000

How our Remuneration Policy supports Rotork's strategy

Our directors' Remuneration Policy has been developed to enable Rotork to recruit and reward appropriately an executive team of the calibre required to lead our global business to deliver the superior outcomes for all our stakeholders. We aim to pay competitively against the talent pools from which we recruit with a significant proportion of pay linked directly to the performance of the business and delivered in Rotork's shares to ensure strong long-term alignment with shareholders.

Our aim is to deliver strong and sustainable margins, consistent year-on-year growth in revenues and profit and a high return on capital which, combined with our asset-light model, delivers strong cash generation. The financial measures in our incentive plans reflect these priorities and our long-term financial objectives. The introduction of explicit ESG measures reflects the strategic importance of ESG in Rotork.

Strategic priorities	Bonus	LTIP
Innovation	Strategic targets	Economic profit (ROIC) measure
Operational excellence	Cash generation measure & personal performance targets	
Growth	Profit measure	Total shareholder return measure Earnings per share measure
Sustainability	ESG (including Safety) measures Deferral into shares Malus and clawback provisions	Five-year time horizon (three-year performance period and two-year holding period) Malus and clawback provision Absolute reduction in scope 1 and 2 CO_2 emissions with targets aligned to the accredited, published 2030 SBTi targets

Performance measures

Performance measures are used to determine the extent of any awards made under the variable elements of the executive directors' remuneration, both annual bonus and LTIP. The performance measures are selected because of their use as key performance indicators 'KPIs' to assess Company performance and to align the interests of the directors to those of the shareholders. Non-financial KPIs constitute part of the annual bonus award and these are selected to ensure that performance measured by financial KPIs is not delivered at the expense of important non-financial considerations, specifically ESG.

The measures currently used each fulfil a distinct purpose as set out below:

Measure	Used in	Purpose
Adjusted operating profit	Annual bonus	Maintain focus on annual profits.
Cash generation	Annual bonus	Maintain discipline on managing inventory and receivables.
ESG measures	Annual bonus	Focus on health & safety, employee engagement, diversity and product environmental impact.
	LTIP	Absolute reduction in scope 1 and 2 CO_2 emissions (2020 base year) with targets aligned to the accredited, published 2030 Science Based Targets initiative ('SBTi') targets.
Strategic objectives	Annual bonus	Provide a balance to financial delivery which reflect activities that contribute to the longer-term success of the Group. These include environmental targets.
Adjusted earnings per share	LTIP	Adjusted EPS is a key measure for analysts who cover Rotork and reflects long-term growth in profits.
Relative TSR	LTIP	Reflects the long-term growth in the value of shareholders' investment in Rotork.
Economic profit	LTIP	Captures the cost of the capital required to operate the business and instils discipline around capital usage into financial decision-making.

Performance outcomes for the 2022 financial year

The table below sets out how the annual bonus and LTIP awards have vested in the financial year ended 31 December 2022 based on performance against target. Kevin Hostetler was eligible to be considered for a pro rata 2022 annual bonus award based on his contribution during 2022. The Committee determined that a bonus of 45.6% of maximum be paid to the former Chief Executive Officer based on his contribution, pro-rated to his termination date of 17 April 2022 and resulting in a total bonus of £125,400: £10,000 for the period he was an executive director and a payment £115,400 from 10 January to 17 April 2022 in relation to his employment.

Award	Measure	Performance	Kiet Huynh	Jonathan Davis	Kevin Hostetler
2022 annual bonus	Profit (60%) Cash generation (15%) ESG (10%) Personal and strategic (15%)	25.8% achieved 0% achieved 10% achieved K Huynh: 11% achieved J Davis: 8.5% achieved K Hostetler: 9.8% achieved	46.8% of maximum awarded	44.3% of maximum awarded	45.6% of maximum awarded
2020 LTIP award	EPS growth (33%) TSR (33%) Economic profit (33%)	0% of maximum 0% of maximum 0% of maximum	0.0% of maximum vesting	0.0% of maximum vesting	0.0% of maximum vesting

Remuneration Policy report

Introduction

Rotork's Directors' Remuneration Policy (the 'Policy') is set out in full on pages 164 and 167. The Policy is subject to a binding shareholder vote at Rotork's AGM on 28 April 2023 and if approved, will apply from this date. It is intended that the Policy will apply for a period of up to three years when the Policy will be submitted to shareholders for re-approval at the 2026 AGM at the latest.

The Policy was reviewed and approved by the Remuneration Committee and Board. As part of the process, the views of our larger shareholders and other investor advisory bodies were sought. In addition, the thoughts of other Board members, management and external advisers were considered. The members of the Committee then made decisions independently. No individual participates in decisions relating to their own personal remuneration, instead recusing themselves from those discussions.

Principles

The Remuneration Committee remains committed towards remuneration being:

- Performance driven, competitive and fair;
- Motivating, affordable and proportionate;
- Aligned to shareholders' interests; and
- Globally relevant and transparent.

Approach

The Committee remains satisfied that the current Remuneration Policy, which was approved by shareholders at the 2020 AGM with 96% support, continues to work effectively, is aligned to the interests of shareholders and other stakeholders and operates in line with Rotork's business strategy, culture and values. In the Committee's view, and as advised by its external remuneration consultants, there are no changes needed to bring the Policy in line with the UK Corporate Governance Code. In particular, from 2023, directors' pensions are aligned to the wider workforce and directors' shareholdings are now subject to post cessation shareholding requirements. Therefore, no significant changes to the current Remuneration Policy are being proposed to shareholders at the 2023 AGM. The changes that are being proposed, as set out in table below, are not substantive but are designed to enhance the flexibility and ability of the Committee to take decisions as needed within the policy parameters.

As part of the Policy review and in order to strengthen the alignment of the Policy to the new CEO's evolving strategy which is focused on business growth through sustainability, the Committee gave careful consideration to the way the incentive plans operate within the Policy with a focus on how to include rewarding performance through appropriate, meaningful and quantifiable ESG measures that are linked to delivering Rotork's business strategy. Following on from a consultation process with our top shareholders, we are seeking to add to our existing measures of EPS, TSR and ROIC an environmental performance measure with a weighting of 10% and quantitative three-year targets which are aligned to our sustainability strategy plans.

The table below includes a summary of the key features of the current Policy with our proposed changes along with the rationale for these changes and how they will be implemented.

Pay element	Current Policy	Proposed change	Rationale and implementation in 2023
Base salary	Normally salary increases will be no higher than the average increase (as a percentage of salary) applied to the workforce. However, the Remuneration Committee retains discretion to award higher increases if appropriate.	No change.	As at 1 April 2022 these were: CEO: £550,000; GFD: £372,000 From 1 April 2023 these will be: CEO: £616,400; GFD: £390,100
Benefits	Standard benefits package.	Greater flexibility is being sought in the case of appointing a director from overseas in the future so as to enable an individual to move from overseas to the UK and not be penalised as a result. Greater clarity that directors are able to participate in any all-employee share plans.	The ability to continue to deliver the type of benefits that the individual has been receiving in their 'home' country where tax may continue to be due. This might include medical, tax advantaged pension, some form of tax equalisation if rates are higher in the home country and tax continues to be paid there (e.g. the US). It might also include temporary allowances (grossed up for tax) related to relocating country of residence (e.g. to the UK or from the UK). The intention is not to build in any entitlements but to ensure the Committee has sufficient tools to make the right recruitment and promotion decisions.

Pay element	Current Policy	Proposed change	Rationale and implementation in 2023
Pension	Pension refers to the historic rates before alignment which was achieved by 31 December 2022.	We are seeking to reduce this to refer only to the rate available to the majority of the workforce in the country in which the director operates (currently in the UK this is 10.24% of salary).	In line with the UK Corporate Governance Code. From 1 January 2023, the pension allowances for both the CEO and GFD align to the contributions available to the majority of the UK workforce (currently 10.24% of salary).
Annual bonus	Individual limit of 150% of salary. Any bonus in excess of 60% of maximum is deferred into shares for 3 years. Performance conditions and weightings determined annually with majority to be financial. Clawback and malus provisions apply. The Committee has discretion to adjust formulaic outcomes.	Malus and Clawback provisions will be extended to also include reputational damage and unreasonable failure to protect the interests of employees and customers.	CEO/GFD opportunities remain at 150% /125% of salary respectively. Performance conditions for 2023: Annual Profitability (60%), Cash Generation (15%); ESG measures (10%); personal/strategic objectives (15%). The ESG measures will not create an overlap with the environmental emissions measures proposed for inclusion in the long-term incentive plan.
Long term incentives	Policy limit is 200% of salary p.a. Performance Share Awards vest after 3 years with a subsequent 2-year holding period. Performance conditions determined annually. Clawback and malus provisions apply. The Committee has discretion to adjust formulaic outcomes.	Malus and Clawback provisions will be extended to also include reputational damage and unreasonable failure to protect the interests of employees and customers.	CEO/GFD award levels remain at 200%/175% of salary respectively. Performance conditions for 2023 awards are to change from: • 33% Adjusted EPS targets • 33% TSR relative to FTSE350 Industrial Goods and Services sector • 33% Return on Invested Capital (a measure of economic profit) To: • 30% Adjusted EPS targets • 30% TSR relative to FTSE 350 Industrial Goods and Services • 30% Return on Invested Capital (a measure of economic profit) • 10% Absolute reduction in CO_2 emissions from a 2020 baseline– maximum performance will represent a reduction of 39% by the end of 2025 which compares with the 2030 SBTi target of a reduction of 42%.
Shareholding guidelines	Equivalent to total variable pay opportunity. Executive directors normally have to retain 200% of salary for 2 years post termination.	No change	350% of salary for CEO and 300% for the GFD

Proposed Remuneration Policy in full

Element of remuneration	Purpose and how it supports the strategy	How the element operates	Maximum amounts payable	Framework used to assess performance
Base salary	To attract and retain executive directors of the right calibre and provide a core level of reward for the role.	Salary levels (and subsequent salary increases) are set after taking into account the responsibilities of the role, the value of the individual in terms of skills, experience and personal contribution, Company performance, internal relativities and pay conditions, and external market data (benchmarked against companies of a similar size and complexity and other companies in the same industry sector). The Remuneration Committee also considers the impact of any increase to salaries on the total remuneration package. Salaries are paid monthly and normally reviewed annually (salaries are normally reviewed in February, with any changes effective from 1 April).	Details of the current salaries of the executive directors are set out in the Annual Report on Remuneration. Normally, future salary increases will be no higher than the average increase (as a percentage of salary) applied to the UK workforce. However, the Remuneration Committee retains the discretion to award higher increases if appropriate (for example, to reflect progression in the role or increased experience of the individual).	N/A
Benefits	To attract and retain executive directors of the right calibre by providing a market competitive level of benefit provision.	The range of benefits that may be provided is set by the Remuneration Committee after taking into account local market practice in the country where the executive director is based or has relocated from and suitable benefits, including compensation for increased taxation where an individual is relocating from one country to another. Standard benefits for executive directors' benefits comprise a car and fuel (or car and fuel allowance), personal accident insurance, private medical insurance and life assurance. Additional benefits may be provided, as appropriate, including travel benefits for executives working away from their home country. Executive directors are also entitled to participate in all-employee share plans on the same basis as other employees based in the same country. Any reasonable business related expenses may be reimbursed (including any tax if determined to be a taxable benefit).	There is no prescribed maximum level, but the Remuneration Committee monitors the overall cost of the benefit provision to ensure that it remains appropriately proportionate.	N/A
Pension	To provide a market competitive remuneration package to enable the recruitment and retention of executive directors.	The Company may fund contributions to a director's pension as appropriate. This may include contributions to a money purchase scheme and/or payment of a cash allowance where appropriate.	No higher than the percentage of salary available to the majority of the workforce for the country in which the executive director operates.	N/A
Annual bonus	Drives and rewards performance against annual financial and operational goals which are consistent with the medium to long-term strategic needs of the business.	Bonus up to 60% of the maximum opportunity is paid in cash. Any bonus awarded in excess of 60% of the maximum is deferred into shares for three years. Dividend equivalents may be paid on the deferred shares on vesting. The Remuneration Committee retains discretion to adjust the number of deferred shares in the event of a variation in the capital of the Company and/or to settle the award in cash.	The maximum annual bonus opportunity is 150% of salary. Details of the current annual opportunity are set out in the Annual Report on Remuneration. For each measure, normally a sliding scale of stretching targets is set by the Remuneration Committee. The threshold level of bonus under each financial measure varies but accounts for no more than one third of the maximum bonus opportunity under any single measure.	The annual bonus is focused on the delivery of strategically important performance measures. These include demanding financial and non-financial measures. Financial measures will account for the majority. Under the terms of the bonus plan, the Remuneration Committee has the discretion, in exceptional circumstances, to amend previously set targets or to adjust the proposed pay-out to ensure a fair and appropriate outcome.

Element of remuneration	Purpose and how it supports the strategy	How the element operates	Maximum amounts payable	Framework used to assess performance
LTIP	To incentivise long-term value creation and alignment with shareholder interests.	The LTIP permits an award of shares to be granted which vests subject to performance and continued employment. The LTIP awards will be granted in accordance with the rules of the plan, (which includes the ability to award dividend equivalents on shares that vest) which were approved by shareholders in 2019, and the discretions contained therein. Awards under the LTIP may be granted in the form of conditional shares, forfeitable shares, nil-cost options or cash (where the award cannot be settled in shares). Directors must retain any shares vesting (net of tax) until the fifth anniversary of grant.	The maximum LTIP opportunity is 200% of salary. Details of the current award levels are set out in the Annual Report on Remuneration.	Awards under the LTIP are subject to performance conditions, measured over three financial years, currently being adjusted EPS, economic profit and TSR. Different measures may be used for future award cycles. A sliding scale of targets is set for each measure with no more than 25% of the award (under each measure) vesting for achieving the threshold performance hurdle. The performance targets are set prior to the grant of each award. Different measures, targets.and/or weightings between measures may be set for future award cycles. Under the LTIP rules approved by shareholders, the Remuneration Committee has the discretion to amend the targets applying to existing awards in exceptional circumstances providing the new targets are no less challenging than originally envisaged. The Remuneration Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.
Shareholding guideline	To provide alignment with shareholders by requiring executives to build and maintain a meaningful shareholding in Rotork.	The executive directors are also subject to a requirement during their period of employment to build and maintain a shareholding in Rotork equivalent to the combined annual award opportunity under their bonus and LTIP. It is expected that this requirement will be achieved within five years of appointment. Following the cessation of their employment, executive directors are required to retain for a further two years any shares held that have vested to them under the Group's share plans after 24 April 2020 (subject to a maximum holding requirement of 200% of final salary).	N/A	N/A
Chair and non-executive directors' fees	To attract and retain non-executive directors of the right calibre.	Fees for the Chair and non-executive directors are normally reviewed annually. Non-executive director fees are determined by the Chair and the executive directors. The fees for the Chair are determined by the Remuneration Committee. The fees for the non-executive directors comprise a basic Board fee, with additional fees paid to the Senior Independent Director, Committee chairs, the Non-executive Director for workforce engagement, and other similar Board responsibilities. Additional fees may be paid for additional temporary responsibilities. Any reasonable business-related expenses may be reimbursed (including tax thereon if determined to be a taxable benefit).	The maximum aggregate fee level is as specified in the Group's Articles of Association (currently £1,000,000). The fee levels are set by reference to rates in companies of comparable size and complexity. The fee levels are reviewed periodically taking into account the responsibilities of the role and the time commitment of the individual.	N/A

Directors' Remuneration report continued

Proposed Remuneration Policy in full continued

Malus and clawback

The payment of any bonus is at the ultimate discretion of the Remuneration Committee which also retains an absolute discretion to reclaim or withhold some, or all, of any annual bonus paid in exceptional circumstances, such as misstatement of results, an error in the calculation of the performance targets and/or award size, gross misconduct, reputational damage and unreasonable failure to protect the interests of employees and customers.

The Remuneration Committee has similar power in respect of the LTIP and may exercise discretion to reclaim or withhold some, or all, of a vested LTIP award in exceptional circumstances (the specified situations being the same as for the Annual Bonus Plan).

Discretion

The Remuneration Committee retains discretion under the Policy to operate the incentive plans in accordance with their detailed rules, to amend performance conditions of inflight incentives and yet to be granted LTIP awards and future bonus awards. Annually the Remuneration Committee will assess whether it feels the formulaic outcomes from the incentive plans reflect the Company's underlying performance and retains the ability to alter those outcomes.

Differences between the Policy Report and the policy on employee remuneration

We use the same principles (as set out at the start of this report) to determine pay for our executives and everyone else who works at Rotork. We recognise that it is appropriate for a significant proportion of executive directors' remuneration to be contingent on the performance of the Group, and that such remuneration is at risk subject to the satisfaction of stretching performance conditions. Executive directors and other senior managers are invited to participate in the LTIP under which shares are awarded subject to performance conditions over a three-year period. We are also widening participation in our share-based long-term incentive schemes within the organisation. Executive directors and other senior managers are also invited to participate in the annual bonus scheme which will result in a bonus payment being made if targets are achieved, part of which for executive directors may be deferred in shares. Alternative or additional incentive plans may operate from time to time for senior managers and or other employees.

Employees share in the success of the Group through a profit-based bonus plan which is linked to the performance of their business unit, Group performance and their own individual performance. This is coupled with the opportunity, for eligible employees, to receive free shares from the Company, paid from the Company's profits.

Approach to recruitment remuneration

We recruit our most senior leaders from a global talent pool and our Policy provides the flexibility for such recruitment. Base salary levels for new executives are set after taking into account the experience and calibre of the individual and their existing remuneration package. It may be appropriate in certain circumstances to offer a salary which is initially lower than the market level but having a planned series of increases to such salary over subsequent years subject to individual performance. We will be clear as to our intentions with a candidate if we intend to adopt such an approach for a particular reward package. Benefits will generally be provided in accordance with the Policy. Where an executive is required to relocate in order to take up his/her role, we may offer relocation expenses and assistance and/or ongoing expatriate benefits (including tax equalisation), the nature of which would be determined by the individual circumstances.

The structure and level of the ongoing variable pay element will be in accordance with the Policy. Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that the executive joined.

In the case of an external hire, it may be necessary to buy out certain elements of remuneration from an executive's previous employer which would be forfeited on leaving that employer. Where we do this, it will always be subject to the principal consideration that making such a buy-out is in the best interests of the Group. Any such payment would be structured to take into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using Rotork's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal hire, or the appointment of an individual who is not an executive director but who still falls within this Policy any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Details of the remuneration package for Kiet Huynh as the new, internally appointed, CEO are given on page 180.

Fees for a new Chair or non-executive director will be set in line with the Policy.

Service contracts and policy on payments for loss of office

Under the executive directors' service contracts, up to 12 months' notice of termination of employment is required by either party. Should notice be served, the executive directors can continue to receive salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Company applies a general principle of mitigation in relation to termination payments and the service contracts expressly include the use of monthly phased payments following termination in lieu of notice which can be reduced to the extent that alternative remunerated employment is found.

The service contracts also enable the Company to elect to make a payment in lieu of notice equivalent in value to 12 months' base salary only.

In the event of cessation of employment, the executive directors may still be eligible for a bonus at the discretion of the Remuneration Committee, on a pro-rata basis for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice. Different performance measures (to the other executive directors) may be set for the bonus for the period up until departure, as appropriate, to reflect changes in responsibility.

Any unvested shares held under the deferred Annual Bonus Plan will ordinarily vest on the normal vesting date, save where the departure is as a result of summary dismissal, in which case the awards will lapse on cessation of employment. The Remuneration Committee may also determine that the shares shall vest on an earlier date (including the date of cessation) if the Remuneration Committee, in its discretion, considers that the circumstances of the cessation merit early vesting of the awards.

The rules of the LTIP set out what happens to awards if a participant leaves employment before the end of the vesting period. Generally, any unvested LTIP awards will lapse when an executive director leaves employment except in certain circumstances. If the executive director ceases to be employed as a result of death, injury, retirement, transfer of employment or any other analogous reason, they may be treated as a 'good leaver' under the plan rules. The shares for a good leaver will vest subject to an assessment of performance, with a pro-rata reduction to reflect the proportion of the vesting period served. Awards for a good leaver may then vest on the normal vesting date, unless the Remuneration Committee determines that they should vest early (for example, following the death of the participant). In determining whether an executive director should be treated as a good leaver and the extent to which their award may vest (up to the pro-rated amount), the Remuneration Committee will take into account the circumstances of an individual's departure.

Outplacement services and reimbursement of legal costs may be provided where appropriate. Any statutory entitlements or sums to settle or compromise claims in connection with a termination would be paid as necessary.

Any legacy benefits under the Company's defined benefit pension schemes will be allowed to be paid under the terms of those schemes and as set out in the Policy Report.

Outstanding share awards would ordinarily vest early on a change of control of the Company. In the case of unvested awards under the LTIP, performance would be measured to the date of control, normally with a pro-rata reduction to reflect the proportion of the vesting or performance period served.

The Chair and non-executive directors do not have service contracts; they serve under letters of appointment and are subject to annual re-election by shareholders at the AGM. The term of appointment for non-executive directors and the Chair is three years and their appointments are subject to termination on three months' notice (up to 12 months for the Chair). In the event of the termination of their position, they are entitled to reimbursement of any outstanding fees and expenses due.

Illustration of the Directors' Remuneration policy for 2023

The chart below illustrates how the Remuneration Policy would function for minimum, on-target and maximum performance for 2023 for each executive director. In addition, the fourth bar illustrates the value of total remuneration in the event both the annual bonus and LTIP pay out in full with the LTIP being subject to 50% share price appreciation over the relevant period.

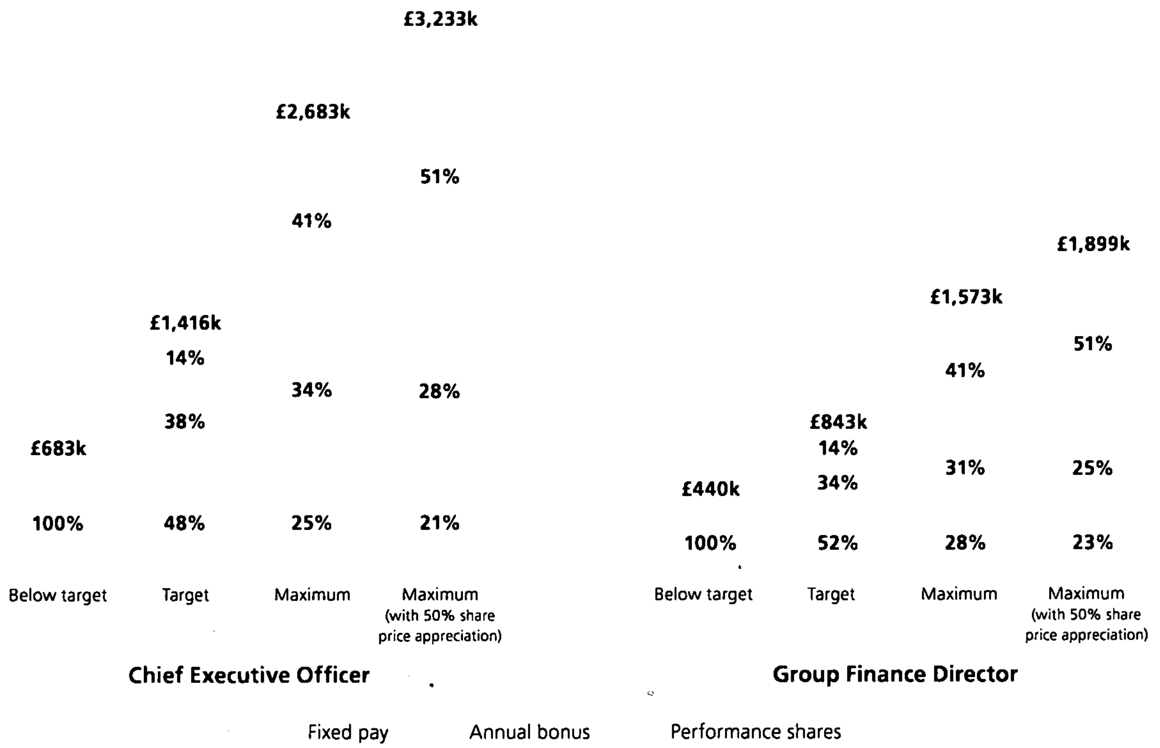
Salary levels (and consequently the other elements of the remuneration package which are calculated as a percentage of salary) are based on those intended to apply in 2023. Taxable benefits are shown as the cost to the Company supplying the benefits for the year ended 31 December 2022.

On-target performance, for illustrative purposes, assumes achievement of 60% of the maximum available bonus and average threshold LTIP vesting (17.5% of the maximum).

Maximum performance assumes achievement of the maximum bonus and full vesting of the LTIP shares.

The LTIP grant level is shown as 200% for Kiet Huynh and 175% for Jonathan Davis. No share price growth has been assumed (other than for the fourth scenario, as described above),and for simplicity the benefit derived from participating in the Company's SIP has been excluded.

Scenario chart



Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (as amended) and Rule 9.8.6 of the Listing Rules. The Annual Statement and Annual Report on Remuneration will be put to a single advisory vote at the AGM on 28 April 2023.

Committee membership and governance

The Committee currently comprises five independent non-executive directors, namely, Tim Cobbold (Chair), Peter Dilnot, Ann Christin Andersen, Janice Stipp and Karin Meurk-Harvey. The Group General Counsel & Company Secretary acts as secretary to the Remuneration Committee. The Remuneration Committee met five times during 2022 with attendance set out as follows.

Member	Member since	Eligible meetings (max 5)	Attendance
Tim Cobbold, Chair	December 2018	5	5
Peter Dilnot[i]	May 2021	5	4
Ann Christin Andersen	December 2018	5	5
Karin Meurk-Harvey	September 2021	5	5
Janice Stipp	December 2020	5	5

(i) Peter Dilnot was unable to attend the December meeting due to the rescheduling of this meeting at short notice and a pre-existing commitment which Peter honoured. He received the papers in advance and provided feedback to the Committee Chairman which was shared at the meeting. The Committee Chairman briefed Peter on deliberations and outcomes following the meeting.

The Remuneration Committee is keen to ensure that its deliberations and decisions are undertaken in the fullest context of the business and taking into account how employees across the Group are rewarded, as well as ensuring that its decisions are made in the most transparent manner possible. To that end, the Committee invites the Group HR Director to its meetings to provide this wider context and to ensure that all its decisions remain aligned with Rotork's values and culture, which we seek to nurture within the business. The Chairman is also invited to attend meetings and provides input relating to the performance and remuneration of the Chief Executive Officer. The Chief Executive Officer and Group Finance Director are invited to attend parts of certain meetings but are not present when their own remuneration is considered. A representative from Korn Ferry, the Committee's remuneration advisers, also attends to provide independent remuneration and ancillary governance advice.

Role of the Remuneration Committee

The principal role of the Remuneration Committee is to set the framework and policy for remuneration of the executive directors, the Rotork Management Board ('RMB') and the Chair. It also oversees the principles and structure of remuneration arrangements for all employees across the Group, and seeks to ensure there is consistency across regions, business lines and organisational levels. In so far as possible, similar structures are used across the Group, since this is the most reliable way of ensuring transparency. At all levels, in line with our remuneration principles, we ensure that remuneration is competitive and fair; at the executive level, this means offering remuneration that is sufficiently attractive and appropriately rewards the leadership team required to successfully run a complex global business.

The terms of reference of the Remuneration Committee can be found on the Company's website at **www.rotork.com/en/investors/corporate-governance.**

UK Corporate Governance Code – Provision 40 disclosures

When developing the proposed Remuneration Policy and considering its implementation, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

- Clarity – the Committee is committed to providing open and transparent disclosures regarding our executive remuneration arrangements.
- Simplicity – remuneration arrangements for our executives and our wider workforce are simple in nature and well understood by both participants and shareholders.
- Risk – the Committee considers that the incentive arrangements do not encourage inappropriate risk-taking. Malus and clawback provisions apply to annual bonus, LTIP and DABP awards, and the Committee has overarching discretion to adjust formulaic outcomes to ensure that they are appropriate.
- Predictability and proportionality – our policy illustrates opportunity levels for executive directors under various scenarios for each component of pay.
- Alignment to culture – any financial and strategic targets set by the Committee are designed to drive the right behaviours across the business. The LTIP encourages our executives to focus on making the right decisions for the execution of our strategy and the creation of long-term shareholder value.

Priorities and activities of the Remuneration Committee during 2022

Reviewed the renewal of our Remuneration Policy to ensure it delivers a package that is proportionate to the opportunity for shareholders and aligned with their interests

- Set pay principles.
- Reviewed all elements of the Directors' Remuneration Policy to ensure that it is globally relevant, remains fit for purpose and aligns with, and supports, Rotork's culture and Values, and fits with our pay principles.
- Considered corporate governance developments, guidance from institutional investors and external remuneration trends to ensure our remuneration structures reflect evolving good practice.
- Developed the approach to the remuneration structure for 2023.
- Reviewed and agreed the inclusion of an environmental measure for the 2023 LTIP awards.
- Consulted with shareholders on the proposed new Remuneration Policy.

Set pay at a competitive level against the external market and ensured it is affordable and fair in the context of pay for all Rotork employees

- Reviewed the pay arrangements for employees across the Group and considered how these related to those for our senior leaders.
- Ensured that decisions on pay were in line with the Fair Pay Framework which guides Rotork's reward policies, procedures, systems and decision making globally in support of the commitment to deliver fair and competitive remuneration in line with the remuneration principles.
- Set basic salary for executive directors and members of the RMB for 2022.
- Reviewed the fee payable to the Chair.

Determined pay outcomes that are performance-driven

- Determined bonus performance outcome against 2021 targets and approved bonus payments.
- Determined LTIP vesting outcome against 2019 performance targets and approved vesting.
- Reviewed incentive plan outcomes and evaluated whether discretion should be applied.

Ensured future pay is motivating, transparent and aligned to shareholders' interests

- Reviewed the terms of both bonus and LTIP plans to ensure they remain fit-for-purpose and in line with developing best practice.
- Selected the measures and set the performance ranges for executive directors and other members of senior management's bonus scheme for 2022.
- Approved executive directors' personal objectives for 2022.
- Set LTIP performance targets and award levels for executive directors and other members of senior management for the 2022 LTIP.

Maintained transparency and clarity in everything we do

- Engaged with shareholders on the approach taken by the Committee for determining the 2021 outturns and setting 2022 targets.
- Approved the Directors' Remuneration Report 2021.

At its January meeting, the Committee reviewed and determined the remuneration arrangements relating to the departure of Kevin Hostetler and the appointment of Kiet Huynh as an executive director and as Chief Executive Officer, both with effect from 10 January 2022. Details of the remuneration arrangements for Kevin Hostetler are set out below. The remuneration arrangements for Kiet Huynh are set out on page 180 and throughout the Annual Report on Remuneration.

Directors' Remuneration report continued

Annual Report on Remuneration continued

Resignation of Kevin Hostetler as executive director and Chief Executive Officer

Kevin Hostetler stepped down from the Board and as Chief Executive Officer with effect from 10 January 2022. Kevin continued to provide support to the incoming Chief Executive Officer, Kiet Huynh, until his employment with Rotork ceased on 17 April 2022 ('Departure Date'), amended from his original termination date of 30 June 2022 by agreement on 4 April 2022.

Kevin continued to receive his salary of £624,218 (increased to £644,817 from 1 April 2022) per annum and benefits (including a pro-rated pension contribution) on a pro-rated monthly basis up until the Departure Date. The Company retained access to Kevin on a consultancy basis for a short period following the Departure Date to ensure the smooth conclusion of the CEO transition. Payments under this consultancy arrangement did not exceed the salary that would have been payable until 30 June 2022. Overall, payments made by the Company were lower in aggregate than the amounts set out in the published Section 430(2B) statement.

Kevin was also entitled to certain benefits in connection with his loss of office in line with the Company's Directors' Remuneration Policy, including equivalent relocation benefits to those incurred on appointment, a maximum of £10,000 plus VAT per annum towards UK and US tax advice in relation to remuneration received in the relevant tax years and £5,000 plus VAT towards legal fees incurred in connection with his departure.

Under the terms of his agreement, Kevin was eligible to be considered for a pro-rated 2022 annual bonus award based on his contribution during 2022 with the maximum bonus opportunity in relation to the 2022 financial year being £275,000 and subject to deferral under the rules of the Deferred Annual Bonus Plan ('DABP'). Details of the pro-rated 2022 annual bonus is set out on page 161.

Kevin was also granted good leaver status, in accordance with the respective share plan rules, in respect of his existing DABP awards, and the 2020, 2021 and 2022 LTIP awards due to vest after his Departure Date. The vesting of Kevin's LTIP awards were pro-rated for the period until the Departure Date and were subject to the achievement of the required performance conditions and the relevant rules. The 2019 LTIP vested at 9.4% with 28,827 shares vesting (after pro-rating) on 16 May 2022. The 2020 LTIP will not vest as performance conditions were not met and therefore this award will lapse on 7 April 2023. The 2021 and 2022 LTIP awards are due to vest on 24 March 2024 and 24 March 2025 respectively.

Details of Kevin Hostetler's outstanding awards under the DABP and LTIP are as follows:

Award	Number of shares subject to award	Maximum number of shares which could vest or have vested (excluding dividend equivalents)	Vesting date	End of holding period
2020 DABP	59,362	59,362	03/03/2023	n/a
2021 DABP	18,533	18,533	08/03/2024	n/a
2019 LTIP(ii)	315,015	28,827	16/05/2022	16/05/2024
2020 LTIP(iii)	412,941	—	07/04/2023	07/04/2025
2021 LTIP	336,951	142,473	24/03/2024	24/03/2026
2022 LTIP(iv)	34,360	8,349	24/03/2025	24/03/2027

Any vesting of his share awards, together with such dividend entitlements to be settled in the form of additional shares, will continue to be subject to the above post-vesting holding requirements and will be disclosed, as required, in the appropriate Directors' Remuneration Report.

(i) The 2019 DABP award over 71,783 shares vested on 5 March 2022. Dividend equivalents amounting to 4,287 were then applied giving a total of number of 76,070 shares that were released. Following the sale of sufficient shares to cover withholding liabilities, 40,317 shares were acquired by Kevin. The post-cessation two year holding period does not apply.

(ii) The 2019 LTIP award that vested on 16 May 2022 was pro-rated to Kevin's Departure Date with 28,827 shares vesting. Dividend equivalents amounting to 1,787 shares were then applied giving a total number of 30,614 shares that were released. Following the sale of sufficient shares to cover withholding liabilities, 16,320 shares were retained in Kevin's name. These shares remain subject to the two-year holding period which expires on 16 May 2024.

(iii) The 2020 LTIP will not vest as performance conditions were not met and therefore this award will lapse on 7 April 2023.

(iv) Kevin received a 2022 LTIP award under the rules of the 2019 LTIP at the normal annual grant date on 24 March 2022. The maximum number of shares to be awarded was capped at 18% of Kevin's previous opportunity and was then further pro-rated to reflect his period of service during the period between the grant date and the termination of his employment on 17 April 2022.

As an employee leaving Rotork, with effect from the Departure Date, Kevin no longer participated in the Company's Share Incentive Plan ('SIP') and the shares held in the SIP trust were removed. However, the post departure shareholding requirements for executive directors will apply in relation to share awards made after 24 April 2020 (up to 200% of salary for two years).

Other than as set out above, no other remuneration payment or any payment for loss of office of the type specified in Section 430(2B) Companies Act 2006 have been made to Kevin Hostetler. The relevant remuneration information will be included in Rotork's Directors' Remuneration Report in subsequent years, as appropriate.

Single figure of remuneration (£000s) (audited)

The tables below set out the single figure remuneration for the directors of Rotork for the year ended 31 December 2022.

Executive directors

Name	Salary		Benefits(iii)		Annual bonus(iv)		LTIP(v)		RSU(vi)		SIP(vii)		Pension and related benefits		Total remuneration		Total fixed pay		Total variable pay	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Kevin Hostetler(i)	**14**	620	**—**	51	**10**	453	**—**	79	**—**	—	**—**	3	**3**	152	**27**	1,380	**17**	823	**10**	557
Kiet Huynh(ii)	**538**	—	**22**	—	**378**	—	**—**	—	**90**	—	**3**	—	**56**	—	**1,087**	—	**616**	—	**471**	—
Jonathan Davis	**369**	357	**15**	14	**204**	218	**—**	38	**—**	—	**4**	3	**53**	70	**644**	709	**436**	441	**208**	268

(i) Kevin Hostetler stepped down as an executive director and CEO on 10 January 2022; his remuneration details are stated for the period from 1 January to 10 January 2022.

(ii) Kiet Huynh was appointed as an executive director and CEO on 10 January 2022; his remuneration details are stated for the period from 10 January to 31 December 2022.

(iii) The benefit value consists of a car and fuel (or a car and fuel allowance) and private medical insurance.

(iv) Of the maximum bonus opportunity, Kiet Huynh, Jonathan Davis and Kevin Hostetler were paid £378k, £204k and £10k in cash respectively. Kevin Hostetler was also paid a pro-rated bonus of £115,400 in relation to his employment from 11 January until 17 April 2022.

(v) The 2022 figure relates to the nil vesting of the 2020 LTIP award based on performance to 31 December 2022. The 2021 figure relates to the vesting of the 2019 LTIP award based on performance to 31 December 2021. This value has been restated from last year's report to reflect the value of the award on the date of vesting, based on the closing share price of 267.20p on 16 May 2022.

(vi) Restricted Stock Unit Awards ('RSU Awards') were granted on 21 September 2021 to Kiet Huynh prior to his appointment as an executive director. In accordance with the current Remuneration Policy, as Kiet was an internal appointment, any outstanding variable pay awarded to him in his previous role is allowed to pay out according to its terms of grant. The 2022 figure relates to the RSU Award (including accrued dividend equivalents) which is not eligible to vest until 7 April 2023 and, as such, an indicative share price of 280.59p (being the average closing price over the three month period to 31 December 2022) has been used for the purpose of valuing these awards. This value will be restated in next year's report. Of the £90k, 9% relates to a decrease in the value of the underlying shares over the period.

(vii) Face value of SIP free share awards made during the year.

Total pension entitlements (audited)

No director participates in, or has a deferred benefit under, a defined benefit pension scheme. In accordance with the Directors' Remuneration Policy, the executive directors receive a cash allowance in lieu of pension at the level of the majority of the workforce, being 10.24% from 1 January 2023.

Payments to former directors and for loss of office

No payments were made to former directors or for loss of office during the year other than in relation to Kevin Hostetler whose remuneration on cessation of office can be found on page 170.

Other directors (£000s)

Name	Base fees		Additional fees/remuneration		Total remuneration	
	2022	2021	**2022**	2021	**2022**	2021
Ann Christin Andersen	**59**	57	**7**	5	**66**	64
Tim Cobbold	**59**	57	**18**	17	**77**	74
Peter Dilnot	**59**	57	**11**	7	**70**	64
Karin Meurk-Harvey	**59**	16	**—**	—	**59**	16
Janice Stipp	**59**	57	**11**	7	**70**	64
Martin Lamb	**246**	239	**—**	—	**246**	239
Dorothy Thompson(i)	**5**	—	**—**	—	**5**	—

(i) Appointed to the Board on 1 December 2022.

The additional fees referred to above are the supplementary fees paid in cash to the Chairs of the Audit, Remuneration and ESG Committees, the Senior Independent Director and the non-executive director responsible for workforce engagement. All directors have confirmed that, save as disclosed in the single figures of remuneration table above, they have not received any other items in the nature of remuneration.

Directors' Remuneration report continued

Annual Report on Remuneration continued

Annual bonus for 2022

Bonuses in 2022 were based 60% on annual profit, 15% on cash generation, 10% ESG measures (including lost time injury rate), and 15% on personal strategic objectives. Details of performance achieved against the targets set are shown below.

	Performance required to trigger bonus payment	Performance required at maximum	% payable at maximum performance	Performance outcome	% bonus awarded*
Annual profit target	£117m	£168m	60%	£143m	25.8%
Cash generation	85%	110%	15%	76%	0.0%
ESG measures:					
Carbon emission reduction, environmental innovation and culture and engagement	See below	See below	5%	See below	5%
Lost time injury rate	0.23	0.19	5%	0.13	5%
Total			85%		35.8%

ESG measures comprise: carbon emission reduction year-on-year by 2% per £1m of revenue (1%); Environmental innovation (2%) and employee engagement and culture (2%). Carbon emissions reduced by 21% during the year with the emissions target being met in full and generating an outcome of 1%. The innovation performance was sufficient to deliver the full 2%. The employee engagement score of 7.2 outperformed the target range of 6.5 to 7, delivering 1% of bonus with the culture score of 76% also exceeding the target range of 65% to 70%, delivering 1% of bonus.

Personal strategic objectives, which accounted for 15% of the bonus opportunity, were set at the start of the year. The Remuneration Committee set specific and measurable targets covering a range of the Company's strategic priorities and assigned each an individual weighting. Performance against each of the defined targets was assessed by the Remuneration Committee with input from the Chairman and other non-executive directors. The objectives for both executive directors and the performance against them are summarised in the table below.

Kiet Huynh	Performance summary	% payable at maximum	% bonus awarded
Business strategy & vision – drive growth	Rotork's strategic growth plan was redefined, including the identification of risks and opportunities relating to the energy transition, together with the development of a roadmap for the digital future linked to customer and industry. The Capital Markets day held in November presented the new Growth+ strategy to the market.	2.0%	2.0%
Operations performance, including:		8.0%	7.0%
– Operating model	A new structure and operating model to improve operations and engineering performance and to drive increased accountability for improved customer service and product delivery was designed and implemented. The leadership team was strengthened with key targeted recruitment.		
– Enhancing operations performance	Operational performance from identified key sites was recovered.		
– Culture and leadership development	An authentic leadership style and identification as CEO was developed. The leadership abilities within the organisation have been enhanced through the development and delivery of leadership and communications to leaders and the cascade of strategy throughout the business.		
Growth Acceleration Programme, including:		5.0%	2.0%
– IT systems deployment	Whilst the core ERP project was substantially progressed during the year, the deployment date was moved into 2023.		
– Operations	Procurement savings were not achieved due to disruption in the chip sets supply chain. Labour productivity was increased through the adoption of the Rotork Lean Model. Inventory reduction targets were not met due to continued global logistics and supply chain constraints and the need to hold additional inventory to mitigate this.		
Total		**15.0%**	**11.0%**

Jonathan Davis	Performance summary	% payable at maximum	% bonus awarded
Development and implementation of financial systems, including:		8.0%	5%
– Development of detailed design of finance target operating model and shared service proof of concept	The development of the new target operating model has been finalised and the key job roles embedded in conjunction with the finance transformation projects.		
– Creation of FP&A centre of expertise	The FP&A team with the relevant expertise continues to be built to support the business. Whilst the financial reporting programme is now designed to meet the needs of the business, it has yet to be utilised as a sole source of reporting.		
– Finance function development	Comprehensive training programmes have been put in place to develop the strengthened central and regional finance teams and broaden their knowledge of the business.		
Assurance	An assurance model to comply with BEIS recommendations and the new TCFD reporting has been defined and is being implemented.	3.0%	2.5%
Growth Acceleration Programme, including:		4.0%	1%
– IT Systems Deployment	Whilst the core ERP project was substantially progressed during the year, the deployment date was moved into 2023.		
– Operations	Procurement savings were not achieved due to disruption in the chip sets supply chain. Labour productivity was increased through the adoption of the Rotork Lean Model. Inventory reduction targets were not met due to continued global logistics and supply chain constraints and the need to hold additional inventory to mitigate this.		
Total		**15.0%**	**8.5%**

With respect to Kevin Hostetler, under the terms of his remuneration arrangements on departure, the amount payable for his personal objectives for the period between 1 January 2022 and his Departure Date was calculated in line with the average of the total scores of the personal objectives levels achieved by the executive directors with the outcome being 9.8%.

Having reviewed the performance of the business against these targets, including the personal objectives, set at the start of the year the Committee decided that the level of pay-out, expressed in percentage of maximum opportunity, should be 46.8%, 44.3% and 45.6% for Kiet Huynh, Jonathan Davis and Kevin Hostetler respectively with no need for discretion to be applied. As a result, the bonus for Kiet Huynh, Jonathan Davis and Kevin Hostetler for 2022 paid out at 70.2%, 55.4% and 68.3% of salary in cash respectively. There is no deferral into shares for 2022 as the bonus levels to reach the threshold were not met.

Deferred Annual Bonus Plan 'DABP' awards (audited)

Any bonus earned above a threshold of 60% of the maximum is deferred into share awards under the Deferred Annual Bonus Plan, vesting on the third anniversary of grant. No further performance conditions apply; DABP awards are subject to continued employment only and dividend equivalents may be paid on the deferred shares on vesting. There were no DABP awards made in 2022.

Directors' Remuneration report continued

Annual Report on Remuneration continued

LTIP awards vesting based on performance to 31 December 2022 (audited)

The LTIP rewards performance against the principal measures of Rotork's long-term financial success. Performance is measured over a three-year period using a combination of adjusted EPS, relative TSR compared to a peer group and economic profit growth. The economic profit metric measures the post-tax profitability of the Group after a charge has been taken for the combined capital used (both debt and equity) within the business. The charge is calculated using the weighted average cost of capital based on average capital employed in the period. In determining capital employed, cumulative amortised goodwill and long-term pensions liabilities are adjusted for. In determining the economic profit, adjustments are made for restructuring costs and benefits and also, when material, for M&A activity and exchange. The target is set by using the latest long-term financial plan approved by the Board. It targets a rate of growth of the average economic profit over the three years of the plan over the three years preceding the plan period. The measure captures the extent to which the business has earned a return above the cost of capital. It has been shown in many other capital-intense businesses to drive improved decision making, particularly when evaluating large-scale investment decisions, and was introduced at Rotork in 2017.

The LTIP awards granted on 7 April 2020 had a performance period from 1 January 2020 to 31 December 2022 and were subject to the following performance targets:

Measure	Weighting	Performance period	Threshold target	Stretch target	Performance outcome
Earnings per share[i]	33%	01/01/20 – 31/12/22	9% (15% vesting)	35% (100% vesting)	EPS did not grow during the period and was below the minimum target resulting in 0% vesting for this part of the award.
TSR relative to the constituents of the FTSE 350 Industrial Goods and Services Sector	33%	01/01/20 – 31/12/22	Median ranking	Upper quartile ranking or above	Rotork's relative TSR ranking within its comparator group was insufficient for the vesting of this tranche.
Economic profit growth	33%	01/01/20 – 31/12/22	0% growth on three times the 2019 economic profit	55% growth on three times the 2019 economic profit	Economic profit declined over the measurement period and did not reach the threshold level for payment.

(i) For performance between threshold and stretch, awards vest on a pro-rata basis.

During the performance period, adjusted EPS was below the minimum target of 9%. Economic profit growth (growth in profit ahead of the return demanded by the weighted average cost of capital) declined over the measurement period and did not reach the threshold level for payment. Relative TSR performance in the period was insufficient for vesting. The 2020 LTIP award and the 2021 Restricted Stock Unit Award ('RSU Award') were granted to Kiet Huynh in his capacity as an RMB member, prior to his appointment as an executive director. In accordance with the current Remuneration Policy, in the case of an internal appointment, outstanding variable pay awarded in relation to a previous role will be allowed to pay out according to its terms of grant. The Remuneration Committee, therefore, determined that none of the shares awarded under the 2020 LTIP cycle would vest and that 30,356 shares relating to Kiet Huynh's 2021 RSU award would vest with the outcome for the executive directors being:

2020 LTIP Award

	Grant date	Number of shares under award	Number of shares vesting[i]	Number of shares lapsing	Vesting/ lapse date
Kevin Hostetler	April 2020	412,941	—	412,941	7 April 2023
Kiet Huynh	April 2020	60,713	—	60,713	7 April 2023
Jonathan Davis	April 2020	198,300	—	198,300	7 April 2023

2021 Restricted Stock Unit Award

	Grant date	Number of shares under award	Number of shares vesting[i]	Number of shares lapsing	Vesting/ Lapse date
Kiet Huynh	September 2021	30,356	30,356	0	7 April 2023

Share awards granted in 2022 (audited)

LTIP awards (audited)

The following LTIP awards were made to the executive directors on 24 March 2022. These grants were made at the levels permitted under the current Remuneration Policy.

	Share awards made during 2022(i)	Basis on which awards made	Face value of award (£)(iii)	Percentage vesting for minimum performance(iv)	End of performance period	Vesting date
Kevin Hostetler(ii)	34,360	18% of salary	112,359	13.3%	31 December 2024	24 March 2025
Kiet Huynh	335,939	200% of salary	1,100,000	13.3%	31 December 2024	24 March 2025
Jonathan Davis	192,246	175% of salary	629,492	13.3%	31 December 2024	24 March 2025

(i) The award to Kevin Hostetler was made as a conditional share award. Awards to both Kiet Huynh and Jonathan Davis were made as nil-cost options.

(ii) The total number of shares to be awarded to Kevin Hostetler was capped at 18% of his previous opportunity and was then further pro-rated to reflect his period of service during the period between the grant date and the termination of his employment on 17 April 2022.

(iii) The share price used to determine the number of shares under the awards was 327p, being the average share price over the five dealing days immediately prior to the date of the award.

(iv) Vesting if the minimum performance EPS, TSR and capital return (economic profit) conditions are achieved. The three equally-weighted performance measures are:

a Adjusted earnings per share – EPS growth must be at least 9% for 15% vesting, increasing on a straight-line basis to full vesting for EPS growth of 35% and above;

b Total shareholder return – measured relative to the constituents of the FTSE 350 Industrial Goods and Services Sector, 25% vesting for median performance, increasing on a straight-line basis to full vesting for upper quartile performance and above; and

c Economic profit – measures the profitability of the Group after a charge for the overall level of capital (based on the total capital used and calculated using the weighted average cost of capital) is subtracted. It is measured on a cumulative basis, over the three-year performance period. No pay-out will be received for a negative economic profit. The threshold target requires average economic profit over the three-year period to exceed that generated in 2021 and the maximum target has been set such that it will require double digit growth in post-tax profits alongside improved balance sheet efficiencies. Details of the exact targets are considered by the Remuneration Committee to be commercially sensitive. However, full details of the targets and how economic profit has been calculated will be disclosed on vesting.

SIP share awards (audited)

In common with all eligible employees, UK based executive directors receive an entitlement to ordinary shares under the SIP. Under the SIP, an aggregate total of up to 4% of profits are distributed to employees each year in the form of ordinary shares. The distribution is calculated by reference to years of service and basic salary. Details of free share awards under the SIP made to executive directors in 2022 are set out below.

	Free share awards made during the year			
	Date of grant	Number	Basis on which award made	Face value of award
Kiet Huynh	6 April 2022	889	Non-performance based	£2,897
Jonathan Davis	6 April 2022	1,091	Non-performance based	£3,555

The executive directors are also eligible to purchase monthly partnership shares under the SIP to a maximum of £150 per month.

Directors' Remuneration report continued

Annual Report on Remuneration continued

Summary of outstanding share awards held by executive directors (audited)

Full details of the outstanding awards held by Kevin Hostetler, former CEO, and their treatment are shown on page 170.

	Awards held at 31 December 2021	Granted in the year	Lapsed in the year	Awards exercised in the year	Awards held at 31 December 2022	Performance period	Exercise price	Date of grant	Vesting date	End of holding period
Kiet Huynh										
LTIP[i]	46,202	—	41,860	4,342	—	1 Jan 2019-31 Dec 2021[ii]	—	16 May 2019	16 May 2022	16 May 2024
RSU[iii]	23,101	—	4,342	18,759	—	1 Jan 2019-31 Dec 2021	—	20 September 2021	16 May 2022	16 May 2024
LTIP[v]	60,713	—	—	—	60,713	1 Jan 2020-31 Dec 2022[iv]	—	7 April 2020	7 April 2023	7 April 2025
RSU[iii]	30,356	—	—	—	30,356	1 Jan 2020-31 Dec 2022	—	20 September 2021	7 April 2023	7 April 2025
LTIP[i]	43,681	—	—	—	43,681	1 Jan 2021-31 Dec 2023[v]	—	24 March 2021	24 March 2024	24 March 2026
LTIP	—	335,939	—	—	335,939	1 Jan 2022-31 Dec 2024[v]	—	24 March 2022	24 March 2025	24 March 2027
SIP	1,232	—		—	1,232	N/A	—	29 May 2020	29 May 2023	n/a
SIP	991	—		—	991	N/A	—	9 April 2021	9 April 2024	n/a
SIP	—	889		—	889	N/A	—	6 April 2022	6 April 2025	n/a
SAYE	1,411	—	—	—	1,441	N/A	255p	10 October 2019	1 June 2023	n/a
SAYE	—	9,201	—	—	9,201	N/A	195p	7 October 2022	1 June 2026	n/a
Total	**207,687**	**346,029**	**46,202**	**23,101**	**484,443**					
Jonathan Davis										
LTIP[i]	151,274	—	137,055	—	14,219[vi]	1 Jan 2019-31 Dec 2021[ii]	—	16 May 2019	16 May 2022	16 May 2024
LTIP[i]	198,300	—	—	—	198,300	1 Jan 2020-31 Dec 2022[iv]	—	7 April 2020	7 April 2023	7 April 2025
LTIP[i]	169,899		—	—	169,899	1 Jan 2021-31 Dec 2023[v]	—	24 March 2021	24 March 2024	24 March 2026
LTIP	—	192,246	—	—	192,246	1 Jan 2022-31 Dec 2024[v]	—	24 March 2022	24 March 2025	24 March 2027
DABP[i]	36,790	—	—	36,790	—	N/A	—	5 March 2019	5 March 2022	n/a
DABP[i]	26,744	—	—	—	26,744	N/A	—	3 March 2020	3 March 2023	n/a
DABP[i]	8,544	—	—	—	8,544	N/A	—	8 March 2021	8 March 2024	n/a
SIP	1,204		—	1,204	—	N/A	—	8 April 2019	8 April 2022	n/a
SIP	1,367	—	—	—	1,367	N/A	—	29 May 2020	29 May 2023	n/a
SIP	991	—	—	—	991	N/A	—	9 April 2021	9 April 2024	n/a
SIP	—	1,091	—	—	1,091	N/A	—	6 April 2022	6 April 2025	n/a
Total	**595,113**	**193,337**	**137,055**	**37,994**	**613,401**					

(i) Nil cost options.

(ii) Subject equally to EPS performance (9% to 35% growth), TSR performance relative to the FTSE 350 Industrial Goods and Services Sector (median to upper quartile) and capital return (economic profit) performance over the three-year performance period. As described in last year's report, only the TSR target was met with the total vesting outcome being 9%. Accordingly, in May 2022, for Kiet Huynh, 4,342 shares vested which he exercised and, for Jonathan Davis, 14,219 shares vested but which remain unexercised. Vested awards granted to executive directors are subject to a two-year post-vesting holding period during which time they may not be sold.

(iii) Restricted Stock Unit Awards ('RSU Awards') were granted on 21 September 2021 to Kiet Huynh prior to his appointment as an executive director. In accordance with the current Remuneration Policy, as Kiet was an internal hire, any outstanding variable pay awarded to him in his previous role is allowed to pay out according to its terms of grant.

(iv) Subject equally to EPS performance (9% to 35% growth), TSR performance relative to the FTSE 350 Industrial Goods and Services Sector (median to upper quartile) and capital return (economic profit) performance over the three-year performance period. Any vesting awards will also be subject to a two-year post-vesting holding period during which time they may not be sold. As described above, as none of the performance conditions were met, the 2020 LTIP award will not vest and all shares will lapse on 7 April 2023.

(v) Subject equally to EPS performance (9% to 35% growth), TSR performance relative to the FTSE 350 Industrial Goods and Services Sector (median to upper quartile) and capital return (economic profit) performance over the three-year performance period. Any vesting awards will also be subject to a two-year post-vesting holding period during which time they may not be sold.

(vi) Jonathan Davis has yet to exercise these vested nil cost options.

Statement of directors' shareholding and share interests (audited)

The table below shows total shareholdings of the current directors and former directors as at 31 December 2022.

	Unconditionally owned shares[i]	Unvested DABP Awards[ii]	SIP[iii]	% of salary shareholding achieved[iv]	Unvested LTIP Awards subject to performance targets
Current and former executive directors					
Kevin Hostetler	305,988	77,895	—	168%	784,252
Kiet Huynh	13,998	—	3,112	9%	440,333
Jonathan Davis	484,115	35,288	3,449	400%	574,664
Non-executive directors					
Ann Christin Andersen	2,000	—	—	n/a	—
Tim Cobbold	—	—	—	n/a	—
Peter Dilnot	10,000	—	—	n/a	—
Karin Meurk-Harvey	—	—	—	n/a	—
Janice Stipp	—	—	—	n/a	—
Martin Lamb	152,414	—	—	n/a	—
Dorothy Thompson	—	—	—	n/a	—

(i) Includes shares held by connected persons, SIP partnership shares, SIP free shares released from the three-year trust period and vested LTIP awards which are subject to the two-year holding period.

(ii) DAPB awards attract an entitlement to accrued dividends during the holding period but are only available upon release. The satisfaction of the entitlement can be in shares or cash as determined by the Remuneration Committee at the time of the release confirmation.

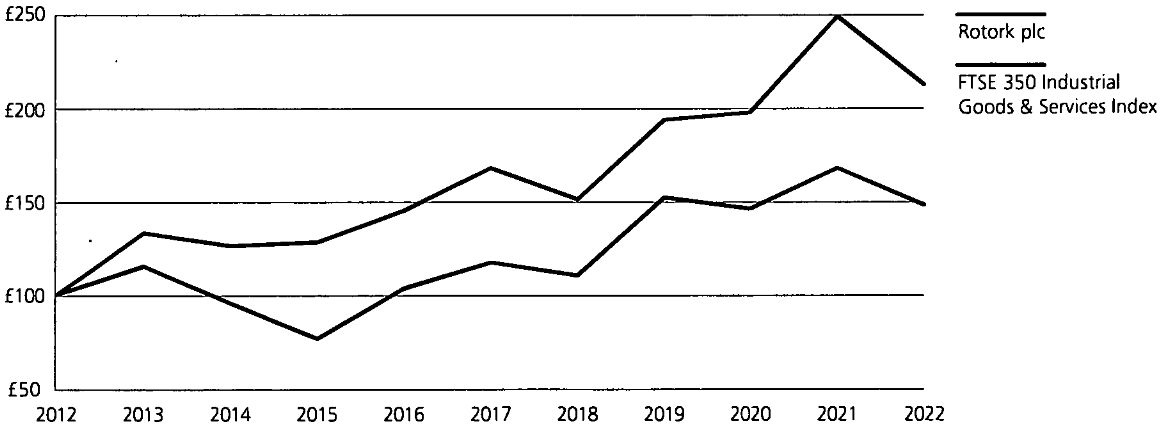
(iii) SIP free awards held in the three-year trust period.

(iv) The share price used to determine the percentage of the shareholding of salary achieved is 283.12p, being the 12 month average share price as at 31 December 2022. The shareholding guideline for the executive directors is 350% of salary for the Chief Executive and 300% of salary for the Group Finance Director to be achieved within five years. A post-cessation holding requirement of 200% of salary was introduced under the policy and is applicable only to share based awards granted after the approval of the policy on 24 April 2020. In order to ensure adherence to the post-cessation holding requirements executive directors will, as a condition of receiving any and each share-based award, formally accept the post-cessation requirements in writing. Kevin Hostetler's post cessation holding has been calculated on his final salary in accordance with the policy.

There has been no change in the directors' interests in the ordinary share capital of the Company between 31 December 2022 and 27 February 2023, except in the case of Jonathan Davis' monthly purchases of partnership shares under the SIP.

TSR performance graph

This graph shows the value, by 31 December 2022, of £100 invested in Rotork plc on 31 December 2012, compared with the value of £100 invested in the FTSE 350 Industrial Goods & Services Index on the same date. This index has been chosen as a comparator as it represents companies with similar business operations to the Company, and is an index of which Rotork is a constituent.



Directors' Remuneration report continued
Annual Report on Remuneration continued

Historic Chief Executive remuneration table

Year	Chief Executive	Chief Executive single figure remuneration (£000s)	Annual cash bonus as a percentage of maximum opportunity	LTIP vesting rate as a percentage of maximum opportunity
2022	Kevin Hostetler/Kiet Huynh(i)	1,114	46.2%	0%
2021	Kevin Hostetler	1,380	48.7%	9.4%
2020	Kevin Hostetler	2,203	69.7%	84.4%
2019	Kevin Hostetler	1,422	82.0%	n/a
2018	Kevin Hostetler(ii)	1,193	90.9%	n/a
2018	Martin Lamb(iii)	353	n/a	n/a
2017	Martin Lamb(iii)	282	n/a	n/a
2017	Peter France(iv)	681	72.0%	0%
2016	Peter France	835	45.5%	0%
2015	Peter France	696	23.4%	0%
2014	Peter France	1,092	66.0%	37.0%
2013	Peter France	1,452	94.4%	67.0%
2012	Peter France	1,539	91.3%	75.5%

(i) Kiet Huynh was appointed to the role of Chief Executive Officer on 10 January 2022. The CEO single figure remuneration for 2022 includes both the remuneration for Kevin Hostetler from 1 to 10 January 2022 of £27,000 and for Kiet Huynh from 10 January to 31 December 2022 of £1,087,000. The annual cash bonus figure is an average of the bonus for Kiet Huynh of 46.8% and for Kevin Hostetler of 45.6%.

(ii) Kevin Hostetler was appointed to the role of Chief Executive Officer on 12 March 2018 and stood down from the Board on 10 January 2022.

(iii) Martin Lamb held the role of Executive Chairman from 28 July 2017 to 12 March 2018 and received an additional fixed remuneration of £55,000 per month on top of his annual Chairman's fee during this period.

(iv) Peter France resigned as Chief Executive Officer and stood down from the Board on 27 July 2017.

Percentage change in remuneration of directors

The table below shows the percentage change in remuneration (based on salary/fee, benefits and bonus) between 2022 and 2019 of the directors in the Group compared to the percentage change for the average UK employee. Dorothy Thompson, Karin Meurk-Harvey and Janice Stipp were appointed to the Board in December 2022, September 2021 and December 2020, respectively.

	Role	Percentage change FY22 to FY21			Percentage change FY21 to FY20			Percentage change FY20 to FY19		
		Salary/Fee	Benefits	Bonus	Salary/Fee	Benefits	Bonus	Salary/Fee	Benefits	Bonus
Executive directors										
Kevin Hostetler	Chief Executive Officer	(97.7)	(99.6)	(97.8)	1.9	4.6	(13.5)	0.7	7.5	(15.3)
Kiet Huynh	Chief Executive Officer	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Davis	Group Finance Director	3.1	1.8	(6.2)	1.9	0.0	(10.1)	0.7	0.0	(14.8)
Non-executive directors										
Martin Lamb	Chairman	3.1	n/a	n/a	1.9	n/a	n/a	0.0	n/a	n/a
Ann Christin Andersen	Non-executive director	3.1	n/a	n/a	1.9	n/a	n/a	0.0	n/a	n/a
Tim Cobbold	Non-executive director	3.1	n/a	n/a	1.9	n/a	n/a	0.0	n/a	n/a
Peter Dilnot	Non-executive director	3.1	n/a	n/a	1.9	n/a	n/a	0.0	n/a	n/a
Karin Meurk-Harvey(i)	Non-executive director	260	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Janice Stipp	Non-executive director	3.1	n/a	n/a	1.9	n/a	n/a	n/a	n/a	n/a
Dorothy Thompson	Non-executive director/ Chair Designate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average UK employee		5.7	13.6	49.9	4.0	2.6	(16.6)	0.3	3.7	1.0

(i) Karin Meurk-Harvey joined the board in September 2021, the pro rata fee increase is 3.1%.

Relative importance of spend on pay

The following table shows actual expenditure of the Group and change in spend between current and prior financial periods on remuneration paid to all employees against distributions to shareholders.

	2022	2021	Percentage change
Employee remuneration (£000s)	**127,311**	125,315	1.6%
Dividends (£000s)[i]	**57,610**	75,515	(23.7)%

(i) Dividends paid were the only distributions to shareholders during the year.

CEO pay ratio disclosure

The table below sets out Rotork's CEO pay ratio for the 2018 – 2022 financial years.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	36:1	33:1	20:1
2021	Option B	43:1	38:1	28:1
2020	Option B	45:1	37:1	28:1
2019	Option B	48:1	43:1	27:1
2018	Option B	49:1	45:1	33:1

Option B has been used for the calculation of the pay ratio. Under this method, the latest gender pay gap data has been used to identify on an indicative basis three UK employees at 25th, median and 75th percentile. This methodology has been chosen as the data is readily available and avoids the challenge in collecting and verifying accurately the variable pay elements for all UK employees across many subsidiaries. The figure for 2022 is lower than previously due to the starting salary of the incoming CEO which is expected to rise to the level of the outgoing CEO's salary of 2021, plus the average increase for the UK workforce over this period.

To provide further context, the table below shows the CEO and the employee percentile pay used to determine the 2022 pay ratios. The main changes are due to the variable pay outturns in the last few years.

Year	CEO £000	25th percentile £000	Median £000	75th percentile £000
Total salary[i]	552	26	31	48
Total remuneration (single figure)[i]	1,115	31	34	57

(i) Full time equivalent.

Statement of voting at general meeting

The Committee is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting at the AGM held on 24 April 2020 in respect of the current Remuneration Policy and at the AGM held on 29 April 2022 in respect of the Annual Report on Remuneration for the year ended 31 December 2021. A renewed Remuneration Policy is being put to shareholders for approval at the AGM to be held on 28 April 2023.

Resolution	Votes cast 'for'	%	Votes cast 'against'	%	Votes 'withheld'	%
To approve the Remuneration Policy	682,875,938	95.97	28,701,772	4.03	8,566,067	0
To approve the Annual Report on Remuneration 2021	723,419,471	98.89	8,098,411	1.11	5,236,581	0

Advisers to the Remuneration Committee

Korn Ferry has acted as adviser to the Committee since July 2020. Korn Ferry is a member of the Remuneration Consultants' Group and a signatory to its Code of Conduct. The Committee keeps the independence of the advice provided under review and remains satisfied that Korn Ferry is sufficiently independent to act as remuneration adviser to the Remuneration Committee. Korn Ferry provides additional advice to the Company.

In 2022, the Company paid £177,230 (2021: £158,570) to Korn Ferry for services to the Remuneration Committee. Figures exclude VAT and disbursements.

Directors' Remuneration report continued
Annual Report on Remuneration continued

How we will operate the Policy in 2023 (assuming AGM approval of the new policy)

Salary	Kiet Huynh's salary will increase effective from 1 April 2023 to £616,400, an increase of 50% of the difference between his current salary and the outgoing CEO's 2021 salary plus 5% (below the average increase for the UK workforce of 6.34%, excluding promotions). The Committee is aware that this results in an increase ahead of that for the wider workforce in the UK but it sees it as fulfilling its commitment made to the CEO on appointment and believes that the increase is fully merited. Jonathan Davis' salary will increase effective from 1 April 2023 by 5% to £390,100 (below the average increase for the UK workforce of 6.34%, excluding promotions).
Benefits	Benefits comprise a car and fuel allowance, personal accident and private medical insurance and life assurance.
Pension	From 1 January 2023, Jonathan Davis' employer pension contribution will be reduced to the wider workforce level of 10.24%. For Kiet Huynh, who was appointed on 10 January 2022 as an executive director and CEO, the wider workforce pension contribution level of 10.24% applied from that date.
LTIP	The LTIP award levels for 2023 will be 200% of salary for Kiet Huynh and 175% of salary for Jonathan Davis. The awards will be subject to the following performance conditions: • 30% will be based on adjusted EPS. Adjusted EPS growth must be at least 9% for 25% vesting, increasing on a straight line basis to full vesting for adjusted EPS growth of 35% and above. The targets will be based on adjusted EPS (i.e. excluding the impact of any material restructuring costs). However, the Committee will use its discretion to increase the targets as appropriate, to take into account the Board's expected return on any restructuring investment during the period. • 30% will be based on relative TSR performance with 25% vesting at median increasing to full vesting for upper quartile performance or above. • 30% will be based on economic profit. No payout will be received for a negative economic profit. The threshold target will require the cumulative economic profit over the three-year period to exceed that generated in the three year period to 2022 and the maximum target has been set such that it will require double digit growth in post-tax profits alongside improved balance sheet efficiencies. Similar to EPS targets, these targets may be adjusted upwards to take into account the Board's expected return on any restructuring investment during the period. Details of the exact targets are considered by the Remuneration Committee to be commercially sensitive at the current time. However, full details of the targets and how economic profit has been calculated will be disclosed on vesting. • 10% will be based on an absolute reduction in scope 1 and 2 CO_2 emissions with targets aligned to the accredited, published 2030 SBTi targets. The awards will be granted following the publication of the results and will be made subject to executive directors agreeing in writing to all the conditions under which the awards are made, including the post-cessation of employment shareholding arrangements that will apply to these awards. The executive directors will be required to retain any shares vesting under the awards (net of tax) until the fifth anniversary of grant.
Annual bonus	The maximum opportunity for Kiet Huynh and Jonathan Davis will be 150% and 125% of basic salary respectively. Any bonus earned above 60% of the maximum opportunity will be deferred in shares for three years. Bonuses will be based on: • EBITA Performance (60% of opportunity); the plan is based on the 2023 Budget approved by the Board and the challenging nature of the targets and stretch elements will be maintained. • Cash Generation (15% opportunity); the target to achieve maximum outturn will remain at 110%, reflecting the value of a sustained focus on cash generation. The Growth Acceleration Programme is funded from Rotork's own cash resources. • ESG (10% of opportunity) – measures will be aligned to the three pillars of the ESG strategy. Half of the opportunity will continue to be based on Health and Safety 'LTIR' with a target set as an average of the previous three years' performance and a maximum that requires an improvement on 2022 performance. The remaining 5% will be split across quantitative targets set to cover culture and engagement scores (including diversity); and qualitative targets focusing on environmental innovation, particularly in relation to products and on customer engagement on sustainability issues. • Strategic Personal Objectives (15% of opportunity) – these will be set with a focus on the continued strategic development of the business with a focus on continuing delivery of the Growth+ Programme and new IT systems. The specific targets relating to the bonus have not been disclosed as they are considered by the Remuneration Committee to be commercially sensitive but full details will be given on a retrospective basis in next year's report. The executive directors will be invited to participate and must agree in writing to the conditions pertaining to the Annual Bonus Plan, including those relating to the post-cessation of employment shareholding arrangements that will apply to any bonus deferred in shares.

Shareholding guidelines	The executive directors are required to build and maintain a shareholding equivalent to their total variable pay opportunity (being 350% and 300% for the Chief Executive Officer and Group Finance Director respectively) to be achieved within five years. A requirement to hold shares for a period of two years post-cessation will apply, as described in the Policy, and is applicable only to share based awards made after Policy which was approved on 24 April 2020. In order to ensure adherence to the post-cessation holding requirements, executive directors will, as a condition of receiving any and each share-based award, formally accept the post-cessation requirements in writing going forwards.
Non-executive director fees	An increase of 5% to both the Chair's fee and the base Board fee has been approved, below the average increase for the UK workforce of 6.34%, excluding promotions. Chair: £260,300, effective 1 April 2023; Base Board fee: £62,200, effective 1 April 2023. There will be no increases to the supplementary fees payable to those directors with additional responsibilities. These fees will remain as follows: Additional fee for chairing the Audit Committee £11,000 Additional fee for chairing the Remuneration Committee £11,000 Additional fee for the role of Senior Independent Director £10,590 Additional fee for chairing the ESG Committee £7,410; and Additional fee for undertaking the role of workforce engagement director £7,410

On behalf of the Board

Tim Cobbold
Chair of the Remuneration Committee
27 February 2023

Directors' report

The directors present their report which incorporates the management report required under the Disclosure Guidance and Transparency Rules 'DTRs' for listed companies and the audited accounts for the year ended 31 December 2022 as set out on pages 196 to 233. In compiling this report, the directors have consulted with the management of the Group.

Information required in the report of the directors set out in the Strategic Report

Information relating to the likely future developments of the Company and its subsidiaries, information relating to the research and development activities of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that they face, is set out in the Strategic Report on pages 2 to 117 and is incorporated into this directors' report by reference.

Corporate governance statement and TCFD disclosures

The corporate governance statement, required under Rule 7 of the DTRs, explaining how Rotork complies with the Code is set out on page 122 and is incorporated into this directors' report by reference. A description of the composition and operation of the Board and its Committees is set out on pages 120 to 181 and is incorporated into this Directors' Report by reference.

Rotork's statement of compliance in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), required to be made under Listing Rule 9.8.6(8), is set out on pages 100 to 110.

Additional disclosures

The Strategic Report can be found on pages 2 to 117, and encompasses our corporate responsibility report. A complete list of the Group's subsidiaries has been included on pages 235 to 237 to comply with section 409 of the Companies Act 2006 (the 'Act'). Other information that is relevant to this report, and is incorporated by reference, including information required in accordance with the Act and Listing Rule 9.8.4R, can be located as follows:

Listing Rule Statement	Detail	Page reference
9.8.4R(4)	Details of long-term incentive schemes	Note 25 to the financial statements and the Directors' Remuneration Report on pages 153 to 181.
9.8.4R(12)	Shareholder waivers of dividends	Note 17 to the financial statements
9.8.4R(13)	Shareholder waivers of future dividends	Note 17 to the financial statements
9.8.4R(1-2), (5-11) and (14)	Not applicable	N/A

Principal activity

The Company manufactures industrial flow control equipment and instrumentation for Oil & Gas, water and wastewater, power, Chemical, Process & Industrial applications. It operates globally serving customers in 170 countries through a network of offices and manufacturing facilities. The Company employs circa 3,200 employees worldwide and is headquartered in Bath, UK.

Company status

Rotork plc is incorporated as a public limited company and is registered in England and Wales with the registered number 00578327. Its registered office is Rotork House, Brassmill Lane, Bath, BA1 3JQ. It has a premium listing on the London Stock Exchange main market for listed securities (LON:ROR) and is a constituent member of the FTSE 250 Index. Our registrars are Equiniti Limited, located at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Results and dividends

The results for the year ended 31 December 2022 are set out in the financial statements on pages 196 to 199.

The Board has recommended a final dividend for the year of 4.30p per ordinary share (2021: 4.05p) which, together with the interim dividend of 2.40p per ordinary share paid on 23 September 2022, gives a total dividend for the year of 6.70p per ordinary share (2021: 6.40p per ordinary share). Subject to shareholder approval, the final dividend will be paid on 19 May 2023 to ordinary shareholders on the register at the close of business on 14 April 2023.

Directors

The directors in office at the date of this report and their biographies and other details, are set out on pages 124 and 125. Kevin Hostetler, former Chief Executive Officer, stepped down from the Board with effect from 10 January 2022 with Kiet Huynh being appointed to the Board in this role from the same date. On 1 December 2022, Dorothy Thompson was appointed as a non-executive director and Chair Designate and subject to election by shareholders, will succeed Martin Lamb as Chair when he steps down at the conclusion of the Annual General Meeting on 28 April 2023 after nine years on the Board.

Directors' indemnification and insurance

The Company's articles of association provide for the directors and officers of the Company to be appropriately indemnified, subject to the provisions of the Act. The Company has granted indemnities to each Director in respect of any liabilities incurred in relation to acts or omissions arising in the ordinary course of their duties, but only to the extent permitted by law. The Company also purchases and maintains insurance for the directors and officers of the Company in respect of potential legal action instigated against its directors, as permitted by section 233 of the Act.

Powers of the directors

As set out in the Company's articles of association, the business of the Company is managed by the Board who may exercise all the powers of the Company.

Appointment and removal of directors

The Board may appoint a director, either to fill a vacancy or as an additional director. Any director appointed by the Board must retire at the next AGM of the Company and put themselves forward for re-appointment by the shareholders. In accordance with the recommendations of the Code, each member of the Board submits themself for re-election on an annual basis.

In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any director before the expiration of their period of office and may, subject to the articles of association, by ordinary resolution appoint another person who is willing to act as a director in their place.

Committed to the highest standards of ethical behaviour

High ethical standards are fundamental to the way in which we do business. Respecting internationally proclaimed human rights, promoting an open and honest culture, having a zero-tolerance approach to bribery and corruption worldwide, and selecting suppliers with sound reputations in the marketplace are important principles that the Group adheres to.

Code of Conduct

The latest version of our Code of Conduct was introduced in 2019 and sets out the standards of behaviour that Rotork expects from anyone acting on Rotork's behalf. This is supplemented by a range of additional policies that sit beneath the Code of Conduct, covering Confidentiality, Conflicts of Interest, Speak-Up, Fair Competition, Gifts and Hospitality, Anti-Bribery and Corruption, Data Protection, Modern Slavery and Trade Sanctions. A high level summary of the main policy is set out on pages 55 and 56.

Our Suppliers' Code of Conduct can be viewed on our website at www.rotork.com/en/about-us/terms-and-conditions/suppliers/code-of-conduct and is available in our six core languages.

Whistleblowing

Rotork encourages the reporting of any suspected wrongdoing through its Speak-Up line which can be found on the Rotork website www.rotork.com/en/documents/publication/6675. The Speak-Up policy gives the workforce various ways to alert management and directors to any concerns, including suspected wrong doing. An independent anonymous Speak-Up line is provided to assist in facilitating the reporting of any concerns confidentially. The Company has a strict no-retaliation policy in place to protect those raising concerns.

All Speak-Ups are investigated thoroughly, however communicated. At each meeting of the Board, directors review Speak-Up concerns the Company has received.

Anti-Bribery and Corruption

Rotork has a zero-tolerance policy to bribery and corruption worldwide, irrespective of country or business culture. Both our Code of Conduct and Anti-Bribery and Corruption Policy make it clear that our employees will never offer, pay or solicit bribes in any form. Our Group Gifts and Hospitality Policy clarifies where gifts and hospitality are acceptable and the actions that our staff are required to take when they intend to give or receive them.

As part of our process for the appointment of our agents, controls are in place to monitor how they operate in accordance with our Code of Conduct.

Modern Slavery Act

In February 2023, the Board approved an updated Modern Slavery Act Statement which can be found on the Rotork website at www.rotork.com/en/investors/modern-slavery-statement. The updated statement was considered to reflect Rotork's approach to identifying, monitoring and eradicating human slavery and trafficking in its business and supply chain, together with the improvements made during the year.

FTSE4Good

Rotork plc is a constituent of the FTSE4Good equity index series which is designed to facilitate investment in companies that meet globally recognised corporate social responsibility standards. We continue to meet the standards set by FTSE4Good. More detail regarding our corporate responsibility is given on pages 30 to 75 of the Strategic Report.

Charitable donations

Rotork supports its chosen charities, Pump Aid, Renewable World and WeForest. In addition, a variety of local donations are made to charitable causes relevant to communities around Rotork's operating sites. Donations are also made to the Rotork Benevolent Support fund, a charity that was established to provide short-term financial support to employees, and ex-employees, and their families facing financial hardship, especially as a result of the COVID-19 crisis. For 2023, the charity's priorities have been expanded to include hardship being faced as a result of the cost of living crisis, even if unrelated to COVID-19. Further details are given on pages 16 and 17 and pages 74 and 75.

Political donations or political expenditure incurred

No political donations were made, or political expenditure incurred, during the year. The Group has a policy of not making political donations in any part of the world and this will continue. However, it is possible that certain routine activities undertaken by the Company and its subsidiaries might unintentionally fall within the wide definition of matters constituting political donations and expenditure in the Act. Accordingly, the Company is seeking a renewal of authority at the 2023 AGM to ensure that it does not inadvertently commit any breaches of the Act through the undertaking of routine activities which would not normally be considered to comprise political donations or expenditure. Further details of the proposed ordinary resolution are provided within the AGM Notice.

Use of financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 26 to the financial statements.

Existence of branches outside the UK

The Company has no branches outside of the UK.

Share capital

Details of the Company's share capital including the rights and obligations attached to each class of shares and the ordinary shares issued during 2022 are summarised in note 17 of the financial statements. Ordinary shares of 0.5p each represent over 99.9% of the Company's total share capital and £1 non-redeemable preference shares represent less than 0.1% of the Company's total share capital.

There are no securities of the Company carrying special rights with regard to the control of the Company.

At the Company's last AGM held on 29 April 2022, the shareholders authorised the Company to make market purchases of ordinary shares limited to just under approximately 10% of its issued ordinary share capital at that time and of certain issued preference shares, and to allot shares within certain limits approved by shareholders. These authorities expire at the 2023 AGM and appropriate renewals will be sought.

JTC Employer Solutions Limited is a shareholder which acts as the trustee of Rotork's Employee Benefit Trust 'EBT'. It is used to purchase Company shares in the market from time to time and hold them for the benefit of employees, including satisfying outstanding awards under the Company's various employee share plans. The EBT purchased a total of 1,124,281 shares in the market during the year for an aggregate consideration of £3,474,653 (including dealing costs) and released 793,331 shares to satisfy share plan awards. As at 31 December 2022, the EBT held 1,830,984 Rotork plc ordinary shares (0.21%) of the issued share capital) in trust. A dividend waiver is in place from the trustee in respect of the dividends payable by the Company on the shares held in the EBT. Further details can be found in note 17 to the financial statements.

Directors' report continued

Share capital continued

The Company's Articles of Association contain customary restrictions on the transfer of shares as applicable only in certain limited circumstances (e.g. in relation to transfers to a minor). Save for those provisions, there are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may be required from time to time by law, for example, insider trading law. In accordance with the Company's share dealing code, directors and certain employees are required to seek the prior approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights (e.g. in relation to disenfranchised shares following the issue of a notice to shareholders under section 793 Companies Act 2006).

The Company's share schemes each contain provisions providing voting rights to the scheme trustee.

Amendments to the Company's articles of association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders and were last updated and approved by shareholders at the AGM held on 30 April 2021.

Significant agreements – change of control

The Company is not aware of any significant agreements to which it is party, that take effect, alter or terminate upon a change of control of the Company following a takeover. There are no agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are set out in the key performance indicators on page 23.

Disabled persons and employee engagement

The disclosures concerning the Group's policies on the employment of disabled persons and how we engage with our employees are set out on pages 68 to 73.

Engagement with suppliers and customers

For details on how we have engaged with our suppliers and customers, see pages 115 and 116.

Relations with shareholders

The Board supports the aims of the Code and the UK Stewardship Code to promote engagement and interaction between listed companies and their major shareholders.

The Board welcomes the opportunity for investors and shareholders to engage directly with the Chair and Senior Independent Director and also with the Chief Executive Officer and Group Finance Director. Information on how the Board has engaged with its shareholders is set out on page 116. A range of online and face-to-face investor relations events following the publication of the full-year and half-year results has been scheduled for 2023.

Substantial shareholders

As at 31 December 2022, the Company had been notified under DTR5 of the following interests in its shares representing 3% or more of the voting rights in its issued share capital.

There were no changes in interests in shares notified between 31 December 2022 and 27 February 2023.

Identity	Number of voting rights (direct and indirect)	% of voting rights
Blackrock, Inc	48,150,752	5.53
Liontrust Investment Partners, LLP	43,687,367	5.03
Fiera Capital Corporation	42,255,290	4.94

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that 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.

'Going concern' basis of preparation

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the directors have considered trading and cash flow forecasts, financial commitments, the significant order book with customers spread across different geographic areas and industries and the significant net cash position.

Viability statement

In line with the Code, the directors have carried out a rigorous review of the prospects of the current business, and its ability to meet its liabilities through to at least the end of December 2025. For further information, see page 98 which is incorporated into this Directors' Report by reference.

Post-balance sheet events

There have been no material post-balance sheet events for the year ended 31 December 2022.

Annual General Meeting

The AGM will be held on 28 April 2023. Full details of the resolutions to be proposed at the AGM as well as shareholders' rights with respect to attendance, participation in the meeting and the process for submission of proxy votes in advance of the meeting, are set out in the Notice of AGM.

Additional information for shareholders can be found on the Rotork website at www.rotork.com.

External auditor

Upon the recommendation of the Audit Committee and approval of the Board, a resolution to appoint Deloitte LLP as auditor, and to authorise the Audit Committee to determine their remuneration, are to be proposed at the forthcoming AGM.

The Directors' Report was approved by the Board on 27 February 2023.

By order of the Board

Stuart Pain
Group General Counsel & Company Secretary
27 February 2023

Statement of directors' responsibilities for preparing the Annual Report and financial statements

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the 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 UK-adopted international accounting standards. The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement pursuant to the Disclosure Guidance and Transparency Rules

Each of the directors, whose names and functions are listed on pages 124 and 125 confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance 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 Company;
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- having taken advice from the Audit Committee, the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategies.

Kiet Huynh

Kiet Huynh
Chief Executive Officer
27 February 2023

Contents

Independent auditor's report to the members of Rotork plc

Report on the audit of the financial statements

1. Opinion

In our opinion

- the financial statements of Rotork plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 30, and (a) to (i).

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 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the timing of revenue recognition. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £6.7m which was determined on the basis of profit before tax adjusted for 'Other adjustments', defined in note 4 to the financial statements.
Scoping	Our audit scope covered 79% of group revenue, 81% of group profit before tax and 89% of group net assets. Our component scoping is consistent with prior year, with audit work once again being performed by a combination of our group audit team and component audit teams.
Significant changes in our approach	In the prior year we identified a key audit matter related to accounting for software as a service costs arising from a change of accounting policy during 2021. There have been no further changes to the accounting policy during the financial year and accordingly we have removed this as a key audit matter. There have been no other significant changes in our approach.

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:

- Evaluation of the available financing facilities including the nature of facilities and repayment terms set out in note 26 to the financial statements;
- Assessment of whether the cash flow forecasts over the outlook period are reasonable including evaluation of the potential ongoing impact of COVID-19 and disruption to key supply chains and international logistics;
- Evaluation of the headroom forecast by management over liquidity positions;
- Assessment of the sufficiency of the sensitivity analysis performed by management;
- Testing of the clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
- Assessment of the appropriateness of the disclosure provided in note 1 to 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.

Independent auditor's report to the members of Rotork plc continued

Report on the audit of the financial statements continued

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.

In the prior year we identified a key audit matter related to accounting for software as a service costs arising from a change of accounting policy during 2021. There have been no further changes to the accounting policy during the financial year and accordingly we have removed this as a key audit matter.

5.1 Timing of revenue recognition

Key audit matter description	The group generated revenue of £642 million during the year (2021: £569 million) relating to the manufacture and delivery of products and provision of services. Revenue growth is a key performance indicator for the business. In applying IFRS 15 *Revenue from Contracts with Customers* there is judgement required in determining the timing of the transfer of control of products and services to customers, which impacts the amount of revenue recognised in the group's financial statements. This judgement could be the subject of management bias or error and so we considered that the timing of the cut-off of revenue recognition represents a key audit matter, and a risk of potential fraud in respect of revenue recognition. The determination of whether control of products and the provision of services has passed to a customer requires the consideration of a number of factors, which include consideration of the specific delivery terms of the arrangement and whether certain criteria have been met to evidence the passing of control. The circumstances where most judgement is required are when the products are yet to be despatched to the customer (known as bill-and-hold sales). Further details are included within note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	In response to the identified key audit matter we have performed the following procedures: • obtained an understanding of the relevant controls in place at each component, to address the risk that revenue is recorded in the inappropriate period; • developed an understanding of how current global supply chain disruption could impact the timing of delivery of the group's products to its customers; • obtained an understanding of the relevant shipping terms utilised by the group as well as assessed the likely length of time required to ship to customer locations, and how this impacts the timing of revenue recognition; and • assessed the processes that management follow in recording sales from manufacturing facilities to sales offices, and eventually to third parties. Having identified transactions of interest we have performed the following: • inspected a combination of purchase orders, invoices, despatch notes, shipping terms and delivery notes as required to assess whether the timing of revenue recognition is appropriate based on the status of products and services at year end. This included evaluating and challenging management on whether control had passed in line with the requirements of IFRS 15; and • specifically in the case of bill-and-hold sales assessed the extent to which there is evidence the customer controlled the product before year-end including whether there was a substantive reason for the customer requesting the arrangement.
Key observations	We are satisfied that the timing of revenue recognition 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	£6.7 million (2021: £6.5 million)	£6.0 million (2021: £3.2 million)
Basis for determining materiality	5% of profit before tax adjusted for 'Other adjustments'. In the year ended 31 December 2022 the adjustments to statutory pre-tax profit are consistent with those presented in note 3 to the financial statements, except for amortisation which is added back. This basis is consistent with the year ended 31 December 2021.	Parent company materiality equates to 2% of net assets (2021: 1% of net assets), which is capped at 90% of group materiality (2021: capped at 50%). In the current year we have re-assessed the metrics used to determine the company only materiality. From a company stand-alone perspective we consider that 2% of net assets is an appropriate benchmark and as part of the group audit we have used our professional judgement to cap this at 90% of group materiality.
Rationale for the benchmark applied	Adjusted profit before tax reflects the manner in which business performance is reported and assessed by external users of the financial statements. Consistent with last year we have adopted this measure, as defined above, as it provides a consistent year-on-year basis for determining materiality.	Net assets are considered to be an appropriate benchmark for the parent company given that it is mainly a holding company.

- PBT adjusted for 'Other adjustments' £136.7m
- Group materiality

£136.7m

£6.7m
Group materiality

£2.1m to £6.0m
Component materiality range

£0.3m
Audit Committee reporting threshold

Independent auditor's report to the members of Rotork plc continued

Report on the audit of the financial statements continued

6. Our application of materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • The quality of the control environment in the group and in the component finance teams; • The low number of corrected and uncorrected misstatements identified in previous audits; and • The level of consistency in key management personnel. We have not identified any significant changes in the above assessment which results in a consistent performance materiality determination in 2022.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3m (2021: £0.3m), 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.

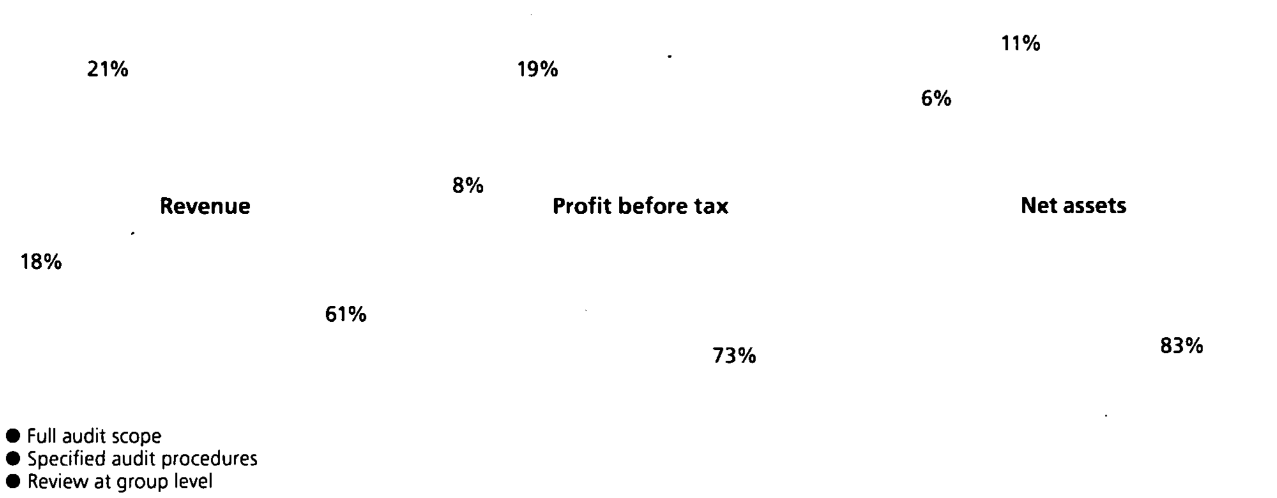
7. An overview of the scope of our audit

7.1. Identification and scoping of components

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 a group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 15 components (2021: 15) which were subject to a full scope audit and on a further 7 components (2021: 9) which were subject to specified audit procedures.

The 22 components (2021: 24) include the principal business units within the group's three reportable segments across 14 countries and account for 79% of the group's revenues (2021: 81%), 81% of profit before tax (2021: 82%) and 89% of net assets (2021: 88%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. In selecting which business units to include within the scope of our audit we considered both quantitative and qualitative factors and a change in selected units from the prior year to introduce an element of unpredictability in scoping. Our audit work at these components was executed at levels of materiality applicable to each individual entity, which were lower than group materiality ranging from £2.1 million to £2.8 million (2021: £2.0 million to £2.7 million) as well as the parent company materiality at £6.0 million (2021: £3.2 million).

At the group level we also tested the consolidation process and carried out analytical procedures to re-confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit. None of these components represented more than 3% of revenue or profit before taxation individually.



7. An overview of the scope of our audit continued

7.2. Our consideration of the control environment

The group operates a diverse IT infrastructure globally. With the involvement of IT audit specialists we obtained an understanding of the relevant IT environment including in some instances performing general IT control ("GITC") testing. We did not place reliance on those controls for the purposes of our substantive audit procedures. The group is currently undergoing significant investment in its IT and Core Business Processes not least through development of a global platform based on Microsoft D365 technology. That investment, and the comparative diverse infrastructure that currently operates around the group, led us to our audit strategy of performing a mostly substantive audit.

For all components we obtained an understanding of the relevant controls associated with the financial reporting process, areas of significant risk, and in relation to significant accounting estimates. In a small number of locations we were able to rely on certain controls relating to revenue and trade receivables, inventory, cost of sales and payables, and payroll account balances.

7.3. Our consideration of climate-related risks

As described on page 104, the group has assessed the risks and opportunities associated with various future climate-related scenarios and its own commitment to transition to an operating model that has a reduced level of GHG emissions. We have considered the group's assessment of the impact of these risks and opportunities on the financial statements and its conclusion that there is no material impact on the carrying value of the group's assets and liabilities at the balance sheet date. We have also considered the impact of climate-related risks on our risk assessment and audit approach. We also read the climate-related narrative in the Sustainability review to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

Due to the significance to the group audit of the components' operations subject to full scope audits, we exercised oversight over our component audit teams. As group auditors we were involved throughout the audit process of our component teams including involvement in the risk assessment process and audit procedure design. We enhanced our oversight procedures over two full scope components through planned visits. Oversight over the remaining components remained remote with our approach ensuring there was increased dialogue and use of video conferencing. Where appropriate we have ensured that we have utilised local language expertise within the group audit 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.

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.

Independent auditor's report to the members of Rotork plc continued

Report on the audit of the financial statements continued

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;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors 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;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, and industry 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 key audit matter associated with the timing of revenue recognition, consistent with the previous period. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, UK Corporate Governance code, employment law, pensions legislation and tax legislation in relevant jurisdictions.

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. These included the group's compliance with environmental, health and safety, and anti-bribery and corruption legislation; as well as considering the group's monitoring of changes in legislation including sanctions.

11.2. Audit response to risks identified

As a result of performing the above, we identified the timing of revenue recognition 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 internal specialists and 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 184;
- 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 98;
- the directors' statement on fair, balanced and understandable set out on page 185;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 139;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 148; and
- the section describing the work of the audit committee set out on page 146.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 2 June 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ending 31 December 2014 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Griffin FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 February 2023

Consolidated income statement
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	3	**641,812**	569,160
Cost of sales		**(350,079)**	(306,394)
Gross profit		**291,733**	262,766
Other income	5	**1,620**	587
Distribution costs		**(6,197)**	(5,397)
Administrative expenses		**(163,177)**	(152,064)
Other expenses	5	**(372)**	(182)
Operating profit	3	**123,607**	105,710
Finance income	7	**3,049**	2,442
Finance expense	7	**(2,554)**	(2,221)
Profit before tax	8	**124,102**	105,931
Income tax expense	9	**(30,901)**	(25,686)
Profit for the year		**93,201**	80,245
Attributable to:			
Owners of the parent		**93,243**	80,245
Non-controlling interests		**(42)**	—
		93,201	80,245
Basic earnings per share	18	**10.9p**	9.2p
Diluted earnings per share	18	**10.8p**	9.2p

Operating profit	3	**123,607**	105,710
Adjustments:			
Amortisation of acquired intangible assets	3	**7,051**	9,001
Other adjustments	4	**12,587**	13,369
Adjusted operating profit	2,3	**143,245**	128,080
Adjusted basic earnings per share	2,18	**12.7p**	11.3p
Adjusted diluted earnings per share	2,18	**12.7p**	11.2p

Consolidated statement of comprehensive income
For the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the year	**93,201**	80,245
Other comprehensive income		
Items that may be subsequently reclassified to be income statement:		
Foreign exchange translation differences	**21,928**	(8,899)
Effective portion of changes in fair value of cash flow hedges net of tax	**(1,627)**	(88)
	20,301	(8,987)
Items that may be subsequently reclassified to be income statement:		
Remeasurement (loss)/gain in pension scheme net of tax	**(4,932)**	19,469
Income and expenses recognised in other comprehensive income	**15,369**	10,482
Total comprehensive income for the year	**108,570**	90,727
Attributable to:		
Owners of the parent	**108,561**	90,727
Non-controlling interest	**9**	—
	108,570	90,727

Consolidated balance sheet
At 31 December 2022

	Note	2022 £000	2021 £000
Non-current assets			
Goodwill	10	**228,005**	216,778
Intangible assets	11	**20,579**	25,722
Property, plant and equipment	12	**78,726**	77,798
Derivative financial instruments	23	**74**	—
Deferred tax assets	13	**15,965**	10,183
Total non-current assets		**343,349**	330,481
Current assets			
Inventories	14	**92,306**	68,447
Trade receivables	15	**134,279**	94,189
Current tax	15	**7,877**	9,558
Derivative financial instruments	23	**62**	1,896
Other receivables	15	**39,112**	35,824
Assets classified as held for sale	15	**211**	2,884
Cash and cash equivalents	16	**114,770**	123,474
Total current assets		**388,617**	336,272
Total assets		**731,966**	666,753
Equity			
Issued equity capital	17	**4,304**	4,302
Share premium		**19,959**	18,828
Other reserves		**32,269**	12,019
Retained earnings		**531,951**	498,931
Equity attributable to the parent		**588,483**	534,080
Non-controlling interests		**1,424**	—
Total equity		**589,907**	534,080
Non-current liabilities			
Interest bearing loans and borrowings	19	**5,405**	5,464
Employee benefits	20	**11,955**	11,336
Deferred tax liabilities	13	**4,028**	1,580
Derivative financial instruments	23	**215**	106
Provisions	21	**1,439**	1,559
Total Non-current liabilities		**23,042**	20,045
Current liabilities			
Interest bearing loans and borrowings	19	**3,431**	3,872
Trade payables	22	**42,314**	38,800
Employee benefits	20	**15,200**	14,440
Current tax	22	**11,893**	12,226
Derivative financial instruments	23	**2,729**	—
Other payables	22	**39,084**	37,986
Provisions	21	**4,366**	5,304
Total current liabilities		**119,017**	112,628
Total liabilities		**142,059**	132,673
Total equity and liabilities		**731,966**	666,753

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2023 and were signed on its behalf by:

Keith Huynh

K Huynh and JM Davis
Directors

Consolidated statement of changes in equity
For the year ended 31 December 2022

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total attributable to owners of the parent £000	Non-controlling interest £000	Total £000
Balance at 31 December 2020	4,370	16,826	18,374	1,644	916	528,624	570,754	—	570,754
Profit for the year	—	—	—	—	—	80,245	80,245	—	80,245
Other comprehensive income									
Foreign exchange translation differences	—	—	(8,899)	—	—	—	(8,899)	—	(8,899)
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	(109)	—	(109)	—	(109)
Actuarial gain on defined benefit pension plans	—	—	—	—	—	24,040	24,040	—	24,040
Tax on other comprehensive income	—	—	—	—	21	(4,571)	(4,550)	—	(4,550)
Total other comprehensive income	—	—	(8,899)	—	(88)	19,469	10,482	—	10,482
Total comprehensive income	—	—	(8,899)	—	(88)	99,714	90,727	—	90,727
Transactions with owners, recorded directly in equity									
Equity settled share-based payment transactions	—	—	—	—	—	(1,982)	(1,982)	—	(1,982)
Tax on equity settled share-based payment transactions	—	—	—	—	—	633	633	—	633
Share options exercised by employees	4	2,002	—	—	—	—	2,006	—	2,006
Own ordinary shares acquired	—	—	—	—	—	(7,809)	(7,809)	—	(7,809)
Own ordinary shares awarded under share schemes	—	—	—	—	—	5,455	5,455	—	5,455
Share buyback programme	(72)	—	—	72	—	(50,324)	(50,324)	—	(50,324)
Dividends	—	—	—	—	—	(75,380)	(75,380)	—	(75,380)
Balance at 31 December 2021	4,302	18,828	9,475	1,716	828	498,931	534,080	—	534,080
Profit for the year	—	—	—	—	—	**93,243**	**93,243**	**(42)**	**93,201**
Other comprehensive income									
Foreign exchange translation differences	—	—	**21,877**	—	—	—	**21,877**	**51**	**21,928**
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	**(2,067)**	—	**(2,067)**	—	**(2,067)**
Actuarial loss on defined benefit pension plans	—	—	—	—	—	**(6,727)**	**(6,727)**	—	**(6,727)**
Tax on other comprehensive income	—	—	—	—	**440**	**1,795**	**2,235**	—	**2,235**
Total other comprehensive income	—	—	**21,877**	—	**(1,627)**	**(4,932)**	**15,318**	**51**	**15,369**
Total comprehensive income	—	—	**21,877**	—	**(1,627)**	**88,311**	**108,561**	**9**	**108,570**
Non-controlling interest in newly-established subsidiary	—	—	—	—	—	—	—	**1,415**	**1,415**
Transactions with owners, recorded directly in equity									
Equity settled share-based payment transactions	—	—	—	—	—	**1,790**	**1,790**	—	**1,790**
Tax on equity settled share-based payment transactions	—	—	—	—	—	**(987)**	**(987)**	—	**(987)**
Share options exercised by employees	**2**	**1,131**	—	—	—	—	**1,133**	—	**1,133**
Own ordinary shares acquired	—	—	—	—	—	**(3,475)**	**(3,475)**	—	**(3,475)**
Own ordinary shares awarded under share schemes	—	—	—	—	—	**2,765**	**2,765**	—	**2,765**
Dividends	—	—	—	—	—	**(55,384)**	**(55,384)**	—	**(55,384)**
Balance at 31 December 2022	**4,304**	**19,959**	**31,352**	**1,716**	**(799)**	**531,951**	**588,483**	**1,424**	**589,907**

Detailed explanations for equity capital, the translation reserve, capital redemption reserve and hedging reserve can be seen in note 17.

Consolidated statement of cash flows
At 31 December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Cash flows from operating activities					
Profit for the year		**93,201**		80,245	
Adjustments for:					
Amortisation of acquired intangibles		**7,051**		9,001	
Other adjustments	4	**12,587**		13,369	
Amortisation of development costs		**1,436**		1,657	
Depreciation		**14,933**		15,673	
Equity settled share-based payment expense		**4,601**		3,333	
(Profit) on sale of property, plant and equipment		**(159)**		—	
Finance income		**(3,049)**		(2,442)	
Finance expense		**2,554**		2,221	
Income tax expense		**30,901**		25,686	
		164,056		148,743	
(Increase) in inventories		**(19,479)**		(8,330)	
(Increase)/decrease in trade and other receivables		**(32,591)**		5,944	
(Decrease)/increase in trade and other payables		**(2,902)**		2,583	
Operating cash flow impacts of other adjustments	4	**(12,056)**		(13,346)	
Difference between pension charge and cash contribution		**(6,979)**		(7,562)	
(Decrease) in provisions		**(383)**		(937)	
Increase/(decrease) in employee benefits		**67**		(9,632)	
		89,733		117,463	
Income taxes paid		**(30,221)**		(32,021)	
Net cash flows from operating activities			**59,512**		85,442
Investing activities					
Purchase of property, plant and equipment		**(8,291)**		(13,170)	
Purchase of intangible assets		**(2,066)**		(5,174)	
Development costs capitalised		**(2,541)**		(1,806)	
Sale of property, plant and equipment		**4,629**		3,808	
Settlement of hedging derivatives		**9**		4,102	
Interest received		**751**		857	
Net cash flows from investing activities			**(7,509)**		(11,383)
Financing activities					
Issue of ordinary share capital		**1,133**		2,006	
Own ordinary shares acquired		**(3,475)**		(7,809)	
Share buyback programme		**—**		(50,324)	
Interest paid		**(817)**		(881)	
Repayment of bank loans		**(694)**		(67)	
Repayment of lease liabilities		**(3,966)**		(4,904)	
Dividends paid on ordinary shares		**(55,384)**		(75,515)	
Receipt from non-controlling interest in newly-established subsidiary		**1,415**		—	
Net cash flows from financing activities			**(61,788)**		(137,494)
Net decrease in cash and cash equivalents			**(9,785)**		(63,435)
Cash and cash equivalents at 1 January			**123,474**		187,204
Effect of exchange rate fluctuations on cash held			**1,081**		(295)
Cash and cash equivalents at 31 December	16		**114,770**		123,474

Notes to the Group financial statements
For the year ended 31 December 2022

Except where indicated, values in these notes are in £000.

Rotork plc is a public company limited by shares, registered and domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the Group). The accounting policies contained below in note 1 and the disclosures in notes 2 to 30 all relate to the Group financial statements. The Company balance sheet, accounting policies and applicable notes can be found following note 30.

1. Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Rotork plc have been prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention except for defined benefit pension schemes, share based payments and derivative financial instruments as referred to in the respective accounting policies below.

New accounting standards and interpretations

A number of amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

New standards and interpretations not yet adopted

Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2023. The application of these amendments will not have any material impact on the disclosures, net assets or results of the Group.

Adjustments to profit

Adjustments to profit are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented as a foot note to the income statement to provide greater clarity and an enhanced understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Adjustments to profit items may include but are not restricted to: costs of significant business restructuring and any associated impairments of intangible or tangible assets, adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation and other items considered to be significant due to their nature or the expected infrequency of the events giving rise to them.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, we continue to adopt the going concern basis in preparing the financial statements.

In forming this view, the on-going impact of COVID-19, supply chain disruption and geo-political instability on the Group has been considered. The directors have reviewed: the current financial position of the Group, which has net cash of £106m and unused uncommitted overdraft facilities of £32m as at the year end; the significant order book, which contains customers spread across different geographic areas and industries; and the trading and cash flow forecasts for the Group. The directors are satisfied that the Group has adequate resources to continue operating as a going concern for the foreseeable future, and that no material uncertainties exist with respect to this assessment. The Group also has a number of mitigating actions that it can take at short notice to preserve cash, for example reduction in capital programmes, dividend deferral and other reductions in discretionary spend.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2022. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company is expressed in sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

Transactions in foreign currencies are translated at the average foreign exchange rates for the year, this is deemed to be a reasonable approximation of the actual rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates at the dates the values were determined.

1. Accounting policies continued

Foreign currencies continued

Assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign subsidiaries are translated to sterling at rates approximating those ruling at the date of the transactions. Differences on exchange arising from the retranslation of the opening net investment in subsidiaries, and from the translation of the results of those subsidiaries at average rate, are reported as an item of other comprehensive income and accumulated in the translation reserve.

Any differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer and is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The transaction price is determined and known at the point of initial sale.

Revenue from the sale of actuators, gearboxes and flow control products is recognised in the income statement when control of the goods has transferred. The timing of the transfer of control to the 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. This is the agreed point in time when the customer has accepted and has legal title to the goods, there is a present right to payment for the goods, and they can determine its future use and location. 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 revenue is recognised prior to delivery of the asset on a 'bill-and-hold' basis in line with IFRS 15.B81.

The Group provides service and support through preventative maintenance contracts, on-site and workshop service, retrofit solutions and the client support programme. Revenue in respect of on-site and workshop service and retrofit solutions is recognised on completion of the work and after all performance obligations have been completed. Revenue in respect of preventative maintenance contracts and the client support programme is recognised as the services are performed in line with the contractual terms. The stage of completion is assessed by reference to the transfer of control over time, which usually corresponds to the contractual agreement with each separate customer and the costs incurred on the contract to date in comparison with the total forecast costs of the contract. The directors have assessed that these contracts are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. The element of revenue recognised on an over-time basis is insignificant and is therefore not disaggregated in note 3.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated completion costs, the possible return of goods or continuing management involvement with the goods.

The Group has applied the practical expedient in IFRS 15.121 and therefore not disclosed the information in IFRS 15.120 regarding unsatisfied (or partially unsatisfied) performance obligations on contracts with a duration of one year or less.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. The fair value of the assets and liabilities assumed are provisional for a 12 month period. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is stated at cost or deemed cost less any impairment losses. Goodwill is not amortised but is reviewed for impairment annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. An impairment loss is recognised whenever the carrying value of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interests' proportion of the share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Group financial statements For the year ended 31 December 2022 continued

1. Accounting policies continued

Intangible assets

i) 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 in the period in which it is incurred. Development costs incurred after the point at which the commercial and technical feasibility of the product have been proven, and the decision to complete the development has been taken and resources made available, are capitalised. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Development expenditure has an estimated useful life of up to five years and is written off on a straight-line basis.

ii) Software as a Service

For 'Software as a Service' ('SaaS') arrangements, the Group capitalises costs only relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software and associated configured and customised elements exists. An element of judgement is involved with identifying specific elements of programme costs, however, these judgements do not have a significant impact on the costs to be capitalised. SaaS assets are assessed to have useful lives of 10 to 15 years from the point in time they are available for use and are amortised on a straight-line basis.

iii) Other intangible assets

Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses. The useful life of each of these assets is assessed based on discussions with the management of the acquired business and takes account of the differing nature of each of the intangible assets acquired. The assessed useful lives of intangibles acquired are as follows:

Brands	4 to 10 years
Customer relationships	2 to 8 years
Other – product design patents	4 to 8 years
Other – order backlog	3 months to 1 year

Amortisation is charged on a straight-line basis over the estimated useful life of the assets.

Property, plant and equipment

Freehold land is not depreciated. Long leasehold buildings are amortised over 50 years or the expected useful life of the building where less than 50 years. Other assets are depreciated in equal annual instalments by reference to their estimated useful lives and residual values at the following annual rates:

Freehold buildings	2% to 4%
Short leasehold buildings	period of lease
Plant and equipment	10% to 33%

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Leases

i) The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

ii) Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

1. Accounting policies continued

Leases continued

ii) Measurement and recognition of leases as a lessee continued

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or income statement if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the income statement on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in loans and borrowings.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the effect of taxable temporary differences for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities in a transaction which is not a business combination that affect neither accounting nor taxable profits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Both deferred and current tax assets and liabilities are offset when criteria set out in IAS 12.71 and IAS 12.74 are met.

Inventory and work in progress

Inventory and work in progress is valued at the lower of cost and net realisable value. Cost is calculated either on a 'first in, first out' or an average cost basis depending upon its nature and use. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses which are required to bring inventories to their present location and condition. The net realisable value in respect of old and slow moving inventory is assessed by reference to historic usage patterns and forecast future usage.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently held at amortised cost less any expected credit losses according to IFRS 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term (with an original maturity less than three months) deposits. Bank overdrafts that are repayable on demand form part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Equity

Equity comprises issued equity capital, share premium, reserves and retained earnings.

When issued equity capital is repurchased, the amount paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are debited directly to equity and shown as a deduction from retained earnings.

Provisions

i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty cost data, known issues and management expectations of future costs.

ii) Contingent consideration

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash at a future date, depends on uncertain future events. The amounts recognised in the financial statements represent a fair value estimate at the balance sheet date of the amounts expected to be paid.

Employee benefits

i) Pension plans

Where the Group operates a defined benefit pension scheme, contributions are made in accordance with the schedule of contributions agreed with the Trustees. In respect of all remeasurements that arise in calculating the Group's obligation in respect of the plans, these are recognised in other comprehensive income. The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit in the Group's defined benefit pension schemes. Interest on pension scheme liabilities has been recognised within financing expenses.

The Group also operates defined contribution pension schemes. The costs for these schemes are recognised in the income statement as incurred.

Notes to the Group financial statements For the year ended 31 December 2022 continued

1. Accounting policies continued

Employee benefits continued

ii) Share-based payment transactions

The Rotork Sharesave Plan offers certain employees the opportunity to purchase shares in Rotork plc at a discounted price compared with the market price at the time of grant. Details of the scheme are given in note 25. The fair value of the right/option is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant and maturity. The right/option reaches maturity when the employee becomes unconditionally entitled. The fair value of the grant is measured using a Black-Scholes model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The Rotork Long Term Incentive Plan grants shares to executive directors and senior managers. These awards may vest after a period of three years dependent upon both market and non-market performance conditions being met. Details of the grants are given in note 25. The fair value of the award is measured at grant date, using a Monte Carlo simulation model which takes into account the market based performance criteria, and spread over the vesting period. The fair value of the award is recognised as an employee expense with a corresponding increase in equity for the share settled award. The amount recognised as an expense is adjusted to exclude options that do not vest as a result of non-market performance conditions not being met.

The Overseas Profit Linked Share Plan (OPLSS) and the share incentive plan (SIP) are discretionary profit linked share schemes based on the prior year profit of the participating Rotork companies. The value of the award to each employee is based on salary and the length of service. The value of the awards can be up to £3,600. Shares awarded under these schemes are issued by the trustee at the cost of purchase. The costs of providing these plans are recognised in the income statement over the period in which the employee has earned the award.

iii) Long term service leave

The Group's net obligation in respect of long term service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

iv) Other employee benefits

The Group offers a number of discretionary bonus schemes to employees around the world. The costs of these schemes are recognised in the income statement as the criteria are met and service is undertaken.

Derivative financial instruments

The Group uses forward exchange contracts and swaps to hedge its exposure to foreign exchange risk arising from operational and financing activities. These are the only derivative financial instruments used by the Group. In accordance with its Treasury Policy, the Group does not hold or issue contracts for trading purposes. Forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Forward exchange contracts are recognised initially at fair value. Where a forward exchange contract is designated as a hedge of the variability in cash flows of a recognised liability or a highly probable forecasted transaction, the effective part of any gain or loss on the forward contract is recognised directly in other comprehensive income. Any effective cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss held in equity is recognised in the income statement immediately.

Dividends

Interim dividends are recorded in the financial statements when they are paid. Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

Critical judgements and key estimation uncertainties

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As described on page 102, we have considered the impact of climate change and climate-related risks and concluded that there is no material impact on the key accounting policies, estimates and judgements that form the basis of these financial statements.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below.

i) Critical accounting judgements

There are no critical accounting judgements requiring evaluation.

1. Accounting policies continued

Critical accounting estimates and judgements continued

ii) Key sources of estimation uncertainty

Retirement benefits

The Group's financial statements include costs in relation to, and liabilities for, retirement benefit obligations. Management is required to estimate the future rates of inflation, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Sensitivities to changes in key estimates affecting the pension schemes' liabilities are shown in note 24.

2. Alternative performance measures

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures provides stakeholders with additional useful information to facilitate greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance.

The Group believes alternative performance measures, 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 alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

The key alternative performance measures that the Group use include adjusted profit measures and organic constant currency (OCC). Explanations of how they are calculated and how they are reconciled to IFRS statutory results are set out below.

a. Adjusted operating profit

Adjusted operating profit is the Group's operating profit excluding the amortisation of acquired intangible assets and other adjustments as defined in note 1. Further details on these adjustments are given in note 4.

b. Adjusted profit before tax

The adjustments in calculating adjusted profit before tax are consistent with those in calculating adjusted operating profit above.

	2022	2021
Profit before tax	**124,102**	105,931
Adjustments:		
Amortisation of acquired intangible assets	**7,051**	9,001
Gain on disposal of property	**(1,208)**	(1,569)
IT transformation costs	**8,868**	8,493
Redundancy and other restructuring costs	**1,372**	6,445
Russia market exit	**3,555**	—
Adjusted profit before tax	**143,740**	128,301

c. Adjusted basic and diluted earnings per share

Adjusted basic earnings per share is calculated using the adjusted net profit attributable to the ordinary shareholders and dividing it by the weighted average ordinary shares in issue (see note 18). Adjusted net profit attributable to ordinary shareholders is calculated as follows:

	2022	2021
Net profit attributable to ordinary shareholders	**93,201**	80,245
Adjustments:		
Amortisation of acquired intangible assets	**7,051**	9,001
Gain on disposal of property	**(1,208)**	(1,569)
IT transformation costs	**8,868**	8,493
Redundancy and other restructuring costs	**1,372**	6,445
Russia market exit	**3,555**	—
Tax effect on adjusted items	**(3,440)**	(4,785)
Adjusted net profit attributable to ordinary shareholders	**109,399**	97,830

Adjusted diluted earnings per share is calculated by using the adjusted net profit attributable to ordinary shareholders and dividing it by the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares (see note 18).

d. Adjusted dividend cover

Dividend cover is calculated as earnings per share divided by dividends per share. Adjusted dividend cover is calculated as adjusted earnings per share as defined in note 2c above divided by dividends per share.

Notes to the Group financial statements For the year ended 31 December 2022 continued

2. Alternative performance measures continued

e. Total shareholder return

Total shareholder return is the movement in the price of an ordinary share plus dividends during the year, divided by the opening share price.

f. Return on capital employed

The return on capital employed ratio is used by management to help ensure that capital is used efficiently.

	2022	2021
Adjusted operating profit	**143,245**	128,080
Capital employed		
Shareholders' funds	**589,907**	534,080
Cash and cash equivalents	**(114,770)**	(123,474)
Interest bearing loans and borrowings	**8,836**	9,336
Pension deficit net of deferred tax	**6,065**	6,023
Capital employed	**490,038**	425,965
Average capital employed	**458,002**	424,815
Return on capital employed	**31.3%**	30.1%

Average capital employed is defined as the average of the capital employed at the start and end of the relevant year.

g. Working capital as a percentage of revenue

Working capital as a percentage of revenue is monitored as control of working capital is key to achieving our cash generation targets. It is calculated as inventory plus trade receivables, less trade payables, divided by revenue.

h. Organic constant currency (OCC)

OCC results remove the results of businesses acquired or disposed of during the period that are not consistently presented in both periods' results.

The 2022 results are restated at 2021 exchange rates. There are no disposals or acquisitions in 2022.

Key headings in the income statement are reconciled to OCC as follows:

	31 December 2022	Currency adjustment	OCC 31 December 2022
Revenue	**641,812**	(24,999)	616,813
Cost of sales	**(350,079)**	14,421	(335,658)
Gross margin	**291,733**	(10,578)	281,155
Overheads	**(148,488)**	3,356	(145,132)
Adjusted operating profit	**143,245**	(7,222)	136,023
Interest	**495**	(63)	432
Adjusted profit before tax	**143,740**	(7,285)	136,455
Adjusted taxation	**(34,341)**	1,740	(32,601)
Adjusted profit after tax	**109,399**	(5,545)	103,854

i. Cash conversion

Cash conversion is calculated as adjusted operating cash flow as a percentage of adjusted operating profit. It is monitored to illustrate how efficiently adjusted operating profits are converted into cash. Adjusted operating cash flow is calculated as follows:

	2022	2021
Adjusted operating cash flow		
Operating cash flow	**89,733**	117,463
Operating cash flow impact of other adjustments	**12,056**	13,346
Difference between pension charge and cash contribution	**6,979**	7,562
Adjusted operating cash flow	**108,768**	138,371
Adjusted operating profit	**143,245**	128,080
Cash conversion	**76%**	108%

3. Operating segments

The three identifiable operating segments where the financial and operating performance is reviewed monthly by the chief operating decision maker are as follows:

- Oil & Gas
- Chemical, Process & Industrial
- Water & Power

Each of our customers is allocated to a division. Sales to that customer, along with all directly associated costs of that sale, are reported under the division to which that customer is allocated. Where some of our customers sell into multiple end markets, a lead end market is identified. Sales to these customers will generally be allocated to the lead end market unless the sale is of significance and an alternative end market has been identified, in which case it will be reported under the alternative end market.

For all costs not directly attributed to a sale, these are allocated across the three divisions within each of our businesses. There are some costs which are directly attributable to a division, but most support costs and facility costs are not directly attributable to a division and are generally allocated based on split of revenue. Amortisation of acquired intangible assets is allocated based on the split of revenue of the entity to which the asset relates.

Unallocated expenses comprise corporate expenses.

Geographic analysis

Rotork has a worldwide presence in all three operating segments through its subsidiary selling offices and through an agency network. A full list of locations can be found at www.rotork.com.

Analysis by operating segment

	Oil & Gas 2022	**Chemical, Process & Industrial 2022**	**Water & Power 2022**	**Unallocated 2022**	**Group 2022**
Revenue from external customers	**283,266**	**198,355**	**160,191**	**—**	**641,812**
Adjusted operating profit*	**63,960**	**51,206**	**40,293**	**(12,214)**	**143,245**
Amortisation of acquired intangible assets	**(5,063)**	**(1,410)**	**(578)**	**—**	**(7,051)**
Segment result	**58,897**	**49,796**	**39,715**	**(12,214)**	**136,194**
Other adjustments					**(12,587)**
Operating profit					**123,607**
Net finance income					**495**
Income tax expense					**(30,901)**
Profit for the year					**93,201**

	Oil & Gas 2021	Chemical, Process & Industrial 2021	Water & Power 2021	Unallocated 2021	Group 2021
Revenue from external customers	260,153	160,454	148,553	—	569,160
Adjusted operating profit*	56,342	42,775	40,430	(11,467)	128,080
Amortisation of acquired intangible assets	(6,381)	(1,782)	(838)	—	(9,001)
Segment result	49,961	40,993	39,592	(11,467)	119,079
Other adjustments					(13,369)
Operating profit					105,710
Net finance expense					221
Income tax expense					(25,686)
Profit for the year					80,245

* Adjusted operating profit is operating profit before the amortisation of acquired intangible assets and other adjustments (see note 4)

Notes to the Group financial statements For the year ended 31 December 2022 continued

3. Operating segments continued

Geographic analysis continued

Analysis by operating segment continued

	Oil & Gas 2022	Chemical, Process & Industrial 2022	Water & Power 2022	Unallocated 2022	Group 2022
Depreciation	**6,591**	**4,615**	**3,727**	**—**	**14,933**
Amortisation:					
– Acquired intangible assets	**5,063**	**1,410**	**578**	**—**	**7,051**
– Development costs	**1,239**	**701**	**868**	**—**	**2,808**

	Oil & Gas 2021	Chemical, Process & Industrial 2021	Water & Power 2021	Unallocated 2021	Group 2021
Depreciation	7,161	4,420	4,092	—	15,673
Amortisation:					
– Acquired intangible assets	6,381	1,782	838	—	9,001
– Development costs	817	457	383	—	1,657

Balance sheets are reviewed by subsidiary and operating segment balance sheets are not prepared; therefore no further analysis of operating segments assets and liabilities is presented.

Revenue by location of subsidiary	2022	2021
UK	**55,146**	55,971
Italy	**52,997**	49,150
Rest of Europe	**96,627**	102,501
USA	**129,499**	96,565
Other Americas	**44,161**	40,152
China	**120,188**	98,011
Rest of World	**143,194**	126,810
	641,812	569,160

	UK 2022	Europe 2022	USA 2022	Other Americas 2022	Rest of World 2022	Group 2022
Non-current assets:						
– Goodwill	**61,342**	**65,407**	**59,728**	**754**	**40,774**	**228,005**
– Intangible assets	**20,279**	**65**	**155**	**—**	**80**	**20,579**
– Property, plant and equipment	**21,331**	**22,420**	**14,868**	**1,057**	**19,050**	**78,726**

	UK 2021	Europe 2021	USA 2021	Other Americas 2021	Rest of World 2021	Group 2021
Non-current assets:						
– Goodwill	61,342	62,666	53,366	725	38,679	216,778
– Intangible assets	22,890	1,464	817	—	551	25,722
– Property, plant and equipment	22,243	22,224	13,871	768	18,692	77,798

4. Other adjustments

Refer to note 1 for details on the adjustments to profit, including an explanation of 'other adjustments'.

The other adjustments to profit included in statutory profit are as follows:

	2022	2021
Gain on disposal of property	**1,208**	1,569
Redundancy and other restructuring costs	**(1,372)**	(6,445)
IT transformation costs	**(8,868)**	(8,493)
Russia market exit	**(3,555)**	—
Other adjustments	**(12,587)**	(13,369)

4. Other adjustments continued

Gain on disposal of property

The £1,208,000 (2021: £1,569,000) gain on disposal of property relates to the sale of the property in Melle, Germany.

Redundancy and Other restructuring costs

A further £1,372,000 (2021: £6,445,000) of redundancy and other restructuring costs have been incurred, largely as a result of the progress made under the Growth Acceleration Programme.

IT transformation costs

During the year £8,868,000 (2021: £8,493,000) of configuration costs were incurred on the development of cloud-based software as part of the multi-year IT transformation programme. This brings the total expensed as part of this programme to £31,823,000. These costs were expensed as they do not meet the capitalisation criteria under IAS 38. The new ERP system went live in January 2023 at our Bath, UK factory. The next phase of the programme is the roll out of the ERP system across the other Group entities.

Russia market exit

The Russia market exit costs are in relation to the ceasing of operations in Russia and the impairment of the gross assets of the Russian entity.

Income statement disclosure

All adjustments are included in administrative expenses. The adjustments are taxable or tax deductible in the country in which the expense is incurred.

Cash flow statement disclosure

Other adjustments have a net operating cash outflow of £12,056,000 (2021: £13,346,000) and a net investing cash inflow of £4,049,000 (2021: £2,783,000).

5. Other income and expense

	2022	2021
Gain on disposal of property, plant and equipment	**214**	133
Other	**1,406**	454
Other income	**1,620**	587

	2022	2021
Loss on disposal of property, plant and equipment	**(55)**	(133)
Other	**(317)**	(49)
Other expense	**(372)**	(182)

6. Personnel expenses

	2022	2021
Wages and salaries (including bonus and incentive plans)	**127,311**	125,315
Social security costs	**18,531**	17,781
Pension costs (note 24)	**6,142**	5,855
Share-based payments (note 25)	**4,601**	3,333
Increase/(decrease) in liability for long term service leave	**135**	(42)
	156,720	152,242

	2022	2021
Average monthly number of employees during the year:		
UK	**852**	860
Overseas	**2,371**	2,436
	3,223	3,296

Notes to the Group financial statements
For the year ended 31 December 2022 continued

7. Finance Income and Expense

Recognised in the income statement

	2022	2021
Interest income	**1,235**	1,123
Foreign exchange gains	**1,814**	1,319
Finance income	**3,049**	2,442

	2022	2021
Interest expense	**(744)**	(818)
Interest expense on lease liabilities (note 27)	**(406)**	(404)
Net interest charge on pension scheme liabilities (note 24)	**(110)**	(522)
Foreign exchange losses	**(1,294)**	(477)
Finance expense	**(2,554)**	(2,221)

Recognised in other comprehensive income

	2022	2021
Effective portion of changes in fair value of cash flow hedges	**(1,044)**	1,023
Fair value of cash flow hedges transferred to income statement	**(1,023)**	(1,132)
Foreign currency translation differences for foreign operations	**21,928**	(8,899)
	19,861	(9,008)
Recognised in:		
Hedging reserve	**(2,067)**	(109)
Translation reserve	**21,928**	(8,899)
	19,861	(9,008)

8. Profit before tax

Profit before tax is stated after charging/(crediting) the following:

	Notes	2022	2021
Depreciation of property, plant and equipment:			
– Owned assets	i	**10,458**	11,032
– Assets held under lease contracts	i	**4,475**	4,641
Amortisation:			
– Other intangibles	iii	**7,051**	9,001
– Development costs	iii	**1,436**	1,657
Impairment of development cost assets	iii	**1,372**	—
Impairment of property, plant and equipment	iii	**140**	707
Inventory write downs recognised in the year	ii	**1,100**	1,303
Product research and development expenditure	iii	**10,891**	10,815
Exchange differences realised	iv	**520**	(842)
Fees payable to the Group's auditor and their associates for:			
– For the audit of the Group's annual accounts		**1,136**	980
– for the audit of the Group's subsidiaries		**254**	282
Total audit fees		**1,390**	1,262
– Audit related assurance services		**65**	60
Total non-audit fees		**65**	60
Total fees		**1,455**	1,322

These costs can be found under the following headings in the income statement:

i) Both within cost of sales and administrative expenses

ii) Within cost of sales

iii) Within administrative expenses

iv) Within finance income and expenses

9. Income tax expense

	2022	2022	2021	2021
Current tax:				
UK corporation tax on profits for the year	**3,173**		2,029	
Adjustment in respect of prior years	**(942)**		(615)	
		2,231		1,414
Overseas tax on profits for the year	**30,242**		26,277	
Adjustment in respect of prior years	**(287)**		(295)	
		29,955		25,982
Total current tax		**32,186**		27,396
Deferred tax:				
Origination and reversal of other temporary differences	**(1,935)**		(1,170)	
Impact of rate change	**252**		(592)	
Adjustment in respect of prior years	**398**		52	
Total deferred tax		**(1,285)**		(1,710)
Total tax charge for year		**30,901**		25,686
Profit before tax		**124,102**		105,931
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 19.0% (2021: 19%)		**23,579**		20,127
Effects of:				
Different tax rates on overseas earnings		**9,339**		7,381
Permanent differences		**404**		1,591
Losses not recognised		**93**		(128)
Tax incentives		**(1,935)**		(1,835)
Impact of rate change		**252**		(592)
Adjustments to tax charge in respect of prior years		**(831)**		(858)
Total tax charge for year		**30,901**		25,686
Effective tax rate		**24.9%**		24.2%
Adjusted profit before tax (note 2b)		**143,740**		128,301
Total tax charge for the year		**30,901**		25,686
Amortisation of acquired intangible assets		**1,109**		1,784
IT transformation costs		**2,217**		2,400
Other adjustments (note 4)		**114**		601
Adjusted total tax charge for the year		**34,341**		30,471
Adjusted effective tax rate		**23.9%**		23.8%

A tax charge of £987,000 (2021: credit of £631,000) in respect of share-based payments has been recognised directly in equity in the year.

The effective tax rate for the year is 24.9% (2021: 24.2%). The adjusted effective tax rate is 23.9% (2021: 23.8%) and is lower than the effective tax rate for the year principally because of the tax treatment of expenses included in other adjustments.

The adjusted effective tax rate has slightly increased from 23.8% in 2021 to 23.9% in 2022, principally because of an increase in the proportion of the Group profits arising in higher tax jurisdictions internationally. The Group expects its adjusted effective tax rate to continue to move in line with the trends in corporate tax rates in the jurisdictions where Rotork operates. The UK corporation tax rate will increase to 25% from 1 April 2023. However, the adjusted effective tax rate will still be higher than the standard UK rate due to higher rates of tax in China, Germany, Australia and the US.

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc controls the dividend policies of its subsidiaries and the timing of the reversal of the temporary differences. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £272,249,000 (2021: £258,167,000).

Notes to the Group financial statements For the year ended 31 December 2022 continued

10. Goodwill

	2022	2021
Cost		
At 1 January	**238,370**	245,113
Exchange adjustments	**11,421**	(6,743)
At 31 December	**249,791**	238,370
Provision for impairment		
At 1 January	**21,592**	21,576
Exchange adjustments	**194**	16
At 31 December	**21,786**	21,592
Net book value	**228,205**	216,778

Cash generating units

Goodwill acquired through business combinations has been allocated to groups of cash-generating units (CGUs) that are expected to benefit from that business combination. For the Group, these are considered to be the Oil & Gas, Chemical, Process & Industrial and Water & Power divisions. On this basis, the value in use calculations exceeded the CGU carrying values after applying sensitivity analysis.

Cash generating unit	Discount rate 2022	Discount rate 2021	2022	2021
Oil & Gas	**12.6%**	11.2%	**93,154**	87,597
Chemical, Process & Industrial	**12.8%**	11.4%	**116,224**	113,680
Water & Power	**12.8%**	11.4%	**18,627**	15,501
Total Group			**228,205**	216,778

Impairment testing

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The annual impairment test was performed at 31 October 2022. The annual impairment testing considers a range of scenarios which includes costs and risks associated with sustainability.

The key assumptions used in the annual impairment review which are common to all CGUs are set out below:

i) Discount rates

The discount rates for the significant CGUs presented above are pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU for which the future cash flows have not been adjusted. Discount rates are based on estimations that market participants operating in similar sectors to Rotork would make, using the Group's economic profile as a starting point. For each CGU we adjusted the risk premium on a weighted average basis to reflect the region in which the CGU carries out the majority of its business, applied a premium based on the size of the CGU and applied a market participant tax rate in the region the CGU operates. In calculating the discount rates, consideration was given to exclude risks that were not relevant or which had already been reflected in the cash flows.

ii) Growth rates

Value in use calculations are used to determine the recoverable amount of goodwill allocated to each of the CGUs. These calculations use cash flow projections from management forecasts which are based on the budget and the Group's three year strategic plan. The three year plan is a bottom up process which takes place as part of the annual budget process. Once the budget for the next financial year is finalised, years two and three of the three year plan are prepared by each reporting entity's management reflecting their view of the local market, known projects and experience of past performance and expectations of future changes in the market. The Group annual budget and the three year plan are reviewed and approved by the Board each year. The compound annual revenue growth forecast for the Group during years one to three, used within the impairment models, reflects the growth rates within the budget and three-year plans. Long-term growth rates are based on management judgement and forecasts taking account for future expected changes in the market.

In the period after the three-year plan growth rates are forecast at 4% (2021: 4%) per annum for the next two years and at 2% (2021: 2%) for the long-term growth rate.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated.

There are no reasonably possible changes in assumptions that would lead to an impairment.

11. Intangible assets

	Software	Product development costs	Acquired intangible assets: Brands	Customer relationships	Other	Total
Cost						
31 December 2020	—	21,769	51,082	116,793	22,067	211,711
Additions	5,174	1,806	—	—	—	6,980
Transfer from property, plant and equipment	4,450	—	—	—	—	4,450
Exchange adjustments	—	(185)	(1,238)	(3,022)	(646)	(5,091)
31 December 2021	9,624	23,390	49,844	113,771	21,421	218,050
Additions	**2,066**	**2,541**	**—**	**—**	**—**	**4,607**
Exchange adjustments	**—**	**307**	**3,048**	**5,624**	**822**	**9,801**
31 December 2022	**11,690**	**26,238**	**52,892**	**119,395**	**22,243**	**232,458**
Amortisation						
31 December 2020	—	15,307	45,528	104,190	21,541	186,566
Charge for the year	—	1,657	1,596	6,879	526	10,658
Exchange adjustments	—	(97)	(1,190)	(2,963)	(646)	(4,896)
31 December 2021	—	16,867	45,934	108,106	21,421	192,328
Charge for the year	**—**	**1,436**	**1,569**	**5,482**	**—**	**8,487**
Impairment	**—**	**1,372**	—	**—**	**—**	**1,372**
Exchange adjustments	**—**	**255**	**3,061**	**5,554**	**822**	**9,692**
31 December 2022	**—**	**19,930**	**50,564**	**119,142**	**22,243**	**211,879**
Net book value						
31 December 2021	9,624	6,523	3,910	5,665	—	25,722
31 December 2022	**11,690**	**6,308**	**2,328**	**253**	**—**	**20,579**

Other acquired intangible assets represent order books and intellectual property.

The amortisation charge and impairment are recognised within administrative expenses in the income statement.

Included in the net book value of software are assets in the course of development, which are not amortised, with a cost of £11,690,000 (2021: £9,624,000).

Notes to the Group financial statements
For the year ended 31 December 2022 continued

12. Property, plant and equipment

	Land and buildings	Plant and equipment	Total
Cost			
31 December 2020	81,389	123,938	205,327
Additions	7,641	10,882	18,523
Disposals	(2,697)	(7,335)	(10,032)
Transfer to intangible assets	—	(4,450)	(4,450)
Assets classified as held for sale	(5,182)	(581)	(5,763)
Exchange adjustments	(2,423)	(2,768)	(5,191)
31 December 2021	78,728	119,686	198,414
Additions	**5,020**	**8,075**	**13,095**
Disposals	**(1,459)**	**(3,722)**	**(5,181)**
Assets classified as held for sale	**(1,046)**	**—**	**(1,046)**
Exchange adjustments	**4,208**	**6,139**	**10,347**
31 December 2022	**85,451**	**130,178**	**215,629**
Depreciation			
31 December 2020	29,075	90,170	119,245
Charge for the year	5,378	10,295	15,673
Disposals	(2,581)	(6,469)	(9,050)
Impairment	87	620	707
Assets classified as held for sale	(2,400)	(477)	(2,877)
Exchange adjustments	(771)	(2,311)	(3,082)
31 December 2021	28,788	91,828	120,616
Charge for the year	**5,299**	**9,634**	**14,933**
Disposals	**(798)**	**(3,395)**	**(4,193)**
Impairment	**—**	**140**	**140**
Assets classified as held for sale	**(835)**	**—**	**(835)**
Exchange adjustments	**1,612**	**4,630**	**6,242**
31 December 2022	**34,066**	**102,837**	**136,903**
Net book value			
31 December 2021	49,940	27,858	77,798
31 December 2022	**51,385**	**27,341**	**78,726**

Net book value of land and buildings can be analysed between:

	2022	2021
Land	**5,904**	6,058
Buildings	**45,481**	43,882
Net book value at 31 December	**51,385**	49,940

It is the Group's policy to test assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Included in the net book value of plant and equipment are assets in the course of construction, which are not depreciated, with a cost of £1,706,000 (2021: £1,570,000). Depreciation of these assets will commence when the assets are ready for their intended use.

Included in the net book value of land and buildings and plant and equipment are leased assets (see note 27).

13. Deferred tax assets and liabilities

	Assets 2022	Liabilities 2022	Net 2022	Assets 2021	Liabilities 2021	Net 2021
Property, plant and equipment	**1,238**	**(1,216)**	**22**	1,973	(1,091)	882
Intangible assets	**3,546**	**(3,327)**	**219**	4,739	(6,513)	(1,774)
Employee benefits	**3,412**	**—**	**3,412**	3,901	—	3,901
Inventory	**5,980**	**—**	**5,980**	4,862	—	4,862
Other items	**5,556**	**(3,252)**	**2,304**	4,103	(3,371)	732
Net tax assets/(liabilities)	**19,732**	**(7,795)**	**11,937**	19,578	(10,975)	8,603
Set off of tax	**(3,767)**	**3,767**	**—**	(9,395)	9,395	—
	15,965	**(4,028)**	**11,937**	10,183	(1,580)	8,603

Movements in the net deferred tax balance during the year are as follows:

	2022	2021
Balance at 1 January	**8,603**	10,681
Credited to the income statement	**1,537**	1,118
(Charged)/credited directly to equity in respect of share-based payments	**(987)**	631
Impact of rate change	**(252)**	592
Credited/(charged) directly to equity in respect of pension schemes	**1,795**	(4,571)
Credited directly to hedging reserves in respect of cash flow hedges	**440**	21
Exchange differences	**801**	131
Balance at 31 December	**11,937**	8,603

A deferred tax asset of £15,965,000 (2021: £10,183,000) has been recognised at 31 December 2022. The directors are of the opinion, based on recent and forecast trading, that the level of profits in the current and future years make it more likely than not that these assets will be recovered.

A deferred tax asset has not been recognised in relation to capital losses of £7,632,000 (2021: £7,632,000), due to uncertainty over the offset against future capital profits in the companies concerned. There is no expiry date in relation to this asset.

14. Inventories

	2022	2021
Raw materials and consumables	**72,182**	52,083
Work in progress	**5,091**	3,871
Finished goods	**15,033**	12,493
	92,306	68,447

Included in cost of sales was £205,136,000 (2021: £173,536,000) in respect of inventories consumed in the year.

15. Trade and other receivables and assets held for sale

	2022	2021
Current assets:		
Trade receivables	**139,507**	98,764
Allowance for expected credit loss	**(5,228)**	(4,575)
Trade receivables – net	**134,279**	94,189
Corporation tax	**7,877**	9,558
Current tax	**7,877**	9,558
Other non-trade receivables	**5,536**	5,825
Other taxes and social security	**14,998**	12,199
Prepayments	**18,578**	17,800
Other receivables	**39,112**	35,824
Land and buildings	**211**	2,780
Plant and equipment	**—**	104
Assets held for sale	**211**	2,884

As at 31 December 2022, non-current assets relating to property were classified as held for sale. As at 31 December 2021, non-current assets relating to a property in Melle, Germany were classified as held for sale.

Notes to the Group financial statements For the year ended 31 December 2022 continued

16. Cash and cash equivalents

	2022	2021
Bank balances	**69,008**	82,945
Cash in hand	**36**	35
Short term deposits	**45,726**	40,494
Cash and cash equivalents in the consolidated statement of cash flows	**114,770**	123,474

17. Capital and reserves

	0.5p Ordinary shares issued and fully paid up 2022	**£1 Non-redeemable preference shares 2022**	0.5p Ordinary shares issued and fully paid up 2021	£1 Non-redeemable preference shares 2021
At 1 January	**4,302**	**40**	4,370	40
Issued under employee share schemes	**2**	**—**	4	—
Cancelled following share buyback programme	**—**	**—**	(72)	—
At 31 December	**4,304**	**40**	4,302	40
Number of shares (000)	**860,771**		860,276	

The ordinary shareholders are entitled to receive dividends as declared and are entitled to vote at meetings of the Company.

Share issue

The Group received proceeds of £1,133,000 (2021: £1,528,000) in respect of the 494,972 (2021: 816,422) ordinary shares issued during the year: £2,000 (2021: £4,000) was credited to share capital and £1,131,000 (2021: £1,524,000) to share premium. Further details of the share awards are shown in note 25.

Share buyback programme

In the year ending 31 December 2021, the Group bought back a total of 14,403,732 Ordinary shares of 0.5p each for a total value of £50,324,000 including costs of £324,000. The average price paid for these repurchased shares was 348.1p. These repurchased shares were then cancelled in the same period.

Share forfeiture

During 2021 the Group had a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members are forfeited and resold in the market, with the resulting proceeds transferred to the Group. During 2021, the Group received £478,000 proceeds from sale of untraced shares and £135,000 write-back of unclaimed dividends on those shares, which are reflected in share premium and retained earnings respectively.

Own shares held

Within the retained earnings reserve are own shares held. The Group acquired 1,124,000 of its own shares during the year (2021: 2,154,000). The total amount paid to acquire the shares was £3,475,000 (2021: £7,809,000), and this has been deducted from shareholders' equity. During the year, 793,000 (2021: 1,582,000) ordinary shares were released to satisfy share plan awards. The investment in own shares held is £6,000,000 (2021: £5,291,000) and represents 1,831,000 (2021: 1,500,000) ordinary shares of the Company held in trust for the benefit of directors and employees for future payments under the Share Incentive Plan and Long Term Incentive Plan. The dividends on these shares have been waived.

Preference shares

The preference shareholders take priority over the ordinary shareholders when there is a distribution upon winding up the Company or on a reduction of equity involving a return of capital. The holders of preference shares are entitled to vote at a general meeting of the Company if a preference dividend is in arrears for six months or the business of the meeting includes the consideration of a resolution for winding up the Company or the alteration of the preference shareholders' rights.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve

The capital redemption reserve arises when the Company redeems shares wholly out of distributable profits.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are determined to be an effective hedge.

17. Capital and reserves continued

Dividends

The following dividends were paid in the year per qualifying ordinary share:

	Payment date 2022	2022	2021
4.05p final dividend for 2021 (final dividend for 2020: 6.30p)	**20 May**	**34,787**	54,996
2.40p interim dividend for 2022 (interim dividend for 2021: 2.35p)	**23 September**	**20,597**	20,519
		55,384	75,515

During 2021, the Company exercised its authority in accordance with the provisions set out in the Company's Articles of Association that the balance of unclaimed dividends over past 12 years be forfeited. During 2021, £135,000 of unclaimed dividends have been adjusted for in retained earnings, resulting in a dividends movement in the statement of changes in equity of £75,380,000.

After the balance sheet date the following dividends per qualifying ordinary share were proposed by the directors. The dividends have not been provided for.

	2022	2021
Final proposed dividend per qualifying ordinary share		
4.30p	**37,013**	—
4.05p	—	34,780

18. Earnings per share

Basic earnings per share

Earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year. The earnings per share calculation is based on 858.9m shares (2021: 869.5m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2022	2021
Net profit attributable to ordinary shareholders	**93,201**	80,245
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**858,776**	872,958
Effect of own shares held	**6**	(28)
Effect of Share Buyback Programme	**—**	(3,694)
Effect of shares issued under Sharesave plans	**167**	220
Weighted average number of ordinary shares during the year	**858,949**	869,456
Basic earnings per share	**10.9p**	9.2p

Adjusted basic earnings per share

Adjusted basic earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year after adding back the after-tax impact of the adjustments. The reconciliation showing how adjusted net profit attributable to ordinary shareholders is derived is shown in note 2.

	2022	2021
Adjusted net profit attributable to ordinary shareholders	**109,399**	97,830
Weighted average number of ordinary shares during the year	**858,949**	869,456
Adjusted basic earnings per share	**12.7p**	11.3p

Notes to the Group financial statements For the year ended 31 December 2022 continued

18. Earnings per share continued

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 860.6m shares (2021: 870.5m shares). The number of shares is equal to the weighted average number of ordinary shares in issue (net of own ordinary shares held) adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: those share options granted to employees under the Sharesave plan where the exercise price is less than the average market price of the Company's ordinary shares during the year and contingently issuable shares awarded under the Long Term Incentive Plan (LTIP).

	2022	2021
Net profit attributable to ordinary shareholders	**93,201**	80,245
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**858,949**	869,456
Effect of Sharesave options	**562**	711
Effect of LTIP share awards	**1,119**	372
Weighted average number of ordinary shares (diluted) during the year	**860,630**	870,539
Diluted earnings per share	**10.8p**	9.2p

Adjusted diluted earnings per share

	2022	2021
Adjusted net profit attributable to ordinary shareholders	**109,399**	97,830
Weighted average number of ordinary shares (diluted) during the year	**860,630**	870,539
Adjusted diluted earnings per share	**12.7p**	11.2p

19. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate, liquidity and currency risks, see note 26.

	Notes	2022	2021
Non-current liabilities			
Preference shares classified as debt		**40**	40
Bank loans		**—**	620
Lease liabilities	27	**5,365**	4,804
		5,405	5,464
Current liabilities			
Bank loans		**—**	65
Lease liabilities	27	**3,431**	3,807
		3,431	3,872
Total interest bearing loans and borrowings		**8,836**	9,336

Terms and debt repayment schedule

The terms and conditions of outstanding bank loans and preference shares were as follows:

	Currency	Interest rates	Year of maturity	2022	2021
Non-redeemable preference shares	Sterling	9.5%	—	**40**	40
Bank loans	Euro	2.35%	2032	**—**	685
				40	725

19. Interest bearing loans and borrowings continued

Repayment profile

Bank loans are repayable as follows:

	Principal 2022	Interest 2022	Minimum payments 2022	Principal 2021	Interest 2021	Minimum payments 2021
Bank loans less than one year	—	—	—	65	16	81
Bank loans more than one and less than five years	—	—	—	261	47	308
Bank loans more than five years	—	—	—	359	24	383
	—	—	—	685	87	772

The Group repaid the remaining bank loans during the year. There were no bank loans outstanding as at 31 December 2022.

Information on leases and the lease repayment profile are shown in note 27.

20. Employee benefits

	2022	2021
Recognised liability for defined benefit obligations:		
Present value of funded obligations	**144,381**	233,135
Fair value of plan assets	**(136,375)**	(225,510)
	8,006	7,625
Other pension scheme liabilities	**158**	261
Employee bonuses	**11,524**	10,717
Employee indemnity provision	**1,925**	2,033
Other employee benefits	**5,542**	5,140
	27,155	25,776
Non-current	**11,955**	11,336
Current	**15,200**	14,440
	27,155	25,776

Defined benefit pension scheme disclosures are detailed in note 24.

21. Provisions

	Contingent consideration	Warranty provision	Restructuring provision	Total
Balance at 1 January 2022	**239**	**4,474**	**2,150**	**6,863**
Exchange differences	**9**	**275**	**—**	**284**
(Release)/charge to the income statement	**(79)**	**458**	**239**	**618**
Provisions utilised during the year	**(169)**	**(889)**	**(902)**	**(1960)**
Balance at 31 December 2022	**—**	**4,318**	**1,487**	**5,805**
Maturity at 31 December 2022				
Non-current	**—**	**1,439**	**—**	**1,439**
Current	**—**	**2,879**	**1,487**	**4,366**
	—	**4,318**	**1,487**	**5,805**
Maturity at 31 December 2021				
Non-current	**75**	**1,484**	**—**	**1,559**
Current	**164**	**2,990**	**2,150**	**5,304**
	239	**4,474**	**2,150**	**6,863**

The warranty provision is based on estimates made from historical warranty data associated with similar products and services. The provision relates mainly to products sold during the last 12 months and the typical warranty period is 18 months.

The restructuring provision is expected to be utilised within the next 12 months.

Notes to the Group financial statements For the year ended 31 December 2022 continued

22. Trade and other payables

	2022	2021
Trade payables	**42,314**	38,800
Corporation tax	**11,893**	12,226
Current tax	**11,893**	12,226
Other taxes and social security	**10,230**	7,673
Contract liabilities	**8,244**	9,772
Other non-trade payables and accrued expenses	**20,610**	20,541
Other payables	**39,084**	37,986

Contract liabilities are recognised as amounts are received from customers in advance of performance under contract, these amounts are then recognised as revenue as and when the Group performs under the contract. Generally there is no significant time delay between receipt from customers and performance under contract and so these liabilities remain current. The balance at 31 December 2021 relates to amounts received in advance during 2021, and all were subsequently recognised as revenue during 2022.

23. Derivative financial instruments

	Assets 2022	Liabilities 2022	Assets 2021	Liabilities 2021
Forward foreign exchange contracts – cash flow hedges	**136**	**1,239**	1,186	106
Foreign exchange swaps – cash flow hedges	**—**	**1,705**	710	—
Total	**136**	**2,944**	1,896	106
Less non-current portion:				
Forward foreign exchange contracts – cash flow hedges	**74**	**215**	—	106
Current portion	**62**	**2,729**	1,896	—

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness to be recorded from the use of foreign exchange contracts.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates. Gains and losses in respect of these derivatives recognised in the hedging reserve in equity at 31 December 2022 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

24. Pension schemes

i) Defined benefit pension schemes

The Group operates two defined benefit pension arrangements – the Rotork Pension and Life Assurance Scheme (UK Scheme) and the Rotork Controls Inc. Pension Plan (US Pension Plan). On retirement, leaving service or death, the Schemes provide benefits based on final salary and length of service. Whether measured by assets or liabilities, the UK Scheme is more than 85% of the overall value of the two defined benefit Schemes.

The UK Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The UK Scheme is managed by a Trustee, with directors appointed in part by the Group and part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to its professional advisers where appropriate. The UK Scheme which was closed to new entrants in 2003 was closed to future accrual from 1 April 2018.

The US Pension Plan is subject to the ERISA funding requirements. A valuation of the Plan is carried out annually to ensure the Funding Objective is met under ERISA by contributing at least the Minimum Required Contribution. As part of this process the Company must contribute to the Plan enough contributions to ensure at least the Minimum Contribution is deposited in the Trust to pay for the accrual of benefits. The US Pension plan which was closed to new entrants in 2009 was closed to future accrual on 31 December 2018.

The two defined benefit pension arrangements expose the Group to a number of risks:

- **Investment risk** – the Schemes hold investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges. The Schemes have a relatively balanced investment in equities, debt instruments and property. Due to the long-term nature of the plan liabilities, the Trustees of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equities and in property to leverage the return generated by the funds.
- **Interest rate risk** – the Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way. A decrease in the bond interest rate will increase the Schemes' liabilities but this will be partially offset by an increase in the return of the Schemes' debt investments.
- **Inflation risk** – a significant proportion of the benefits under the UK Scheme is linked to inflation. Although the UK Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- **Mortality risk** – in the event that members live longer than assumed a deficit will emerge in the Schemes.

24. Pension schemes continued

i) Defined benefit pension schemes continued

The impact of the requirement to equalise benefits of men and women for unequal GMPs has been revised downwards from a 0.5% to a 0.3% addition to the liabilities of the UK Scheme. This revision reflects an updated estimate by the scheme actuary.

Movements in the present value of defined benefit obligations

	2022	2021
Liabilities at 1 January	**233,135**	252,959
Administration costs	**23**	42
Interest cost	**4,576**	3,568
Benefits paid	**(10,946)**	(9,675)
Actuarial gain	**(84,893)**	(13,961)
Currency loss	**2,486**	202
Liabilities at 31 December	**144,381**	233,135

Movements in fair value of plan assets

	2022	2021
Assets at 1 January	**225,510**	214,442
Interest income on plan assets	**4,466**	3,046
Employer contributions	**6,826**	7,432
Benefits paid	**(10,946)**	(9,675)
Return on plan assets, excluding interest income on plan assets	**(91,620)**	10,079
Currency gain	**2,139**	186
Assets at 31 December	**136,375**	225,510

Expense recognised in the income statement

	2022	2021
Administration costs	**23**	42
Net interest cost	**110**	522
	133	564

The expense is recognised in the following line items in the income statement

	2022	2021
Cost of sales	**9**	16
Administrative expenses	**14**	26
Net finance expense	**110**	522
	133	564

Remeasurements over the year

	2022	2021
Experience adjustments on plan assets	**(91,620)**	10,079
Experience adjustments on plan liabilities	**(3,565)**	(2,683)
Actuarial gain from changes to financial assumptions	**88,334**	16,475
Actuarial gain from changes to demographic assumptions	**124**	169
Experience adjustments on currency	**(347)**	(16)
	(7,074)	24,024

Notes to the Group financial statements For the year ended 31 December 2022 continued

24. Pension schemes continued

i) Defined benefit pension schemes continued

Reconciliation of net defined benefit obligation

	2022	2021
Net defined benefit obligation at the beginning of the year	**7,625**	38,517
Current service costs	**—**	—
Administration costs	**23**	42
Net financing expense	**110**	522
Remeasurements over the year	**7,074**	(24,024)
Employer contributions	**(6,826)**	(7,432)
	8,006	7,625

Liability for defined benefit obligations

The principal actuarial assumptions at 31 December 2022 (expressed as weighted averages):

	UK scheme (% per annum)		US scheme (% per annum)		Weighted average (% per annum)	
	2022	2021	2022	2021	2022	2021
Discount rate	**4.75**	1.90	**4.98**	3.00	**4.78**	2.00
Rate of increase in salaries	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a
Rate of increase in pensions (post May 2000)	**3.00**	3.20	**0.00**	0.00	**2.60**	2.90
Rate of increase in pensions (pre May 2000)	**4.60**	4.60	**0.00**	0.00	**4.00**	4.20
UK rate of inflation	**3.10**	3.30	**n/a**	n/a	**3.10**	3.30

In the UK the Retail Price Index is used as the rate of inflation as it is a requirement of the UK Scheme's rules.

The split of the Schemes' assets were as follows:

	Fair value 2022	Fair value 2021
Equities	**17,244**	36,339
Targeted return	**12,966**	56,434
Property	**1,134**	3,681
Multi-asset credit (quoted)	**21,152**	21,176
LDI/absolute return bonds	**68,761**	89,396
US deposit administration contract	**15,118**	18,484
Total	**136,375**	225,510
Actual return on the Schemes' assets	**(87,154)**	13,125

The UK Scheme has a strategic asset allocation which was agreed after considering its liability profile, funding position, expected return of the various asset classes and the need for diversification. The level of interest rate and inflation hedging has been increased by the use of liability driven investment (LDI) funds. Currently the Scheme has hedged around 75% of both the interest rate risk and the inflation risk of its liabilities, as measured on a low risk gilts basis

The only change made to the demographic assumptions at the 2022 year-end is that future improvements in mortality are now based on the CMI_2021 projection model, albeit with no allowance for 2020's or 2021's actual experience which reflected the impact of the pandemic (2021: CMI_2020).

By way of example the respective mortality tables indicate the following life expectancy:

	2022 Life expectancy at age 65		2021 Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	**23.2**	**23.8**	23.2	23.7
45	**24.6**	**25.2**	24.5	25.2

24. Pension schemes continued

i) Defined benefit pension schemes continued

Sensitivity analysis on the Schemes' liabilities

Adjustments to assumptions	Approximate effect on liabilities 2022	2021
Discount rate		
Plus 1.0% p.a.	**(20,600)**	(41,300)
Minus 1.0% p.a.	**24,400**	50,900
Inflation		
Plus 0.5% p.a.	**6,600**	13,700
Minus 0.5% p.a.	**(6,300)**	(13,000)
Life expectancy		
Increase of one year in assumed life expectancy	**4,600**	10,700

The sensitivities disclosed are indicative of how reasonably possible changes would impact the balances recognised. Further movements in assumptions would result in higher variances accordingly. They are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The sensitivity analysis was determined using the same method as per the calculation of liabilities for the balance sheet disclosures, but using assumptions adjusted as detailed above.

Effect of the Schemes on the Group's future cash flows

The Group is required to agree a Schedule of Contributions with the Trustee of the UK Scheme following a valuation which must be carried out at least once every three years. Following the valuation of the UK Scheme as at 31 March 2019, the Group is paying agreed deficit contributions of £6,800,000 a year until 30 September 2023 and then £5,500,000 until 31 March 2025. However, the level of deficit contributions will be reviewed at the 31 March 2022 valuation, which is currently being carried out.

The Group estimates that cash contributions to the Group's defined benefit pension schemes during 2023 will be £6,475,000 (2022: £6,826,000).

The weighted average duration of the defined benefit obligation for the UK Scheme is approximately 17 years.

ii) Other pension plans

The Group makes a contribution to a number of defined contribution plans around the world to provide benefits for employees upon retirement. Total expense relating to these plans in the year was £6,142,000 (2021: £5,855,000).

25. Share-based payments

The Group awards shares under the Long Term Incentive Plan (LTIP), the Save As You Earn scheme (Sharesave plan), the Overseas Profit-Linked Share Plan (OPLSS) and the Share Incentive Plan (SIP). The equity settled share-based payment expense included in the income statement for each of the plans can be analysed as follows:

	2022	2021
Sharesave plan (a)	**746**	816
Long Term Incentive Plan (b)	**2,189**	223
OPLSS/SIP profit-linked share scheme	**1,666**	2,294
Total expense recognised as employee costs (note 6)	**4,601**	3,333

Volatility assumptions for equity-based payments

The expected volatility of all equity compensation benefits is based on the historic volatility (calculated based on the weighted average remaining life of each benefit), adjusted for any expected changes to future volatility due to publicly available information.

Notes to the Group financial statements For the year ended 31 December 2022 continued

25. Share-based payments continued

Volatility assumptions for equity-based payments continued

a) Sharesave plan

UK employees are invited to join the Sharesave plan when an offer is made each year. All the offers to date were made at a 20% discount to market price at the time. There are no performance criteria for the Sharesave plan. Employees are given the option of joining either the 3 year or the 5 year scheme.

	3 year scheme		5 year scheme	
	2022	2021	**2022**	2021
Grant date	**7 October**	6 October	**7 October**	6 October
Share price at grant date	**244p**	339p	**244p**	339p
Exercise price	**196p**	283p	**196p**	283p
Shares granted under scheme	**1,024,131**	478,490	**468,529**	149,248
Vesting period	**3 years**	3 years	**5 years**	5 years
Expected volatility	**31.1%**	33.3%	**31.1%**	33.3%
Risk free rate	**4.31%**	0.50%	**4.30%**	0.68%
Expected dividends expressed as a dividend yield	**2.64%**	2.55%	**2.64%**	2.55%
Probability of ceasing employment before vesting	**2%**	2%	**2%**	2%
Fair value	**75p**	81p	**84p**	90p

Movements in the number of share options outstanding and their weighted average prices are as follows:

	2022		2021	
	Average option price per share	**Options**	Average option price per share	Options
At 1 January	**252p**	**2,342,007**	232p	2,909,674
Granted	**196p**	**1,492,660**	283p	627,738
Exercised	**230p**	**(494,972)**	187p	(816,422)
Forfeited	**261p**	**(801,269)**	246p	(378,983)
At 31 December	**220p**	**2,538,426**	252p	2,342,007

Of the 2,538,426 outstanding options (2021: 2,342,007), 130,749 are exercisable (2021: 232,000).

The Group received proceeds of £1,133,000 in respect of the 494,972 options exercised during the year: £2,000 was credited to share capital and £1,131,000 to share premium. The weighted average share price at date of exercise was 310p (2021: 348p).

The weighted average remaining life of 1,763,976 (2021: 1,549,121) awards outstanding under the 3 year plan is 2.1 years. The weighted average remaining life of 774,450 (2021: 792,886) awards outstanding under the 5 year plan is 3.8 years.

b) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a performance share plan under which shares are conditionally allocated to selected members of senior management at the discretion of the Remuneration Committee on an annual basis. Following shareholder approval of the LTIP at the Company's AGM on 18 May 2000, awards over shares are made to executive directors and senior managers each year.

2010 LTIP plan

Following shareholder approval of the 2010 LTIP plan at the Company's AGM on 23 April 2010, awards of shares have been made annually to executive and senior managers. From 2017 onwards, a third of these awards vested under a TSR performance condition, a third under an EPS performance condition and a third under a Return on Invested Capital (ROIC) performance condition.

TSR measures the change in value of a share and reinvested dividends over the period of measurement. The actual number of shares transferred will be determined by the number of shares initially allocated multiplied by a vesting percentage. The actual number of shares transferred will be 25% at the 50th percentile rising to 100% at the 75th percentile.

The EPS performance condition is satisfied with 15% of the awards vesting if the EPS growth is 9% over the vesting period up to a maximum of 100% vesting if EPS growth exceeds 35%.

Vesting of awards under the ROIC condition is determined by calculating the growth in ROIC, on a cumulative basis, over the performance period. For the 2020, 2021 and 2022 awards, the awards will vest by comparing the average ROIC over the performance period against a set of pre-defined targets.

The performance period for the 2019 awards ended on 31 December 2021. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 9.4% vesting of this award as the Company was in the 51st percentile relative to the comparator group. The EPS and ROIC elements of the scheme did not vest as the performance criteria were not met. These awards vested during 2022.

The performance period for the 2020 awards ended on 31 December 2022. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 0% vesting of this award. The TSR, EPS and ROIC elements of the scheme did not vest as the performance criteria were not met.

25. Share-based payments continued

2010 LTIP plan continued

	2022	2021
Grant date	**24 March**	24 March
Share price at grant date	**333p**	362p
Shares granted under scheme	**1,298,366**	1,162,633
Vesting period	**3 years**	3 years
Expected volatility	**33.5%**	35.4%
Risk free rate	**3.6%**	0.6%
Expected dividends expressed as a dividend yield	**0.0%**	0.0%
Probability of ceasing employment before vesting	**5% p.a.**	5% p.a.
Fair value of awards under TSR performance conditions	**206p**	181p
Fair value of awards under EPS and ROIC performance conditions	**333p**	357p

	Outstanding at start of year	Granted during year	Vested during year	Lapsed	Outstanding at end of year
2019 Award	1,191,091	—	(112,478)	(1,078,613)	**—**
2020 Award	1,570,096	—	—	(148,600)	**1,421,496**
2021 Award	1,103,672	—	—	(182,234)	**921,438**
2022 Award	—	1,298,366	—	—	**1,298,366**
	3,864,859	1,298,366	(112,478)	(1,409,337)	**3,641,300**

The weighted average remaining life of awards outstanding is one year.

c) Overseas Profit-Linked Share plan (OPLSS) and the Share Incentive Plan (SIP)

These discretionary profit linked shares schemes are annual schemes based on the prior year profit of participating Rotork companies. The value of the award to each employee is based on salary and length of service and can be up to £3,600.

26. Financial instruments

Financial risk and treasury policies

The Group Treasury department maintains liquidity, identifies and manages foreign exchange risk, manages relations with the Group's bankers and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

The Group has clearly defined policies for the management of credit, foreign exchange and interest rate risk. The Group Treasury department is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged.

a) 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 and cash on deposit with financial institutions.

Management has a credit policy in place and exposure to credit risk is both monitored on an ongoing basis and reduced through the use of credit insurance covering over 80% of trade receivables at any time. Credit evaluations are carried out on all customers requiring credit above a certain threshold, with varying approval levels set around this depending on the value of the sale. At the balance sheet date there were no significant concentrations of credit risk.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group maintains an allowance for impairment in respect of non-insured receivables where recoverability is considered doubtful.

The Group Treasury Committee meets regularly and reviews the credit risk associated with institutions that hold a material cash balance. As well as credit ratings, counterparties and instruments are assessed for credit default swap pricing and liquidity of funds.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2022	2021
Trade receivables	**134,279**	94,189
Cash and cash equivalents	**114,770**	123,474
	249,049	217,663

Notes to the Group financial statements For the year ended 31 December 2022 continued

26. Financial instruments continued

Exposure to credit risk continued

The maximum exposure to credit risk for trade receivables at the reporting date by currency was:

	Carrying amount 2022	2021
Sterling	**17,949**	12,204
US dollar	**33,648**	19,369
Euro	**38,511**	30,327
Other	**44,171**	32,289
	134,279	94,189

Allowance for expected credit loss against trade receivables

The following table shows the expected credit loss (ECL) that has been recognised for trade receivables:

	Gross 2022	Provision 2022	Gross 2021	Provision 2021
Not past due	**97,291**	**—**	69,708	(20)
Past due 0–30 days	**23,141**	**—**	13,829	—
Past due 31–60 days	**8,168**	**(65)**	5,709	(65)
Past due 61–90 days	**3,525**	**(46)**	2,672	(54)
Past due more than 91 days	**7,381**	**(5,116)**	6,846	(4,436)
	139,506	**(5,227)**	98,764	(4,575)

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is highly cash generative, and uses monthly cash flow forecasts to monitor cash requirements and to optimise its return on investments. Typically the Group ensures that it has sufficient cash on hand to meet foreseeable operational expenses; it also maintains a £5,000,000 uncommitted overdraft facility (2021: £5,000,000) on which interest would be payable at base rate plus 2.0% (2021: 1.35%) and a €5,000,000 uncommitted overdraft facility (2021: €5,000,000) on which interest would be payable at base rate plus 1.1% (2021: 1.1%).

The £60,000,000 committed loan facility in place on 31 December 2021 expired on 25 June 2022 and the Group decided not to renew the facility past this date given the strong cash position. Of the £60,000,000 loan facility £nil was drawn down at 31 December 2021.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

			Analysis of contractual cash flow maturities			
31 December 2022	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Lease liabilities	**8,796**	**9,678**	**3,735**	**1,991**	**3,281**	**671**
Trade and other payables and accrued expenses	**62,924**	**62,924**	**62,924**	**—**	**—**	**—**
Foreign exchange contracts	**2,944**	**2,944**	**2,729**	**215**	**—**	**—**
Non-redeemable preference shares	**40**	**40**	**—**	**—**	**—**	**40**
	74,704	**75,586**	**69,388**	**2,206**	**3,281**	**711**

			Analysis of contractual cash flow maturities			
31 December 2021	Carrying amount	Contractual cash flows	Less than 12 months	1–2 years	2–5 years	More than 5 years
Bank loans	685	772	81	79	229	383
Lease liabilities	8,611	9,416	4,155	2,913	2,348	—
Trade and other payables and accrued expenses	59,341	59,341	59,341	—	—	—
Contingent consideration	239	239	164	75	—	—
Foreign exchange contracts	106	106	—	106	—	—
Non-redeemable preference shares	40	40	—	—	—	40
	69,022	69,914	63,741	3,173	2,577	423

Where a counterparty experiences credit stress the foreign exchange contracts may be settled on a net basis but standard practice is to settle on a gross basis and the undiscounted gross outflow in respect of these contracts is £97,700,000 (2021: £88,610,000) and the gross inflow is £94,900,000 (2021: £90,400,000).

26. Financial instruments continued

Allowance for expected credit loss against trade receivables continued

c) Market risk

Market risk arises from changes in market prices, such as currency rates and interest rates, and may affect the Group's results. The objective of market risk management is to manage and control market risk within suitable parameters.

i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the business unit's functional currency. The currencies primarily giving rise to this risk are the US dollar and related currencies and the euro. The Group hedges up to 75% of forecast US dollar or euro foreign currency exposures using forward exchange contracts. In respect of other non-sterling monetary assets and liabilities the exposures may also be hedged up to 75% where this is deemed appropriate.

As part of the Group's cash management some of the overseas subsidiaries have loan and deposit balances where their intra-group counterparty is in the UK. The balances are typically in local currency for the subsidiary so the UK holds a foreign currency current asset or liability which is usually hedged through the use of foreign exchange swaps. At the balance sheet date only the 'forward' part of the swap remains and this is designated as a cash flow hedge to match the currency exposure of the intercompany loan asset.

The Group classifies its forward exchange contracts (that hedge both the forecast sale and purchase transactions and the intercompany loan and deposit balances) as cash flow hedges and states them at fair value. The net fair value of foreign exchange contracts used as hedges at 31 December 2022 was a £2,808,000 liability (2021: £1,790,000 asset) comprising an asset of £136,000 (2021: £1,896,000) and a liability of £2,944,000 (2021: £106,000). Forward exchange contracts in place at 31 December 2022 mature in 2023 and 2024.

Changes in the fair value of foreign exchange contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the income statement.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of one cent in the value of euro against sterling would have had an impact on the Group's operating profit for the year ended 31 December 2022 of £150,000 (2021: £200,000) and a change of one cent in the value of US dollar against sterling would have had an impact on the Group's operating profit for the year ended 31 December 2022 of £550,000 (2021: £600,000). Larger changes would have a linear impact on operating profit. The method of estimation, which has been applied consistently, involves assessing the transaction impact of US dollar and euro cash flows and the translation impact of US dollar and euro profits.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2022	2021	**2022**	2021
US dollar	**1.24**	1.38	**1.21**	1.35
Euro	**1.17**	1.16	**1.13**	1.19

ii) Interest rate risk

The Group does not undertake any hedging activity in this area.

All cash deposits are made at prevailing interest rates and the majority is available with same day notice, though deposits are sometimes made with a maturity of no more than three months. The main element of interest rate risk concerns sterling, US dollar, Euro and Renminbi deposits, all of which are on a floating rate basis.

The interest rate profile of the Group's financial liabilities (excluding leases) at 31 December was as follows:

	2022	2021
Fixed rate financial liabilities	**40**	40
Floating rate financial liabilities	**—**	685
	40	725

The fixed rate financial liabilities comprise preference shares. The floating rate financial liability in 2021 comprised bank loans which was fully repaid in the year. The previous floating rate obligations bore interest at rates determined by reference to the relevant LIBOR or equivalent rate.

The weighted average interest rate of the fixed and floating rate financial liabilities are 9.5% (2021: 9.5%) and nil (2021: 2.35%) respectively.

The maturity profile of the Group's financial liabilities (excluding leases) at 31 December was as follows:

	2022	2021
In one year or less	**—**	65
In more than one year but not more than two years	**—**	65
In more than two years but not more than five years	**—**	196
In more than five years	**40**	399
Total	**40**	725

Notes to the Group financial statements For the year ended 31 December 2022 continued

26. Financial instruments continued

Provisions against trade receivables continued

d) Capital risk management

The primary objective of the Group's capital management is to ensure it maintains sufficient capital in order to support its business and maximise shareholder value. The Group has an asset-light business model and uses cash generated from operations to either invest organically or by acquisition. The Group manages its capital structure and makes adjustments to it in light of changes in economic and market conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group defines capital as net cash/(debt) plus equity attributable to shareholders. There are no externally imposed restrictions on the Group's capital structure. The reconciliation of the Group's definition of capital employed is shown in note 2. The Group's reconciliation of net debt to net cash is shown below.

	Notes	2022	2021
Total borrowings including lease liabilities	19	**(8,836)**	(9,336)
Total cash and cash equivalents	16	**114,770**	123,473
Group net cash		**105,934**	114,137
Reconciliation of changes in assets and liabilities arising from financing activities			
Repayment of bank loans		**694**	67
Repayment of lease liabilities		**3,966**	4,904
Increase in lease liabilities		**(4,151)**	(5,202)
Effect of exchange rate fluctuations		**(9)**	44
Changes in financial liabilities arising from financing activities		**500**	(187)
Net decrease in cash and cash equivalents		**(8,703)**	(63,730)
Net decrease in net cash		**(8,203)**	(63,917)
Net cash at start of year		**114,137**	178,054
Net cash at end of year		**105,934**	114,137

e) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, were as follows:

	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Loans and receivables				
Trade receivables	**134,279**	**134,279**	94,189	94,189
Financial assets				
Cash and cash equivalents	**114,770**	**114,770**	123,473	123,473
Designated cash flow hedges				
Foreign exchange contracts:				
Financial assets	**136**	**136**	1,896	1,896
Financial liabilities	**(2,944)**	**(2,944)**	(106)	(106)
Financial liabilities at amortised cost				
Bank loans	**—**	**—**	(685)	(685)
Trade and other payables and accrued expenses	**(62,924)**	**(62,924)**	(59,341)	(59,341)
Contingent consideration	**—**	**—**	(239)	(239)
Preference shares	**(40)**	**(40)**	(40)	(40)
Lease liabilities	**(8,796)**	**(8,796)**	(8,611)	(8,611)
	174,481	**174,481**	150,536	150,536

Fair value hierarchy

The fair value of the Group's outstanding derivative financial assets and liabilities consisted of foreign exchange contracts and swaps and were estimated using year end spot rates adjusted for the forward points to the appropriate value dates, and gains and losses are taken to other comprehensive income, and estimated using market foreign exchange rates at the balance sheet date. All derivative financial instruments are categorised as Level 2 of the fair value hierarchy.

The other financial instruments are classified as Level 3 in the fair value hierarchy and are valued as follows.

Cash and cash equivalents, trade and other 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.

Bank loans and lease liabilities 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.

27. Leases

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

The right-of-use assets are disclosed as a non-current asset and are part of the property, plant and equipment balance of £78,726,000 at 31 December 2022.

2022	Land and buildings	Plant and equipment	Total
Balance at 1 January	**6,712**	**1,545**	**8,257**
Depreciation charge for the year	**(3,561)**	**(914)**	**(4,475)**
Additions to right-of-use assets	**3,997**	**428**	**4,425**
Right-of-use assets disposed of	**(304)**	**(43)**	**(347)**
Foreign exchange differences	**449**	**56**	**505**
Balance at 31 December	**7,293**	**1,072**	**8,365**

Lease liabilities

	2022	2021
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**3,735**	4,155
One to five years	**5,272**	5,261
More than 5 years	**671**	—
Total undiscounted lease liability at 31 December	**9,678**	9,416
Interest cost associated with future periods	**(882)**	(805)
Lease liabilities included in Consolidated balance sheet at 31 December	**8,796**	8,611
Current	**3,431**	3,807
Non-current	**5,365**	4,804

Amounts recognised in the income statement

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

	2022	2021
Leases under IFRS 16		
Interest on lease liabilities	**406**	404
Expenses relating to short-term leases and leases of low-value assets	**2,202**	1,645
Depreciation of right-of-use assets	**4,475**	4,641

Amounts recognised in statement of cash flows

	2022	2021
Total cash outflow for leases	**6,168**	5,759

28. Capital commitments

Capital commitments at 31 December for which no provision has been made in these accounts were:

	2022	2021
Contracted	**1,238**	3,433

29. Contingencies

	2022	2021
Performance guarantees and indemnities	**3,444**	4,000

The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

Notes to the Group financial statements
For the year ended 31 December 2022 continued

30. Related parties

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown on pages 235 to 237 of these financial statements. Transactions between two subsidiaries for the sale and purchase of products or the subsidiary and parent Company for management charges are priced on an arm's length basis.

Key management emoluments

The emoluments of those members of the Rotork Management Board, including directors, who are responsible for planning, directing and controlling the activities of the Group were:

	2022	2021
Emoluments including social security costs	**4,381**	4,739
Pension contributions	**261**	378
Share-based payments	**524**	165
	5,166	5,282

Rotork plc Company balance sheet
At 31 December 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	c	**14**	17
Investments	d	**43,205**	43,205
Amounts owed by Group undertakings		**326,687**	357,791
Deferred tax assets	e	**51**	502
		369,957	401,515
Current assets			
Amounts owed by Group undertakings		**9,156**	6,640
Other receivables	f	**693**	868
Cash and cash equivalents		**—**	—
		9,849	7,508
Total assets		**379,806**	409,023
Equity			
Share capital	i	**4,304**	4,302
Share premium		**19,959**	18,828
Capital redemption reserve		**1,716**	1,716
Retained earnings		**319,139**	310,753
		345,118	335,599
Non-current liabilities			
Preference share capital		**40**	40
		40	40
Current liabilities			
Trade payables		**438**	182
Current tax		**4,919**	2,662
Amounts owed to Group undertakings		**25,842**	66,769
Other payables	g	**3,449**	3,771
		34,648	73,384
Total equity and liabilities		**379,806**	409,023

The Company reported a total comprehensive income for the financial year of £62,689,000 (2021: £64,084,000).

These Company financial statements, company number 00578327, were approved by the Board of Directors on 27 February 2023 and were signed on its behalf by:

K Huynh and JM Davis
Directors

Rotork plc Company statement of changes in equity At 31 December 2022

	Share Capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 31 December 2020	4,370	16,826	1,644	376,709	399,549
Total comprehensive income for the year	—	—	—	64,084	64,084
Equity settled share-based payment transactions	—	—	—	(1,982)	(1,982)
Share options exercised by employees	4	2,002	—	—	2,006
Own ordinary shares acquired	—	—	—	(7,809)	(7,809)
Own ordinary shares awarded under share schemes	—	—	—	5,455	5,455
Share buyback programme	(72)	—	72	(50,324)	(50,324)
Dividends	—	—	—	(75,380)	(75,380)
Balance at 31 December 2021	4,302	18,828	1,716	310,753	335,599
Total comprehensive income for the year	**—**	**—**	**—**	**62,689**	**62,689**
Equity settled share-based payment transactions	**—**	**—**	**—**	**1,791**	**1,791**
Share options exercised by employees	**2**	**1,131**	**—**	**—**	**1,133**
Own ordinary shares acquired	**—**	**—**	**—**	**(3,475)**	**(3,475)**
Own ordinary shares awarded under share schemes	**—**	**—**	**—**	**2,765**	**2,765**
Dividends	**—**	**—**	**—**	**(55,384)**	**(55,384)**
Balance at 31 December 2022	**4,304**	**19,959**	**1,716**	**319,139**	**345,118**

Notes to the Company financial statements

a) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. Notes a to i relate to the Company rather than the Group. Except where indicated, values in these notes are in £000.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015, and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

The Company produces consolidated financial statements which have been prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments; and
- the disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the 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. The Company accounts for intra-Group cross guarantees under IAS 37.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments in subsidiaries

Investments are measured at cost less any provision for impairment and comprise investments in subsidiary companies.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Plant and machinery are depreciated by equal annual instalments by reference to their estimated useful lives and residual values at annual rates of between 10% and 33%. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Post-retirement benefits

The Company participates in a UK Group pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company. The sponsoring employer for the Group pension scheme is Rotork Controls Ltd. No contractual agreement or policy is in place for charging to individual Group entities the net defined benefit cost for the plan as a whole. As a result, in accordance with IAS 19, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Classification of preference shares

In line with the requirements of IFRS 9, Financial Instruments, the cumulative redeemable preference shares issued by the Company are classified as long-term debt. The preference dividends are charged within interest payable.

Share-based payments

The Company has adopted IFRS 2 and its policy in respect of share-based payment transactions is consistent with the Group policy shown in note 1 to the Group financial statements. Costs in relation to share-based awards made to other Group company employees are recharged to each subsidiary company.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the Company financial statements continued

a) Accounting policies continued

Dividends

Interim dividends are recorded in the financial statements when they are paid. Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

Critical judgements and key estimation uncertainties

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below.

There are no critical accounting estimates or judgements requiring evaluation.

b) Personnel expenses in the Company profit and loss account

	2022	2021
Wages and salaries (including bonus and incentive plans)	**5,191**	4,599
Social security costs	**661**	515
Pension costs	**211**	142
Share-based payment charge	**832**	15
	6,895	5,271

During the year there were 35 (2021: 29) employees of Rotork plc including the two (2021: two) executive directors.

Disclosures required by paragraph 1 of schedule 5 of SI2008/410 are set out in the directors' remuneration report on pages 153 to 181.

Share-based payments

The share-based payment charge relates to employees of the Company participating in the Long Term Incentive Plan (LTIP). The disclosures required under IFRS 2 can be found in note 25 to the Group Financial Statements. The table below sets out the movement of share options under the LTIP for employees of the Company.

	Outstanding at start of year	Granted during year	Vested during year	Lapsed	Outstanding at end of year
2019 Award	504,714	—	(82,146)	(422,568)	**—**
2020 Award	691,107	—	—	(157,634)	**533,473**
2021 Award	542,929	—	—	(165,709)	**377,220**
2022 Award	—	642,899	—	—	**642,899**
	1,738,750	642,899	(82,146)	(745,911)	**1,553,592**

The weighted average remaining life of awards outstanding at the year end is one year.

c) Property, plant and equipment in the Company balance sheet

	Plant and equipment	Total
Cost		
At 1 January 2022 and 31 December 2022	239	239
Depreciation		
At 1 January 2022	222	222
Charge for year	3	3
At 31 December 2022	**225**	**225**
Net book value		
At 31 December 2022	**14**	**14**
At 31 December 2021	17	17

d) Investments in the Company balance sheet

Shares in Group companies

	2022	2021
At 1 January and 31 December	**43,205**	43,205

The Company has the following investments in wholly-owned subsidiaries. The principal activities of all the subsidiary undertakings are those of the Group, except as indicated below:

D Dormant company H Holding company N Active non-trading company

Subsidiary	Incorporated in	Registered address
100% owned by Rotork plc		
G.H. Chaplain & Co (Engineers) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Analysis Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Cleaners Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Control and Safety Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Instruments Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Nominees Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Widcombe (Developments) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Controls Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Overseas Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Controls Limited		
Rotork Actuation (Shanghai) Co Limited	China	Building G, No.260 Liancao Road, Minhang District, Shanghai, PRC 201108
Rotork Trading (Shanghai) Co Limited	China	Room E, 3/f Tower D, Westlink, No. 2337 Gudai Road, Minhang District Shanghai, 201199, China
Rotork Controls (India) Private Limited	India	28B, Ambattur Industrial Estate (North Phase), Ambattur, Chennai 600 098, India
Rotork UK Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Valvekits Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Americas Holdings Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
75% owned by Rotork Controls Limited		
Rotork Saudi Arabia LLC	Saudi Arabia	LC07, Al-Khobar, 31671 Dammam, Kingdom of Saudi Arabia
100% owned by Rotork Overseas Limited		
Rotork Australia Pty Limited	Australia	21-23 Décor Drive, Hallam, VIC, 3803, Australia
Rotork Controls Comercio De Atuadores LTDA	Brazil	Condomínio Industrial Veccon Zeta Estrada Mineko Ito n° 4.30, Sumaré, São Paulo, 13178-542, Brazil
Rotork Controls (Canada) Limited	Canada	2-6725 Milcreek Drive, Mississauga, Ontario, L5N-5V3, Canada
Rotork Andina SpA	Chile	Canal La Punta 8770, Bodega 32, Renca, Santiago
Bifold Group Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Midland Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Motorisation SAS	France	75, rue Rateau 93126 La Courneuve Cedex, France
Rotork Controls (Deutschland) GmbH[N]	Germany	Siemensstr. 33, 40721 Hilden, Germany
Rotork Germany Holdings GmbH[H]	Germany	Mühlsteig 45, 90579 Langenzenn, Germany
Rotork Limited	Hong Kong	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Rotork Controls Italia Srl	Italy	Via Portico 17, 24050, Orio al Serio, Bergamo, Italy
Rotork Japan Co Limited	Japan	2-2-24 Sengoku, Koto-ku, Tokyo, 135-0015 Japan
Rotork Middle East FZE	Jebel Ali Free Zone	PUB-LC 07, near R/A 08, PO Box 262903, Jebel Ali Free Zone, Dubai, United Arab Emirates
Rotork (Malaysia) Sdn Bhd	Malaysia	1-17-1, Menara Bangkok Bank, Berjaya Central Park, No 105, 50450 Jalan Ampang, Kuala Lumpur, Malaysia
Rotork Actuation Sdn Bhd	Malaysia	1-17-1, Menara Bangkok Bank, Berjaya Central Park, No 105, 50450 Jalan Ampang, Kuala Lumpur, Malaysia
Rotork BV	Netherlands	Mandenmakerstraat 45, 3194, DA Hoogvliet, Netherlands
Rotork Gears Holding BV[H]	Netherlands	Nijverheidstraat 25, 7581 PV Losser, Netherlands
Robusta Miry Brook BV[H]	Netherlands	Herikerbergweg 88, 1101CM, Amsterdam, Netherlands
Rotork Norge AS	Norway	Ormahaugvegen 3, 5347 Ågotnes, Norway
Rotork Polska Zoo	Poland	Zabrze, Plutonowego Ryszarda Szkubacza 8, 41-800 Zabrze, Poland

Notes to the Company financial statements continued

d) Investments in the Company balance sheet continued

Shares in Group companies continued

Subsidiary	Incorporated in	Registered address
100% owned by Rotork Overseas Limited continued		
Rotork Rus Limited	Russia	127254 Moscow, Rustaveli street, 14, bld. 6, space 1 / 4.
Rotork Controls (Singapore) Pte Limited	Singapore	426 Tagore Industrial Avenue, Sindo Industrial Estate, Singapore 787808
Rotork Africa (Pty) Limited	South Africa	136 Kuschke Street, Meadowdale, Germiston, Gauteng 1601 South Africa
Rotork Controls (Korea) Co Limited	South Korea	Room 515, 42 Jangmi-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, 13496, Korea, Republic of
Rotork YTC Limited	South Korea	81 Hwanggeum-ro, 89 Beon-gil, Yangchon-eup, Gimpo-si, Gyeonggi-do, 1048, Korea, Republic of
Rotork Controls (Iberia) SL	Spain	Larrondo Beheko Etorbidea, Edificio 2, 48180 Loiu Bizkaia, Spain
Rotork Sweden AB	Sweden	Box 80, 791 22 Falun, Sweden
Rotork AG[H]	Switzerland	Fuchsacker 678, 9426 Lutzenberg, Switzerland
Rotork Inc[H]	USA	675 Mile Crossing Blvd., Rochester NY 14624, United States
Rotork Controls de Venezuela SA	Venezuela	Av. Casanova Torre banco plaza, piso 3 Ofic. 3D. Sabana Grande. Caracas – Venezuela
Rotork Turkey Akış Kontrol Sistemleri Ticaret Limited Sirketi	Turkey	Aydınli Mh. Melodi Sk., Bilmo Küçük Sanayi Sitesi, No:35/1-2, Tuzla, Istanbul, 34953, Turkey
100% owned by Valvekits Limited		
Circa Engineering Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Trading (Shanghai) Co Limited		
Centork Trading (Shanghai) Co. Ltd	China	Room C-02, 1/F, West Area No. 2 Building, No. 29 Jiatai Road, Free Trade Zone, Shanghai, China
100% owned by Rotork UK Limited		
Prokits Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Flowco Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Controls Italia Srl		
Rotork Instruments Italy Srl	Italy	Via Portico 17, 24050, Orio al Serio, Bergamo, Italy
Rotork Fluid Systems Srl	Italy	Via Padre Jacques Hamel, 55016 Porcari, Lucca, Italy
100% owned by Rotork Gears Holding BV		
Rotork Gears BV	Netherlands	Nijverheidstraat 25, 7581, PV Overijssel, Netherlands
100% owned by Rotork Inc		
Rotork (Thailand) Limited	Thailand	35/8 Soi Ladprao 124 (Sawasdikarn), Ladprao Road, Plubpla Sub-district, Bangkok Metropolis, Wangtonglang District, Thailand
Rotork Controls Inc	USA	675 Mile Crossing Blvd., Rochester, NY 14624, USA
Remote Control Inc	USA	77 Circuit Drive. North Kingstown, RI 02852, USA
Ranger Acquisition Corporation[H]	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801 USA
100% owned by Ranger Acquisition Corp		
Fairchild Industrial Products Company	USA	3920 West Point Blvd, Winston-Salem, NC 27103, USA
100% owned by Fairchild Industrial Products Company		
Fairchild Industrial Products (Sichuan) Company Limited[D]	China	Room 1201, Complex Square, No.88 West Shenghe No.1 Road, High Tech Zone, Chengdu, Sichuan, China. 610041
Fairchild India Private Limited[D]	India	56-C/BB, Janakpuri, New Delhi-110058 IN, India
100% owned by Bifold Group Limited		
Bifold Fluidpower (Holdings) Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Bifold Fluidpower (Holdings) Limited		
Bifold Fluidpower Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
MTS Precision Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Marshalsea Hydraulics Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Bifold Company (Manufacturing) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ

d) Investments in the Company balance sheet continued

Shares in Group companies continued

Subsidiary	Incorporated in	Registered address
100% owned by Bifold Fluidpower Limited		
Fluidpower (Stainless Steel) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Germany Holdings GmbH		
Max Process GmbH	Germany	Rastenweg 10, 53489 Sinzig, Germany
Schischek GmbH	Germany	Mühlsteig 45, 90579 Langenzenn, Germany
Rotork GmbH	Germany	Mühlsteig 45, 90579 Langenzenn, Germany
100% owned by Rotork AG		
Schischek Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Robusta Miry Brook BV		
Rotork Servo Controles de Mexico S.A. de C.V	Mexico	Centeotl 223, Colonia Industrial San Antonio, Delegación Azcapotzalco, Federal District, 02760, Mexico

e) Deferred tax assets and liabilities in the Company balance sheet

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022	Liabilities 2022	Net 2022	Assets 2021	Liabilities 2021	Net 2021
Tangible fixed assets	**7**	**—**	**7**	8	—	8
Provisions	**44**	**—**	**44**	494	—	494
	51	**—**	**51**	502	—	502

Movements in the net deferred tax balance during the year are as follows:

	2022	2021
Balance at 1 January	**502**	503
Credited to the income statement	**(417)**	44
Impact of rate change	**34**	(45)
	51	502

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc controls the dividend policies of its subsidiaries and consequently the timing of the reversal of the temporary differences. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £272,249,000 (2021: £258,167,000).

f) Other receivables in the Company balance sheet

	2022	2021
Prepayments	**689**	765
Other receivables	**4**	103
	693	868

g) Other payables in the Company balance sheet

	2022	2021
Other taxes and social security	**507**	447
Other payables	**1,713**	1,825
Accruals	**1,229**	1,499
	3,449	3,771

The Company has a £17,000,000 gross overdraft facility (2021: £17,000,000) and is part of a UK banking arrangement, see note h.

h) Contingencies in the Company

The UK banking arrangements are subject to cross-guarantees between the Company and its UK subsidiaries. These accounts are subject to a right of set-off. The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

The £60,000,000 committed loan facility in place on 31 December 2021 expired on the 25 June 2022 and the Company decided not to renew the facility past this date given the strong cash position of the Group. Of the £60,000,000 loan facility £nil was drawn down at 31 December 2021.

i) Capital and reserves in the Company balance sheet

Details of the number of ordinary shares in issue and dividends paid in the year are given in note 17 to the Group financial statements.

Ten year trading history

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Revenue	**641,812**	569,160	604,544	669,344	695,713	642,229	590,078	546,459	594,739	578,440
Cost of sales	**(350,079)**	(306,394)	(320,234)	(357,718)	(384,253)	(358,090)	(328,410)	(296,944)	(309,280)	(304,066)
Gross profit	**291,733**	262,766	284,310	311,626	311,460	284,139	261,668	249,515	285,459	274,374
Overheads	**(168,126)**	(157,056)	(171,207)	(189,683)	(188,542)	(198,167)	(167,891)	(145,129)	(143,232)	(135,109)
Operating profit	**123,607**	105,710	113,103	121,943	122,918	85,972	93,777	104,386	142,227	139,265
Adjusted[1] operating profit	**143,245**	128,080	142,543	151,005	146,015	130,162	120,588	125,272	157,167	151,412
Amortisation of acquired intangible assets	**(7,051)**	(9,001)	(14,110)	(18,841)	(20,284)	(27,183)	(26,811)	(20,886)	(14,940)	(12,147)
Other adjustments	**(12,587)**	(13,369)	(15,330)	(10,221)	(2,813)	(17,007)	—	—	—	—
Operating profit	**123,607**	105,710	113,103	121,943	122,918	85,972	93,777	104,386	142,227	139,265
Net interest	**495**	221	(537)	(2,953)	(2,170)	(5,386)	(2,707)	(2,517)	(1,062)	(1,268)
Profit before taxation	**124,102**	105,931	112,566	118,990	120,748	80,586	91,070	101,869	141,165	137,997
Tax expense	**(30,901)**	(25,686)	(26,808)	(29,096)	(29,004)	(24,973)	(23,897)	(27,012)	(37,963)	(38,488)
Profit for the year	**93,201**	80,245	85,758	89,894	91,744	55,613	67,173	74,857	103,202	99,509
Dividends	**55,384**	75,515	33,926	52,287	48,288	45,218	43,876	43,765	42,702	38,735
Basic EPS	**10.9p**	9.2p	9.8p	10.3p	10.5p	6.4p	7.7p	8.6p	11.9p	11.5p
Adjusted[1] EPS	**12.7p**	11.3p	12.5p	13.0p	12.6p	10.6p	10.0p	10.4p	13.2p	12.5p
Diluted EPS	**10.8p**	9.2p	9.8p	10.3p	10.5p	6.4p	7.7p	8.6p	11.9p	11.4p

1 Adjusted is before the amortisation of acquired intangible assets, the disposal of property and other adjustments.

Share register information

The tables below show the split of shareholder and size of shareholding in Rotork plc.

Ordinary shareholder by type	Number of holdings	%	Number of shares	%
Individuals	**2,916**	**81.07**	**21,150,415**	**2.46**
Bank or nominees	**632**	**17.57**	**834,779,655**	**96.98**
Other company	**16**	**0.44**	**114,581**	**0.01**
Other corporate body	**33**	**0.92**	**4,726,702**	**0.55**
	3,597	**100.00**	**860,771,353**	**100.00**

Range	Number of holdings	%	Number of shares	%
1-1,000	**1,144**	**31.80**	**513,387**	**0.06**
1,001-2,000	**482**	**13.40**	**706,766**	**0.08**
2,001-5,000	**622**	**17.29**	**2,030,340**	**0.24**
5,001-10,000	**393**	**10.93**	**2,772,071**	**0.32**
10,001-50,000	**529**	**14.71**	**11,393,458**	**1.32**
50,001-100,000	**97**	**2.70**	**6,800,026**	**0.79**
100,001 +	**330**	**9.17**	**836,555,305**	**97.19**
	3,597	**100.00**	**860,771,353**	**100.00**

Source: Equiniti

Dividend information

In respect of each of the last five years, the table below details the amounts of interim and final dividends declared or, in the case of the 2022 final dividend, proposed and subject to shareholder approval at the 2023 AGM.

	Interim dividend (p)	Final dividend (p)	Total dividends (p)
2022	2.40	4.30[1]	6.70
2021	2.35	4.05	6.40
2020[2]	—	6.30	6.30
2019[2]	2.30	3.90	6.20
2018	2.20	3.70	5.90

Financial calendar

28 February 2023	Preliminary announcement of annual results for 2022
13 April 2023	Ex-dividend date for proposed final 2022 dividend
14 April 2023	Record date for proposed final 2022 dividend
19 May 2023	Payment date for proposed final 2022 dividend
28 April 2023	Announcement of trading update
28 April 2023	Annual General Meeting to be held at Bailbrook House Hotel, Eveleigh Avenue, London Road West, Bath, Somerset, BA1 7JD
8 August 2023	Announcement of interim financial results for 2023
22 November 2023	Announcement of trading update

1 Subject to shareholder approval at the 2023 AGM

2 On 31 March 2020, the Board decided to withdraw the recommendation to pay the 2019 final dividend of 3.90p per share. This was to reflect the exceptional set of circumstances imposed by COVID-19 at the time. The Board subsequently decided to pay the 3.90p per share in full in September 2020 as an interim dividend. To aid year-on-year comparisons the table above presents this dividend as the 2019 Final dividend reflecting the year to which it related.

Corporate directory

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