rotork

Keeping the World Flowing
for Future Generations

Delivery of Growth+ continues

Annual Report 2023

Keeping the World Flowing
for Future Generations

Rotork is a market-leading global provider of mission-critical intelligent flow control solutions for oil & gas, water and wastewater, power, chemical process and industrial applications. Rotork helps customers around the world to improve efficiency, reduce emissions, minimise their environmental impact and assure safety. The Group employs about 3,300 people, has assembly facilities in 17 locations and serves 170 countries through a global service network.

Contents

Strong delivery of Growth+ strategy

- Order intake was 7.8% higher year-on-year on an OCC basis with orders ahead at all divisions
- Revenue increased 12.0% year-on-year despite a significant foreign exchange headwind which strengthened through the second half. On an OCC basis sales grew 13.6% year-on-year
- Adjusted operating margins were 60bps higher year-on-year at 22.9%

Non-financial highlights

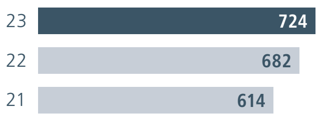
- We incorporated an emissions reduction target linked to our SBTi targets into our long term incentive plan
- Our total scope 1 and market based scope 2 greenhouse gas emissions reduced by 11%
- The Rotork IQTF electric actuator was established as the leading actuator for upstream oil & gas choke valve applications
- Eco-transition portfolio sales grew faster than the Group overall

ESG scores

- MSCI ESG: AAA
- Sustainalytics: ESG Industry Top Rated
- S&P CSA: Ranked in the top 10% globally in the Machinery and Electrical Equipment industry

Financial highlights

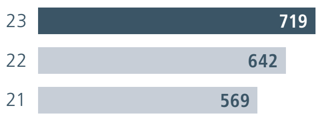
Orders (£m)



+7.8%

Orders were 7.8% higher year-on-year on an organic constant currency (OCC) basis

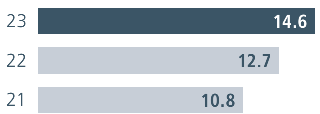
Revenues (£m)



+13.6%

Revenues were 13.6% ahead year-on-year (OCC)

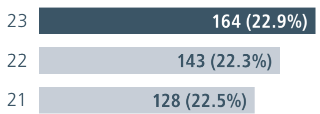
Adjusted EPS (p)



14.6p

Basic EPS was 13.2p

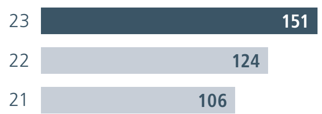
Adjusted operating profit (£m) and margin (%)



£164m

Reported operating profit was £149m

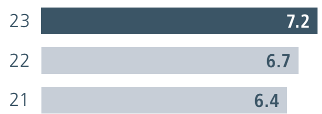
Profit before tax (£m)



£151m

Profit before tax was 21% higher year-on-year

Dividend per share (p)



7.2p

Annual dividend increased by 7.5% year-on-year

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.

Global presence

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

● Offices ● Assembly facilities

Americas
Employees **534**
Offices **11**
Assembly facilities **4**
Revenue
£201m

EMEA
Employees **1,773**
Offices **24**
Assembly facilities **9**
Revenue
£280m

Asia Pacific
Employees **1,035**
Offices **31**
Assembly facilities **4**
Revenue
£238m

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.

Revenue
£328m +16%

Adjusted operating margin
25.5%

Read more P.28

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 speciality and other chemicals, metals and mining, critical HVAC, pharmaceutical, steel and cement.

Revenue
£214m +8%

Adjusted operating margin
24.0%

Read more P.26

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.

Revenue
£177m +11%

Adjusted operating margin
26.2%

Read more P.29

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, meaning barriers to entry 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

Controlling the flow of fluids in and out of storage tanks and shutting them down in an emergency

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 centres

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

Offshore wind connections

IQ3 Pro electric actuators are used for critical control duties on high-voltage direct current transformer platforms in the UK's North Sea.

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

The customer is at the centre of everything we do, from first enquiry to installation to aftersales care

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.

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.

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.

The value we created in 2023

Our offering
We launched 5 new products and services in 2023. Sustainability is a high priority for our teams working in innovation and product development.

5
no. of product launches

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.

£187m
wages, salaries etc. paid

Suppliers
We have a sizeable supply chain. Social, environmental and ethical considerations are embedded into our Global Supplier Excellence programme.

£364m
spend with external suppliers

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.

£33m
corporation tax cash paid

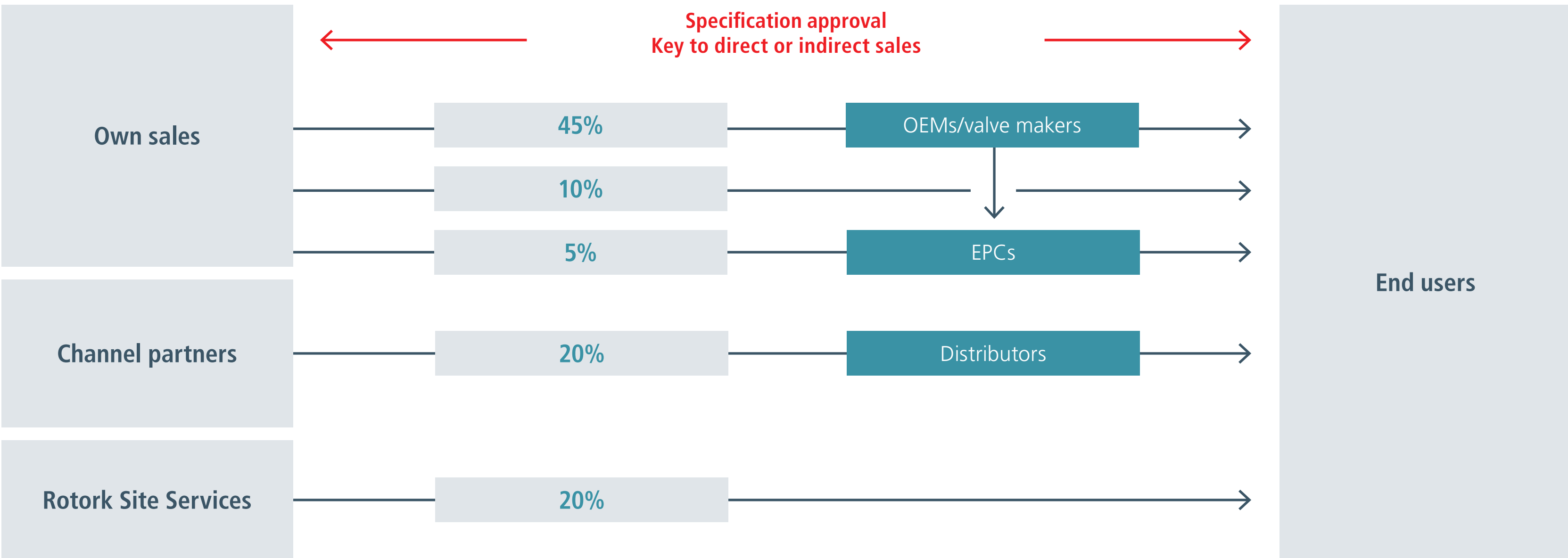
The environment
We delivered a good set of results across our key environmental metrics in 2023, including a 11% reduction in total scope 1 and market-based scope 2 tCO_2e emissions.

-11%
CO_2 emissions, YoY

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

£59m
dividends paid

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 speciality automation partners

Global megatrends driving our top line growth

Our growth is driven by significant long-term megatrends, from automation to new energies, as well as our own self-help initiatives

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

Challenge

>10%

The global industrial automation and control systems market is forecast to grow at 10.5% p.a. from 2023 to 2030 (CAGR)

(Source: Grand View Research)

Opportunity

>90%

Over 90% of Rotork sales are into the industrial automation and control systems market

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

Challenge

+7%

In the IEA's Net Zero emissions by 2050 scenario the electricity share of total global final energy consumption rises to 27% in 2030 from 20% in 2021

Opportunity

>50%

Electric powered valve actuators represented over 50% of Rotork sales in 2023

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

Challenge

>23%

The global Industrial Internet of Things ("IIoT") market is forecast to grow at 23.2% p.a. from 2023 to 2030 (CAGR)

(Source: Grand View Research)

Opportunity

iAM

Rotork's Intelligent Asset Management ("iAM") system analyses actuator performance data and uses this to provide users with value added services

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

Challenge

>50%

Global LNG demand is estimated to rise by >50% by 2040, driven by industrial coal-to-gas switching and economic growth

(Source: Shell LNG outlook 2024)

Opportunity

£100m

LNG is a Rotork target segment and we estimate the addressable market could grow to £100m in 3–4 years time

Global megatrends driving our top line growth continued

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

Challenge

50l

Water leakage across England and Wales in 2020–21 was greater than 50l of water per person per day

(Source: Ofwat)

Opportunity

IQ3

Intelligent actuators with remote operation can be used to manage network pressure thereby reducing any leak rate

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

Challenge

>8%

The desalination equipment market is forecast to grow at 8.6% CAGR over 2023–33

(Source: Future Market Insights)

Opportunity

£150m

Desalination is a Rotork targets segment and we estimate the serviceable addressable market at approximately £150m

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

Challenge

>23%

Global energy storage additions are forecast to grow at 23% p.a from 2022 to 2030 (CAGR)

(Source: BloombergNEF)

Opportunity

CPI

Mining, chemical and HVAC markets within the battery value chain are target segments of the Rotork CPI division

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

Challenge

6%

Fugitive methane emissions from energy production are estimated to contribute ~6% of global GHG emissions

(Source: Our World in Data)

Opportunity

CH_4

To eliminate or reduce emissions the oil and gas sector is transitioning to electric powered from pneumatic powered valve actuators

Dorothy Thompson, CBE
Chair

2023 was the first full year of our Growth+ strategy and I'm pleased to report we have made significant progress. The market response to our Target Segment strategic pillar has been very encouraging

Chair's statement

2023 was the first full year of our Growth+ strategy and my first year as Rotork's Chair. We launched the strategy in 2022, designed to deliver profitable growth by targeting the right market segments, providing value to our customers, innovating our products and services, and enabling a sustainable future.

Solid progress has been made in delivering the strategy. From 2021 to 2023, we delivered revenue growth of 26% and EBITA growth of 29%. The market response to our Target Segment strategic pillar has been very encouraging. We have made significant progress on Customer Value, increasing our customer focus through investing in people and rolling out new systems and processes. In 2023, our Chief Technology Officer implemented a full review of our process for innovation of products and services, resulting in a more agile approach focused on customer needs and delivering sustainable products. During the year, we delivered important product and service launches, including the latest release electric actuator, the IQ3 Pro, and enhanced our Intelligent Asset Management digital offerings. Under our Innovation pillar, the acquisition of Hanbay has expanded our technology capabilities and strengthened our decarbonisation product suite.

Energy transition & sustainability

Enabling the energy transition and delivering sustainable products and operations is at the heart of our Growth+ strategy.

During 2023, we made significant progress in the North American upstream electrification segment, with the IQTF range being established as the leading electric actuator for choke valve wellhead automation. Replacing a process gas-powered pneumatic actuator with an electric IQTF actuator eliminates any methane emissions from operating the valve.

Energy transition & sustainability continued

According to the International Energy Agency, energy-related methane emissions in North America were over 20Mt in 2021 (around 5% of global emissions from all sources). It has become increasingly apparent that the medium-term opportunity is upstream electrification, i.e. wider than methane emissions reduction, and we have broadened our commercial focus to reflect this exciting development.

Recognising the important role of Rotork's products and services in supporting the energy transition, we have established a Product Sustainability team within Product Engineering. Product sustainability requirements are now firmly embedded within our product development process, focusing on increasing energy efficiency, minimising material usage and maximising recycled/recyclable content. We also stepped up initiatives to fully understand the entire lifecycle of our product portfolio, including embodied carbon.

Whilst the impact we have enabling our customers to improve their environmental performance through the use of our products likely far exceeds our own environmental footprint, the latter is no less important. We emitted 9.9 tCO_2e per £1m of revenue based on location-based calculations, a reduction compared with 2022 of 12%. Underlining the importance that we attach to achieving our net-zero targets, scopes 1 and 2 greenhouse gas reduction targets are included in our senior team's long-term remuneration opportunity.

Culture & purpose

Two factors that initially attracted me to Rotork were its purpose and culture. Rotork is a purpose and value-led business. Its purpose, keeping the world flowing for future generations, remains highly relevant today.

Rotork's strong culture dates to the company's formation in the 1950s. Today it is underpinned by its values: stronger together, always innovating and trusted partner. During the year, I visited Rotork sites in Bath (UK), Rochester (NY), Lucca (Italy), Manchester (UK) and Leeds (UK) as well as Hanbay in Montreal (Canada). On each visit, it was encouraging to see the belief in the purpose and values and strong enthusiasm for the Growth+ strategy. I was impressed by the openness of all I met and the drive for continuous improvement. The Board takes an active role in understanding the culture and its development through regular site visits by individual directors, including roundtable meetings at each site to which colleagues from all levels are invited. These visits are co-ordinated by Tim Cobbold, non-executive director responsible for workforce engagement.

Section 172 (1) Statement

In accordance with Section 172 of the Companies Act 2006, we as a Board, 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.

Further information on our stakeholder engagement, can be found on pages 110 to 112 of the Corporate Governance report. Details on how we have engaged with our stakeholders on our sustainability strategy can be found on page 36.

Dividend and capital allocation

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.

The Board is recommending a final dividend of 4.65p per share. With the 2023 interim dividend of 2.55p, the total dividend for the year is 7.20p, a 7.5% increase on the 2022 full-year dividend. This equals 2.0 times cover based on adjusted earnings per share (2022: 1.9 times). The final dividend will be payable on 24 May 2024 to shareholders on the register on 18 April 2024. The last date to elect for the Dividend Reinvestment Plan ('DRIP') is 3 May 2024.

Consistent with the Group's stated capital allocation policy, the Board has decided to return cash to shareholders while retaining a strong balance sheet. As a result, Rotork will be commencing a share buyback programme of up to £50 million. Rotork's financial flexibility enables it to pursue strategic investments and the Group remains active in looking for suitable opportunities, consistent with the Growth+ strategy.

Board update

I want to thank my fellow Directors for welcoming me as their new Chair and for their considerable support in my first year in the role.

During the year Jonathan Davis advised us that he will be stepping down from the Board after the 2024 AGM. Jonathan has been with the company for 21 years and Rotork's Group Finance Director since 2010. I want to thank him for his significant contribution, including supporting our Chief Executive in the first two years of his role.

We are looking forward to welcoming Ben Peacock to Rotork to be our Chief Financial Officer from 11 March. Ben was previously Vice President of Finance & IT – Minerals Division at The Weir Group PLC. Ben brings considerable industry knowledge and a strong record of financial expertise within complex businesses.

I would also like to thank Peter Dilnot and Ann Christin Andersen for their considerable contributions to Rotork over the last 5-6 years. Peter stepped down as a Director of Rotork in December 2023, having been our Senior Independent Non-executive Director, and we wish him all the best in his role as Chief Executive Officer at Melrose Industries Plc.

Rotork's ESG Committee Chair Ann Christin will leave the Board following the Company's AGM in 2024. We wish Ann Christin all the best in her new role as Chief Executive Officer of Norwegian Energy Partners.

I am very much looking forward to welcoming two new non-executive directors to Rotork. Andrew Heath will join the Board on 1 April 2024. Andrew is currently Chief Executive Officer of Spectris plc, a role he has held since September 2018. He will be appointed Chair of the Safety and Sustainability Committee from 1 May 2024, subject to election. Vanessa Simms will join the Board on 21 June 2024. Vanessa is currently Chief Financial Officer at Land Securities Group plc. Andrew and Vanessa bring a wide range of listed company expertise, experience in leading change and in delivering organic and non-organic growth and will further strengthen the diverse mix of skills and experience on the Board.

Post April's AGM, our Board gender balance will be 43%, exceeding the 40% female representation target we seek to maintain. With two members of the Board coming from minority ethnic backgrounds, we exceed the Parker Review target of at least one individual.

People

The Rotork Board knows that delivering the Group's purpose and strategy would not be possible without its people. Our team is exceptional and continually focused on delivering customer value and innovation in everything they do.

I am proud of the support they have shown toward our strategy and delivering the solid results we have achieved this year.

On behalf of the Board, I would like to thank all our employees for their dedication and commitment in 2023.

Dorothy Thompson, CBE
Chair
4 March 2024

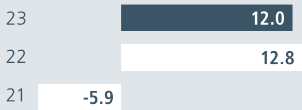
Financial KPIs

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

Performance

Revenue growth %

+12.0%



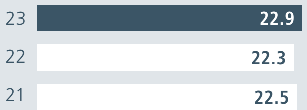
Reasons for choice
A key driver for the business that is reported for each division and geography. The measure enables us to track our overall success and our progress in increasing our market share by end market and by region.

How we calculate
Increase in revenue year-on-year divided by prior year revenue.

Comments on results
Group revenue was 12.0% higher year-on-year despite a significant foreign exchange headwind which strengthened through the second half. Our ambition is to deliver mid to high single digit revenue growth year-on-year.

Adjusted operating margin %

22.9%



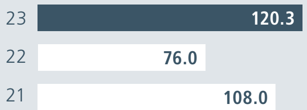
Reasons for choice
This measure brings together the combined effects of pricing, volume and procurement as well as the leveraging of our operating assets. It is also an important check on the quality of revenue growth.

How we calculate
Adjusted operating profit shown as a percentage of revenue. We use adjusted operating profit as this aids comparison year to year.

Comments on results
Adjusted operating margins were 60bps higher year-on-year at 22.9%. The non-adjusted operating margin was 20.7%. Our ambition is to deliver mid 20s adjusted operating margins over time.

Cash conversion %

120.3%



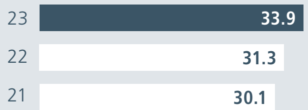
Reasons for choice
Our cash conversion demonstrates our operational efficiency and enables us to fund future growth. We consider 85% conversion as a base level of achievement. It is also part of the senior management reward system.

How we calculate
Cash flow from operating activities before tax outflows, the cash impact of other adjustments (including Business Transformation costs), and the pension charge to cash adjustment, as a percentage of adjusted operating profit.

Comments on results
Cash conversion in 2023 reflects a strong operating cashflow performance, largely driven by improvements in working capital including reductions in inventory and improvements in days' sales outstanding.

Return on capital employed %

33.9%



Reasons for choice
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.

How we calculate
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 surplus/deficit net of related deferred tax deducted/added back.

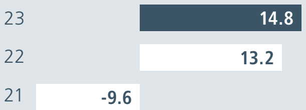
Comments on results
Return on capital employed increased during the year. Average capital employed increased by 6.0%, and adjusted operating profits increased by 14.8%.

Financial KPIs continued

Performance

Adjusted EPS growth %

+14.8%



Reasons for choice

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.

How we calculate

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

Comments on results

Adjusted earnings per share was 14.8% higher year-on-year.

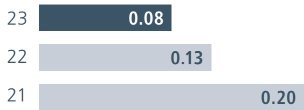
Non-financial KPIs

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

Performance

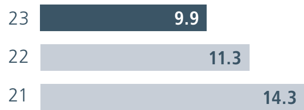
Lost-time injury rate (LTIR)

0.08



Carbon emissions tCO_2e per £m

9.9



Reasons for choice

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

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

How we calculate

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

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.

Comments on results

LTIR for 2023 was 0.08, an improvement on the 0.13 in 2022. Our proactive approach is aimed at continuously identifying weaknesses in our safety processes and removing or mitigating risks when they are identified.

Sourcing of renewable electricity and equipment upgrades in some of our facilities resulted in a 11% reduction in our scope 1 and market-based scope 2 emissions last year. Emissions per £1m were 12% lower than in the prior year.

Kiet Huynh
Chief Executive Officer

We continued to make significant progress in 2023 and delivered another year of strong organic sales growth, margin improvement and good cash flow performance. The delivery of Growth+ continues and the benefits of the strategy are apparent, including in our sales performance in the year

Chief Executive Officer's statement

2023 was another year of strong delivery against our strategy, and I am proud of all we have achieved as a team. We improved our safety and emissions performance, made excellent progress on our Growth+ strategy, and increased employee engagement. Our financial performance underscores this, with revenues ahead double digits on an organic constant currency basis and adjusted operating profit margins further improved. Our financial results were particularly encouraging, given the supply chain challenges early in the year.

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 2023, we recorded a lost-time injury rate of 0.08, an improvement on the 0.13 recorded in 2022, partly reflecting extensive work completed across the Group to implement our Global Safety Standards. Our Total Recordable Injury Rate was 0.26 (2022: 0.53).

In many regions, a knock-on effect of the invasion of Ukraine has been a further rise in consumer price inflation, which had already increased in the aftermath of Covid, particularly on essentials such as food, energy and housing costs. While there are signs that inflation is being brought under control by increased interest rates, it peaked later than anticipated at higher levels and remained higher than expected for a longer period. We took steps to assist affected colleagues wherever we could, including through bringing forward salary reviews.

Our employee engagement Pulse survey took place in July. The participation rate increased to 79%, versus December 2022's survey at 75%. As part of the engagement survey, we ask employees to rate Rotork as a place to work between 1 and 10, where 10 is highest. Engagement continues to improve, with the score increasing to 7.4 in July, from 7.2 in December 2022 and 6.7 in June 2022.

Health, safety & wellbeing continued

Reflecting the encouraging trend in our engagement survey results and best practice, we moved to an annual survey during 2023.

We have a committed team who are proud to work at Rotork and determined to deliver on our ambitious goals. We offer our thanks and appreciation for all their efforts throughout 2023.

Environmental performance

Sustainability is a major focus for Rotork. Whilst our impact in enabling our customers to improve their environmental performance likely far exceeds our Company's environmental footprint, the latter is no less important. Our total scope 1 and 2 (market-based) emissions decreased by 11% in 2023 compared with 2022, reflecting the implementation of energy efficiency projects and investment in on-site renewable generation.

Our SBTi-validated near-term greenhouse gas (GHG) emissions reduction 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 the use of sold products 25% by 2030 from a 2020 base year
- that at least 25% of our suppliers by emissions covering purchased goods and services will have science-based targets by 2027

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

Underlining the importance we attach to achieving our net-zero targets, scopes 1 and 2 greenhouse gas reduction targets are included in our senior team's long-term remuneration opportunity.

We were pleased to receive a rating of AAA in the MSCI ESG ratings assessment (AA previously) and to once again be recognised as one of the top performing companies rated by Sustainalytics and included in their 2023 ESG Industry Top Rated companies list.

Rotork colleagues at our Lucca (Italy) site attending a townhall meeting.

Growth+ strategy

The starting point of our Growth+ strategy is our Purpose, 'keeping the world flowing for future generations'. Our Purpose is a powerful motivator, and it drives everything we do. It also recognises the role we play in making our world a great place to live, and the role we play in helping improve the safety, environmental and social performances of not just ourselves but also 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 ensure safety, are reliable, efficient, easy to use, and play a vital role in ensuring the uptime of our end users' operations (including through predictive and preventative maintenance).

Our ambition is mid to high single-digit revenue growth and mid 20s adjusted operating margins over time. Three powerful megatrends help drive our growth: automation, electrification and digitalisation, as well as the trends of sustainability, decarbonisation, energy security, water scarcity, water quality and new energies. Our Growth+ strategy is designed to drive our growth and to balance our investments with margin progression. At the core of our strategy are three pillars: Target Segments, Customer Value and Innovative Products & Services, each underpinned by our focus on 'Enabling a Sustainable Future'.

Our 'Target Segments' are key segments within each of our divisions where we have the right to play and where there are significant opportunities for profitable growth. We are prioritising investment into these areas, helping us to grow faster than our overall markets.

"We were pleased to receive a rating of AAA in the MSCI ESG ratings assessment, up from AA previously, and to once again be recognised as one of the top performing companies rated by Sustainalytics and included in their 2023 ESG Industry Top Rated companies list."

Kiet Huynh
Chief Executive Officer

Growth+ strategy continued

We have already seen early benefits from our focus on Target Segments which represented around half of Group sales in 2023 and grew 15% year-on-year OCC.

Successes in Oil & Gas include in North America, where our IQTF range has established itself as the leading electric actuator for the wellhead choke valve, and in liquified natural gas (LNG) where we benefit from a significant installed base and are well placed to support the industry's planned liquefaction capacity expansion. We have further developed the Target Segment 'methane emissions reduction' and now describe this as 'upstream electrification'. The change reflects our business development as well as the oil & gas industry's commitment to electrification which was highlighted at COP28 in December 2023 with companies representing more than 40% of global oil production signing the Oil & Gas Decarbonization Charter. The medium-term opportunity is potentially greater than we originally calculated, with North America representing the majority of the opportunity.

Chemical, Process & Industrial (CPI) plays across various markets and sectors, and selectivity and focus are key. We are focused on identifying growth opportunities in structurally growing markets and through share gain in areas where Rotork has historically been under-represented. Identifying these opportunities requires an in-depth investigation of value chains that are often in new markets. In 2023 we made good progress in the Target Segments of HVAC, mining (focused on the battery value chain), speciality chemicals and decarbonisation.

In Water & Power, we have made excellent progress in our Target Segments of water infrastructure, desalination, and alternative energy. Our teams take a straightforward commercial approach to identifying the areas where we have a clear 'right to play' and only then step up their pursuit of projects in these areas. Examples include the exciting water reuse sector, where network digitalisation and efficiency are increasingly in focus, desalination, where electrification is a structural trend, and the alternative energy sector. In the latter, unmanned offshore high-voltage direct current (HVDC) platforms require the most reliable automation equipment with advanced diagnostic features that allow predictive and preventative maintenance techniques and which Rotork is ideally placed to provide.

Rotork colleagues at our Leeds (UK) site at their morning performance meeting.

We are also making good progress on our Customer Value pillar, which puts the customer at the forefront of everything we do. One example is the implementation and integration of common systems and processes throughout the Group. This will improve efficiency and ultimately deliver improved lead times and customer experience. We successfully deployed our new Enterprise Resource Planning system during the first half at our Bath (UK) site. The system will be implemented across all sites over the next few years.

Our Innovative Products & Services pillar also has good momentum. We launched the IQ3 Pro and its accompanying smartphone app during the year. This offers greater connectivity than its predecessor and the smartphone app makes configuration and operation easier and more convenient. Our enhanced Intelligent Asset Management (iAM) condition monitoring and analytics software has been well received by end-users who appreciate its expanded diagnostic and predictive functions.

"The safety of our people, partners and visitors is our number one priority, and our vision for health and safety is zero harm. I want to thank every member of our committed team for their efforts driving safety during the year."

Kiet Huynh
Chief Executive Officer

In August, we acquired a small but strategically important business, Hanbay Inc., adding a compact high-torque electric valve actuator to our product offering. The Hanbay acquisition is fully consistent with the Growth+ strategy.

Market update

Energy security and the energy transition were again major trends in 2023. Energy security became a significantly increased global priority following the dramatic change in the energy landscape triggered by the events in Ukraine in February 2022 and the subsequent attack on the Nord Stream pipeline as well as conflict in Israel/Palestine. While hydrocarbon prices have fallen from the levels they reached immediately following the Ukraine invasion, in most cases, they remain higher than they have been for many years. The energy sector continues to invest in traditional energy infrastructure, including in LNG, and is seeking to catch up from earlier under-investment.

The year also saw the world's hottest summer on record (according to NASA) and extreme weather events such as wildfires and droughts across the globe. These events remind us of the urgency of tackling carbon emissions and adapting to climate change. It is apparent that tackling the climate crisis and delivering a just energy transition at pace will require a practical approach including a balance of technologies with methane emissions reduction, LNG, carbon capture and storage, hydrogen and direct air capture all having significant roles to play.

Rotork has an important role to play through its eco-transition portfolio which contributed 30% of Group sales in 2023. This consists of products and services that:

- Reduce (and in many cases eliminate) methane emissions, through the electrification of the upstream oil & gas sector
- Enable the energy transition, for example, through applications in LNG, carbon capture and storage, biofuels, hydrogen and offshore wind
- Manage water and wastewater distribution and treatment

Rotork has had notable success in upstream electrification, with the IQTF being established as the leading electric actuator for upstream oil and gas choke valve automation.

While some of these technologies are still early in their commercialisation phase, we believe they will grow significantly. Methane emissions reduction was a prominent topic at COP28 in Dubai in December, with companies representing more than 40% of global oil production committing to the Oil & Gas Decarbonization Charter and to near-zero upstream methane emissions by 2030 including through electrification.

Market update continued

The United States Environmental Protection Agency issued its 'final rule' regarding methane emissions. This requires new and existing natural gas-driven process controllers (i.e. pneumatic actuators) across the USA to be zero emission, with few exceptions.

The growth in electric vehicle and energy storage demand continues to boost the entire battery value chain. For Rotork's CPI division, opportunities include metals and minerals mining and processing, speciality chemicals and critical HVAC controls in battery and vehicle production facilities. In the semi-conductor fabrication and data centre markets, customers increasingly recognise the benefits of Rotork's critical HVAC product ranges and are switching to them.

Decarbonisation remains a high-potential future market for all three of our divisions, and recognising this we have moved to report decarbonisation activity in each division rather than only in CPI. The United States' Inflation Reduction Act and the European Union's similar initiatives support the carbon capture and storage (CCS), hydrogen and sustainable aviation fuel sectors. We saw a marked increase in enquiries, engineering design and quotation activity in the period, particularly concerning carbon capture. The Global CCS Institute reported that the capacity of CCS projects in construction and development grew 57% year-on-year in 2023 to 312 Mtpa CO_2.

The outlook for water and wastewater remains positive with continuing investment in new and existing infrastructure. The market is focused on delivering water availability, improving water quality, reducing leakage, efficient water reuse, and automating and digitalising networks and processes. Significant investment initiatives worldwide are underway or set to begin, including in the US, China, the Middle East and the UK. The desalination market remains active, with projects underway worldwide and, most notably, in the Middle East.

In traditional power, the focus remains on plant modernisation, refurbishment, and life extension. Whilst the new build market is quieter than it once was, there continue to be new build opportunities, for example in China and India. Renewable energy is playing an important role in delivering energy security as well as the energy transition. According to the IEA, the amount of renewable power capacity that will have been added worldwide in 2023 will have been ca. 30% higher than in 2022. Rotork products are specified for several applications in offshore wind, including in HVDC transformer cooling systems, and in concentrated solar.

Business performance

Group order intake increased 6.2% year-on-year (7.8% on an OCC basis) to £723.7m. All three divisions booked higher orders for the full year, with Water & Power and Oil & Gas strongly ahead. CPI reported encouraging order growth in the final quarter. Orders, which continue to be driven predominantly by customers' operational spend, included more large orders than seen for some time, particularly notably in the first half.

Supply chain challenges held back deliveries to customers in the first half of the year, resulting in during the summer a record order book relative to sales. The supply chain situation significantly improved during the second half allowing some normalisation of the order book. The lead time of semi-finished components such as circuit boards which had increased substantially following Covid was the biggest of these supply chain challenges.

Group revenue was 12.0% higher year-on-year (13.6% higher OCC), benefitting from both higher volumes and price increases. Oil & Gas sales rose 15.9% (16.6% OCC), driven by strength in EMEA and the Americas and increased upstream electrification activity. CPI sales were 7.7% ahead (9.7% OCC), with all major geographic regions growing at similar rates. Water & Power sales were up 10.5% (13.3% OCC), with both segments achieving good growth.

By geography, Europe, Middle East & Africa (EMEA) sales by destination grew double digits (OCC) and was Rotork's fastest growing region. Asia Pacific revenues grew high-single digits year-on-year on an OCC basis with all divisions ahead. Americas revenues were mid teens ahead (OCC) with all divisions in the region growing at similar rates.

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 (2022: 21%).

Adjusted operating profit was 14.8% higher year-on-year (17.3% higher OCC) at £164.5m, reflecting volume growth and positive net price/mix which were partly offset by annual wage inflation and investment in our Growth+ strategy. Adjusted operating margins recovered strongly in the second half and full year margins were 60bps higher at 22.9% (70bps higher at 23.0% OCC) and reported profit before tax was £150.6m.

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 & wastewater'; 'methane emissions reduction' and 'new energies & technologies'. Eco-transition, water & wastewater and methane emissions reduction sales grew faster than the Group year-on-year in 2023 and represented 30% of Group sales.

Return on capital employed was 33.9% (2022: 31.3%), benefitting from a greater increase in adjusted operating profit than the increase in capital employed. Cash conversion was 120% (2022: 76%) as 2023 saw a more normal delivery phasing and a reduction in inventory as supply chain issues normalised.

Capital allocation

We retain a strong balance sheet and had a net cash position of £134.4m at the period end (31 December 2022: £105.9m). This gives us 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 using buybacks and dividends to deliver shareholder returns.

On 4 August, Rotork acquired Montreal (Canada) headquartered Hanbay Inc ('Hanbay'). Hanbay designs and manufactures compact, high-torque electric valve actuators for non-hazardous and hazardous applications. The acquisition expands Rotork's electric actuator offering, is consistent with all three pillars of the Growth+ strategy, and increases the sales of our eco-transition portfolio.

Board update

As announced on 12 September, Jonathan Davis will be stepping down as Group Finance Director and from the Board at the AGM in April 2024, after 21 years with the Company. Over his time at Rotork, Jonathan has overseen significant profitable growth, and we all wish him well for his retirement.

Ann Christin will also be stepping down as a non-executive director at the forthcoming AGM. I'd like to thank her for her valued contribution over the past few years, particularly with respect to environmental and sustainability matters.

Outlook

We remain confident of delivering our financial ambition of mid-to-high single digit sales growth and mid-20s adjusted operating margins over time and, based on momentum in the year so far and supported by the strength of our order book, we continue to expect 2024 to be another year of progress on an OCC basis.

Kiet Huynh
Chief Executive Officer
4 March 2024

Rotork: Keeping the world flowing for future generations

Our financial ambition is mid to high single-digit revenue growth and mid 20s adjusted operating margins over time. We will deliver this ambition whilst performing for our shareholders, our people and the environment

Ambitious growth targets

Targeting mid to high single digit revenue growth

We are the global leader in highly attractive growth markets that have high barriers to entry and are relatively concentrated. Our served markets are benefitting from the megatrends of automation, electrification and digitalisation that are transforming industry. We aim to outgrow them through the implementation of our Growth+ strategy.

Read more P.13

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.

Read more P.64

Leading returns

Market leading returns with room for upside

Our adjusted operating profit margin was 22.9% in 2023, 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) was 33.9% in 2023.

Read more P.65

Highly cash generative

Balance sheet strength

Our group is highly cash generative – cash conversion averaged 114% 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 higher cash conversion of 120.3% in 2023 is largely driven by improvements in working capital.

Read more P.66

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 also working to improve our own.

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; and
iv) return of cash.

Read more P.15

Our Growth+ strategy

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

Target Segments

How this fits with our growth ambition	Example
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	• Oil & Gas – upstream electrification, Asia infrastructure growth, LNG • CPI – decarbonisation, chemical, HVAC, mining • Water & Power – water infrastructure, wastewater, desalination, alternative energy

Customer Value

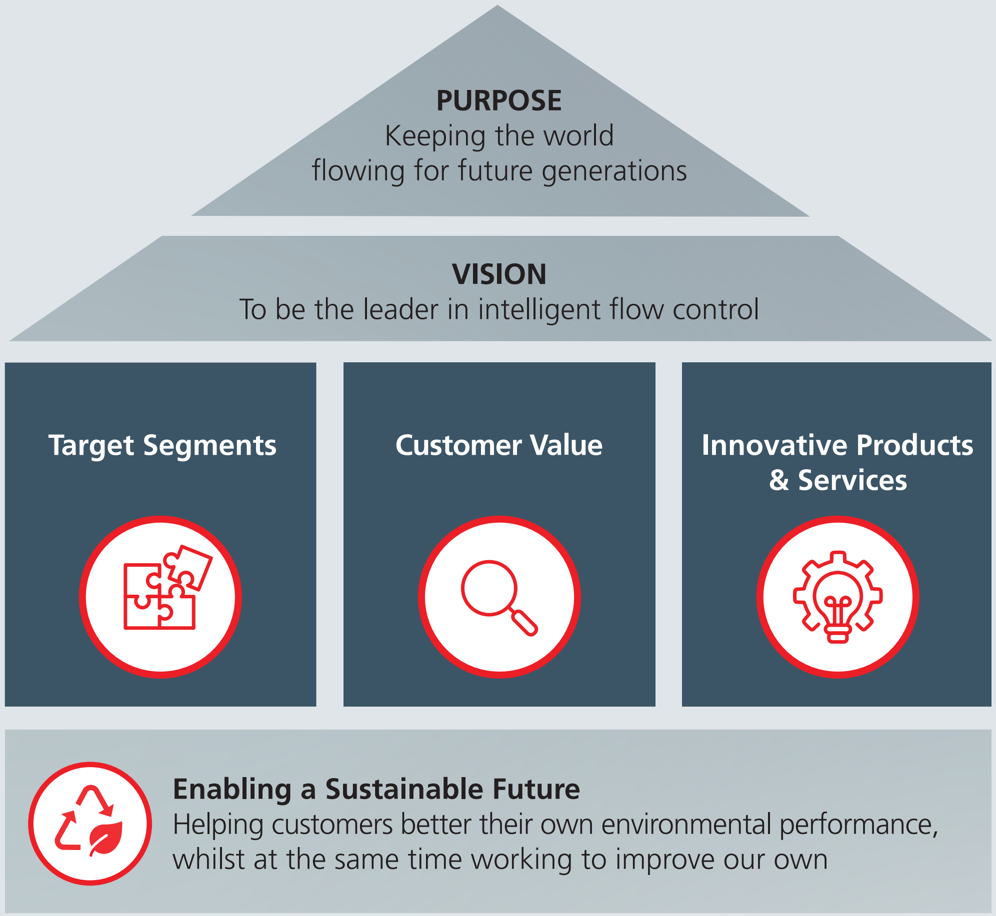
We believe that by putting the value we provide to our customer at the forefront, by quoting more quickly and being more responsive, we can earn a greater share of our customers' spend

- Go to market enhancement
- Global supply chain programme
- Improved customer experience

Innovative Products & Services

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

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



Target segments

Identifying segments where we have the right to play where there are significant opportunities for profitable growth

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
- 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

"We are already seeing benefits from our target segments focus. Successes include in upstream electrification in North America, where our IQTF range has established itself as the leading electric actuator for wellhead choke valve control."

Kiet Huynh
Chief Executive Officer

Target segments by division

Chemical, Process & Industrial

- Decarbonisation
- Chemical
- HVAC
- Mining

Oil & Gas

- Upstream electrification
- Asia infrastructure growth
- LNG (energy transition bridge)
- Decarbonisation
- Brownfield opportunities

Water & Power

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

Target segments continued

Target segments

Division: Oil & Gas

Segment: electrification of upstream oil & gas

Oil & Gas production companies are increasingly looking to electrify their operations to reduce their carbon intensity. There are two methods of electrification: (i) replacing equipment running on hydrocarbon fuel (e.g. diesel powered pumps) with equipment powered by electricity; and/or (ii) converting pneumatic or hydraulic powered systems to electrically powered ones. The second of these also improves energy efficiency, allows for more compact production infrastructure, and improves control. It can also reduce direct and/or indirect methane emissions.

Why the focus on methane emissions? Fugitive methane emissions from energy production are estimated to contribute around 6% of global greenhouse gas emissions annually (source: Our World in Data). Methane is a potent greenhouse gas, significantly more powerful than CO_2 at warming the atmosphere. There were two related major announcements at COP28 in December 2023. The US Environmental Protection Agency published its 'controlling air pollution from oil & gas operations' rule. This requires that new and existing process controllers (valve actuators) be zero emission. On the same day the 'Oil & Gas Decarbonization Charter', signed by companies representing more than 40% of global oil production, was published. The charter commits to near-zero upstream methane emissions by 2030 through electrifying upstream operations and the elimination of routine flaring.

Read more P.28

Choke valve automation and its part in methane emissions reduction

A typical oil & gas production wellhead utilises a choke valve to control the flow and pressure of hydrocarbons to the next production process step. Traditionally the choke valve has been controlled manually using a hand wheel. A disadvantage of this method is the risk of methane emissions downstream (e.g. through incomplete flaring or emergency venting) if there is an unplanned increase in flow or pressure whilst the wellhead is unmanned. To eliminate or reduce this risk, wellhead operators are increasingly requiring that choke valves be controlled by electric actuators which can be operated remotely or automatically (e.g. upon a signal from a pressure sensor). Rotork's IQTF has established itself as the leading electric actuator for wellhead choke valve automation.

Target segments continued

Target segments

Division: CPI
Segment: decarbonisation

Air travel is an integral part of society and an essential means of connectivity and commerce. However, aviation emits carbon – accounting for between 2.5% and 3.5% of global CO_2 emissions according to Our World in Data. With passenger flight demand forecast by ATAG Waypoint to more than double between 2019 and 2050, a path to decarbonisation is required. Whilst alternative technology solutions such as electrification are planned, one of the most significant near-term opportunities to reduce carbon intensity is 'Sustainable Aviation Fuel ('SAF'). SAF can be produced from various feedstocks including biomass and waste and according to Airbus could reduce the lifecycle CO_2 emissions of an aircraft by up to 80% compared to conventional fuel.

Cleaner fuels in Singapore

Rotork is proud to be working closely with partners on the expansion and upgrade of a major refinery in Singapore. The focus of the expansion is increased output of cleaner fuels including low sulphur marine fuel and SAF. Feedstock for the aviation fuel will be animal fats, grease and waste cooking oil. Rotork supplied network control equipment (Master Stations and Pakscan units) as well as electric actuators (IQ3 Pros) to the project, which is also investigating opportunities to transform residue from the site into hydrogen in the future. Jewel Changi Airport in Singapore pictured.

Read more P.26

Target segments continued

Target segments

Division: Water & Power
Segment: water infrastructure

There is strong demand for water infrastructure across developed and developing markets driven by health and safety, economic development and population growth and migration. Rotork's intelligent flow control systems are used in applications including the transportation of water, production of potable water, treatment of waste water, and climate change adaptation including managing the challenges posed by floods and droughts. Water quality and leak detection are major focuses of the industry, as is intelligent, digital, network control.

Water infrastructure for new city in the Middle East

Rotork is supplying electric actuators and motorised gearboxes to control the transportation and distribution of potable water to a major new city in the Middle East. Rotork's market leading product and service offering as well as its local presence (valve actuation centre and service team) helped secure this high-profile order, one of the largest in Rotork's history.

Read more P.29

Customer value

Our customer value vision: a seamless customer experience

> "Modern digital processes, systems and structures are a key enabler of Rotork's growth journey."

Lyndsey Norris
Business Transformation Director

Strategy

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. To deliver these processes we need our highly trained teams – wherever they are in the world – to be working using one modern enterprise resource system. We are working 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 improve our delivery and lead times and respond to any supply chain issues. Improved customer experience is about improving our business processes, allowing us to quote quicker and be more responsive to our customers.

Progress during 2023

We made encouraging progress in 2023 although there remains much to do. Our key account management and project pursuit pilots have been successful, and the wider programme implementation will shortly commence. We have stepped-up our commercial training, with 'Brilliant Basics' rolled-out to our sales force and other functions and more to follow. We have made good progress reducing lead times across our assembly sites, in some cases reducing these to two weeks from eighteen. Our procurement teams have worked to reduce the risk of component shortages and there were no material shortages in the second half. We have re-engineered our transportation approach with a new global logistics partner appointed. Our business process re-engineering programme is well underway with Microsoft Dynamics 365 successfully implemented at our largest assembly site and at our Head Office.

Customer value initiatives

Go to market enhancement

- Global key account management
- Project pursuit programme
- Sales force 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

Customer value continued

Customer service training

Our new learning management system offers courses on customer service essentials, knowledge and attitude and satisfying challenging customers. Over 2,000 training modules were completed during the year, equipping our inside sales and contracts engineers with the skills needed to deliver a seamless customer experience. Feedback was very positive and we have exciting new training modules planned for 2024.

Read more P.58

ACE programme

Following the successful pilot of our Achieving Customer Excellence (“ACE”) programme at our Leeds (UK) site we are rolling it out across the Group. 70% of Leeds’ products are now produced under the ACE programme. Lead times on these products have been reduced to two weeks (from eighteen) and this reduction has significantly helped Leeds to win new business. Inventory has also been reduced by 25%.

Innovative products & services

Innovation is the lifeblood of Rotork

"The team delivered a step-change in sustainable innovation in 2023."

Ross Pascoe
Chief Technology Officer

Strategy

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. Additionally, our engineers remain focused on product-in-use, and increasingly life-cycle, emissions. Whilst we continue to innovate and develop new products we are always weighing 'make versus buy' arguments, recognising that in-house product development is not always the fastest route to successful commercialisation.

Progress during 2023

We have made encouraging progress on all main areas under innovative products & services:

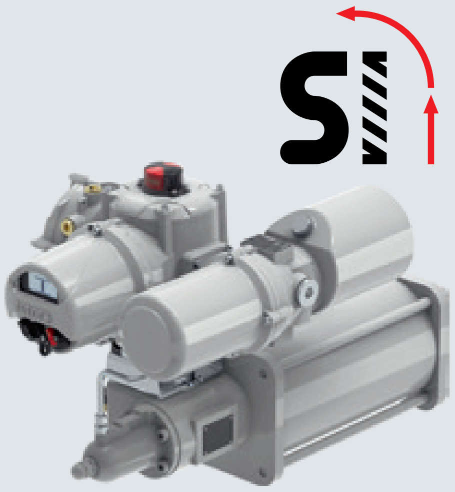
- **'Enabling a sustainable future' alignment.** During 2023 we successfully incorporated product and packaging sustainability requirements into our Product Development Process, focusing on energy and material reduction and recycled/recyclable content. We formed a Life Cycle Assessment (LCA) team who are using product sustainability LCA software to calculate embodied carbon in our flagship products and to advise on product design improvements. Our Sustainable Packaging Team are exploring opportunities to maximise the environmental performance of our product packaging whilst continuing to ensure that our products arrive to the customer safely and in perfect condition.
- **Connected and digital.** We launched the IQ3 Pro Range and the Rotork App early in the year. The update of our flagship IQ3 intelligent electric actuator platform extends its digital-connectivity, and the Rotork App provides an improved user experience in configuration and operation. The IQ3 Pro features a more powerful processor enabling features such as ethernet TCP/IP, wireless, additional languages and easier export of performance data to the Rotork cloud.
- **Make-vs-buy/M&A.** Hanbay designs and manufactures compact, high torque electric valve actuators for both non-hazardous and hazardous applications. Having previously sold Hanbay products under a white-label arrangement we acquired the business in August. The acquisition expands our electric actuator offering.

Hanbay compact high torque electric valve actuators

Innovative products & services continued

Skilmatic SI3 range launch

The Skilmatic SI3 hydro-electric spring-closed actuator range was launched during the year. It extends Rotork's electric actuator offering into critical safety applications requiring high torque with "fail-safe" safety certification. The range has applications in a number of areas including in methane emissions elimination. It features elements common with the IQ3 including the controller and network interfaces and protocols providing identical look-and-feel and a seamless interface to the Rotork Master Station.



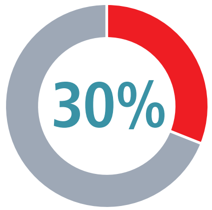
Chemical, Process & Industrial

CPI is a supplier of specialist actuators and instruments for niche critical applications in the broad chemical, process industry and industrial sectors. The division serves a wide range of end markets including speciality and other chemicals, metals and mining, critical HVAC, pharmaceutical, steel and cement. The automation, electrification, digitalisation and decarbonisation megatrends are important growth drivers for these markets. Rotork has historically been under-represented in several of these markets and has the opportunity to win market share in the years ahead.

Divisional highlights

- Sales clearly benefitted from the pursuit of chosen Growth+ Target Segments
- APAC was the fastest growing region
- EMEA sales grew high-single digits OCC driven by the Middle East/Africa regions
- Americas sales grew
- Adjusted operating margins fell on negative product mix

% of Group revenue



The division delivered a good full year sales performance, with revenues 9.7% higher year-on-year on an OCC basis, despite economic weakness in a number of regions including most notably China. The division's performance clearly benefitted from the pursuit of its chosen Growth+ target segments such as the focus on speciality chemicals and metals & mining markets directly related to the fast-growing battery value chain and critical HVAC including in data centres and semi-conductor plants.

By destination, Asia Pacific sales were ahead double digits on an OCC basis driven by strong growth in India and South Asia. North Asia revenue was modestly ahead OCC. EMEA sales grew high-single digits OCC, driven by the Middle East/Africa region. Americas sales also grew high-single digits OCC.

The division's adjusted operating profit was £51.3m, 0.1% higher than the prior year. Adjusted operating margins fell 180 basis points to 24.0%. Particularly strong revenue growth in fluid power actuators contributed to a negative product mix which even with improved direct labour productivity meant a decline in gross margin. With overheads then increasing below the Group average and in line with revenue, this resulted in a 180bps adjusted operating margin reduction.

Rotork's electric and fluid power actuators and instruments were selected by innovative customers across the battery value chain (mining, minerals processing and battery production) for their robustness and reliability. Rotork's electric and fluid power actuators and control systems are being supplied to a major chemical project being built in China. Rotork was selected in part due to the customer's preference for the Rotork Pakscan field device control system. A privately-owned fine chemicals company has chosen Rotork's YTC positioners for their Indian plant expansion replacing a competitor's existing product. Rotork's pneumatic actuators have also been selected to control bottom door systems on 'aggregate hopper' rail wagons which will be used on the UK's High Speed 2 rail project.

£m	2023	2022	Change	OCC Change
Revenue	**213.7**	198.4	+7.7%	+9.7%
Adjusted operating profit	**51.3**	51.2	+0.1%	+1.8%
Adjusted operating margin	**24.0%**	25.8%	-180bps	-180bps

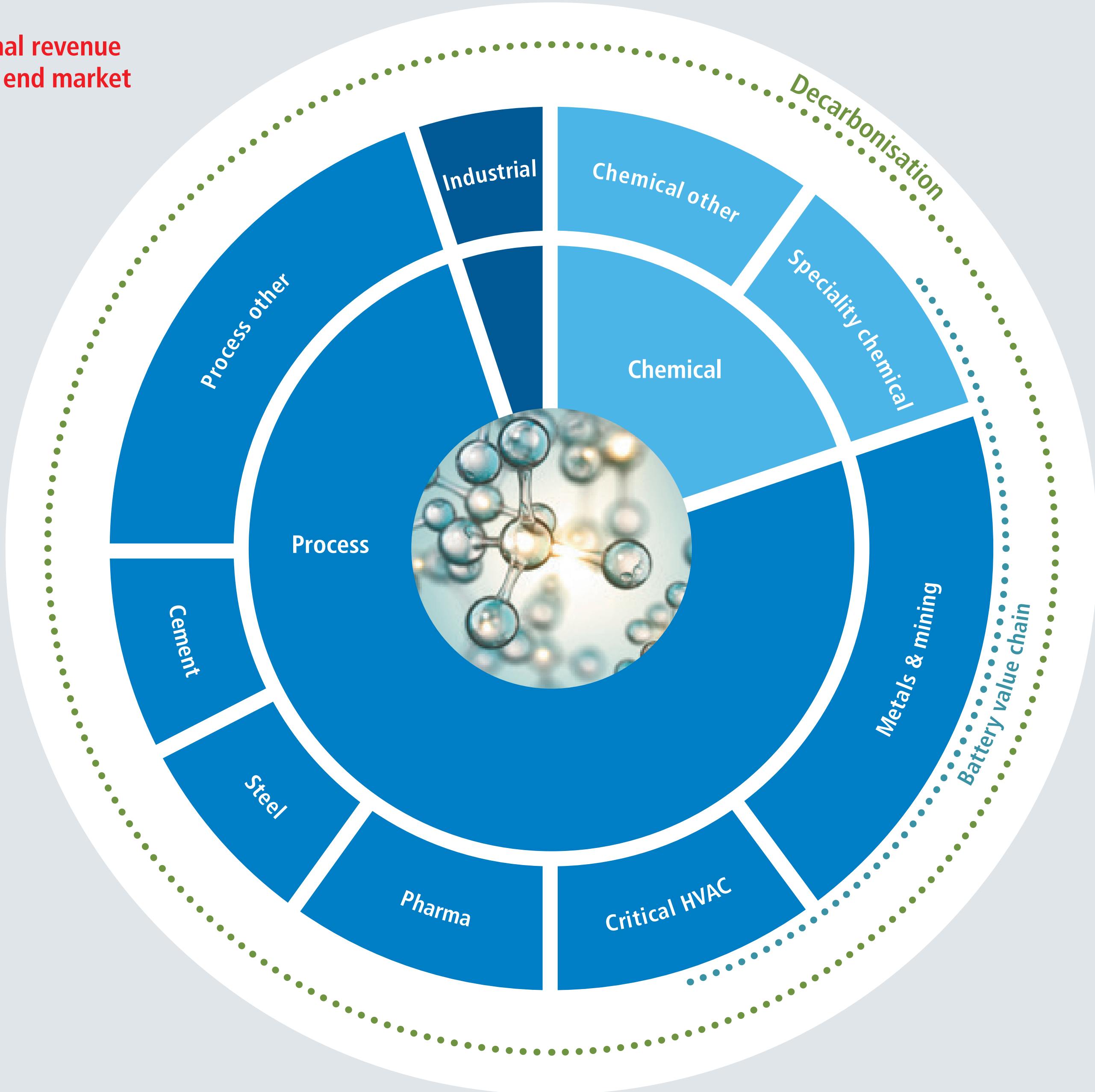
Chemical, Process & Industrial continued

Specialised actuators and instruments for niche critical process automation

- Industry-leading returns driven by our ability to identify and solve reliability and safety challenges
- Around 75% of sales growing faster than the overall process automation market through focus on structurally growing markets and share gain opportunities
- Significant growth opportunities driven by automation, electrification and digitalisation

Note: Split of sales within chemical, process and industrial segments are management estimates. Decarbonisation sales are post transfer to other Rotork divisions in early 2023.

Divisional revenue split by end market



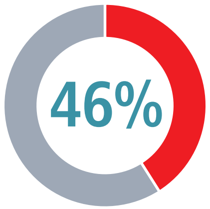
Oil & Gas

The recovery in oil & gas sector activity experienced in 2022 continued through 2023. Hydrocarbon prices have fallen from the levels reached immediately following the invasion of Ukraine, however prices remain above investment incentive levels and there is increased spend across most segments and geographies on increasing output, improving productivity, reducing emissions and on decarbonisation (including carbon capture and storage and hydrogen). The work to increase LNG export capacity in the USA and the Middle East continues on track, and in December industry players committed to near-zero upstream methane emissions by 2030 and to the electrification of upstream operations.

Divisional highlights

- Revenue higher driven by spend on increasing output, improving productivity and reducing emissions
- EMEA was the fastest growing region
- APAC revenues were modestly ahead
- Americas sales were ahead mid-teens
- Margins rose 290bps to 25.5% on higher volumes and positive pricing

% of Group revenue



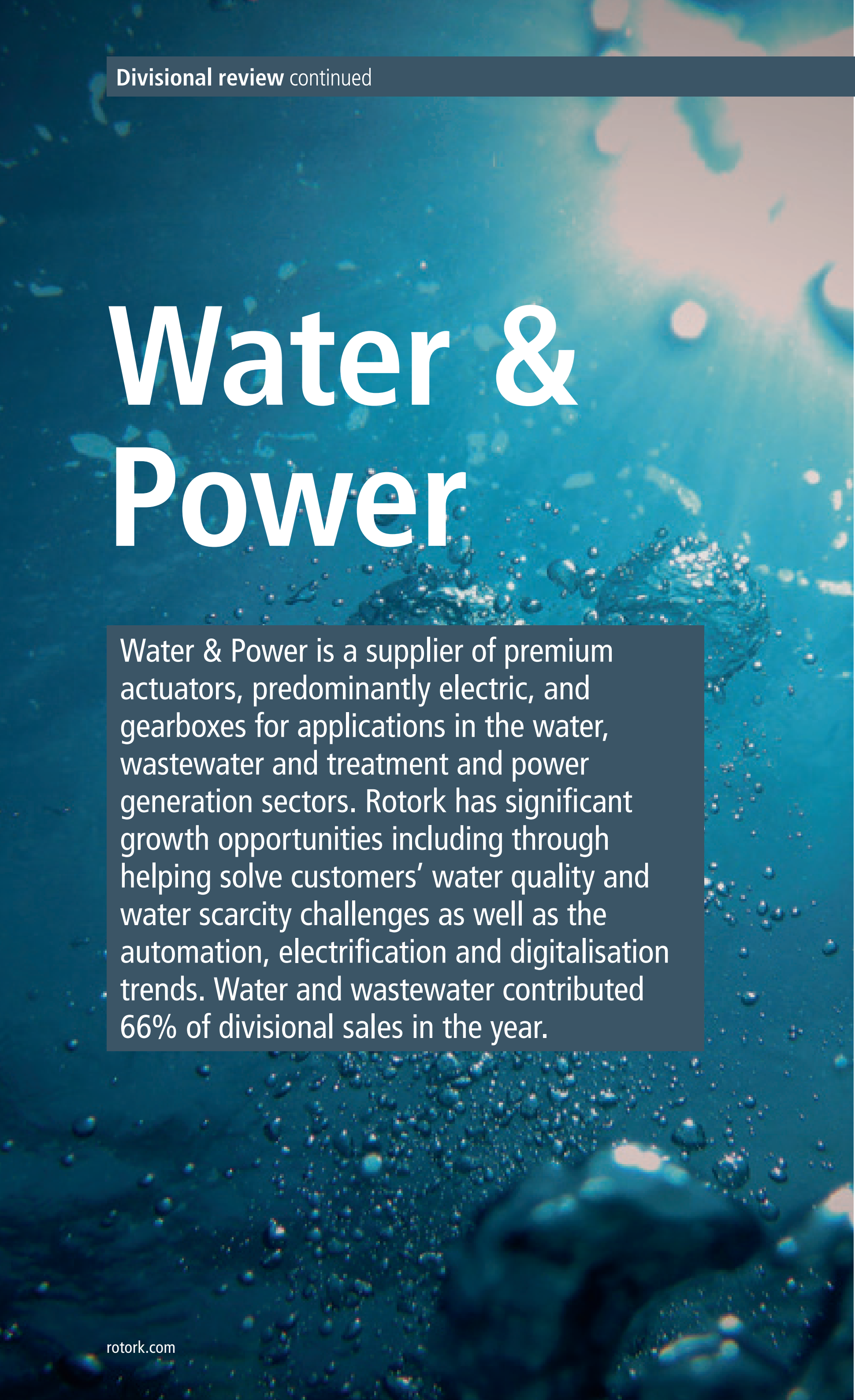
Following a first half where deliveries continued to be somewhat restricted by supply chain challenges the second half saw a strong recovery and full year divisional sales were ahead 16.6% year-on-year (OCC). All segments grew and downstream sales represented 49% of the total (50% in 2022); upstream 27% (25%) and midstream 24% (25%).

The strongest growth in regional sales by destination was in EMEA, driven by significantly increased customer activity in Western Europe and the Middle East. All three EMEA segments – downstream, upstream and midstream grew at similar rates. APAC revenues were modestly ahead overall (OCC) despite reduced activity in the midstream segment in China. Americas sales were ahead mid-teens with all three segments growing in the region, and upstream and midstream growing particularly strongly. Sales to Mexico were lower due to a project completing.

The division's adjusted operating profit was £83.6m, 30.7% up year-on-year. Higher volumes and positive pricing more than offset increased people costs and investment in the division's commercial teams and resulted in adjusted operating margins rising 290 basis points to 25.5%.

Oil & Gas' focus on target segments during the year delivered notable order wins in upstream electrification, Asia Infrastructure, decarbonisation and Rotork Site Services. Demand from choke valve manufacturers for the Rotork IQTF electric actuator grew strongly year-on-year as North American upstream operators sought to eliminate incomplete flaring downstream of new and existing wellheads. Rotork electric actuators and network control devices were selected to provide control and safety at a major new multi-site tank farm development in India (order secured with the help of Rotork Site Services and included a five-year Lifetime Management contract). Rotork fluid power actuators were also selected to control valves at an innovative new blue hydrogen facility under construction in Louisiana (US). Blue hydrogen is produced from reforming natural gas, with resulting carbon dioxide captured and stored. The capture unit at the Louisiana plant is designed to capture and permanently sequester more than 5mn tonnes of carbon each year. Rotork actuators and network control devices were specified in the upgrade of an integrated refinery complex in Singapore. The upgrade enables increased production of cleaner, low sulphur fuels and the production of sustainable aviation fuel through processing waste oils.

£m	2023	2022	Change	OCC Change
Revenue	**328.4**	283.3	+15.9%	+16.6%
Adjusted operating profit	**83.6**	64.0	+30.7%	+32.7%
Adjusted operating margin	**25.5%**	22.6%	+290bps	+310bps



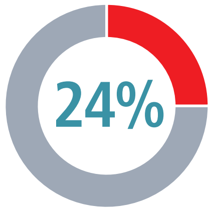
Water & Power

Water & Power is a supplier of premium actuators, predominantly electric, and gearboxes for applications in the water, wastewater and treatment and power generation sectors. Rotork has significant growth opportunities including through helping solve customers' water quality and water scarcity challenges as well as the automation, electrification and digitalisation trends. Water and wastewater contributed 66% of divisional sales in the year.

Divisional highlights

- Sales grew double-digits with water & wastewater and power sector sales growing at similar rates
- APAC sales grew high-single digits OCC with very strong growth in India
- Americas sales grew strongly driven by water & wastewater
- Adjusted operating margins benefitted from improved chipset costs and productivity

% of Group revenue



Full year divisional sales were ahead 13.3% year-on-year (OCC). Following several years where water and wastewater sector sales growth clearly outpaced the power sector, both grew at similar rates in 2023. Asia Pacific sales were ahead high-single digits year-on-year (OCC), with very strong revenue growth in India partly offset by more modest sales growth elsewhere. Americas sales grew strongly year-on-year driven by water and wastewater. Power sector sales were slightly lower in the region. EMEA was Water & Power's fastest growing geographic region in 2023.

The division's adjusted operating profit was £46.4m, 15.3% higher year on year. Water & Power is the division with the highest proportion of electric actuator sales and therefore was most impacted in recent years by the shortage of chipsets and consequent cost increases. Availability started to normalise in the year and the division therefore benefitted the most. This, together with improved labour productivity, resulted in adjusted operating margins increasing 100 basis points to 26.2%.

The division made good progress in its target segments of water infrastructure, waste and wastewater treatment, desalination and alternative energy during the year. Rotork is supplying electric actuators and motorised gearboxes to control the transportation and distribution of potable water to a major new town in the Middle East. Rotork's market leading product and service offering as well as our local presence (valve actuation centre and service team) helped secure this high-profile order, one of the largest in Rotork's history. Rotork is supplying electric and fluid power actuators to a number of wastewater treatment modernisation and improvement projects around the world which will provide better quality water more efficiently, including projects in India, Singapore and the USA (California and Illinois). Rotork's IQ3 Pro electric actuators have been selected for critical control duties on HVDC transformer platforms that will be used to transport electricity generated by North Sea windfarms back to the UK. The windfarms concerned have the generating capacity to power approximately 5m homes.

£m	2023	2022	Change	OCC Change
Revenue	**177.0**	160.2	+10.5%	+13.3%
Adjusted operating profit	**46.4**	40.3	+15.3%	+19.0%
Adjusted operating margin	**26.2%**	25.2%	+100bps	+120bps

Sustainability review

Our business and products can enable the transition to net-zero while positively impacting our people and local communities

Contents

	Our mission	Progress in 2023
Operating responsibly	To run safe, efficient and sustainable operations.	32% reduction in operational emissions vs 2020.
Enabling a sustainable future	To help drive the transition to a cleaner future where environmental resources are used responsibly.	30% of revenue from our eco-transition portfolio.
Making a positive social impact	To support thriving, fair and resilient communities.	Colleague engagement score increased to 7.4.

A leader in sustainability

MSCI:
AAA (leader)

Sustainalytics ESG:
Low Risk, Industry Top Rated

S&P Global CSA:
90th percentile in Machinery & Electrical Equipment sector

CDP Climate: B

CDP Water Security: B

FTSE4Good:
Constituent of the FTSE4Good index, 80th percentile

Our progress and forward-looking statement

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

Our progress

We continued to deliver against our key ESG priorities in 2023 and were delighted to see these result in an upgraded 'AAA' ESG rating in MSCI. We also retained our strong ratings in other key benchmarks, rated 90th percentile in S&P Global's Machinery & Electrical Equipment industry, 'Low Risk' in Sustainalytics ESG Risk Ratings, and 'B' in CDP Climate and Water. The proportion of total sales from our eco-transition portfolio increased to 30% in 2023 (28% in 2022).

2023 was a year of strong operational performance. Our health and safety team continued to deliver its audit, training and engagement programmes while another year-on-year decline in total reportable incident rate (TRIR) was achieved. Our 2023 operational emissions reduced to 32% below our 2020 baseline through our increased use of renewable power and from improvements in the energy performance of our facilities. We also reduced waste-to-landfill (vs pre-COVID levels) and installed several rainwater harvesting systems.

Our focus on managing and reducing value chain emissions continued this year. To manage emissions resulting from the manufacturing and use of our products, we recruited sustainable product and lifecycle analysis specialists to join our Product Sustainability team, who are focused on incorporating our nine key sustainability criteria for product design into our processes for new product development. Likewise, our procurement team has engaged with 84 suppliers – through four interactive webinars and targeted one-to-one workshops – on the topics of measuring emissions and setting reduction targets. Both workstreams are critical for our longer-term aims of improving value chain data quality and achieving our science-based scope 3 reduction targets. We provide examples of the role that Rotork's products play in reducing environmental impact on pages 43 to 45, using case studies to illustrate the scale of our opportunity to enable a sustainable future.

2023 was an exciting year for our people. Our 12-month leadership training programme – focused on developing leaders' capabilities – was launched, and we saw a year-on-year increase in our colleague engagement score. We also held workshops for colleagues on diversity & inclusion and a facilitated session on cross-cultural awareness to build greater understanding of inclusive cultures. We also donated £147,000 to our global charity partners this year.

Priorities for the year ahead

- Develop our Climate Transition Plan
- Undertake a hybrid (double) materiality assessment
- Expand the rollout of our redesigned health and safety audit programme
- Increase the use of renewable power while delivering further improvements in energy performance
- Continue engagement with suppliers on emissions data sharing and collaboration on emissions reduction
- Launch our new development programme for people managers
- Implement our Rotork Employee Value Proposition (EVP) for employees and future employees

Climate action will remain a key topic in 2024. Our Climate Transition Plan will further develop our climate strategy and our approach to climate risks and opportunities. Following COP28, we expect to see greater focus on reducing methane emissions and high demand for products that directly or indirectly prevent its leakage. We will continue to assess our products' ability to avoid emissions and to highlight these benefits to our customers.

As regulatory reporting requirements on ESG expand in scope, we intend to undertake a 'hybrid' materiality assessment in 2024 – that will cover requirements of both 'double' and 'single' materiality assessments – to enable alignment with the EU Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB). Following this assessment, we will review the assurance readiness of the material issues identified by the process.

Supporting our people and communities will remain a key priority in 2024. This work will include the delivery of further development programmes on people management and diversity & inclusion. We also expect further involvement with our charity partner Pump Aid and their Female Mechanics Programme, supported by our Rotork engineering and service teams.

ESG and sustainability governance, integration and measurement

We use several approaches to integrate ESG objectives into 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

To ensure the appropriate level of governance in this key area, the scope of the Board Committee which oversees the implementation of Rotork's sustainability strategy was reviewed to enable an enhanced focus on our selected Sustainable Development Goals. As a result, our ESG Committee, which was established in October 2020, was reconstituted as the Safety and Sustainability Committee, with effect from 1 January 2024.

The Board receives an update on our ESG and sustainability agenda from our CEO at every meeting.

The Chairs of our Safety and Sustainability Committee and Nomination Committee also provide an update on the activities of the Committees following their meetings. The Board reviewed and approved this report, prior to publication.

Roles of the Safety and Sustainability Committee (formerly the ESG Committee) and the Nomination Committee

ESG topics are overseen by the Safety and Sustainability Committee (formerly the ESG Committee) and the Nomination Committee. The Safety and Sustainability Committee oversees the Group's safety and sustainability strategy, performance, and disclosures. The Company's Diversity and Inclusion policy, strategy and implementation of initiatives is overseen by the Nomination Committee. Prior to this change, the ESG Committee formally met three times in 2023.

As part of the reconstitution of the ESG Committee, the Safety and Sustainability Committee terms of reference were updated and are published on our website at the following address: https://www.rotork.com/en/documents/publication/24904. The updated Nomination Committee terms of reference are also published on our website: https://www.rotork.com/en/documents/publication/5553.

Safety and Sustainability Committee members comprise independent non-executive directors Ann Christin Andersen (Chair), Tim Cobbold, (Non-executive Director for Workforce Engagement) and Karin Meurk-Harvey with our CEO having a standing invitation to attend meetings. Other directors, the Investor Relations Director, the Head of ESG and Sustainability, the Group Human Resources Director and the Global Head of HSE may also attend meetings by invitation. Nomination Committee members include non-executive directors Dorothy Thompson (Chair), Ann Christin Andersen, Tim Cobbold, Janice Stipp and Karin Meurk-Harvey.

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. The CEO is also responsible for the environmental strands of our agenda and integration of ESG within procurement.
- Our Group Human Resources Director is responsible for the people and community strands.
- 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 82 to 92 for further details.

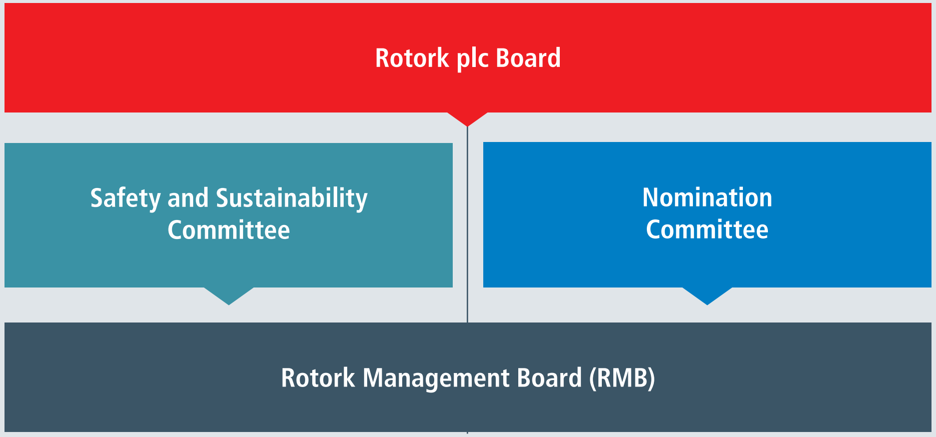
Group-wide policies

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 49 for more information about employee compliance and ethics training.

ESG and sustainability governance, integration and measurement continued

Our governance structure



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 £1 million revenue and lost time incident rates (see pages 10 and 11 of this report).

Link to remuneration

Our performance against these non-financial KPIs has been linked to executive directors' and senior leaders' remuneration.

Annual bonus – ESG measures

- Lost time injury rate
- Environmental innovation (measured through evidence of greater positive environmental impact through our products and increased customer engagement on sustainability issues)
- Culture and engagement scores

In 2023 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.

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

Long Term Incentive Plan – ESG measure

In 2023, remuneration linked performance metrics were expanded to include scope 1 and 2 emissions reduction into the LTIP (see page 152).

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. In 2023, we launched a Product Sustainability Sharepoint site as a resource for colleagues. See pages 41 and 42 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. These are available at https://www.rotork.com/en/environmental-social-governance/esg-reports-and-policies.

Our communications and ratings

We are committed to measuring our ESG performance and reporting transparently on progress. We report on the delivery of our sustainability programme through the Annual Report, our website and we actively engage with the ESG indices (latest ratings on page 30).

ESG and sustainability governance, integration and measurement continued

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. In 2024, we will review the most appropriate set of sustainability reporting framework(s) for Rotork, which will include a review of the GRI Universal Standards and consideration of the future requirements of the EU Corporate Sustainability Reporting Directive.

We shall publish our GRI index on our website in the first half of 2024.

Further information

Sustainability Accounting Standards Board

We have provided disclosures against the SASB framework to support our communication of financially material sustainability information on page 63.

ESG commitments

We have been a signatory to the United Nations Global Compact since 2003. We work to meet its Principles. This report contributes toward our United Nations Global Compact Communication on Progress requirements. 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. As at 31 December 2023, there were four females on Rotork's Board, equating to 44% female Board representation.

Get in touch

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

Materiality overview

Our materiality assessment was refreshed in 2023 to monitor changes in our stakeholders' views on the relative importance of major sustainability issues. Effective management of the issues identified through this process plays an important role in the management of risks to our business as well as identifying opportunities to support growth and efficiency.

Key findings from our assessment

The noteworthy finding from this year's exercise was that both internal and external stakeholders rated most categories as more material in 2023 than in 2022, reflecting the increased relevance of sustainability overall.

It was also interesting to find that one stakeholder placed significant emphasis on the importance of demonstrating the 'avoided emissions' resulting from our products, a topic we will continue to investigate in 2024.

Stakeholder feedback

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

- Cyber and information security
- Diversity & inclusion
- Energy security

Updating our 2023 materiality assessment

The 2023 review assesses the same sustainability topics as our 2022 assessment. However, for the clarity of the participants, we have adjusted the titles and definitions of six topics:

- 'Energy transition' was changed to 'Energy transition (net-zero future)'
- 'Circular economy' was changed to 'Circular economy, including Products in Use'
- 'Climate change: net-zero future' was changed to 'Climate change'
- 'Innovation' was changed to 'Innovation & new product development'
- 'Social contribution' was changed to 'Cost of Living, social contribution'
- 'Supply chain management' was changed to 'Supply chain, including suppliers' GHG emissions'

Going forward, our approach to materiality will evolve with the requirements of emerging standards such as the EU's Corporate Sustainability Reporting Directive (CSRD) and the ISSB. In 2024, we will undertake a hybrid materiality assessment which incorporates the double materiality requirements of CSRD as well as the requirements of the International Sustainability Standards Board (ISSB).

Materiality matrix

Operating responsibly

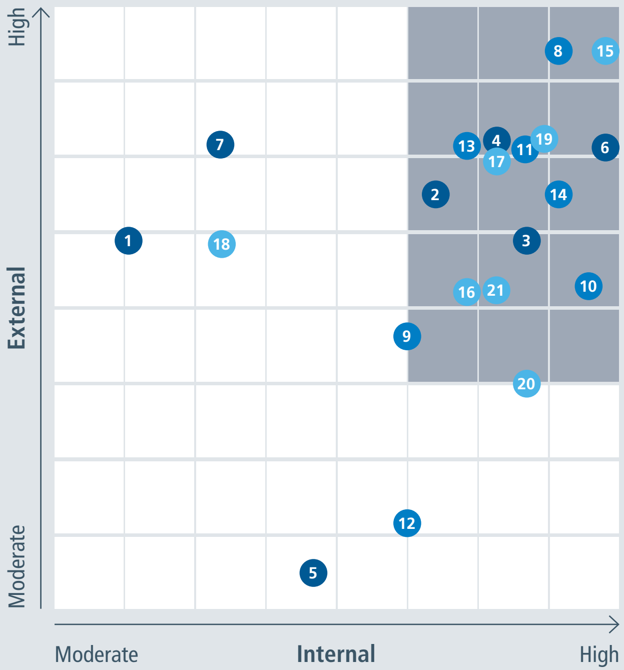
1. Circular economy, including Products in Use
2. Climate change
3. Culture, ethics and governance
4. Cyber and information security
5. Geopolitical risk
6. Safety, health and wellbeing
7. Supply chain, including suppliers' GHG emissions

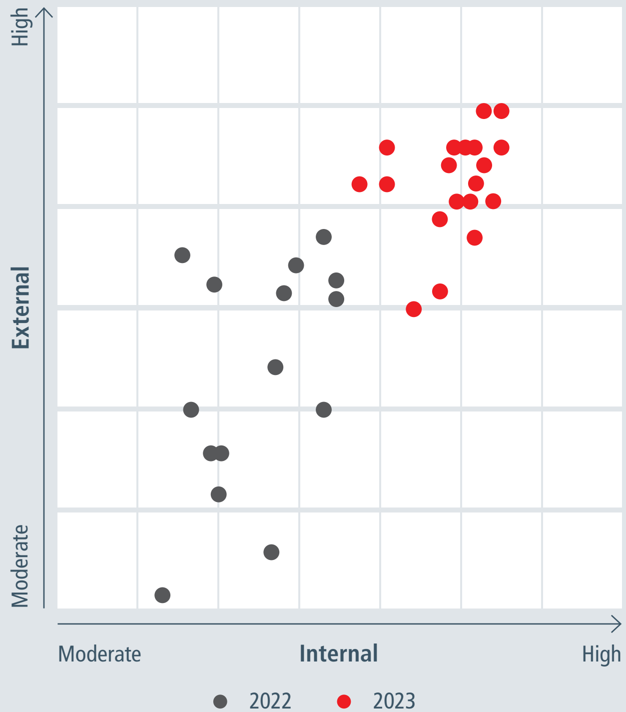
Enabling a sustainable future

8. Customer and end user relationships
9. Energy security
10. Energy transition (net-zero future)
11. Environmental benefits of products
12. Infrastructure, investment and modernisation
13. Innovation and new product development
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. Cost of living, social contribution
19. Stakeholder engagement
20. Talent attraction and retention
21. Training and development





Sustainability framework

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 £1 million 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.

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 £1 million 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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Operating responsibly continued

Safety, health and wellbeing

We remain committed to the safety, health and wellbeing 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.

Safety above all

Rotork continues to focus on actions to maintain and enhance the effectiveness of the safety processes and procedures for every Rotork working environment. 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, but excludes work related stress cases)
- Have zero avoidable severe road incidents

Measuring our progress

We monitor and report on key workplace safety metrics in line with industry practice. Our performance is measured using several KPIs including Total Recordable Incident rate (TRIR), which follows the OHSA structure for incident reporting and is a requirement of the SASB framework. Lost Time Incident Rate (LTIR), which is any injury that results in a day or more from work and we record the number of first aid injuries in the workplace. We also measure a Near Miss Frequency Rate (NMFR), which is also a requirement of the SASB framework for safety reporting.

Our TRIR performance in 2023 was 0.26 which is a 51% reduction from 2022's performance of 0.53. We also achieved a reduction against 2022's LTIR performance, from 0.13 to 0.08 in 2023. Our NMFR increased in 2023 compared with 2022 by 14%, 2023's NMFR was 3.97. Our First Aid injuries also increased in 2023 by 11% in 2023 (88) compared with 2022 (79) performance. We are pleased to report that there were no workplace fatalities in 2023.

Preventing incidents

During 2023, we fully implemented our 12 Global Safety Standards. The Global Safety Standards focus on the business's safety risk profile and are designed to control our critical risks as well as ensuring that risk assessments are in place for all Rotork working activities. The Standards also set out competency and training frameworks and clearly define roles and responsibilities. Completing the Global Standard implementation has been the biggest contributor to the reduction of injuries during 2023.

We complete regular trend analysis of both leading and lagging data to help us identify focus areas to work on. Once identified we use safety campaigns to increase awareness and improve control measures for a potential issue. The campaigns include safety communications, corrective actions including engineering control and tools to help reduce the risk of injury in the workplace. In 2023 we completed two safety campaigns, one on 'hand safety' and the other on 'racking safety'. See case study on page 40.

Another preventative tool that we use is completing Safety Gemba walks at our facilities. Gemba is a 'lean' term for 'the place where the value is created'. From a safety perspective, this equates to 'where the work takes place' – on the factory floor – and how our safety requirements are followed in practice. In 2023 we completed 1,770 Gemba safety walks across all Rotork facilities, a 20% increase year-on-year.

We undertake health and safety risk identification and assessment in a collaborative manner. Aligned with our Global Safety Standards, our assessment process informs prevention and mitigation strategies to reduce risks in our operational environments. We also encourage employee engagement in hazard identification through our Safety Spot system. This proactively drives awareness and continuous improvement by capturing hazards, minor near miss events and behavioural requirements before they result in an incident.

One of our key safety principles is to learn from our incidents and we apply a standard approach to incident investigation. At Rotork we use a standard format for incident investigation which is completed by trained, competent colleagues. This enables us to understand incident cause and to develop Group-wide corrective action in order to prevent re-occurrence across Rotork working environments.

Global annual audit programme

In 2023 we re-designed the annual HSE audit programme to incorporate the requirements of the Global Safety Standards. The new programme uses a three-level maturity ranking process to identify any weaknesses in Rotork's HSE programme. The programme has been externally audited, with only minor recommendations to improve the programme. Those recommendations will be implemented during 2024. Six audits were completed in 2023 using the new audit programme and in 2024 we will significantly increase the auditing coverage with 15 planned for 2024.

Employee wellbeing

Our focus on the wellbeing and mental health of our employees continued in 2023. An increasing number of our colleagues serve as Mental Health First Aiders across our global sites, rising to 98 in 2023. Ann Christin Andersen (Non-executive Director) joined some of our Mental Health First Aiders to discuss mental health at Rotork on World Mental Health Day. We also signed the Pledge for Global Business Collaboration for Better Workplace Mental Health. This pledge reinforces our commitment to the health, safety and wellbeing of our workforce. We have also introduced new learning modules on our learning@rotork platform on mental health awareness and continue to provide a Global Employee Assistance Programme, which includes support for mental health as well as counselling 24/7 in colleagues' local languages. We also launched specific training and support for Menopause at Work.

Operating responsibly continued

Safety, health and wellbeing continued

Priorities for 2024

- Focus on safety culture by embedding safety behaviours
- Development of technology upgrades for the HSE Management systems
- Run a minimum of three global safety campaigns

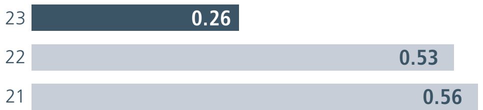
2023 performance highlights

0.26
Total Recordable Incident Rate (TRIR)

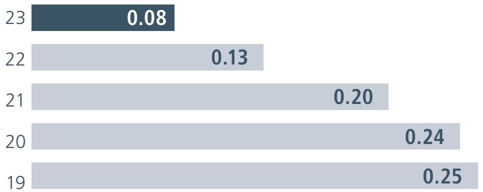
51%
Decrease in TRIR from 2022 to 2023

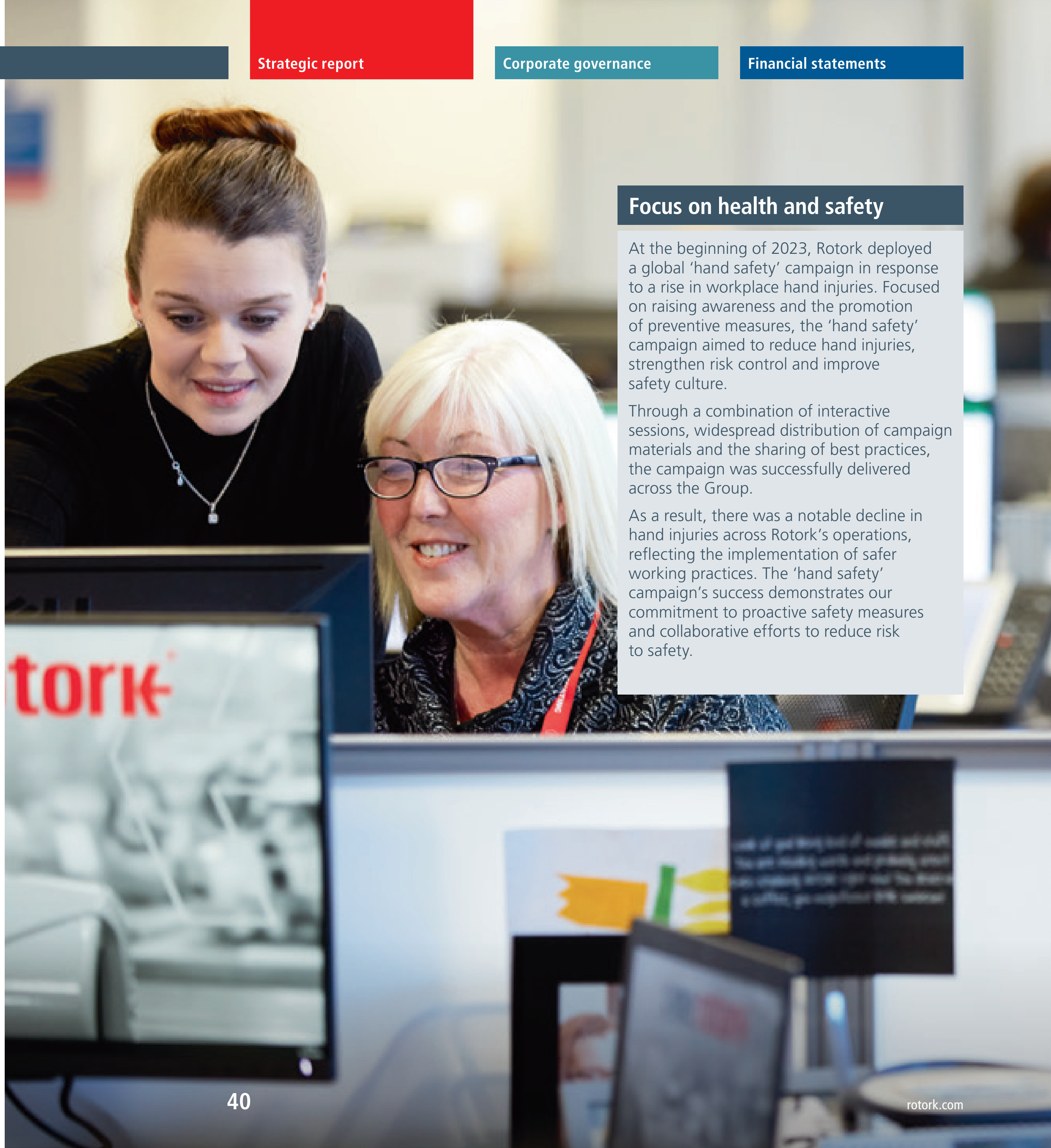
0.08
Lost Time Incident Rate

Total Recordable Incident Rate
TRIR



Lost Time Incident Rate





Focus on health and safety

At the beginning of 2023, Rotork deployed a global 'hand safety' campaign in response to a rise in workplace hand injuries. Focused on raising awareness and the promotion of preventive measures, the 'hand safety' campaign aimed to reduce hand injuries, strengthen risk control and improve safety culture.

Through a combination of interactive sessions, widespread distribution of campaign materials and the sharing of best practices, the campaign was successfully delivered across the Group.

As a result, there was a notable decline in hand injuries across Rotork's operations, reflecting the implementation of safer working practices. The 'hand safety' campaign's success demonstrates our commitment to proactive safety measures and collaborative efforts to reduce risk to safety.

Operating responsibly continued

Climate change and environment

We remain committed to playing our part in tackling climate change, and we are making progress against our science-based climate targets.

Our approach to the 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 have set science-based targets to underpin our ambition, covering scopes 1, 2 and 3. We are targeting net-zero by 2035 for scopes 1 and 2 and net-zero by 2045 across scopes 1, 2 and 3.

Energy and emissions performance

Overview

In 2023, we reduced our scope 1 and scope 2 (location-based) emissions by 1% compared with the previous year. Our total scope 1 and 2 (market-based) emissions decreased by 11% in 2023 compared with 2022, reflecting the implementation of several energy efficiency projects and continued investment in renewable electricity. Our 2023 emissions and energy consumption data was prepared by specialist consultants and was separately assured by MakeUK.

Performance against targets

We have a science-based target to reduce our scope 1 & 2 market-based carbon emissions by 42% by 2030, from a 2020 baseline. We also measure our progress in this area by tracking our location-based carbon intensity per £1 million revenue. In 2023, our intensity figure reduced by 12%, from 11.3tCO_2e per £1 million of revenue to 9.9tCO_2e per £1 million of revenue.

Energy efficiency and renewable energy generation projects were the main contributors to our emissions reduction. We increased our renewable energy consumption by 20% from 2022. Gas consumption reduced by 10%, or 15% compared with our baseline year of 2020. As a summary, our like-for-like energy consumption decreased by 9% in 2023, but appears increased due to the addition of diesel and petrol in 2023 within the Energy table.

Science-based targets	2023	2030 target
Scope 1 and 2 reduction vs 2020	**32%**	42%
Scope 3 (Products in Use) reduction vs 2020	**14%**	25%

	2023	2027 target
Scope 3 (Purchased Goods & Services) proportion of suppliers with science-based targets	**Engagement ongoing See pg. 47**	25%

Our greenhouse gas emissions and associated energy use

Scope 1 and 2 greenhouse gas (GHG) emissions (market-based) were 11% lower year-on-year. Scope 1 emissions were 2% higher in 2023, due to a fugitive release of refrigerant gas at one of our facilities and an increase in transport related emissions. Other than those that are reported here, the Group has no other material GHG emissions sources (such as methane, N2O, sulphur hexafluoride, HFCs or PFCs) to report.

The changes in our emissions from Products in Use was primarily driven by the different ratio of specific products sold in 2023 vs 2022.

Energy

	Unit of measure	2023	2022	2021
Electricity	kWh	**11,624,714**	12,255,270	12,458,000
Gas	m^3	**866,307**	962,983	982,287
Other fuels and steam	GJ	**21,726***	5,840	nr
Total energy consumption	**GJ**	**96,477**	88,241	89,481

Emissions

Scope 1 and 2 emissions

	Unit of measure	2023	2022	2021
Scope 1	Metric tonnes CO_2e	**3,197**	3,132	3,686
Scope 2 location-based	Metric tonnes CO_2e	**3,953**	4,122	4,464
Scope 2 market-based	Metric tonnes CO_2e	**3,113**	3,920	4,839
Total Scope 1 & 2 (LB)	**Metric tonnes CO_2e**	**7,150**	7,254	8,150
Total Scope 1 & 2 (MB)	**Metric tonnes CO_2e**	**6,310**	7,052	8,525
Emissions intensity	**tCO_2e per £1m revenue**	**9.9**	11.3	14.3

* Diesel and petrol are included in this table from 2023, which represents the increase versus 2022.

Our commitments

Scope 1 and 2 tCO_2e absolute reduction: we will continue to achieve significant progress against our emissions reduction target. In 2024, we will commence a smart-metering rollout across the largest manufacturing sites within the business, which will continue into 2025. Energy efficiency initiatives and capital projects will be delivered to reduce our energy consumption and emissions throughout 2024. Installing on-site renewable electricity will help us to achieve a 42% reduction from our 2020 baseline by 2030.

Scope 3 tCO_2e absolute reduction: we are committed to reducing the emissions resulting from our Products in Use and our Purchased Goods & Services. As these are the emissions of our customers and suppliers, achieving reductions will involve both product design and engagement with these stakeholders.

Operating responsibly continued

Climate change and environment continued

Emissions continued

Scope 3 emissions

Category	Unit of measure	2023	2022
Purchased goods and services	Metric tonnes CO_2e	85,386	93,879
Capital goods	Metric tonnes CO_2e	600	271
Fuel and energy related activities	Metric tonnes CO_2e	1,687	1,958
Upstream transportation and distribution	Metric tonnes CO_2e	28,881	24,108
Waste generation in operations	Metric tonnes CO_2e	209	205
Business travel	Metric tonnes CO_2e	5,707	4,106
Employee commuting	Metric tonnes CO_2e	1,870	1,894
Use of sold products	Metric tonnes CO_2e	248,465	285,588
End of life treatment of products	Metric tonnes CO_2e	1,045	638
Downstream leased assets	Metric tonnes CO_2e	365	nr*
Total Scope 3 GHG emissions	Metric tonnes CO_2e	**374,215**	**412,747**

GHG accounting methodology

For Streamlined Energy and Carbon Reporting (SECR), we report on the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('the 2018 Regulations'). For scope 1–3 emissions, we have followed the principles of the World Resources Institute Greenhouse Gas (GHG) Protocol, which comprises the coverage of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. The location-based method calculates emissions using the average emission intensity of local electricity grids serving Rotork's facilities. The market-based method captures the impact of Rotork's contractual arrangements to procure renewable or low-carbon energy and energy certificates.

The UK Government GHG Conversion Factors for Company Reporting have been applied, where relevant, to calculate emissions across all scopes. We have used additional regional emissions factors for non-UK sites, such as those from the International Energy Agency (IEA), the Association of Issuing Bodies (AIB) European Residual Mixes, the US Environmental Protection Agency and Green-e, to calculate our scope 1 & 2 Market footprint. We continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data.

Rotork's scope 1 emissions come from the use of: natural gas, diesel (on-site and off-site), liquified petroleum gas, fuel oil, petrol and refrigerants. Rotork's scope 2 emissions come from the purchase of electricity and steam. We track the consumption of energy in our facilities each month and, in line with best practice, report both our market-based and location-based GHG emissions on a carbon dioxide-equivalent basis.

2020 is the baseline against which we set our targets. 2023 market-based scope 2 emissions have been verified by MakeUK as part of their assurance of scope 1 and 2 emissions and our energy usage presented above.

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 19% of emissions and 26% of energy usage relates to our UK operations.

Scope 3 PG&S and Capital Goods were estimated based on mapping spend data against the US EPA's Environmentally Extended Economic Input Output (EEIO) model.

Fuel and energy-related scope 3 emissions were calculated by applying WTT and T&D emission factors to Rotork's energy consumption data. Emissions from downstream leased assets, instances of leasing machinery or vehicles, were calculated in line with fuel and electricity calculations for scope 1 and 2.

Upstream transportation and distribution was calculated by applying BEIS emission factors to tonne-kilometre data. This was supplemented with 'marginal' emission factors from US EPA's EEIO model applied to spend data.

Scope 3 Waste & Water has been calculated by applying BEIS emission factors to consumption data collected by our facilities management team.

Business travel emissions have been calculated using a combination of BEIS conversion factors and the US EPA's EEIO model, applied to distance and nights away data for hotels, air and rail transport and spend data for hire cars and other business travel related activities. Commuting and Teleworking emissions were estimated using FTEs, the ratio of home-working to office-working by site and national averages relating to commuting and energy consumption.

Use of Sold Products has been calculated using BEIS, US EPA, NGAF and IEA emissions factors applied to the average operational energy usage of products over their lifetime.

End of Life Treatment has been calculated using BEIS emissions factors applied to the number of products sold by the business during the reporting period.

* Data not available and 'not reported' in prior years.

2023 performance highlights

Headline targets

11%
decrease in total scope 1 and scope 2 (market-based) tCO_2e emissions

9.9
tCO_2e per £1 million revenue (location-based)

Resource management

10%
reduction in gas usage in 2023

33%
reduction in waste to landfill vs pre-COVID years

Renewable power

44%
of electricity from renewable sources

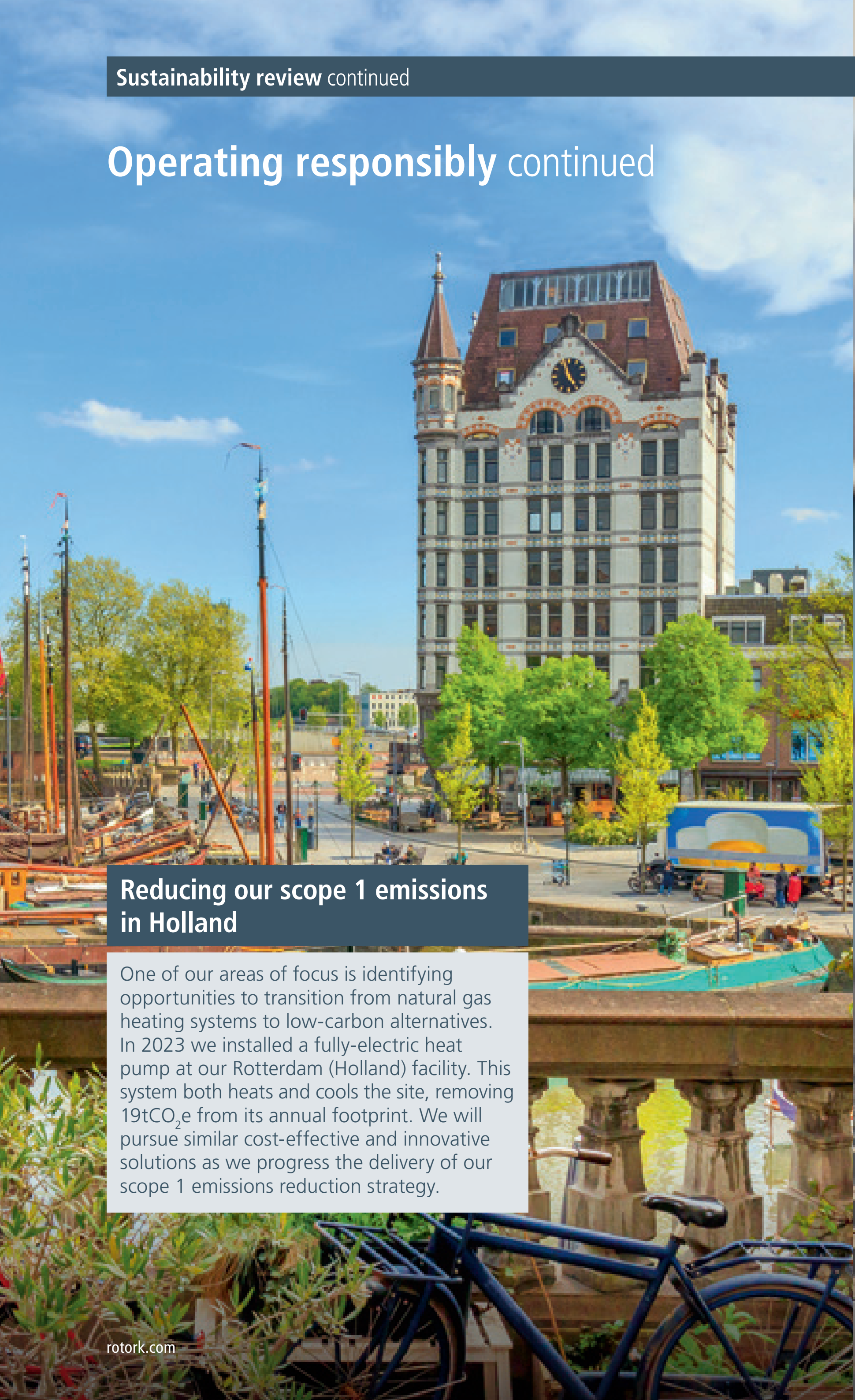
7
solar PV systems at our sites

On-site initiatives

6
rainwater harvesting systems installed in 2023

112
electric forklifts

Operating responsibly continued



Reducing our scope 1 emissions in Holland

One of our areas of focus is identifying opportunities to transition from natural gas heating systems to low-carbon alternatives. In 2023 we installed a fully-electric heat pump at our Rotterdam (Holland) facility. This system both heats and cools the site, removing 19tCO_2e from its annual footprint. We will pursue similar cost-effective and innovative solutions as we progress the delivery of our scope 1 emissions reduction strategy.

Reducing our scope 2 emissions in South Korea

Our Gimpo (South Korea) site is one of our six largest electricity consumers. In the second half of 2023, we installed a 337m^2 solar array at this 10,542m^2 site which employs nearly 100 people. The installation is on two roofs – the main building and the warehouse – and will save 28tCO_2e on an annual basis.

Operating responsibly continued

Climate change and environment continued

Progress in 2023

Our site in Wolverhampton (UK) installed LED lighting to all of the internal factory and office areas, contributing to an 18% reduction in electricity consumption at this facility compared to the previous year. Other LED lighting projects in Langanzenn (Germany) and Falun (Sweden) contributed to a further 75MWh saving in electrical consumption, alongside creating an improved colleague environment and workspace. In Bergamo (Italy), we replaced an inefficient air compressor, leading to a reduction in our energy consumption at this facility.

During 2023 we benefitted from the first full year of generation from our Manchester (UK) facility's solar panel array. The 2023 installation of solar panels at our Gimpo facility in South Korea will contribute towards our 2030 reduction target.

Water management and use

Water consumption across Rotork's own sites is relatively small, predominantly comprised of domestic and sanitary requirements. Some of our usage is attributed to operational activities such as paint processes, cleaning of products and pressure testing of Rotork's products before shipping to our customers.

Whilst most of the water we withdraw is discharged, that which is used in our production processes is removed by licensed contractors for pre-treatment before disposal, in line with regulations at a local scale.

Our water withdrawal decreased by 2% in 2023 in comparison to 2022. This year we implemented corrective actions which successfully reduced instances of water leaks at our sites. We also installed six rainwater harvesting systems across our estate in India during 2023, which improve the local area's water security.

We have made significant performance improvement compared to pre-COVID years with 2023 usage down 14% against 2019.

	2023	2022	2021
Total water withdrawal (in cubic metres)	**33,269**	34,045	32,200

Water stress and preservation

We completed our annual water stress risk assessment in Q1 2023, to identify locations which should be prioritised for water-use reduction projects. We also examined risks associated with water scarcity, flooding, water quality and ecosystem services and determined that only a limited number of sites are exposed to water risks. Mitigation plans are also in place to protect our people, operations and the environment.

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.

Water reduction in Italy

Our Lucca facility is located in the Tuscany region of Italy which suffered from extreme drought conditions in summer 2023. To reduce Rotork's potable water usage, the site installed water flow regulators on the tap of every bathroom sink. The team also incorporated a shut-off system as a way of isolating water flow at the end of the working day to eliminate the risk of hidden leaks. These initiatives are simple, effective and have contributed to a 4% reduction in water consumption.

Operating responsibly continued

Climate change and environment continued

Waste management

We encourage all our sites to minimise the volume of waste they produce and promote a sustainable method of waste disposal where possible.

In 2023, total waste generated increased by 14% across all operations, resulting from the growth that Rotork achieved. Despite the overall increase in waste produced, we improved performance in waste management, recycling 72% of our waste in 2023, compared with 69% in the prior year. Additionally, waste sent to landfill decreased by 1% compared to 2022.

At our Langanzenn (Germany) facility, waste segregation and collection was improved, through the availability of separate containers for each material, promoting safe waste disposal and recycling on the factory floor.

Waste sent to landfill decreased by 1% compared to 2022. In 2024, we will continue to focus on improving the segregation of on-site waste streams.

Unit of measure in metric tonnes	2023	2022	2021
Total waste	**2,363**	2,068	2,545
Waste recycled	**1,712**	1,428	1,709
Sent to landfill	**396**	401	471
Of which hazardous	**46**	56	60
Sent to energy recovery	**256**	239	365

Rainwater harvesting in India

Operating in drought-affected areas such as India has encouraged us to implement innovative approaches to reduce the impact of our water consumption on the local area. Our facilities in Chennai and Bangalore have installed Ground Penetration Rainwater Harvesting Systems which collect water from periods of significant rainfall and replenish ground water table levels, improving water availability for the local area.

Operating responsibly continued

Circular economy and product responsibility

We are committed to enabling a sustainable future, meeting our science-based emissions reduction 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 – electrically pneumatically, or hydraulically. 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. 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. The Supplier Code of Conduct requirements include 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 criteria are considered as an integral part of our product development process. We aim to reduce the impact of our products through the consideration of nine sustainability performance features: (i) in-use energy, (ii) standby energy, (iii) recycled content, (iv) material reduction, (v) recyclable content, (vi) recycled packaging, (vii) recyclable packaging, (viii) disassembly and recovery, (ix) paint reduction.

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. We calculated emissions associated with the use of our sold products during the year, as part of the calculation of our scope 3 inventory on page 42. 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 34 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. One of the products within the Lifetime Management suite, Reliability Services, offers a service contract model that supports customers towards better maintained assets delivering greater process uptime.

Intelligent Asset Management is a cloud-based platform that collects information from the data logs held within intelligent electric actuators, offering anomaly detection and accurate asset health reporting that allow a user to understand the condition of their assets. This conditional insight supports both predictive and preventative maintenance strategies.

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 when an asset reaches the end of life stage, 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 the installation and operation 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 replaced infrequently. Generally customers take responsibility for disposal at end of life.

Operating responsibly continued

Supply chain management

We expect our suppliers to maintain high standards of ethical conduct – aligned with our environmental and social aims – 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 over £360m with suppliers in 2023. Approximately 75% of our spend in 2023 was with around 300 suppliers. Our spend on product assembly and supply can be grouped into three main categories, as shown by the pie chart on the next page.

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 manage 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.

Our Supplier Code of Conduct

Our Supplier Code of Conduct sets out our expectations of suppliers on environmental, social and governance topics. This includes a clause providing an express right of audit, incorporating a requirement to make supplier premises and personnel accessible to Rotork. The Code is applicable to all suppliers and third parties globally.

Our Code includes an explicit requirement for suppliers to pursue efforts to publicly report 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 Code is embedded in all new supplier contracts.

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 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 to be reported to the Legal Department.

Supply chain emissions

One of our three science-based climate targets is a supplier engagement target which ultimately aims to reduce the emissions associated with our purchased goods and services. We are committed to engaging with suppliers on the topic of emissions measurement and data sharing, with a target that 25% of our suppliers (by estimated emissions) will set science-based targets by 2027. In 2023, our procurement team engaged 84 suppliers through four interactive webinars and targeted one-to-one workshops which introduced the topics of emissions measurement, reduction and target-setting.

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. In 2023, the risk framework we use for the assessment of supplier risk was expanded to include a wider range of risk domains and elements. We have several workstreams on supply chain resilience underway which we will update on in next year's annual report.

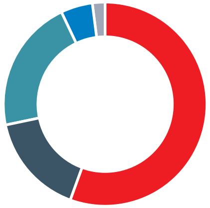
We have historically required suppliers to complete sustainability self-assessments annually. In 2023, we transitioned to a risk-based approach to focus on (i) key Group suppliers and (ii) highest risk suppliers. We use a third-party software platform to support management of supplier self-assessments 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.

Operating responsibly continued

Supply chain management continued

Product assembly and supply spend (2023)



Mechanical components	55%
Electronic and electrical components	16%
Other indirect categories	21%
Transportation and logistics	5%
Packaging	2%

Conflict minerals

Rotork does not purchase raw materials from 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. The scope of the Conflict Minerals Policy also includes other Conflict Affected and High Risk Areas (CAHRAs). Management responsibility for the policy lies with our CEO. 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. Group-wide procedures define our risk management process and support the commitments made in our Conflict Minerals Policy. We describe 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 to help drive awareness of conflict minerals, the problems associated with them, how to identify the risk of these 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 we may re-source to a supplier that does not use high-risk smelters.

Modern slavery awareness training

Our training programme aims to raise employee awareness of modern slavery and human trafficking risks in our business and supply chain. It includes mandatory human rights eLearning for our global online population, designed to build knowledge of, and capability to identify and manage, modern slavery risks. In 2024, we plan to deliver bespoke training to relevant Rotork employees, on the Supplier Code of Conduct and monitoring supplier compliance.

See page 49 for further information about our approach to mitigating modern slavery and human rights risks in our business and supply chain.

Priorities for 2024

- Engage further suppliers on the subject of emissions reduction and science-based target setting
- Embedding our updated risk and resilience framework

Operating responsibly continued

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. 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.

We continue to embed our corporate Values and Code of Conduct across our organisation worldwide. In 2024, we intend to introduce an updated version of the Code, accompanied by new training content.

Compliance and ethics training

Employee training and awareness is one of the core elements of our Compliance programme. New joiners are introduced to our values and expected behaviours during formal induction sessions.

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 training on a variety of topics, which is available in several languages. As well as foundation Code of Conduct modules, and Speak Up training that re-emphasises both the importance of speaking up if wrongdoing is suspected and Rotork's no-retaliation policy, in 2023 we extended our new joiners training programme to the full suite of courses previously delivered to legacy employees, including anti-bribery and corruption, conflicts of interest, fair competition, modern slavery, and gifts and hospitality. A new mandatory data protection course was launched in 2023 for existing employees, and is also included in the new joiners training programme.

As part of our commitment to good governance, our mandatory compliance certification, launched each year in January, asks 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. Any conflicts of interest declared are reviewed and assessed and are addressed where necessary.

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.

In 2023, all employees who have access to the eLearning platform, and were hired after the original 2022 launch, received our mandatory modern slavery course. At the same time, the course was introduced as part of our mandatory eLearning programme for new joiners. The course content includes 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 provides targeted content for directors and our Procurement and Human Resources functions who require specialised knowledge.

In July 2023, we marked 'World Day Against Trafficking in Persons' with a global communication, serving to highlight the extent of human trafficking and forced labour, the harm it causes, and the importance of remaining alert and pro-actively raising concerns. Colleagues were invited to watch a video, 'Supporting Human Rights: The Ethical and Legal Choice', which was made available in our core languages and addressed some of the warning signs, particularly within a company's supply chain.

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.

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.

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. Requests to offer or accept gifts or hospitality (over a de minimis threshold) are recorded in our automated register, together with whether approval has been granted.

Third-party risks

We have procedures in place to manage third-party risks (including bribery risk) across our operations, through each of the selection, appointment and monitoring stages. In 2023, we performed a risk based review of our channel partner (agents, distributors and resellers) population. During 2024, the findings from the review will be used to enhance our existing programme.

Operating responsibly continued

Culture, ethics and governance continued

Trade sanctions

Rotork has in place an established sanctions compliance programme that seeks to mitigate risk relating to trade and financial sanctions, including through due diligence screening and the monitoring of changes in legislation for restrictions on products, doing business in certain territories or with third parties. The sanctions policy was updated in 2023 to address the continuously evolving sanctions risk in a changing geopolitical climate. To further enhance the programme, a sanctions risk assessment was carried out during 2023 and the sanctions processes and procedures documentation was updated to fully record the changes made to the programme in the prior year. A training programme to further embed these procedures will be rolled out during the course of 2024.

Fair competition

In 2023, we completed a competition law risk assessment, updated our Fair Competition Policy and related guidance, and commenced a programme of targeted, risk-based training to relevant personnel. The strengthening of our Fair Competition programme will continue during 2024.

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 2023, we continued to promote the importance of speaking up and our different Speak Up mechanisms, through mandatory eLearning and other communication channels.

Priorities for 2024

Aiming to continuously improve, we plan to:

- refresh our current Code of Conduct and associated training
- continue training on specific topics from the Code of Conduct, supplemented by new refresher microlearning videos
- enhance our third-party risk management programme
- formally launch our updated Fair Competition Policy and related guidance and continue with our targeted training

Board-level oversight

The Board received a detailed presentation from the Group General Counsel & Company Secretary on Rotork's ethics and compliance programme at its August 2023 meeting, together with further updates at other meetings during the year as necessary. 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' survey, 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 low carbon future where environmental resources are used responsibly.

Our commitments

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

In this section

- Electrifying upstream oil and gas
- Hydrogen's role in net-zero
- Renewable power infrastructure
- Supporting the battery value chain

SDGs we will progress

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Enabling a sustainable future continued

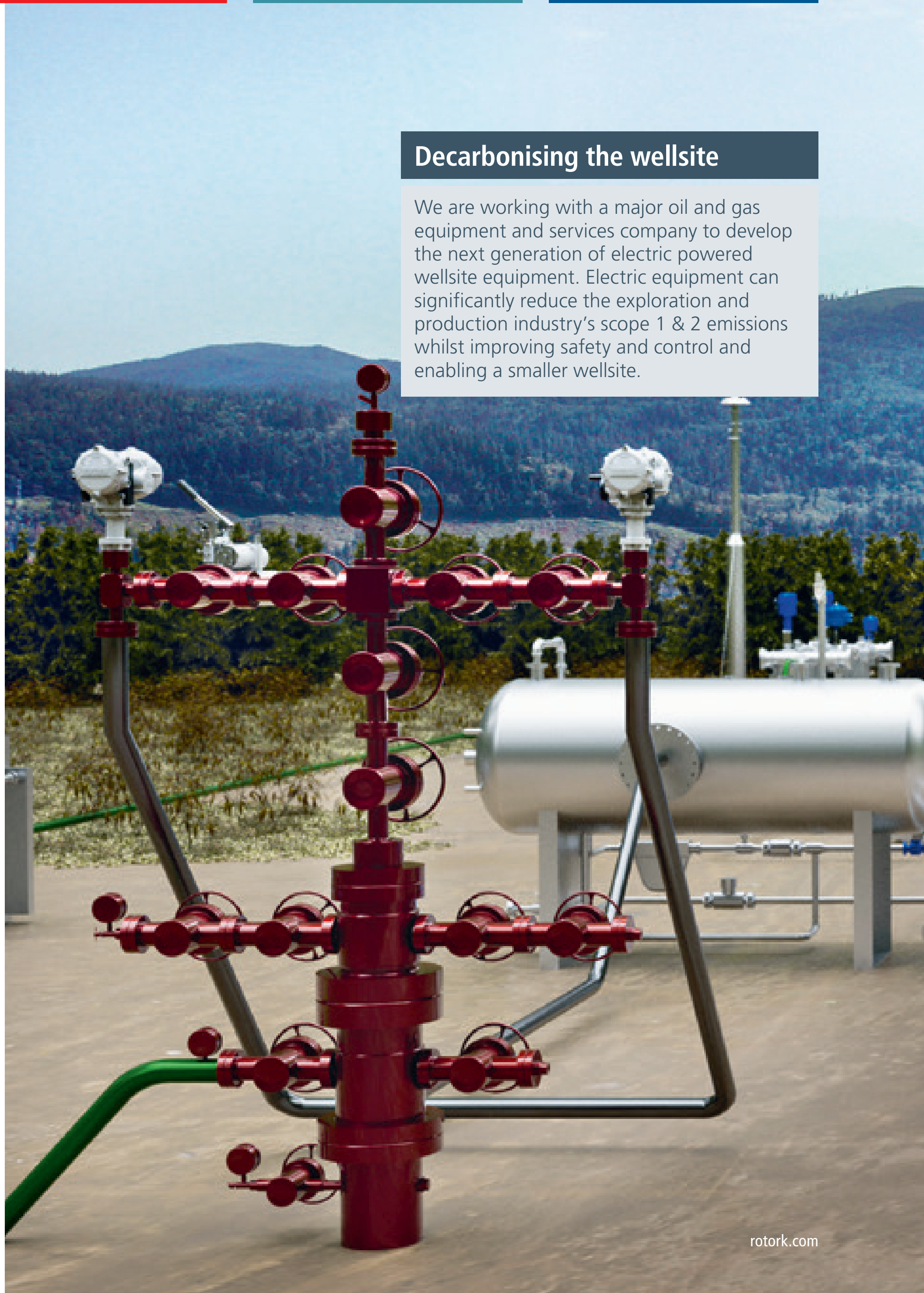
The transition to net-zero will require the widespread adoption of new technologies. Our products and services are already used in a range of these low carbon technologies and applications

Electrifying upstream oil and gas

To reduce emissions in line with the IEA's 'Net Zero Emissions by 2050' scenario, the oil and gas sector's operational emissions intensity will need to halve by 2030. 15% of global energy-related emissions result from oil and gas operations. The IEA highlights five measures for reducing operational emissions – reducing fugitive methane emissions, reducing flaring, electrification of operations, use of CCUS, and use of hydrogen.[1] Our products are utilised in all five.

At December's COP28 in Dubai, companies representing more than 40% of global oil production committed to the Oil & Gas Decarbonization Charter. These signatories commit to 'Net Zero Operations' on or before 2050, which will include electrifying their upstream operations. Also in December, the US EPA announced new methane emissions standards for oil and gas operations. These rules will require new and existing 'process controllers' (i.e. pneumatic actuators) to be zero emission. The EPA also announced it will impose a waste emissions charge on eligible petroleum and natural gas facilities, starting at $900 per tonne and rising to $1,500 by 2026.

Rotork is well placed to support and to benefit from the transition away from the methane-emitting pneumatic actuators used extensively in the oil and gas industry. For example, the use of our electric IQTF actuator on the wellhead choke can help eliminate flaring downstream. And as noted by the IEA, these upstream electrification opportunities may be accompanied by further downstream opportunities such as electrifying LNG liquefaction.[1]



Decarbonising the wellsite

We are working with a major oil and gas equipment and services company to develop the next generation of electric powered wellsite equipment. Electric equipment can significantly reduce the exploration and production industry's scope 1 & 2 emissions whilst improving safety and control and enabling a smaller wellsite.

1 For more information, see the IEA's special report 'Emissions from Oil and Gas Operations in Net Zero Transitions' (May 2023), https://www.iea.org/reports/emissions-from-oil-and-gas-operations-in-net-zero-transitions.

Enabling a sustainable future continued

Hydrogen's role in net-zero

Hydrogen plays an important role in most decarbonisation scenarios as an energy source and a feedstock in industrial processes, particularly for 'hard-to-abate' sectors.

The global pipeline of hydrogen projects continues to grow with $570 billion of direct investments announced through 2030.[1] The current pipeline would deliver 45 million tonnes of clean hydrogen.[2] If future policies align with the IEA's 'Net Zero by 2050' trajectory, this production could rise to 70 million tonnes by 2030.[1,2]

Rotork has opportunities in hydrogen equipment and hydrogen applications across our end markets. In most cases, our existing product range is already ideally suited to, and certified for, use in hydrogen applications. One application is in electrolysers, which convert water to hydrogen. Each electrolyser requires the type of highly-certified control equipment which Rotork produces. The Hydrogen Council projects that the 2030 global electrolysis capacity will rise to 305 GW, from today's 1.1 GW of installed capacity, and Rotork is well placed to support this capacity expansion.[1]

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

1 Hydrogen Council. 'Hydrogen Insights 2023 December Update'. https://hydrogencouncil.com/wp-content/uploads/2023/12/Hydrogen-Insights-Dec-2023-Update.pdf.

2 IEA. 'Global Hydrogen Review 2023'. https://iea.blob.core.windows.net/assets/ecdfc3bb-d212-4a4c-9ff7-6ce5b1e19cef/GlobalHydrogenReview2023.pdf.

Rotork supplying innovative blue hydrogen project

Rotork fluid power actuators were selected to control valves at an innovative new blue hydrogen facility under construction in Louisiana (US). Blue hydrogen is produced from reforming natural gas, with resulting carbon dioxide captured and stored. The capture unit at the Louisiana plant is designed to capture and permanently sequester more than 5 million tonnes of carbon each year.

Hydrogen in the maritime value chain

Rotork is supplying electric actuators to a project developing hydrogen fuel cell propulsion technologies for zero emission passenger ships.

Rotork actuators, positioners and switch boxes were selected to control the high pressure hydrogen delivery system as part of a mobility project in Australia.

Enabling a sustainable future continued

Green hydrogen applications

Rotork is supplying a project using green hydrogen and waste CO_2 to produce green methanol in China. We are also supplying a steel facility in Sweden that will use green hydrogen instead of coal for the reduction of iron ore, with the potential to dramatically reduce steel production emissions versus traditional methods.

Hydrogen for load balancing

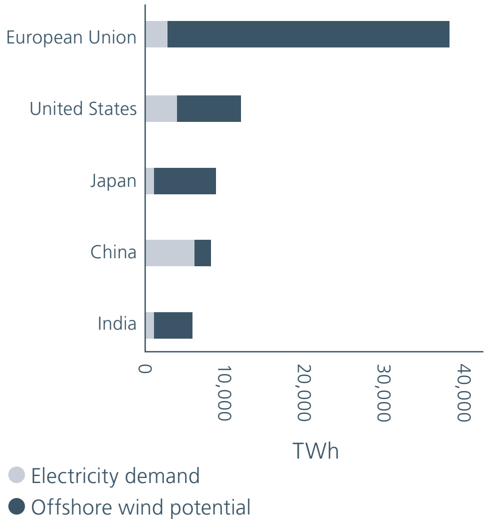
We are supplying an offshore wind pilot project in Norway which will convert excess wind energy into green hydrogen. This hydrogen will be stored, and during periods where energy demand exceeds supply, the hydrogen can be converted back into electricity by fuel cells.

Enabling a sustainable future continued

Renewable power infrastructure

Offshore wind is an established supply of electricity in countries including China, the UK and Germany. The potential however is far greater. An assessment by the IEA demonstrated that – in regions including the EU, US and Japan – the potential energy supply from offshore wind is several times greater than the total electricity demand of these countries.[1]

To realise the potential of wind power, reliable, cost-effective transmission of the power is required. Our products have critical applications in energy transmission and converter stations.



Source: IEA, Offshore wind technical potential and electricity demand, 2018, IEA, Paris https://www.iea.org/data-and-statistics/charts/offshore-wind-technical-potential-and-electricity-demand-2018, IEA. Licence: CC BY 4.0.

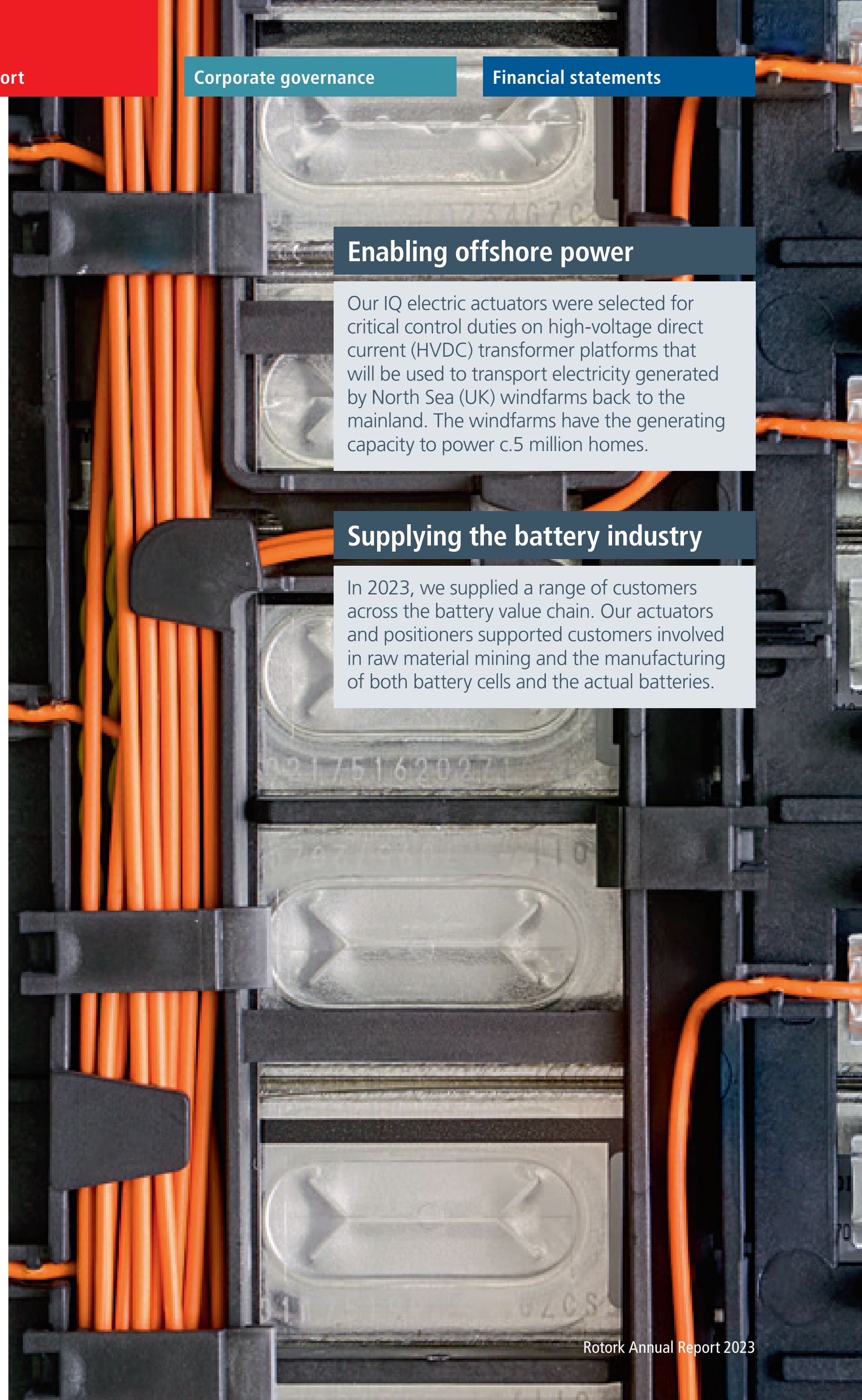
Supporting the battery industry

Energy storage is an important enabler of the low-carbon transition. In the power sector, generation from renewable energy sources like solar and wind are dependent on external factors like the weather or the time of day. Energy storage technologies play the important role of storing excess energy when supply exceeds demand and releasing this energy back into the system during periods where demand exceeds supply. Battery storage already plays a role in the energy systems of China, India, the US, Spain and Norway, and the US Inflation Reduction Act provides further financial support for new battery storage projects. In the transportation sector, battery storage plays a critical role in the transition to electric vehicles, with the demand for lithium-ion batteries rising 65% year-on-year in 2022.[2]

Rotork's products have applications across the battery value chain, including battery-related mineral mining and processing, midstream salt evaporation and recovery, cell manufacturing, downstream battery pack production, and critical HVAC.

1 IEA. 'Wind – Offshore wind has remarkable potential.' https://www.iea.org/energy-system/renewables/wind.

2 IEA, Global EV Outlook 2023. https://www.iea.org/reports/global-ev-outlook-2023/trends-in-batteries.



Enabling offshore power

Our IQ electric actuators were selected for critical control duties on high-voltage direct current (HVDC) transformer platforms that will be used to transport electricity generated by North Sea (UK) windfarms back to the mainland. The windfarms have the generating capacity to power c.5 million homes.

Supplying the battery industry

In 2023, we supplied a range of customers across the battery value chain. Our actuators and positioners supported customers involved in raw material mining and the manufacturing of both battery cells and the actual batteries.

Making a positive social impact

Our mission

To support thriving, fair and resilient communities.

Our 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

In this section

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

SDGs we will progress

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 with our sustainability goals and colleagues' interests.

We aim to be a fair employer and promote equal opportunity and equality. We also strive to help tackle societal inequality through our role 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.

This section describes how we engage with and support our people and communities to have a positive impact on individuals and society as a whole.

Brand and reputation

Rotork's brand is well-recognised and highly respected globally. It stands for innovative, quality, dependable products, and market leading customer service.

Our 'brand and reputation' is consistently ranked among our materiality assessment's most important sustainability issues. 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 crucial part in achieving our strategic objectives and the wider positive social contribution we make through our innovative, cutting-edge solutions, positive stakeholder engagement and direct investment in local communities worldwide.

Our people and culture

Rotork strives to be a great place to work. Engaged, committed people are key to successfully delivering 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 Group purpose, 'Keeping the world flowing for future generations', and our three Values – Stronger Together, Always Innovating and Trusted Partner – define what Rotork does and how we operate.

Our values

Stronger Together

Always Innovating

Trusted Partner

We are committed to our inclusive, people-focused culture; our values are embedded in our Code of Conduct and form an integral part of our business.

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

Culture

Our people policies and systems underpin our values and aim to engage and motivate colleagues and protect their rights. We strive to ensure fair and equitable treatment across our business whilst ensuring we create an environment where our employees have a voice, are encouraged to innovate, are motivated and have opportunities for development, growth and progression. Our Head of Culture & Inclusion leads our agenda in these topics and our Board ensures that our culture is fit for purpose.

We also understand the impact of change on our people and our culture and look to equip our employees by understanding and supporting them. As well as our significant communications and engagement plans around change, we provide change workshops locally before embarking on any programme. We also use change diagnostics tools to understand how change is embedding, how our colleagues feel about it and the impact on their work and our Rotork culture.

Read more P.105

Talent management and succession planning

Attracting, recruiting, developing and retaining talented people is key to successfully delivering our strategy.

We complete a talent review process involving both the Rotork Management Board and the Board. The focus is on the skills and capabilities needed for our future success. We review the top three management levels, as well as colleagues identified as future talent for succession planning purposes. Our top leaders also complete a personal profile which is reviewed by our Boards as part of our talent management process. Personal profiles (which include a comprehensive development plan), enable us to better understand in detail our talent pipeline and ensure the right development is in place for key individuals. 30% of our senior leaders are new in their role in 2023 with around half of those being internal promotions.

Our approach to performance management ensures that colleagues have regular, structured performance and development conversations with their managers at least 3-4 times a year and can focus not just on what we do but how we do it; this is aligned with our values. In 2024, we intend to digitalise our performance management process to enhance the experience for our people and managers and ensure that all employees have objectives aligned with delivering our strategy. We will also conduct refresher training on performance management when we launch the new system.

Making a positive social impact continued

Our people and culture continued

Talent management and succession planning continued

In 2023 we introduced a new applicant tracking system for use by our managers and recruitment team, helping us to more easily source talented candidates to join us, to enhance the candidate experience and to enable us to develop a talent pool for future requirements.

2023 also saw the second intake of our Graduate and Internship Programmes as we continue our commitment to developing early talent. We have set a target that at least 50% of participants in our schemes are diverse; female, ethnic minority or from other groups currently underrepresented in our business to increase the diversity of our talent pipeline. We exceeded this target in 2023 (60%). We relaunched our Apprenticeship Programme, focusing on our Operations and Service functions.

We again donated unused funds from our UK apprenticeship levy in 2023 to organisations in other industries supporting young people to develop new skills and capabilities.

We are proud to have a good mix of long serving and newer employees. 37% of employees have been with Rotork for more than 10 years, while the percentage who joined in the last five years has increased to 49%, reflecting the change in the labour market and our recruitment over 2023. We believe the mix of Rotork experience and new external experience is integral to our success.

Training and development

We recognise that a strong learning culture is essential, and we are focused on ensuring that our people have the right skills and experience to deliver the Group's strategy.

In 2023, we launched our Leadership Programme for our senior leadership population. This 12-month programme focused on developing leadership capabilities through a set of newly developed leadership behaviours that align with our Rotork Values. In 2024, we intend to build on this Programme to deploy a new Management Development Programme for our people managers.

In 2023, we also launched our new learning@rotork learning management system, which offers virtual training programmes on various topics, in local languages. This has enabled us to deliver an increased number of additional courses in 2023, to build our capabilities to deliver Growth+ and also for employees in support of their development. All line managers also complete Performance and Reward workshops, focused on achieving results in line with our values and aligning reward with high performance.

We also ran workshops for every employee on our Growth+ strategy and how their role and activities contribute to this.

Employee engagement

Employee feedback is critical in ensuring our employees' views are considered in decisions made at the Board and management levels. These insights also mean we can respond to any concerns promptly and understand what matters most to our people.

We use employee 'pulse' surveys to gain insight and feedback on various topics across our business. In 2023, 79% of employees participated in our survey (2022: 75%).

Whilst we include additional questions relevant at the time on particular topics, certain questions recur in each survey so that we can track progress. In 2023, our 'Rotork as a place to work' score, which we use as our measure of engagement, was 7.4/10 (2022: 7.2).

As in previous years, for 2023, a portion of the management and leadership population's bonus opportunity is linked to maintaining high levels of employee engagement.

We also provide a 'working@rotork' email address, enabling colleagues to ask questions on various topics, including HR matters. Colleagues can also contact Tim Cobbold (Designated Non-executive Director for Workforce Engagement) via our 'working@rotork' email address.

Wellbeing and mental health

We have a strong focus on our employees' wellbeing and mental health. We continue to increase the number of Mental Health First Aiders we have trained around the world, rising to 98 in 2023. Ann Christin Andersen (Non-executive Board Director) joined some of our Mental Health First Aiders on World Mental Health Day to discuss mental health at Rotork and the support that they require to undertake their support role to colleagues. We also signed the Pledge for Global Business Collaboration for Better Workplace Mental Health, reinforcing our commitment to our workforce's health, safety and wellbeing in every site in which we operate. We have also introduced new learning modules on mental health awareness on our learning@rotork platform. We provide a Global Employee Assistance Programme, which includes mental health support and counselling 24/7 in colleagues' local languages. In 2023, we also launched our Menopause at Work guidelines and offered training programmes, raising awareness and discussing the support available.

Fair pay and benefits

We believe that all colleagues should be appropriately and fairly rewarded for their contribution. We launched our Fair Pay Framework in 2020. It includes five focus areas 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 increased 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.

In 2022 we brought forward the annual pay review from April to January for all employees bar senior leaders and enabled additional money to be available for those in our lowest paid roles. Feedback from our employees indicated that the cost of living was still having a significant impact in 2023 so again we made the decision to bring forward the annual pay review from April to January for a second year.

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 practicable. This gives our people an additional personal and financial stake in our success.

All permanent employees participate in the Rotork bonus scheme, regardless of their role or level in the organisation, after 3 months of service. We link performance to reward, ensuring we recognise those who make the most significant 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.

Making a positive social impact continued

Our people and culture continued

2023 achievements

- Colleague engagement increased from 7.2/10 to 7.4/10
- Relaunched our apprenticeship programme
- Commenced our Leadership Training Programme to help deliver Growth+
- Established our Menopause at Work guidelines and training
- Launched our learning@rotork – learning management system
- Signed the Pledge for Global Business Collaboration for Better Workplace Mental Health
- Introduced an Applicant Tracking System to enable strong talent attraction and management
- Met our Early Careers diversity targets for our Graduate and Internship Schemes
- Annual Pay Review brought forward due to continued cost of living concerns (for all employees bar senior leaders)

Collective bargaining

We uphold colleagues' freedom of association and recognise their right to collective bargaining. There are collective bargaining arrangements in several sites and countries where 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.

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. 62% of our Board are diverse (gender or ethnicity) signalling our focus and commitment to diversity. Our Board diversity policy is available to view at https://www.rotork.com/en/documents/publication/24261.

In 2023, we hosted a series of virtual Equity, Diversity and Inclusion (ED&I) conversations, inviting people across our business to participate discussing key topics and what ED&I means for Rotork and our people. Our Head of Culture and Inclusion hosted these sessions, and Tim Cobbold (Designated Non-executive Director for Workforce Engagement) also attended one of these sessions. The output from these sessions has fed into our future inclusion roadmap.

As part of our Leadership Programme all our senior leaders attended an externally facilitated workshop on cross-cultural awareness to build awareness and understanding of how to build inclusive cultures. We also introduced training for managers and employees on Stopping Sexual Harassment at Work.

For International Women in Engineering Day in June we created a virtual wall and many of our female colleagues in STEM-related roles shared their experiences and thoughts. We again 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 setting a target to ensure we reflect the diversity of the communities in which we operate. We have set a target that at least 50% of participants in our schemes are female, from ethnic minorities or from other groups currently underrepresented in our business to increase the diversity of our talent pipeline. We exceeded this in 2023 (60%).

In our 'pulse' survey this year, employees scored Rotork as 7.8/10 in believing we offer an inclusive culture (2022: 7.6/10). Our Head of Culture and Inclusion drives our diversity initiatives as a key focus of the role.

Our Respect at Work and Equality of Opportunity policy reflects our approach to being a responsible employer. This aims to promote fair and objective treatment across recruitment and employment, regardless of any protected characteristic.

Read more P.61

Gender diversity

We are committed to increasing the number of women in our organisation at all levels. Females comprise 23.7% of our workforce (2022: 23.1%). In 2023, females comprised 50% (2022: 44%) of our Board and 23.7% of the Rotork Management Board (our Executive Committee) and its direct reports (2022: 23.1%).

Our 2023 Gender Pay Report shows that our mean pay gap in the UK of -3.3% (2022: -8.3%) continues to favour women, and our median average pay gap is 7.2% (2022: 5.5%). This compares to the UK's national gender pay gap figure of 14.3% and reflects our continued work in this area. Our Gender Pay Report 2023 will be published in April 2024 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 the Women in Engineering Society (WES), which aims to inspire women to achieve as engineers, scientists and leaders.

We are proud to have achieved the target in the Hampton-Alexander review of 33% female representation on our Board. We also meet the requirement for at least one of either the Chair, Senior Independent Director (SID), CEO or CFO to be female. Any new appointment to the Board is 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 that are signed up to the Voluntary Code of Conduct.

Making a positive social impact continued

Our people and culture continued

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.

We are making efforts to increase ethnic diversity at our Executive Committee (Rotork Management Board) and their direct reports levels. We believe this is important in providing senior-level role models from diverse backgrounds. We are unable to obtain full accurate global ethnicity data for our senior population from all jurisdictions in which we operate which has prevented us from stating a future senior diversity target at this stage.

As set out on page 127, 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 our early careers programme participants are from diverse and under-represented groups in our business.

Since 2019, we have published our UK Ethnicity Pay Report alongside our UK Gender Pay Report. Our mean pay gap is -13.1% (2022: -28.1%) in favour of ethnic minorities, and our median pay gap is 3.5% (2022: 9.9%). The full details can be found in our Gender Pay Report for 2023, which will be published in April 2024 and will be available on our website.

Gender pay data

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

The mean (average) gender pay gap uses employees' hourly pay to calculate the difference between the average hourly pay of men and women's average hourly pay. 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 in the middle of the lists of hourly pay for men and women.

Rotork's mean average pay gap in the UK has favoured women since 2019 and our figures remain well below the national average gender pay gap in the UK of 14.3%.

Gender pay reporting

All Rotork employees in the UK:

At 5 April	2023	2022	2021
Mean Gender Pay Gap across all Rotork employees in the UK	**(3.3)%**	(8.3)%	(5.2)%
Median Gender Pay Gap across all Rotork employees in the UK	**7.2%**	5.5%	1.0%
UK's National Gender Pay Gap*	**14.3%**	14.9%	15.4%

* Source: Office of National Statistics 2023.

Making a positive social impact continued

Our people and culture continued

Employees

Age profile

(Group, as at 31 December 2023)

30 to 49	58%
50 and over	31%
Under 30	11%

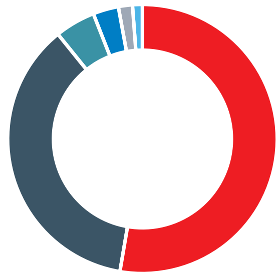
Gender profile

(Group, as at 31 December 2023)

Male	76.3%
Female	23.7%

Ethnic origin

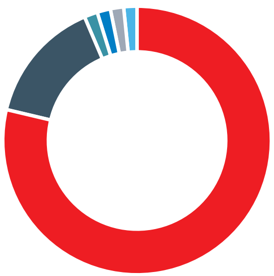
(Based on those who declared their information)



White	53.2%	Black	3.1%
Asian	35.9%	Other	1.7%
Hispanic	4.9%	Mixed	1.2%

Senior leaders’ ethnicity

(As at 31 December 2023, includes RMB members and their direct reports where declared)



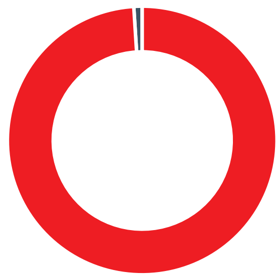
White	78.7%	Hispanic	1.6%
Asian	14.9%	Mixed	1.6%
Black	1.6%	Other	1.6%

Early careers diversity

Non diverse	40%
Diverse	60%

Registered disability

(Based on those who declared their information)

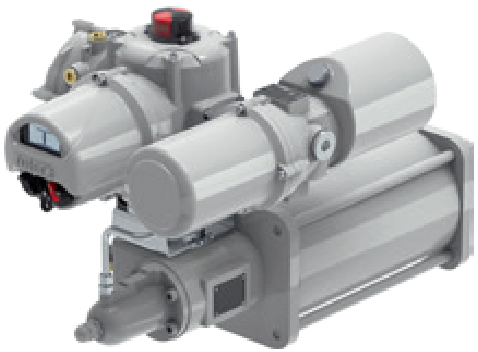


No	99%
Yes	1%

Making a positive social impact continued

Delivering safety solutions

Our product portfolio includes products that are fire-safe, water-safe and play a key role in delivering customers' health and safety performance. There are some great examples of Rotork products that deliver safety benefits including our Skilmatic SI3, a sophisticated, certified emergency shutdown device (discussed on page 25).



Our social contribution

Rotork strives to make a positive contribution to the communities in which we operate around the world. This is integral to our commitment to being 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 to our nominated charity partners and a similar percentage to local charitable causes. Local teams are empowered to decide how to distribute funds and support their local communities.

Charity partner selection process

We partner with international charities aligning closely with Rotork's purpose, values and UN SDGs. We select charity partners using four key parameters:

1. **Accountability requirements**

   How will donations be used, how readily are accounts available and 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?

4. **How are they funded?**

   Are they an established and registered charity, non-political and non-religious?

Our global charity partners

We donated £147,000 to our global charity partners (Renewable World, Pump Aid and WeForest) in 2023, increasing the donations to our global charities compared to the previous year.

Rotork's donations to Renewable World will support the delivery of a sustainable and reliable source of clean solar energy to a health centre in Kenya serving 5,000 people. This renewable energy source will support the Centre's 24/7 healthcare delivery, including neonatal care and telemedicine.

We continue to support WeForest, which will plant 48,000 trees to help regenerate the forests of Mara, Tanzania.

We have a strong partnership with the UK-Malawi charity Pump Aid. Pump Aid supports access to safe water for 30 rural communities and improvements to the climate resilience of 20 communities. Restoring access to safe water requires repairs to non-functional water points, undertaken by teams of female pump mechanics trained to deliver repair and maintenance services. Rotork is supporting the training of seven female pump mechanics. The work of each mechanic will ensure reliable access to safe water for over 87,500 people.

In 2024, we plan to broaden our relationship with Pump Aid and its female pump mechanics programme with support from our Rotork engineering and service teams.

WeForest
Making Earth Cooler

Pump Aid Beyond Water

Renewable World
TACKLING POVERTY THROUGH RENEWABLE ENERGY

Sustainability Accounting Standards Board (SASB) Index

Table 1. Sustainability disclosure topics & accounting metrics

Topic	Metric – Quantitative	Unit	2023	2022
Energy management	Electricity	GJ	**41,849**	44,119
	Natural gas*	GJ	**32,902**	38,282
	Diesel and petrol	GJ	**16,475**	nr**
	LPG*	GJ	**3,736**	4,674
	Steam	GJ	**1,515**	1,166
	Total energy consumed	GJ	**96,477**	88,241
	Percentage grid electricity	% from grid % on-site generation	**98%** **2%**	98% 2%
	Percentage renewable electricity	% renewable % non-renewable	**44%** **56%**	34% 66%
Workforce health and safety	Total recordable incident rate (TRIR)	Rate	**0.26**	0.53
	Fatality rate	Rate	**0**	0
	Near miss frequency rate (NMFR)	Rate	**3.97**	3.49

Topic	Discussion and analysis			
Materials sourcing	Description of the management of risks associated with the use of critical materials	n/a	**Annual Report 2023, p. 47–50**	Annual Report 2022, p. 52–54

Table 2. Activity metrics

Activity metric	Unit	2023	2022
Number of units produced by product category	Quantitative	Commercially sensitive, not disclosed	
Number of employees	Quantitative, as at year-end	**3,342**	3,234

Table 3. Sustainability disclosure topics & accounting metrics that are non-applicable to Rotork

Topic	Metric – Quantitative
Fuel economy & emissions in use phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles
	Sales-weighted fuel efficiency for non-road equipment
	Sales-weighted fuel efficiency for stationary generators
	Sales-weighted emissions of (1) nitrogen oxides (NOx) 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
Remanufacturing design & services	Revenue from remanufactured products and remanufacturing services

* In 2023, the calculation of GJ transitioned to using the UK DEFRA energy conversion rates. While not material, the year-on-year percentage change of natural gas and LPG consumption in GJ differs slightly from the percentage change in their original units (e.g. in cubic metres of gas).

** Data not available and 'not reported' in prior years.

Jonathan Davis
Group Finance Director

I am particularly pleased this year to report another year of strong growth, resulting in record orders, revenue and adjusted operating profit

Revenue
£719m

Adjusted operating profit
£164m

Adjusted operating profit margin
22.9%

Profit before tax
£151m

Order intake for the year was £723.7m (2022: £681.6m), up 6.2% from the prior year or 7.8% on an organic constant currency (OCC) basis, with all divisions ahead of the prior year.

Group revenue was £719.1m for the year, 12.0% higher (+13.6% OCC) than 2022. Revenue for the second half of the year was £384.4m, which was 14.9% higher than the first half of the year. Revenue grew in all three divisions with O&G reporting the strongest year-on-year growth. O&G finished the year 15.9% ahead (+16.6% OCC), CPI grew 7.7% (+9.7% OCC) and W&P grew 10.5% (+13.3% OCC). Within O&G, upstream sales again increased the most, up by around a quarter OCC, sales to midstream were up low-double digits OCC and downstream, still the largest segment, increased mid-double digits OCC.

Rotork Site Services, our global service network and a key differentiator in our industry, performed strongly in the year with revenues growing 13.6% compared with 2022. Again, performance in the second half of the year was considerably stronger than the first as the improved supply chain situation allowed more retrofit projects to proceed. Revenue was 15.1% ahead of 2022 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% (2022: 21%) of Group revenue.

Gross margin increased 170 basis points to 47.2% (+160bps OCC), in part driven by the increase in revenue. Cost increases related to components were successfully mitigated by the price increase at the beginning of the year with both increases more modest than the prior two years.

Reported overheads increased by £22.2m (+13.2%) compared with 2022, largely driven by investment in people and commercial activities. Overheads as a percentage of revenue increased marginally from 26.2% in 2022 to 26.5% in 2023.

Reported operating profit was £148.8m, 20.4% higher year on year. Adjusted operating profit was £164.5m, a 14.8% increase with adjusted operating margin increasing 60 basis points to 22.9% (2022: 22.3%). On an OCC basis, adjusted operating profit increased 70 basis points to 23.0%.

Net finance income was £1.9m (2022: income of £0.5m) benefitting from more favourable interest rates.

Reported profit before tax was £150.6m, an increase of 21.4% from £124.1m in 2022.

Adjusted basic earnings per share was 14.6p (2022: 12.7p), an increase of 14.8%. Statutory basic earnings per share was 13.2p (2022: 10.9p), an increase of 21.7%.

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 alternative profit measures are adjusted to exclude amortisation of acquired intangibles, Business Transformation costs associated with the implementation of a new ERP system and integration with business processes, 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. Further details of adjusted items are provided in note 5.

Currency

In 2023 we experienced a currency tailwind in the first half which then switched to a significant headwind in the second half. The major currencies affecting the income statement are the US dollar and the euro. The US dollar/sterling average rate of $1.24 (2022: $1.24) was a slight headwind, whilst the euro/sterling average rate was €1.15 (2022: €1.17), a 2 cent tailwind. However the average sterling rate across the basket of other currencies, led by Chinese renminbi and Indian rupee, weakened in 2023 and resulted in a £11.9m or 1.6% headwind 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.

> **"Orders and revenue grew in all three divisions."**
>
> **Jonathan Davis**
> Group Finance Director

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 (2022: £150,000) adjustment to profit and for US dollar, and dollar-related currencies, a one cent movement equates to approximately a £500,000 (2022: £550,000) 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 asset/liability, net of the related deferred tax. The average capital employed increased 6.0% over the year to £485.5m, driven largely by the retained profit for the year. However adjusted operating profit increased more and as a result ROCE rose 260bps to 33.9% (2022: 31.3%).

Taxation

The Group's headline effective tax rate decreased from 24.9% to 24.7%. Removing the impact of the adjusted items provides a better indication of the underlying rate and, on this basis, the adjusted effective tax rate is 24.5% (2022: 23.9%). 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, India 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.

Hanbay Inc. acquisition

On 4 August 2023, the Group acquired 100% of the share capital of Hanbay Inc. ('Hanbay') for £21.1m. Hanbay designs and manufactures precise, miniature electric actuators which offer a compact profile and high torque design for use with small valves and instrument valves in hazardous and non-hazardous applications. It is headquartered in Montreal, Canada. The acquisition expands the Group's electric actuator offering and supports all three pillars of the Growth+ strategy and increases the percentage sales contribution of the Group's eco-transition portfolio. Further details are provided in note 4 of the Financial Statements.

Adjusted earnings reconciliation

£m	Statutory results	Amortisation	Gain on property disposal	Business Transformation costs	Other costs	Adjusted results
Operating profit	148.8	2.1	(0.7)	13.1	1.2	164.5
Profit before tax	150.6	2.1	(0.7)	13.1	1.2	166.3
Tax	(37.1)	(0.3)	0.1	(3.2)	(0.2)	(40.7)
Profit after tax	**113.5**	**1.8**	**(0.6)**	**9.9**	**1.0**	**125.6**

The table above shows the adjustments between the statutory results for the significant non-cash and other adjustments and the 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 adjusting items are provided in note 5.

Organic constant currency rates

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

	%	2023 as reported (£m)	Constant currency adjustment (£m)	%	2023 at 2022 exchange rate (£m)	Acquired business (£m)	%	Organic business at 2022 exchange rate (£m)	%	2022 (£m)
Revenue		**719.1**	**11.9**		731.0	(1.6)		729.4		641.8
Cost of sales		**(380.1)**	**(6.2)**		(386.3)	0.7		(385.6)		(350.1)
Gross profit	**47.2**	**339.0**	**5.7**	47.2	344.7	(0.9)	47.1	343.8	45.5	291.7
Overheads	**24.3**	**(174.5)**	**(1.5)**	24.1	(176.0)	0.3	24.1	(175.7)	23.1	(148.5)
Adjusted operating profit[1]	**22.9**	**164.5**	**4.2**	23.1	168.7	(0.6)	23.0	168.1	22.3	143.2

1 Adjusted operating profit is before the amortisation of acquired intangible assets and other adjustments (see note 5).

Cash generation

We finished the year with a net cash position of £134.4m (2022: £105.9m) which is a conversion of 120.3% of adjusted operating profit into cash, up significantly from 75.9% reported in 2022. The higher cash conversion is largely explained by improvements in working capital, including reductions in inventory levels and an improvement in days' sales outstanding[2]. Capital expenditure was £7.3m (2022: £8.3m), plus £2.1m in capitalised software (2022: £2.1m) and £11.6m in Business Transformation costs which were expensed in the period (2022: £8.9m). Capital expenditure in 2023 included an initial investment in our new facility in China which is expected to open early in 2025.

Our Research and Development (R&D) spend increased 3.2% to £13.9m which represents 1.9% of revenue (2022: £13.4m and 2.1%). Dividends of £58.8m, tax payments of £32.8m, pension contributions of £26.6m and the acquisition of Hanbay Inc £18.4m (net of cash acquired) 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 decreased by £8.3m as the need to tactically hold higher inventory to mitigate supply chain disruption decreased. Higher year-on-year sales led to trade receivables increasing to £152.8m, however, this increase was in part offset by an improvement in days' sales outstanding[2], which decreased from 58 to 55 days. Net working capital in the balance sheet decreased to 27.3% of revenue compared with 28.7% the year before, however working capital movements generated a £11.9m outflow in the cash flow statement driven by business growth.

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.

Risk update

Geopolitical instability remains at an elevated level with potential knock-on impacts to other risks such as supply chain disruption. 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 80.

Supply chain disruption remained a key risk during the year with component shortages and constraints driving some delays in specific areas. This is a change to the previous year where the shortages and constraints were more widespread. Management actions to secure the supply of key components have mitigated potentially more severe outcomes.

Various strategic initiatives continue to respond to the Group's risks and in the year the Group has seen positive engagement on People and Health & Safety risks in particular and has responded to the external threat of increasingly sophisticated cyberattacks by investing in cyber strategy.

We continue to monitor and review emerging risks, which are those risks that are hard to determine the severity. Risks under review include those in relation to geopolitical events, technological, social, environmental, climate and sustainability risks.

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.

"Net working capital reduced to 27.3% of revenue as inventory levels reduced, resulting in 120% cash conversion in the year."

Jonathan Davis
Group Finance Director

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.

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 2023 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.

During the year the Group made a special contribution of £20m to the Rotork Pension and Life Assurance Scheme. This contribution, together with some of the existing assets, was used to purchase a bulk annuity covering the UK scheme's existing pensioner liabilities. This has been accounted for as a buy-in.

The most recent triennial valuation of the UK scheme took place at 31 March 2022 and showed an actuarial deficit of £35.1m and a funding level of 84%. A recovery plan was agreed with the Trustees as part of the 2022 valuation, which, following the special contribution of £20m, resulted in required monthly contributions from the Company of £0.6m until September 2023 and £0.5m from October 2023 to August 2024.

On an accounting basis the schemes moved from a deficit of £8.0m in 2022 to a £9.1m surplus in 2023 driven principally by the £20m special contribution. The funding level increased from 94% to 106%. The Company paid total contributions of £26.6m over the year. The schemes' assets increased in value by £19.0m (2022: decrease of £89.1m) and the schemes' liabilities increased by £1.8m (2022: decrease of £88.7m).

The accounting surplus / deficit is different to the actuarial position 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 4.65p per share. When taken together with the 2.55p interim dividend paid in September 2023, the 7.20p (2022: 6.70p per share) represents a 7.5% increase in dividends over the prior year. This gives dividend cover of 2.0 times (2022: 1.9 times) based on adjusted earnings per share.

Jonathan Davis
Group Finance Director
4 March 2024

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

Managing business risks

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.

Our Group risk management process reviews those risks that could have an immediate or longer-term impact. The Board considers risk throughout the year including quarterly key risk indicator dashboards and a formal review process conducted twice a year. The Board is assisted in the oversight of risk management by the ESG Committee, the Audit Committee, and the Rotork Management Board.

Principal risks are reviewed and managed using the Group's risk management framework which incorporates both a 'bottom-up' and 'top-down' assessment. Risk owners are assigned to the most material risks and appropriate control measures are decided based on the perceived materiality and agreed risk appetite. 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.

As with all businesses, there are certain risks and uncertainties that may impact Rotork's ability to achieve its objectives. The Group 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 104. 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 2023, the Group continued to respond to our principal and emerging risks to provide a clear 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 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 level risks are then evaluated against the existing set of principal risks and uncertainties, and management review if any updates are required to the principal risks and uncertainties.

In this section

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 effectiveness of internal controls
- Review the risk management policy
- 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

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

Group risk & 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

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

Risk appetite framework

Risk appetite statement: 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

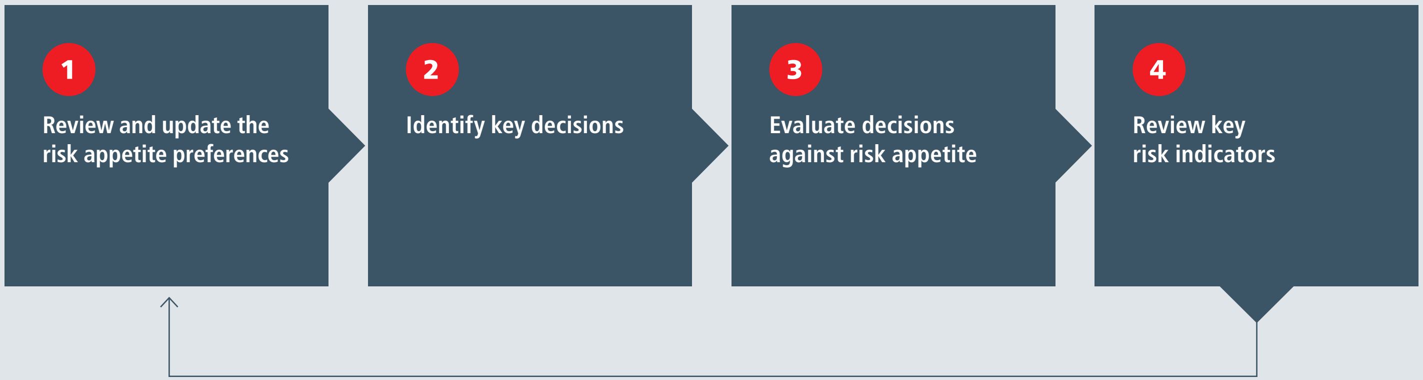
We use the three pillars of our sustainability framework – Operating Responsibly, Enabling a Sustainable Future, and Making a Positive Social Impact to guide our decision making and drive our success.

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 2023, 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 supply chain disruption and in-field product failure.

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.



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. Leaders within the business have continued to develop Rotork's risk aware culture 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 across a range of time horizons.

Emerging risks and opportunities may be developing or already known events which are subject to uncertainty and ambiguity and are therefore difficult to quantify using traditional risk assessment techniques. Emerging risks and opportunities are often complex, volatile, and may be uncontrollable.

Emerging risks and opportunities are identified throughout the year on a formal basis through functional risk workshops and with the Rotork Management Board and the Board twice a year. The response to each emerging risk or opportunity is tailored to the specific scenario and emerging risks and opportunities are managed and monitored based on the information available.

In 2023, the potential impact of a number of new and emerging risks and opportunities were reviewed and the defined responses to existing emerging risks and opportunities assessed. The ability to identify risks and opportunities that may have a future impact on Rotork and our stakeholders is fundamental to our successful risk management process and is closely linked to the delivery of our strategic objectives.

Work on emerging risks and opportunities will continue in 2024 as we consider new external developments and make internal assessments to better understand new areas. Artificial intelligence is a good example of this, where the speed of developments is quicker than other risks.

Examples of emerging risks reviewed during the period:

Technology

A disruptive technological advance in flow control could pose a threat to Rotork's business model. Rotork's investment in innovation seeks to stay at the forefront of flow control technology. Rotork continues to review the market for new or disruptive technologies. Rotork has led new technological advances over the last 65+ years and intends to continue to embrace new technologies and innovate to remain a leader in intelligence flow control solutions in the future.

Artificial intelligence

Artificial intelligence could be a risk or an opportunity for Rotork. Developments in how AI is used in manufacturing processes, industry 4.0, and how the insights from AI could complement Rotork's iAM solution may result in opportunities being realised, increasing the accuracy of predictive maintenance. In the future, AI could pose a threat in relation to the development of disruptive technologies to control flow. Advances in AI may also cause information security risks, if security controls and prevention measures do not advance at the same speed.

Changing stakeholder expectations

Rotork's traditional markets may change over the longer term as the world transitions to new energy sources. This transition is likely to be a net opportunity for Rotork. A rapid shift of expectations by a wide range of stakeholders for Rotork to no longer serve those traditional markets, may lead to a range of risks materialising due to the speed of the transition. Currently, Rotork is well positioned to help customers drive efficiency improvements, reduce emissions and to take advantage of new and growing markets such as hydrogen.

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 opportunities. In 2023, 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 82 to 92.

Principal risks and uncertainties continued

Update on 2023 principal risks

The risk landscape has continued to be complex, with many risks interconnected. The Board reviewed the links and connections between risks to further understand how Rotork's risks may impact each other. For instance, if a geopolitical risk were to materialise, it could have a significant impact on our supply chain, which could in turn impact our customers, reputation and lead to a decline in revenue and in margin. Tracing through these impacts and understanding where the key mitigating activities exist, allows Rotork to improve the resilience of the business by focusing efforts on those key mitigating activities.

Risk categories

In 2023, a risk category called 'Resilience' was introduced and replaced the risk category that was called 'IT security, continuity and system implementation'. For more information see page 78.

2023 principal risk movements

The Board has continued to assess the principal risks and uncertainties and has reviewed the effectiveness of mitigations and responses to risks. Rotork continued to see improvements in the availability of key components and as a result of this we reduced our supply chain disruption risk, from the heightened level it was assessed at last year. Risks remain within the supply chain but those risks are occurring in smaller pockets rather than the widespread impacts noted in previous years. See page 73 for more details. The major in-field product failure risk was reviewed by the Board and it was decided to change the orientation of this risk to a low likelihood and medium impact if the risk materialised. This change represents a re-evaluation of how this risk could impact Rotork most.

Key risk indicators (KRIs) were kept under review during 2023. 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 2023, KRI thresholds for health & safety were reviewed to improve the quality of analysis provided to the Board in relation to that risk.

Climate change

The Group has embedded the identification of climate-related risks and opportunities into the Group's risk management framework. Climate-related risks and opportunities remained as a specific agenda item in every functional risk workshop held in the business. The output of this work is described in more detail in the TCFD section of this report on pages 82 to 92. 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 and opportunities related to the transition to a low-carbon economy.

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 scanning 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. 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.

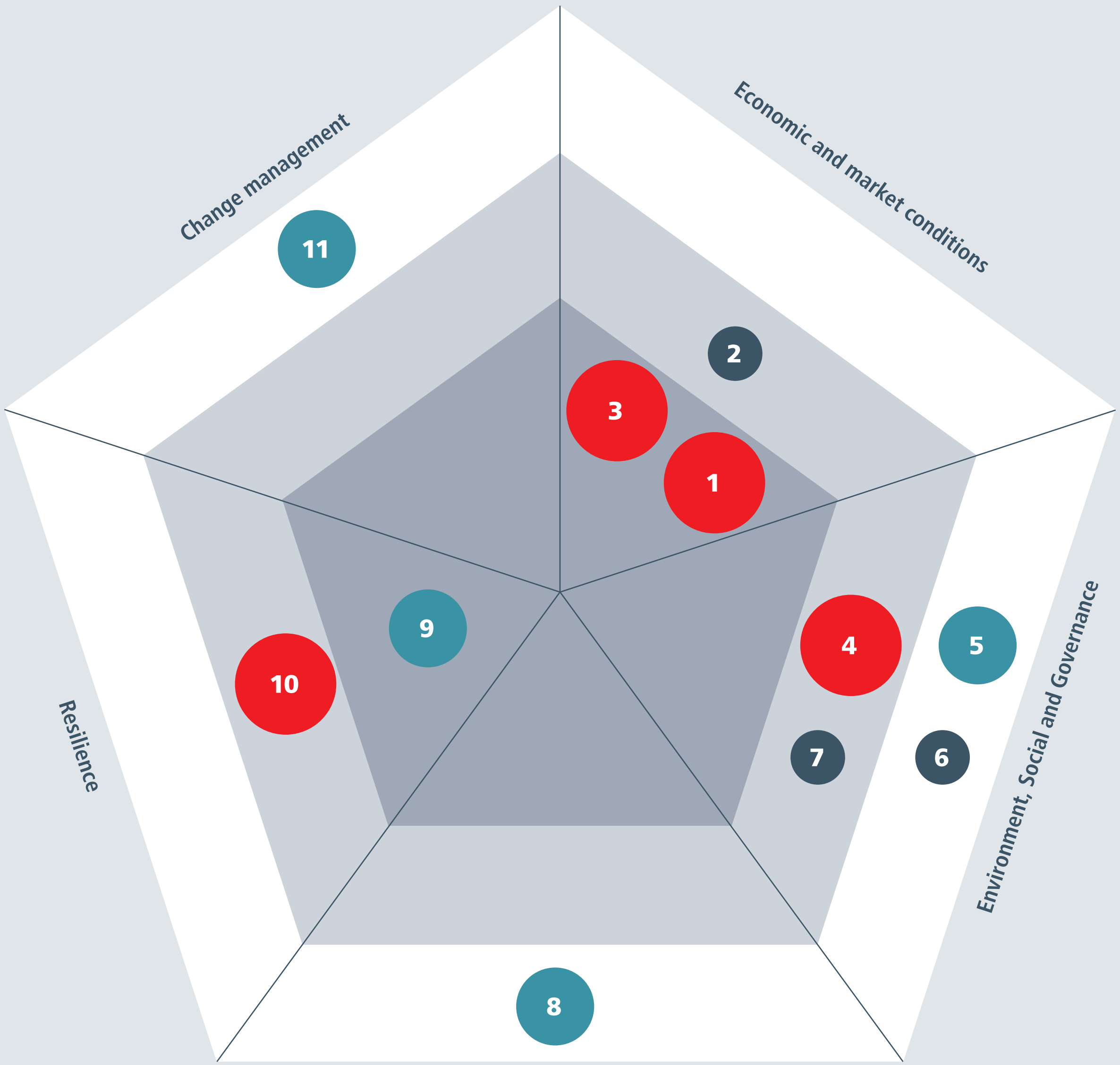
The risk and opportunity assessment results (see pages 84 to 90) were used to inform the next stage of the climate risk assessment – the quantification of potential financial impact for some of the most material risks. This will be used to inform the continual development of risk management responses for incorporation into our climate transition plan.

In 2022 Rotork included a new principal risk called 'Climate commitments'. This demonstrates that Rotork is committed to delivering our sustainability strategy. In 2023, we monitored this risk and further developed our understanding of the drivers. The ESG Committee has monitored the development of our ESG strategy, including the risks associated with climate change. For more information see pages 118 to 120.

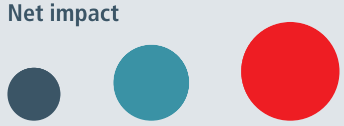
Focus for 2024

In 2024 we will continue to build on the work performed in 2023, most notably in relation to the work that has been conducted to understand our emerging risks and opportunities in more depth. Rotork has noted the changes in the UK Corporate Governance Code, released in January 2024 and are preparing to comply with the announced changes by the deadline. In relation to risk management, key activities that will be performed in 2024 to allow the Audit Committee to gain comfort that there is effective assurance over risks and controls will include:

- Risk assurance mapping will be conducted in 2024 to confirm and document what assurance activities are being undertaken across the material risks of the business
- A review of risk appetite to confirm alignment of the level of assurance planned for each key risk
- Onboarding of a governance, risk & compliance tool to improve the quality of risk and control information collected and allow the collection of risk information to be as smooth as possible



Net impact



Net likelihood

Low | Medium | High

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

Resilience

9. Supply chain disruption
10. Critical IT system failure and cybersecurity

Change management

11. Business change management

Economic and market conditions

1. Decline in market confidence

Risk owner: Chief Executive Officer

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
	1: Revenue decline	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 2024

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	Likelihood	Impact	Trend
	1: Revenue decline 2: One-off costs	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, customer service and technology in order to retain a differentiated product portfolio. We will support this by providing a leading service solution to our customers.

Focus for 2024

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

Economic and market conditions continued

3. Geopolitical instability

Risk owner: Group Finance Director

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
	1: Revenue decline 2: One-off costs 3: Loss of profitability	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 unchanged since the prior year. Last year, the risk was increased and so is already at an elevated level. The impact of geopolitical instability can cause issues within our supply chain or customer base. Rotork continues to monitor geopolitical events closely and develop strategies to remain resilient.

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 2024

- 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	Likelihood	Impact	Trend
	2: One-off costs	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

We are showing a decreasing trend for our H&S risk as a result of the mitigating actions taken by management and all colleagues at Rotork to build a more safety conscious culture. The embedding of the range of initiatives and safety standards is ongoing. Rotork is not being complacent and is focused on achieving consistent H&S performance. The health, safety and wellbeing of our colleagues and customers remains of paramount importance.

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 2024

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 the Group
- As part of the global standards programme, Rotork will continue to provide additional specific training to colleagues to enhance their competencies and safety awareness against our highest risks, building on the work performed during 2023

Environmental, Social and Governance continued

5. Compliance with laws and regulations

Risk owners: Group General Counsel & Company Secretary

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
Target segments, Customer value, Innovative products & services	2: One-off costs	Low	Medium	Decreasing

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 has decreased since the prior year. Legal and compliance teams across the group have implemented a range of risk mitigations that reduce the likelihood of the risk. For instance, sanctions procedures were updated during the year.

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 channel partners 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 2024
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	Likelihood	Impact	Trend
Target segments, Customer value, Innovative products & services	1: Revenue decline 2: One-off costs 3: Loss of profitability	Low	Low	Stable

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
Rotork is committed to enabling a sustainable future. On an ongoing basis, Rotork assesses new and upcoming regulations, identifying those that are relevant for Rotork. The use of renewable energies has increased across global operations, as has the work to assess our suppliers' readiness to set science-based targets.

Key mitigating actions
- ESG Committee sets Rotork's ESG strategy and provides 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 2024
- Increase the proportion of renewable energies consumed in our operations globally, where available
- Develop our approach to providing assurance over emissions reporting
- Continue to develop climate transition plans required to further enhance resilience and alignment with a future low-carbon economy
- Continue our assessment of supplier readiness to set science-based targets

Strategy key
Target segments · Customer value · Innovative products & services

Trend key
Increasing · Stable · Decreasing

Environmental, Social and Governance continued

7. People

Risk owner: Group Human Resources Director

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
	2: One-off costs	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

Our people risk decreased from last year due to the advancements made internally to react to changes in the market and improve retention and recruitment practices. These actions reduce the likelihood of people risks materialising.

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.
- A dedicated Head of Culture & Inclusion is in place to support on key initiatives

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 2024

- Enhancement of our family friendly policies to support the retention and attraction of talent
- Increase of training availability through a Learning Management System which, alongside career paths for all functions, continues investment in the development of employees
- Continuation of the leadership training programme linked to our new Growth+ strategy

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	Likelihood	Impact	Trend
	3: Loss of profitability	Low	Medium	

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

Following a review by the Board, it was decided to change the orientation of this risk to a low likelihood and medium impact. This change represents a re-evaluation of where this risk could impact Rotork most. The mitigating actions will correspond to how this risk is viewed.

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 2024

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 intelligent asset manager, iAM

Resilience

9. Supply chain disruption

Risk owner: Operations Excellence Director

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
Target segments, Customer value, Innovative products & services	1: Revenue decline 2: One-off costs	High	Medium	Decreasing

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 manage any disruption to our supply chain utilising a range of strategies dependent on the component and risk. We will focus our mitigations on critical components and will consider geopolitical factors in decision making. We expect our suppliers to adhere to our supplier code of conduct.

Focus for 2024
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

10. Critical IT system failure and cybersecurity

Risk owner: Chief Information Officer

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
Innovative products & services	1: Revenue decline 2: One-off costs	Medium	High	Stable

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 technology processes and controls in place.

Focus for 2024
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

Strategy key
Target segments · Customer value · Innovative products & services

Trend key
Increasing · Stable · Decreasing

Change management

11. Business change management

Risk owner: Business Transformation Director

Link to strategy	Link to viability scenario	Likelihood	Impact	Trend
	1: Revenue decline 2: One-off costs 3: Loss of profitability	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 risk tracks the key change programmes underway in Rotork, such as the global roll-out of an ERP system, 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 on 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 our change management capacity is sufficient to implement our strategy and that the business decisions do not negatively influence our day-to-day business.

Focus for 2024

- Continue with the development 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's Growth+ Strategy (see page 17) and Principal Risks (see page 71) 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.

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 geopolitical instability, 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 geopolitical instability, inherent volatility in exchange rates and oil and other commodity prices, the current inflationary environment, the remaining 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	• 4% decline in revenue from 2023 by year three • 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 • Geopolitical instability • Increased competition • Major in-field failure • Climate commitments • Critical IT-system failure and cybersecurity • Business change management • Supply chain disruption
2: One-off costs	• £50m one-off costs in year one and no growth in revenue from current levels • 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	• Geopolitical instability • Supply chain disruption • Increased competition • Health & Safety • Compliance with laws and regulation • Major in-field product failure • Business change management • Climate commitments • People • Critical IT system failure and cybersecurity
3: Loss of profitability	• £50m one-off costs in year one and a 12% decline in revenue from 2023 by year three • One-off cash costs as a result of a specific issue and a permanent loss of subsequent profitability which affects operating cash generation	• Geopolitical instability • Major in-field product failure • Business change management • Climate commitments
4: Reverse Stress Test	• £120m one-off costs in year one and a 13% decline in revenue from 2023 by year three • There is no reasonably possible scenario that would lead to the conditions modelled in the reverse stress test	• Multiple Concurrent Risks

2023 TCFD report

Introduction

The following sections report on our implementation of the recommendations of the Task Force on Climate-related Financial Disclosures. We support the purpose of TCFD, to standardise 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.

TCFD and CFD Statement of Compliance

Rotork is disclosing in accordance with the Financial Conduct Authority (FCA) Listing Rule 9.8.6(R)(8) and the Companies (Strategic Report)(Climate-related Financial Disclosure) Regulations 2022. The main disclosures are set out here, within the TCFD report, on pages 82 to 92. There are additional disclosures on pages 41-47 and 51-55. The disclosures describe activity to date and future areas of focus to further strengthen our strategic approach and communication of climate-related issues. Of the TCFD's 11 disclosure recommendations, we are compliant with nine, and we explain the status of the remaining two below.

TCFD recommendation	Status
Strategy (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	This 2023 report includes further detail on how we integrate climate related risk into financial planning. To fully align with TCFD, in 2024 Rotork will draft its Transition Plan, which will 'describe our plans for transitioning to a low-carbon economy' in line with TCFD guidance.
Metrics and targets (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	We currently provide a qualitative update on our physical risk metrics. As part of refreshing our scenarios and financial impact analysis in 2024, we will review the climate-related metrics of material risks and opportunities. Where relevant, we will implement quantitative metrics that allow for historic trend analysis in line with TCFD guidance.

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 in monitoring the management of climate-related risks and opportunities by:
  - (i) Its ESG, Remuneration and Audit Committees, which each oversee specific aspects of the Rotork's climate commitments and related reporting
  - (ii) Its oversight of the Company's strategy and policy for risk management, which incorporate climate related matters
  - (iii) The Rotork Management Board, which has management oversight of climate-related issues
- Individual members of the Rotork Management Board take responsibility for specific deliverables of the climate strategy within their areas of responsibility.
- In 2023, three ESG measures contributed to the bonus. One was 'environmental innovation', as measured through evidence of the positive environmental impact enabled by our products, services and customer engagement. ESG measures overall were 10% of the bonus opportunity and apply to the entire senior leadership population of around 100 people. In addition, 10% of the executive LTIP award for 2023 – vesting in 2025 – is subject to achieving at least a 35% absolute reduction in scope 1 and 2 emissions versus 2020 levels, a level of reductions in line with our formally validated, science-based 2030 target. For the 2024 LTIP, from base year 2020, maximum performance represents a 46% reduction in 2027 and threshold performance represents a 42% reduction (see page 152).

Next steps (2024)

- Next chair of the Safety & Sustainability (formerly ESG) Committee to be appointed.

Climate-related responsibilities of the Board

Strategy

The Board supports the ongoing development of Rotork's business strategy. This year, the Board has been particularly focused on the 2023 LTIP's emissions reduction target and our approach to emissions measurement and assurance.

Performance

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

Updates: The Board meets regularly during the year and receives updates from the ESG Committee Chair following each ESG Committee meeting. Each update will include coverage of climate-related matters. The ESG Committee meets three times each year and receives regular reports from our CEO on the Group's progress towards science-based emissions reduction targets, the related LTIP target and our net-zero carbon roadmap. In 2023, each meeting included climate-related matters (see page 118); these updates are prepared by the ESG, HSE and Group Sourcing teams.

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.

Governance continued

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. Our science-based greenhouse gas (GHG) emissions reduction targets cover scopes 1 & 2 and scope 3.

Remuneration: In 2023, remuneration from ESG performance metrics was expanded to include scope 1 and scope 2 emissions reduction into the LTIP. For the 2024 LTIP, measured against base year 2020, maximum performance represents a 46% emissions reduction in 2027 and threshold performance represents a 42% reduction

Management team responsibilities during 2023

Individuals

- ***Chief Executive Officer:*** Responsible for overseeing integration of climate considerations within the corporate strategy and M&A-related activity and reports directly to the Board. The CEO is a member of the ESG Committee. Our CEO is also responsible for our HSE and procurement teams, which respectively i) oversee the implementation of environmental and energy efficiency projects at our manufacturing sites to deliver energy, waste and water reduction targets, and ii) oversee emissions reduction opportunities in the upstream value chain, including engaging with suppliers to set science-based targets.
- ***Group Finance Director:*** Responsible for climate reporting and compliance with disclosure requirements.
- ***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. The management team are led by our CEO.

Teams

- ***ESG team:*** Responsible for developing the ESG and climate strategy and delivering related communications and reports. Reporting to the Group Finance Director, their responsibilities also include (i) monitoring and addressing stakeholder expectations in relation to climate issues, (ii) monitoring broader ESG and climate-related policy developments, and (iii) monitoring our exposure to climate related risks and opportunities to ensure awareness of the management team and to meet disclosure requirements.
- ***Health, Safety and Environment team:*** Responsible for setting and adhering to environmental standards for our operations and collating environmental performance data. Reporting to the CEO, 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. Reporting to the CEO, the team is additionally 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.

Strategy

Summary of disclosure

- We undertake 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 undertake extensive internal stakeholder engagement to identify and assess potential climate impacts across Rotork's business value chain
- We quantify the financial impact of potentially material physical and transition risks and opportunities across climate scenarios

Next steps (2024)

We will continue to:

- Develop our Climate Transition Plan to further enhance resilience and to ensure alignment with a future low-carbon economy
- Standardise climate scenario analysis to enable regular assessment of risks and opportunities to the business, with assessments to be refreshed at least every three years

Qualitative assessment of climate-related risks and opportunities

Our qualitative climate scenario approach

Over 2021–22, we conducted a non-financial (qualitative) assessment of the potential impact of climate-related risks and opportunities over future climate scenarios and time horizons. This qualitative analysis was detailed on pages 64–68 of our 2021 Annual Report. With these results, we assessed the potential (quantitative) financial impacts from the risks and opportunities considered most material to the business.

For these analyses, Rotork defines time horizons as short term (0–10 years), medium term (10–25 years), and long term (25+ years), in line with our Group Horizon risk and opportunity scanning methodology. In relation to climate related matters, short term aligns with strategic planning, medium term aligns with our net-zero target timeframes and long term aligns with the timeframe we use to look at macro and megatrend risk scenarios. 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 selected for our initial qualitative analysis are taken from the set of hypothetical scenarios developed by the Network for Greening the Financial System (NGFS), specifically three transition categories with six possible scenarios:

- ***Orderly transition:*** The net-zero 2050 scenario and Below 2°C scenario assume: (i) early, ambitious action to support the transition to a net-zero economy, (ii) a policy ambition to limit temperature increase to 1.5°C and 1.7°C respectively.
- ***Disorderly transition:*** The divergent net-zero 2050 scenario and Delayed Transition scenario assume: (i) late, disruptive, sudden and/or unanticipated action no earlier than 2030, (ii) a policy ambition to limit temperature increase to between 1.5°C and 1.8°C respectively.
- ***Hot house world:*** The Nationally Determined Contributions scenario and Current Policies scenario assume: (i) limited action resulting in continued global warming and significant increases in exposure to physical risks, (ii) a policy ambition to limit temperature increase to ~2.5°C and 3°C+ respectively.

Our climate scenario analysis process

Identify climate risks and opportunities	Assess climate risks and opportunities	Quantify financial impact	Integrate into Rotork processes
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 cash flow impacts to identify material climate risks and opportunities	Integrate the results of the climate scenario analysis into business strategy, financial planning and risk management processes

Qualitative climate scenario process

This non-financial assessment scored and ranked the identified climate-related risks and opportunities. We follow a two-stage process for our assessment:

1. ***Risk and opportunity identification:*** Research on sectoral and climate scenario impacts is 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 are scored and prioritised using three assessment criteria: vulnerability, magnitude and likelihood. Each physical and transition risk or opportunity is 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 enables Rotork to understand the range of possible climate-related risks and opportunities and to prioritise those that could have the most material financial impact. The shortlisted risks and opportunities of our qualitative assessment are set out in full on page 85 of this report.

Quantification of financial impact from material risks and opportunities

For these potentially material climate-related risks and opportunities, we then modelled the potential financial impacts across forward-looking business and climate scenarios.

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. This snapshot is underpinned by 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.

Summary of material climate-related risks and opportunities

Qualitative scenario analysis – risks and opportunities assessed

The table below sets out the climate related risks and opportunities that we qualitatively assessed. The issues identified as possibly material (in **bold**) were assessed in the quantitative stage that followed. This quantification identified the risks and opportunities that are potentially material, detailed on pages 87 and 89. Where the risks are viewed as overlapping (carbon tax and stricter climate legislation, extreme weather related risks), they are consolidated as one risk on pages 87 and 89.

Transition risks	
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

Climate-related opportunities	
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	
Chronic – longer-term climatic shifts	• 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 and 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

Summary of material climate-related risks and opportunities continued

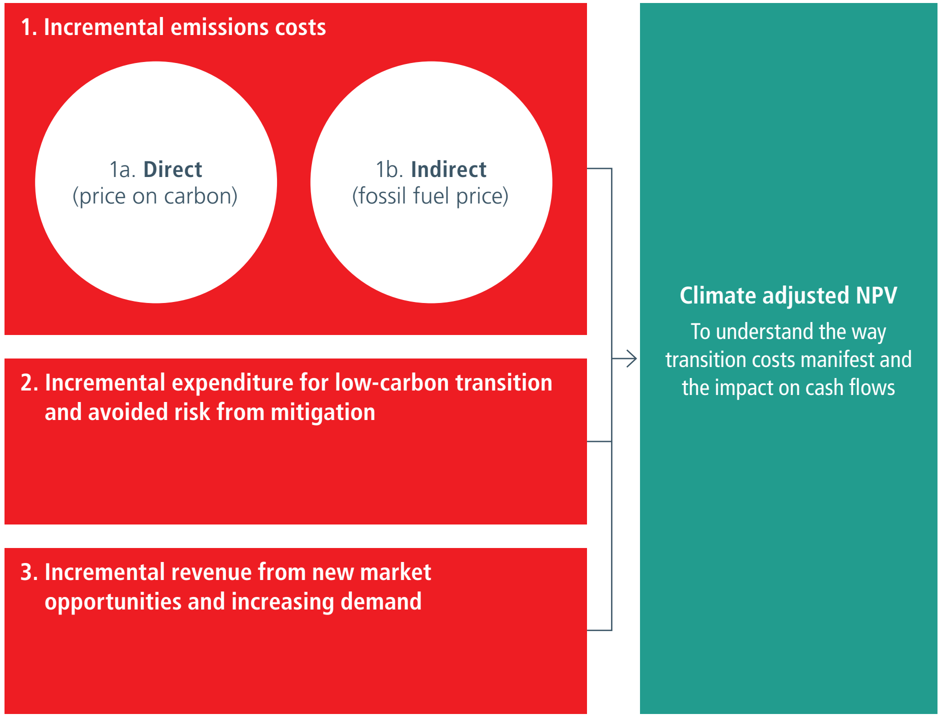
Transition scenarios and risk quantification

Our methodology for 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 quantitative 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). Through the use of these scenarios – which vary by the level of climate action achieved – we can assess whether the impact values vary with the level of climate action:

- 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



Summary of material climate-related risks and opportunities continued

Transition risks and opportunities impact assessment

UNEP FI transition risk factor pathway category	Transition risks and opportunities	Incremental financial impact (by scenario)	Potential management responses
Direct GHG emission costs **Time horizon:** medium term **Trend:** financial impact rises in line with projected carbon price	**Carbon tax** • The costs of carbon taxes applied to scope 1 and 2 emissions from gas and electricity use at our global facilities • EU Carbon Border Adjustment Mechanism (CBAM) applied to goods imported into our EU operations. Sectors affected: iron, steel and aluminium.	Stated Policies Announced Pledges Sustainable Development Net-zero Emissions	• Identify and implement measures to reduce gross GHG emissions • We are taking steps to ensure compliance with CBAM's requirements **Metrics** • 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 **Time horizon:** long term **Trend:** if global demand for fossil fuels declines, fuel prices and our risk exposure reduce. In the net-zero scenario, the forecast price is lower than the base case.	**Change in energy costs** • Prices of fossil fuels (gas and diesel) will change in the energy transition as society shifts to low-carbon alternatives. Three scenarios indicate a net negative impact resulting from higher energy prices. The net-zero scenario, due to significant reductions in energy prices, indicates a net positive impact.	Stated Policies Announced Pledges Sustainable Development Net-zero Emissions	• 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 2023 we sourced 44% of our electricity from renewable sources (2022: 34%) **Metrics** • Gas and diesel consumption **Targets** • Reduce consumption of gas and diesel
Avoided risk from mitigation **Time horizon:** short term	**Reduced risk exposure, and lower operating costs from energy savings and procurement of renewable electricity** • Cost savings resulting from emissions reductions initiatives at our facilities • Avoided carbon tax from a reduction of gross emissions	Stated Policies Announced Pledges Sustainable Development Net-zero Emissions	• 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** • Scope 1 and 2 emissions **Targets** • Reduce emissions from scope 1 and 2 sources by 42% by 2030
Incremental revenue from new market opportunities **Time horizon:** short term	• Increasing demand from hydrogen-related end markets • Increasing demand for upstream electrification in oil and gas markets	All scenarios All scenarios	• We are a supplier to upstream electrification and hydrogen projects which will deliver significant emissions reductions, see pages 52-54 • Our IQTF is established as the leading electric actuator for upstream oil and gas choke valve applications

Impact thresholds (key):
Negative exposure: <£3m £3–5m £5–10m £10–20m >£20m Positive exposure: <£3m >£20m

Summary of material climate-related risks and opportunities continued

Transition risks and opportunities impact assessment continued

Practical limitations when quantifying future transition risks

Please note that these quantifications are forward-looking projections which can only provide an indicative value at risk. These values are based on place-based assumptions concerning likelihood, magnitude and asset vulnerability which vary between future climate scenarios.

Climate-related opportunities

The role Rotork can play in a green economy and a cleaner, more sustainable future featured highly in our recent materiality assessments. 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. Our products have applications in the rollout 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. We will continue to evaluate these and incorporate any newly material opportunities into future TCFD reporting.

Case studies illustrating the role we can play are set out on pages 40 to 55

Physical climate scenarios and risk quantification

Our methodology for physical climate risks

The physical impacts of climate change are expected to increase in the future through an increase in frequency and severity of extreme weather events as well as through long-term shifts in climate patterns. 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. As 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. 'Shared Socioeconomic Pathways' (SSPs) – and their associated projections to 2050 – were used to model a low, middle and high warming scenario (SSP1-2.6, SSP2-4.5 and SSP5-8.5 respectively). 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:*** 'Sustainability' scenario with low challenges to mitigation and adaptation – A high-priority scenario which broadly aligns to a 2°C increase in temperature by 2100.
- ***SSP2-4.5:*** 'Middle of the Road' scenario with medium challenges to mitigation and adaptation – 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:*** 'Fossil-fueled Development' scenario with high challenges to mitigation and low challenges to adaptation – 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.

Practical limitations when quantifying future physical risks

It should be noted that these quantifications are forward-looking projections which can only provide an indicative value at risk. These values are based on place-based assumptions concerning likelihood, magnitude and asset vulnerability which vary between future climate scenarios.

Summary of material climate-related risks and opportunities continued

Physical risk impact assessment

Value drivers assessed	Description	Incremental financial impact (by scenario)	Potential management responses
Damage to property value at our four most significant manufacturing operations **Physical risk:** acute **Time horizon:** medium term **Geographies:** United Kingdom, USA, Italy, China	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)	• 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, see page 92 for an update on metrics
Productivity loss at our four most significant manufacturing operations **Physical risk:** acute **Time horizon:** medium term **Geographies:** United Kingdom, USA, Italy, China	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)	• 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, see page 92 for an update on metrics

Impact thresholds (key): Negative exposure: <£3m, £3–5m, £5–10m, £10–20m, >£20m Positive exposure: <£3m, >£20m

Climate resilience, financial and transition planning

Integration into financial planning

The material opportunities and risks (net of any insurance cover) of climate change are integrated into our financial planning, to the extent that the likelihood of occurrence is probable.

- The expected cost of taxes (including environmental taxes), energy and capital expenditure (including energy saving and renewable energy projects) are incorporated into our budgeting process.
- The revenue and anticipated revenue from our eco-transition portfolio factors into our financial forecasts, including climate related opportunities like oil & gas customers purchasing electric actuators as part of decarbonising upstream operations.
- As part of our budgeting process, we incorporate the cost of performing risk assessments and undertake mitigations to reduce the impact of physical risks. We purchase insurance to further mitigate the risk of property damage from extreme weather events.

Where the likelihood of risk occurrence is more remote, consideration will be given to the potential financial impact as part of the viability assessment (pages 80–81). The likelihood of risks occurring is monitored through our group risk management process.

Climate resilience

The scenario analysis indicates that Rotork is resilient to both the transition to a low-carbon economy and to the more frequent, severe weather events that would accompany climate scenarios with greater levels of warming. The most material risk identified was the potential costs of a high carbon tax, and our continued progress against our science-based Scope 1 and 2 target demonstrates our ability to manage this risk. Likewise, the analysis indicates that (i) the risk posed by changing fuel prices diminishes in the Sustainable Development and net-zero scenarios, and (ii) we stand to benefit from proactively reducing emissions in all WEO scenarios. The modelling of physical risk from extreme weather indicated modest risk values, and major incident plans are in place at all our sites.

Likewise, through our ability to supply technologies that enable the transition – including hydrogen production and electrification of oil and gas operations – we are positioned to benefit from the transition to a 2°C scenario. For further examples of our products' use in low-carbon technologies, see pages 52–55.

Next steps (2024)

- Develop a Climate Transition Plan which incorporates our approach to resilience and the transition to a low-carbon economy
- Standardise climate scenario analysis to enable regular assessment of risks and opportunities to the business, with assessments to be refreshed at least every three years

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 and sustainable future. This is further outlined in our Growth+ strategy on page 17. 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 110 to 112.

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-term 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 68 to 72 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 85) 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. We currently define financial materiality as effecting net profit by over £6m and probability greater than 25%. This will be used to inform the continued development of risk management responses for incorporation into our Climate Transition Plan.

Next steps (2024)

- Standardise climate scenario analysis to enable regular assessment of risks and opportunities to the business, with assessments to be refreshed at least every three years

Metrics and targets

Summary of disclosure

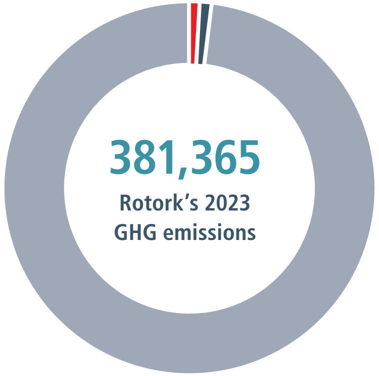
- Rotork has reported operational GHG emissions (scope 1 and 2), energy, waste and water data, trends over time, and related reduction targets for many years. CO_2e per £m revenue is a long-standing non-financial key performance indicator
- Scope 3 emissions have also been reported for some categories for a number of years. In 2021, Rotork calculated its full scope 3 inventory and have continued to track performance since 2022. Emissions for all relevant categories are set out below and on pages 41 and 42
- We have developed and committed to science-based emissions reduction targets for scopes 1, 2 and 3 and our near-term targets are validated by the SBTi
- Emissions are calculated according to the GHG Protocol. Scope 1 and 2 emissions are independently assured by MakeUK. Scope 3 emissions have been calculated with support from Corporate Citizenship

Next steps (2024)

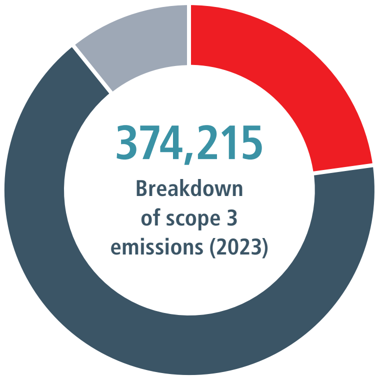
- As part of developing the Climate Transition Plan, develop a strategy for achieving net-zero as well as a strategy for GHG removals for residual emissions

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. Our detailed greenhouse gas footprint is available on pages 41 and 42.



- Scope 1
- Scope 2
- Scope 3



- Purchased goods and services
- Products in use
- Rest of scope 3 categories

GHG emissions	Tonnes CO_2e (2023)	Associated risks
Scope 1 direct	3,197 Limited assurance	• Price volatility for fossil fuels
Scope 2 indirect (location based)	3,953 Limited assurance	• Fluctuation in electricity costs (renewable and non-renewable)
Scope 3 other indirect	85,386 Purchased goods and services 248,465 Products in use 40,364 Rest of scope 3 categories	• 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	381,365	• 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

Metrics and targets continued

Climate-related metrics

Rotork has reported operational GHG emissions (scope 1 and 2) per £1 million revenue as one of its key non-financial performance indicators since 2013 and has a track record of improving its efficiency year-on-year. In 2023, our total scope 1 and market-based scope 2 emissions decreased by 11%. Emissions per £m revenue reduced by 12%, with 9.9 tonnes CO_2e being produced per £m, compared to 11.3 tonnes in 2022.

We use the following metrics to monitor performance, though these may change as our approach to climate risk evolves:

Transition risks and opportunities	Current metric	2023	2022	% change
Direct GHG emission costs / **Avoided risk from mitigation**	Scope 1 and 2 emissions (tonnes, market-based)	**6,310**	7,052	-11%
Indirect GHG emission costs	Gas, diesel and petrol consumption (GJ)	**49,377**	nr*	—
Incremental revenue from new market opportunities	% revenue from eco-transition portfolio	**30%**	28%	2%

Physical risks and opportunities	Current metric	2023 update
Damage to property value	Sites with tailored severe weather event plans	All sites have a major incident plan in place. The four major manufacturing sites assessed for TCFD have severe weather management plans in place.
Productivity loss	Number of days operations were disrupted due to extreme weather events	We currently monitor disruption and productivity loss through the Group risk management function. These events are very infrequent. During 2024, we will review the extent to which acute operational disruption affects overall output, and may refine our metric accordingly.

* Diesel and petrol data not available and 'not reported' in prior years.

Energy, water, and waste data is reported on pages 41 to 45 of this report. Renewable and non-renewable electricity consumption in 2023 is reported on page 63.

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. In 2023, as part of assessing the investment required for our transition to net-zero, we undertook energy audits at several of our global facilities.
- Cost of carbon: Rotork does not yet use an internal price of carbon. As part of drafting our Transition Plan and refreshing our scenario analyses in 2024, we have the opportunity to review whether specific aspects of our business would benefit from formalising the carbon cost of its activities.

Climate-related targets

We are 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 SBTi. 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 41. We aim to achieve our target through renewable energy procurement, use of on-site solar photovoltaic generation, energy efficiency projects across our estate and our fleet emissions reduction strategy. We are currently on track to achieve this target, with a 32% emissions reduction in 2023 versus our 2020 baseline.

For scope 3, we have also set an absolute reduction target for emissions associated with the 'Use of Sold Products'. Our target is 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. 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', as over time our products will be powered by an increasing proportion of renewable energy during their use. We are on track with programme delivery, see further details on page 46.

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. We are on track with our supplier engagement activities, see further details on page 47.

In 2023 and 2024, the executive LTIP awards include a measure targeting reductions in scope 1 and 2 emissions.

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

Our approach to managing our environmental impacts is set out on pages 30 to 63. Our TCFD report, incorporating disclosures which meet the requirements of the UK Companies Act climate-related financial disclosures (CFD), is set out on pages 82 to 92. We work to measure and reduce our environmental impact and report progress in our Annual Report, and in our separately published GRI table.

Material policies

Environmental 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.

How we monitor the effectiveness of policies

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 11 for GHG emissions per £m revenue performance in 2023 and trends over time.

The Company's employees

Where material information is located

Our approach to People and Culture is set out on pages 57 to 61. Our employee engagement approach is also covered in our Section 172 statement on pages 110 to 112. Related principal risks, on pages 73 to 79, are Health, Safety and the Environment and Change Management.

Material policies

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.

How we monitor the effectiveness of policies

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 2023 and trends over time are set out on page 11.

Social and community matters

Where material information is located

Our contribution to the communities in which we operate, including charitable giving, is covered on pages 56 to 62. Our approach to supplier management is on pages 47 to 48 and 112.

Material policies

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 co-operation 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.

How we monitor the effectiveness of policies

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

Our approach to diversity and inclusion and respect for human rights is covered on pages 48 to 50 and 57 to 61. Our Modern Slavery Statement is published on our Group website at www.rotork.com

Material policies

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.

How we monitor the effectiveness of policies

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

Culture, ethics and governance section (pages 49 and 50), our people and culture section (pages 57 to 61).

Material policies

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.

How we monitor the effectiveness of policies

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 49 for more information.

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	4–5
Key non-financial performance indicators	• Key performance indicators • Sustainability Review	10–11 30–63

Information for funds applying the Sustainable Finance Disclosure Regulation (SFDR)

Our end markets

In 2023, 46% of our sales were into Oil & Gas, 30% into Chemical, Process & Industrial and 24% into Water & Power. The most common application of Rotork's products and services – across all end markets – is 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 2023, 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 40 to 55 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 30 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 41 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 37 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 30 to 63.

Approval and signing of the Strategic Report

The Strategic Report was approved by the Board on 4 March 2024 and signed on its behalf by:

Kiet Huynh
Chief Executive Officer
4 March 2024

Corporate governance

The Rotork Board continues to be committed to the highest standards of governance and stakeholder engagement

Contents

Dorothy Thompson, CBE
Chair

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 2023

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 my first report to you as Chair, which describes the key activities of the Board during the year along with our governance arrangements. I am excited to have joined Rotork as it takes forward its vision to become a world leader in intelligent flow control, pursues its Growth+ strategy and plays its part in enabling a sustainable future. I look forward to working with the Board, our colleagues and stakeholders to help steward the Company through its journey to successfully deliver on its strategy.

During my first few months as Chair I have enjoyed spending time in getting to understand the business and meeting key stakeholders, including our employees and investors and taking on board their views. I would like to thank everyone for the warm reception and support I have received.

Board activities in the year

A key focus for the Board this year was reviewing the strategic initiatives underway to support the delivery of our Growth+ strategy, launched in November 2022. To support this we have reviewed, through deep dives, our Target Segments and key markets as well as exploring the opportunities and risks in depth.

In recognition that we have an important role to play in new energies and technologies that will support the transition to a low-carbon economy, the Board also took time to review how we might play our part through investment in new product development in driving the transition to a sustainable future where resources are used responsibly. To ensure the appropriate level of governance in this key area, we took the opportunity to refocus the aims and scope of the Board Committee overseeing the implementation of Rotork's sustainability strategy to enable an enhanced focus on our selected Sustainable Development Goals. As a result, our ESG Committee, which was established in October 2020, was reconstituted as the Safety and Sustainability Committee, with effect from 1 January 2024.

Another key focus of the Board this year has been to oversee the acceleration of Rotork's business transformation through implementing and integrating common systems and processes across the Group supported by a new enterprise resource planning (ERP) system. This will improve lead times and enhance customer experience. An important milestone was reached in the first quarter of 2023 with the successful first deployment of our ERP system at our Bath factory. The Board will monitor its deployment across all sites over the next few years.

The Board regularly reviews its capital needs in line with our capital allocation strategy. With our strong balance sheet, healthy net cash position and good cash generation, we recognise that we have the financial flexibility to pursue our organic investment plans, pay a progressive dividend and execute our targeted M&A strategy.

Board activities in the year continued

To this latter end, we were pleased to announce the acquisition, on 4 August 2023, of Hanbay Inc, based in Montreal, Canada. This acquisition expands Rotork's electric actuator offering and is consistent with all three pillars of our Growth+ strategy.

The Board is always keen to understand and respond to the views, concerns and challenges of our people. In October, the Board took a deep dive into the initiatives being taken by management in the areas of leadership, talent development, culture and engagement which we consider critical to ensuring retention and having motivated, well-led teams able to deliver the Growth+ strategy. The Board also reviewed the aims and outcomes of the employee engagement process undertaken through the pulse surveys. Key initiatives included a more focused Leadership Programme and an enhanced Learning Management System, linked to career planning for all colleagues to access.

A fuller summary of the Board's activities during the year can be found on pages 106 to 109.

Board composition

The Nomination Committee keeps the balance of skills, knowledge and experience on the Board under regular review and is mindful of the best practice requirements under the UK Corporate Governance Code 2018 and the requirements in Listing Rule 9.8.6.

There have been a number of changes to the Board since the last annual report. Jonathan Davis, who has served as Group Finance Director since 2010, advised the Board in September that he would be retiring after 21 years, during which he has made a significant contribution to the Company. The Board has appointed Ben Peacock as Chief Financial Officer to succeed Jonathan who will continue in his current role until Ben joins the Board on 11 March 2024. Jonathan will step down from the Board on 30 April 2024 but will remain with the Company to support the transition for an interim period. Ben brings a wealth of industry experience and highly relevant skills to the role and we are delighted to welcome him to Rotork. Peter Dilnot stepped down from the Board on 31 December 2023, in light of his appointment as CEO of Melrose Industries PLC. The Board and our executive leadership have benefitted greatly from his advice and his expertise over the past six years. Tim Cobbold succeeded Peter as Senior Independent Director from 1 January 2024. Ann Christin Andersen has decided not to seek re-election at the Company's AGM, in light of her appointment as CEO of Norwegian Energy Partners. The Board is grateful to Ann Christin for her valued contribution, particularly with respect to environmental and sustainability matters through her chairing the ESG Committee (now the Safety and Sustainability Committee). During the latter part of the year, the Nomination Committee initiated a thorough search for two non-executive directors, following which Andrew Heath and Vanessa Simms were appointed to the Board with effect from 1 April 2024 and 21 June 2024 respectively with Andrew standing for election at our 2024 AGM. Together, they bring extensive experience in strategic leadership in the listed environment.

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 127. All new Board members participate in a comprehensive induction programme, details of which can be found on page 108.

Diversity and inclusion

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 59.

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 are 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 113 and 114.

Details of the ways we have engaged with stakeholders to understand their views can be found on pages 110 to 112. 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 9.

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. Whilst we were due to conduct an external process during 2022, the Board decided to postpone the external Board evaluation to 2023 following my appointment as Chair to enable a more meaningful baseline against which to assess Board effectiveness. A report on the process and outcomes of the 2023 external Board evaluation can be found on page 115.

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.

The Company's corporate governance compliance statement for 2023 is set out on page 100.

On a personal note, I would like to thank shareholders, the Board and all our employees for welcoming me to the Board as Chair and for their support and hard work this year. Rotork is a world class business and I believe it is well placed to build on this strength to deliver sustainable growth over the coming years.

Dorothy Thompson, CBE
Chair
4 March 2024

Key Board activities in 2023

UK Corporate Governance Code

Corporate governance compliance statement

It is the Board's view that for the financial year ended 31 December 2023, the Company complied with all of the provisions and applied the principles of the UK Corporate Governance Code 2018 (the 'Code').

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 82.

Progressing our Growth+ strategy

Continued oversight and monitoring of the implementation of Rotork's Growth+ strategy, which is designed to drive growth through a focus on Target Segments, customer value and innovation.

See page 17

Revenue growth in 2023 (OCC):

+13.6%

Acquisition of Hanbay, Inc.

Approved the acquisition of Hanbay, Inc., adding a compact high-torque electric valve actuator to our product offering. This acquisition is fully consistent with the Growth+ strategy.

See page 65

Hanbay sales post acquisition in 2023:

£1.6m

with margins in line with the Rotork Group average.

Enhanced employee engagement

Continued engagement with our people to understand their views through site visits, webinars,direct two-way communication and all-employee surveys.

See pages 113 to 114

Survey participation rate:

79%

Ensuring strong succession

Approved the appointment of Tim Cobbold as Senior Independent Director and the Group Finance Director succession, whilst recognising the advantages of having in place a diversity of gender, social and ethnic backgrounds and cognitive and personal strengths for the Board and senior management.

See pages 126 to 128

Average non-executive director tenure:

2.83 years

Promoting diversity and inclusion

We remain committed to maintaining a diverse and inclusive culture on the Board and working to achieve a diverse executive and leadership composition.

See pages 127 and 128

Board female representation as at 31 December 2023:

50%

Board ethnicity as at 31 December 2023:

25%

Progressing our sustainability framework

Refocusing of the Board Committee overseeing the implementation of Rotork's sustainability strategy to enable greater focus on our selected Sustainable Development Goals.

See pages 118 to 120

Commitment to net-zero by:

2045

2030 target to reduce scope 1 and 2 emissions:

42%

Directors' skills and experience matrix

The matrix below captures the skills and experience that the directors, who served during the year under review and remained in office at 31 December 2023, brought to the boardroom table in 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 102 and 103.

Independence/skills/experience	Kiet Huynh	Jonathan Davis	Dorothy Thompson[1]	Peter Dilnot	Ann Christin Andersen	Janice Stipp	Tim Cobbold	Karin Meurk-Harvey
Independence			●	●	●	●	●	●
Listed CEO/CFO experience	●	●	●	●		●	●	
Sector experience[2]	●	●	●	●	●			
Engineering and innovation	●			●	●	●	●	●
Operations	●		●	●	●		●	●
International	●	●	●	●	●	●	●	●
Health and safety	●		●	●	●		●	●
Finance and banking		●	●			●	●	
Strategy and M&A	●	●	●	●	●	●	●	●
Sustainability			●	●	●	●		●
Digital, cyber and technology	●	●			●	●	●	●

1 Dorothy Thompson was 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.

Focus for 2024

Progression of Growth+ strategy

Continued Board oversight of the delivery of mid to high-single-digit revenue growth and mid-20s adjusted operating margins over time.

Embedding Board changes

Ensuring comprehensive induction and handover programmes are in place to support the new Chief Financial Officer and new non-executive director appointments.

Business transformation and ERP rollout

Acceleration of our business transformation through the implementation and integration of common systems and processes throughout the Group.

Investment in people

Continued investment in a focused Leadership Programme and an enhanced Learning Management System, linked to career planning for all our colleagues.

Board at a glance

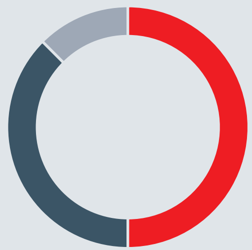
Director changes

- Dorothy Thompson succeeded Martin Lamb as Chair on 28 April 2023
- Peter Dilnot stepped down from the Board and as Senior Independent Director on 31 December 2023
- Tim Cobbold was appointed Senior Independent Director with effect from 1 January 2024
- Ben Peacock joins the Board as executive director and Chief Financial Officer on 11 March 2024 to succeed Jonathan Davis who is retiring after 21 years with the Company at the 2024 AGM
- Ann Christin Andersen steps down from the Board on 30 April 2024
- Andrew Heath and Vanessa Simms were appointed non-executive directors with effect from 1 April 2024 and 21 June 2024 respectively

Board composition

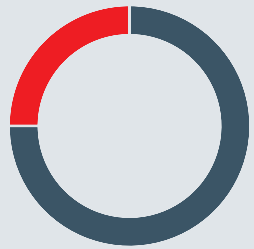
Non-executive director Board tenure

as at 31 December 2023



Board ethnic background

as at 31 December 2023



Rotork exceeds the Parker Review recommendation for FTSE 250 companies for at least one ethnically diverse Board member by 2024.

Board gender identity or sex

as at 31 December 2023

Female Board representation is 50% and exceeds the target set under the Listing Rules and DTRs of 40% female representation on boards by 2024.

A Board with experience

Promoting the long-term sustainable success of the Company and generating value for stakeholders continues to be the focus of the Board

N Nomination Committee
A Audit Committee
R Remuneration Committee
S Safety and Sustainability Committee (formerly, the ESG Committee)
– None
Denotes Chair

Dorothy Thompson, CBE (63)
Chair

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

Non-executive director of Eaton Corporation plc

Kiet Huynh (45)
Chief Executive Officer

–

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 (57)
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 and will be retiring from the Board at the conclusion of the AGM to be held on 30 April 2024.

External appointments

Non-executive director and Audit Committee Chair of Volution Group plc

Ann Christin Andersen (57)

Non-executive director

N A R S

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 and gas industry. An engineer by profession, she has been Chief Digital Officer for TechnipFMC. She has served as Chair and non-executive director of a number of companies over the past several years. Ann Christin will be stepping down from the Board at the conclusion of the AGM to be held on 30 April 2024.

External appointments

Non-executive Deputy Chair of Å Energi AS

CEO of Norwegian Energy Partners

Tim Cobbold (61)

Non-executive Director for Workforce Engagement[2]

N A R S

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, more 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 (58)

Non-executive director

N R S

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 of Smart DCC Ltd

Janice Stipp (64)

Non-executive director

N A R

Appointed to the Board

December 2020

Skills, competencies and experience

Janice brings relevant sectoral and financial expertise to the Rotork Board, together with a global perspective, particularly 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 and Audit Chair of Diploma PLC

Non-executive director of ArcBest Corporation

Peter Dilnot (54)

Senior Independent Non-executive Director[1]

N A R

Board tenure

September 2017 – December 2023

Skills, competencies and experience

Peter was appointed CEO of Melrose Industries PLC in October 2023. 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. Peter served as a director throughout 2023 and stepped down from the Board on 31 December 2023.

External appointments

CEO of Melrose Industries PLC

1 Until 31 December 2023.

2 Senior Independent Director (from 1 January 2024).

Our governance framework

The Board

Accountable to shareholders for the long-term sustainable success of the Group. This is achieved through setting the strategy and 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.121

Nomination Committee

Dorothy Thompson
Chair

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.126

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.129

Safety and Sustainability Committee (formerly, the Environmental, Social and Governance Committee)

Ann Christin Andersen
Chair

To oversee the implementation of Rotork's safety and sustainability strategies in line with its purpose of keeping the world flowing for future generations.

Read more P.118

* In addition, the Disclosure Committee of the Board oversees the disclosure of market sensitive information and other public announcements.

Focus on culture

The Board recognises the importance of a healthy culture which guides responsible decisions and actions. The Board is responsible for defining and setting Rotork's culture from the top and leading by example. Our purpose, values and behaviours are embedded across the business and underpin our business model. They 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 so as to encourage employees to make a positive difference for stakeholders.

Our 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.

Our 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 49 and 50.

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 updates to the Board on, for example, compliance matters and reports received through our 'Speak Up' whistleblowing helpline. The regular employee pulse 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.

How the Board monitors culture	Cultural indicators
Health and safety: we have a zero-harm vision which applies to our broader agenda of health and safety, environment and product safety.	• 0.08 lost time injury rate for 2023 (2022: 0.13) • 0.26 total recordable injury rate for 2023 (2022: 0.53)
Direct employee engagement: Tim Cobbold, as our designated Non-executive Director for Workforce Engagement, brings the employee voice into the boardroom through sharing updates on his engagement with employees. This is supplemented by Rotork site visits conducted by other non-executive directors during the year.	• 5 non-executive director in-person site visits
Employee pulse surveys: these are conducted anonymously during the year with results reviewed by the Board. Whilst some have a specific theme, certain questions recur regularly to track progress. These help identify the key areas where employees feel that enhancements can be made.	• 79% employee survey participation rate (2022: 75%)
The annual review of Rotork's people, culture and social strategies: covering such areas as progress on diversity and inclusion, leadership and engagement, employee mental health and wellbeing, community engagement and support to external charities.	• 7.4 employee rating of Rotork as a place to work in July 2023 (an increase of 2.7% from December 2022)
Compliance with policies and procedures: with the assistance of its Committees, the Board oversees the effectiveness of a number of its policies, e.g. the Code of Conduct, Anti-Bribery and Corruption, Modern Slavery and Supplier Code of Conduct.	• Employees must undertake mandatory Code of Conduct and Speak Up training with training completion rates tracked and sign annual confirmations of compliance
'Speak Up' whistleblowing helpline: enables anonymous reporting of improper behaviour to be investigated and appropriate action taken where necessary.	• The number of reports made through the whistleblowing hotline and the outcomes of investigations are monitored and reported to the Board
Diversity and inclusion: the Nomination Committee reviews annually the Company's policy on diversity and inclusion, its objectives and linkage to Company strategy, how it has been implemented and the progress on achieving the objectives.	• 50% Board gender diversity • 25% Board ethnic diversity • 64% Early careers diversity • 3% mean gender pay gap in favour of females

We ensure our people, policies and systems are aligned to our values which were selected by our people and are important in creating a culture that we can be proud of. These 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.

Board leadership

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 Safety and Sustainability), 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 site in Leeds explored further the effective implementation of Rotork's Growth+ strategy which was launched in November 2022. More details on strategy and Rotork's business model are covered on pages 17 to 25 and pages 4 and 5 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 and the environment. In so doing, the Board has also sought to understand the views of these other key stakeholders. Pages 110 to 112 describe how their interests have been considered at Board-level discussions.

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, Dorothy Thompson chairs the Nomination Committee. As the Senior Independent Director throughout 2023, Peter Dilnot provided a sounding board for the Chair in addition to acting as an intermediary for other directors and shareholders, a role now held by Tim Cobbold. In December 2023, the non-executive directors met, 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 Safety and Sustainability Committee (formerly 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. Details of the work he has undertaken in fulfilment of this role can be found on pages 113 and 114. As mentioned above, Tim Cobbold took over as SID on 1 January 2024.

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 104.

Responsibilities of the Board

Non-executive Chair Dorothy Thompson	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	Overall management of the Group and leadership of the Rotork Management Board; delivering the Group strategy; leading operational management, business development and growth opportunities; influencing and developing succession planning and 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 and responsible for compliance with financial policy and controls.
Senior Independent Director (SID) Tim Cobbold[1]	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; and ensures the orderly succession of the Chair's role.
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 and 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 and 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 31 December 2023, Peter Dilnot held this office. Tim Cobbold was appointed SID from 1 January 2024.

Division of responsibilities continued

Rotork Management Board	Responsibility
Keith Barnard, Managing Director, Oil & Gas **Paul Burke** Chief Information Officer **Kathy Callaghan** Group HR Director **Jonathan Davis** Group Finance Director **Metin Gerceker** Managing Director, Water & Power **Kiet Huynh** Chief Executive Officer **Xin Man** Managing Director, Chemical, Process & Industrial **Lyndsey Norris** Business Transformation Director **Stuart Pain**, Group General Counsel & Company Secretary **Ross Pascoe** Chief Technology Officer **Mike Pelezo** Site Services 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.

Non-executive director independence

The Chair 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 Chair nor any non-executive director has exceeded their nine-year recommended term of service.

The Board considers all non-executive directors, Tim Cobbold, Ann Christin Andersen, Karin Meurk-Harvey, Janice Stipp and new appointees Andrew Heath and Vanessa Simms to be independent. Dorothy Thompson, Chair, was considered to be independent on her appointment. Peter Dilnot was considered to be independent throughout his tenure.

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 six 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 wider executive management team, particularly regarding implementation updates on our Growth+ strategy, 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 cyber security 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 2023

Member	Member since	Eligible meetings (max. 6)	Attendance
Martin Lamb, (former Chair)[(i)]	June 2014	2	2
Dorothy Thompson, Chair[(ii)]	December 2022	6	6
Peter Dilnot, Senior Independent Director	September 2017	6	6
Kiet Huynh, Chief Executive Officer	January 2022	6	6
Jonathan Davis, Group Finance Director	April 2010	6	6
Ann Christin Andersen, non-executive director[(iii)]	December 2018	6	5
Tim Cobbold, non-executive director	December 2018	6	6
Karin Meurk-Harvey, non-executive director	September 2021	6	6
Janice Stipp, non-executive director	December 2020	6	6

(i) Martin Lamb retired from the Board on 30 April 2023.

(ii) Dorothy Thompson was appointed Chair from 30 April 2023.

(iii) Ann Christin Andersen was unable to attend the December Board meeting due to an exceptional and unexpected family emergency. She received the papers in advance and provided feedback to the Board Chair which was shared at the meeting. The Board Chair then briefed her on deliberations and outcomes following the meeting.

Composition

The Board currently consists of seven Board members, five of whom are non-executive directors. As at 4 March 2024, female representation on our Board was 57% with ethnic diversity representation being 28%. Following the changes to the Board and appointment of the two non-executive directors as mentioned elsewhere in this annual report, from 21 June 2024, the respective percentages will be 50% and 25%.

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 101 to 103. In line with Provision 18 of the Code, each director who is continuing in service 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, Remuneration, Audit, and Safety and Sustainability (formerly the Environmental, Social and Governance Committee) 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. 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 107. The number of meetings held during the year of the Audit, ESG, Nomination and Remuneration Committees can be found on pages 118, 121, 126 and 129.

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 a 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.

Induction and ongoing professional development

Following appointment, each director receives a comprehensive and formal induction to familiarise them with their duties and Rotork's business operations and risk and governance arrangements. As new directors they need to quickly absorb a great deal about the business if they are to fulfil their roles effectively from the start. Our tailored inductions offer a swift and thorough way to help them understand our business, markets, culture and relationships and to establish a link with our workforce. Through these interactions, they are able to gain an insight into the Rotork culture and values. In order to facilitate continued 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, how we have considered stakeholders' interests, and their outcomes, is set out below:

	Key Board activity	Stakeholder engagement and Section 172 considerations	Outcomes
Strategy and sustainability	• Regular deep dives into Growth+ strategic initiatives with focus on target markets (e.g. LNG) • M&A strategy • Acquisition proposal • Progression of sustainability strategy in line with Rotork's three pillars • Opportunities to accelerate growth • Reconstitution of the ESG Committee to the Safety and Sustainability Committee	• Consideration of the balance of differing stakeholders' needs and expectations in delivering long-term sustainable value • Review of governance and oversight of Rotork's sustainability strategy in the long-term interests of stakeholders, including the environment	• Reaffirmation of Growth+ strategy and effective monitoring and oversight of its implementation • Acquisition of Hanbay, Inc • Continued monitoring of our science-based emissions reduction targets according to current agreed methodology • Approval of constitution and membership of Safety and Sustainability Committee to replace ESG Committee
Financial	• Regular financial performance updates • Full-year, half-year and trading updates • 2024 budget • Cash flow, liquidity, going concern and long-term viability • External audit tender • Use of cash/capital allocation • Final salary pension scheme	• Investor engagement around full-year, half-year and trading updates, given interest in good governance to protect the long-term interests of all stakeholders • Consideration of employees' interests	• Continued active dialogue and relationship building with investors and investment community • Publication of Annual Report and Accounts • Progressive final and interim dividends • Publication of tax strategy • KPMG LLP appointed as new external auditor recommendation for 2024 AGM • Reaffirmation of capital allocation policy and funding position • Approval of additional contributions to scheme over limited period
Operational	• Health and safety • Divisional and functional reviews • Supply chain and geopolitical risk assessment • ERP platform rollout update • Capital expenditure and investment • New product development	• Consideration of stakeholders' interests in the drive to improve efficiency and ultimately deliver an enhanced customer experience in a safety-conscious environment of 'zero harm' • Consideration of geopolitical risks that impact the supply chain to protect stakeholders' long-term interests	• Effective Board oversight of operations and execution of Growth+ strategy with feedback to management • Approval of the continued deployment of the ERP across the Group on a phased basis • Approval of action plan to de-risk geopolitical exposure to supply chain
People and organisational	• People and culture update • Employee pulse surveys • Succession planning • Board Diversity Policy update • Gender pay gap • Employee voice in the boardroom • Renewal of Sharesave Scheme	• Employee engagement by management and taking account of the concerns and views expressed by our colleagues • Engagement with employees by Tim Cobbold and other non-executive directors • In setting the tone from the top, the consideration of employees' interests and understanding the value of having a diverse workforce	• Board endorsement of people strategy with continued investment in learning, career development, and leadership development • Rollout of enhanced leadership development programme • Gender and Ethnicity Pay review • Continued support for employee share ownership
Risk, governance, legal, compliance and investor relations	• Full and half-year risk reviews, including principal and emerging risks and insurance renewal strategy • AGM matters, including new Remuneration Policy and director re-elections • 'Speak Up' reports • Legal, Ethics and Compliance functional review • Modern Slavery Statement • External Board evaluation • Annual review of Committee's terms of reference and Matters Reserved for the Board • Investor Relations updates and functional review	• Review of status of key risks to the business and mitigating actions taken to protect stakeholders' long-term interests • Assessment of resolutions to be put to the AGM in the interests of the Company and its shareholders; Remuneration Committee Chair engagement with investors and voting bodies on remuneration arrangements • Consideration of stakeholders' interests in objective to support Growth+ strategy and mitigate contractual risk where possible • Consideration of employees' interests within the business and within the supply chain relating to preventing modern slavery • Consideration of best practice governance procedures to protect long-term interests of all stakeholders • Direct engagement with shareholders to consider their views	• Oversight of tolerance range for all risks,approval of the principal and emerging risks and risk appetite for inclusion in the 2023 Annual Report and approval of terms of Group insurance renewal for 2024/25 • All AGM resolutions approved in the range of 92.10% to 99.99% • Board oversight of functional support to the business operations • Approval of annual Modern Slavery Statement • Approval of external Board evaluation process and provider for 2023 with findings presented to the Board • Approval of updated Committee terms of reference for publication on website • Continued active dialogue with our shareholders and investment community

Section 172 statement

Engaging with our stakeholders

We engage proactively with all our key stakeholder groups in the knowledge that our long-term success is dependent on how we work with all our stakeholders. Our policy is to understand our stakeholder views, and to deal with issues with integrity when they arise. 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.

The following pages describe our engagement with stakeholders and form part of our Section 172(1) Statement, set out on page 9 of the Strategic Report. Further details of how the Board considers stakeholders' interests when making its decisions are also given on page 109.

Customers

- **s.172(1)(c) The need to foster the Company's business relationships with suppliers, customers and others**

We serve customers in the oil and gas, water and power, and chemical, process and 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 £13.9m in research and development in 2023.

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. Our global supply chain programme aims to improve our delivery and leads times and respond to any supply chain issues. Improved customer experience is about improving our business processes, allowing us to quote quicker and be more responsive to our customers. As part of our Growth+ strategy, we have focused on further aligning our business with our customers' needs and delivering value to them. Customer engagement, satisfaction and projects to improve the customer experience are key topics in Board discussions.

Outcomes

- We launched 4 new products in 2023, many of which are helping customers meet their energy and emissions reduction challenges and reduce operating costs through leveraging the latest control systems.
- Our CEO, Kiet Huynh, met with key customers on a visit to the UAE and discussed how we are making Rotork easier to do business with.
- Launched key business transformation projects to deliver customer value through digitally driven processes, systems and customer journeys.
- Made progress on reducing lead times across our assembly sites and in some cases we have reduced lead times from 18 weeks to two weeks.
- Trained and up-skilled over 460 of our customer service specialists worldwide using our new learning management system.

Priorities for 2024

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.

Section 172 statement continued

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. We have around 3,300 employees, working in 66 offices and 17 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 communicate with our employees using a variety of channels that promote open discussion and feedback. These include our 'Pulse' Surveys, employee forums, town halls, team meetings, Konnect, our company intranet, the use of online collaboration tools 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 2023 is on pages 113 and 114. 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 third UK ethnicity pay review in early 2023, now providing three years' data for comparison.
- We improved our employee engagement in 2023. 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 7.4 in 2023, from 7.2 in December 2022 and 6.7 in June 2022.
- We continued our support of World Mental Health Day and signed the Global Mental Health pledge – our commitment to taking positive action on workplace mental health in every location across our company. We also participate in International Wellbeing Week and we have at least one trained Mental Health First Aider per site. We currently have 98 Mental Health First Aiders globally.
- Ann Christin Andersen, as Chair of the ESG Committee, joined a group of Mental Health First Aiders in a session to discuss mental health at Rotork.
- Non-executive directors engaged with employees at various sites across the Group, including Leeds, Lucca, Rochester and Montreal.

Priorities for 2024

We will continue to 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.

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 shareholders expect us to deliver sustainable value and we have a strong track record of creating shareholder value with our dividend payments. We paid £58.8m in dividends in 2023.

How we engage

We actively engage with our shareholders, 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 Chair, Chief Executive Officer, Group Finance Director and our Investor Relations Director regularly communicate with existing and potential shareholders. During the year, they engaged with shareholders representing over half of our issued share capital. In 2023, they attended over 100 meetings with over 150 separate institutions. The views expressed by investors are shared with the Board at Board meetings 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 progressive interim and final dividends based on the Company's profits.

As part of Dorothy Thompson's induction as Chair, she met with some of our shareholders to understand their views on Rotork and their key areas of importance. Our 2023 AGM was held In Bath, UK. The AGM provided an opportunity for the Board to interact with shareholders and to answer any questions they may have. All resolutions were approved by the shareholders, with votes In favour ranging from 92.10% to 99.99%.

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 also offer internal communication channels for our employee shareholders. Our share register Information can be found on page 206 of this report.

Outcomes

- In 2023, 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. The Growth+ strategy was a major discussion topic in meetings during the year.
- The views expressed by shareholders are shared with the full Board and with the relevant Committees, enabling the Board to take these views into account in its wider decision making.
- Dorothy Thompson engaged with shareholders as part of her Chair Induction programme.
- Our AGM gave our shareholders an opportunity to engage with the Board.

Priorities for 2024

We will continue to offer an extensive investor engagement programme, to include further information on how we will achieve our net-zero commitment. We will ensure that our new Chief Financial Officer's induction programme includes meetings with some of our shareholders to learn about their views.

Section 172 statement continued

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**

Fostering the Company's business relationships with customers is a key consideration for the Board. Our suppliers expect fair ordering and contracting, on-time payments and information about our policies and procedures, including ESG standards.

How we engage

Interaction with our suppliers remains a key topic in Board discussions especially in regions experiencing, or at risk of, geopolitical disruption. Our global Procurement function oversees engagement with suppliers and sets requirements for suppliers. Rotork's requirements cover technical competency, performance, and commitment to environmental, social, and governance (ESG) standards. Key and high-risk suppliers to the Group are subject to on-site audits, focusing on their social, environmental, and ethical conduct and their technical and operational capabilities. These audits form part of a broader risk assessment, which utilises our updated Risk and Resilience framework, revised in 2023 to include more considerations. We remain vigilant about potential risks related to modern slavery and human trafficking.

Outcomes

- We spent £364m with suppliers in 2023.
- We continued to undertake supplier audits against the latest supplier Code of Conduct.
- We reviewed and updated our supplier risk and resilience framework to cover a broader range of topics and integrate with our supplier segmentation criteria and other processes.
- We reviewed and updated our process for supply chain compliance with sanctions legislation.
- We engaged one to one with some of our highest carbon emitting suppliers and presented two global supplier webinars to ensure commitments were aligned to our science-based target GHG emissions reduction commitments in support of Rotork's 2045 net-zero target.
- We increased our engagement with suppliers likely to have the highest ESG risk.
- Details on the progression of our modern slavery activities are provided in our modern slavery statement: www.rotork.com/en/investors/modern-slavery-statement.

Priorities for 2024

During 2024, we will continue to focus on evolving our global supply base to deliver greater resilience and operational efficiency. One way of achieving this is by continuing to build data on our key suppliers and critical sub-tier suppliers against new risks included in our updated supplier Risk and Resilience Framework. We will continue to increase coverage of the carbon footprint generated from our purchased goods and services that are with suppliers which have commitments to deliver their own science-based targets to reduce their greenhouse gas emissions.

Communities and the environment

- **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 and environment in which we work. We aim to make a positive contribution to communities through the employment we provide, suppliers we work with and contributions to charitable causes. The Board also understands the importance of our environmental responsibility and how we can create a sustainable future.

How we engage

We engage positively with our local communities, investing in job creation, using local talent and supply chains, paying our taxes and 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 support causes that are important to employees locally through charitable giving and volunteering.

The ESG Committee (now reconstituted as the Safety and Sustainability Committee) assists the Board in overseeing the execution of the Company's sustainability strategy and monitoring its progress. The Committee receives updates from our Head of Sustainability on our ESG targets and programmes. We conduct periodic materiality assessments to ensure our programmes are addressing the priority ESG issues (including environmental issues). We maintain our ISO 14001 environmental management system, monitor the energy and carbon intensity of our operations and are making steady progress toward our 2030 scope 1 and 2 reduction target.

Outcomes

- We donated £147,000 in total to our three global partner charities in 2023.
- Our CEO, Kiet Huynh, visited two projects in India where we support a non-profit organisation serving 40,000 meals to underprivileged school children as well as a project where we sponsored five smart classrooms promoting the education of 3,000 disadvantaged female students.
- In 2023, our scope 1 and 2 emissions reduced 32% versus our 2020 baseline.
- We are incorporating sustainability requirements into our product development process to reduce the impact of their use. Our products continue to support the energy transition, from reducing the methane emissions of existing infrastructure to enabling hydrogen and lithium production.
- We paid £32.8m in taxes in 2023.

Priorities for 2024

We will continue to ensure our charitable partnerships have a positive social impact, aligned to our purpose and the UN Sustainable Development Goals we have identified to support. We will also continue to support our employees in contributing to local causes close to their hearts. Our focus on the environment continues, and we aim to conduct a 'double materiality' aligned review of ESG priorities and deliver projects to improve our environmental data systems.

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 to 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.

"Hearing from employees including their involvement, feedback and commitment to the Growth+ strategy, and seeing the desire from management to discuss and improve, provides the Board with great insights and contributions to feed into our decision-making processes and gives us confidence in the future success of the business."

Tim Cobbold
Non-executive Director for Workforce Engagement

I have been pleased to serve as the designated Non-executive Director for Workforce Engagement for the last five years since the role was created.

As a Board, we recognise that success as a business relies on our culture, values and people. The Board knows that long-term performance is built by our teams worldwide 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' perspectives are represented in the Board's decision-making process by bringing their views and experiences to the boardroom and ensuring that the experiences 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. It provides valuable linkage and context to remuneration matters at all levels across the business. It also helps the Remuneration Committee fulfil its responsibility of oversight of pay and remuneration across Rotork's wider workforce.

Each year we create a structured programme of activities, involving as many Board members as possible. The aim is to ensure sufficient direct engagement between Board members, including myself and colleagues, outside the line of management, to create opportunities for feedback and provide a voice for any concerns to the Board to deepen their understanding of the employee perspective.

I am responsible for developing the programme and reviewing progress during the year with the Group HR Director, Head of Communications and Chief Executive Officer. I also provide updates to the Board.

In 2023, our approach was to increase engagement between the Board and employees on particular topics relevant to the Company and employees and direct face-to-face communication with employees in their work environment. To take into account the global nature of Rotork's workforce and the broad range of roles within that, including shop-floor colleagues, the framework for this year comprised three streams:

- topic-based structured meetings/engagement with colleagues conducted online to enable broad global participation;
- face-to-face meetings with staff in their work environment to allow for more personal interactions; and
- a review of data including employee survey outcomes and whistleblowing.

Topic-based workforce engagement

In May, I participated in a global workshop to discuss and understand employee thoughts and perspectives on moving the diversity and inclusion agenda forward. This was useful insight, particularly into our Board thinking on succession and talent topics.

In June, Ann Christin Andersen, Chair of the Environmental, Social and Governance Committee, supported World Environment Day, which focused on plastics pollution, by sending an email to all employees and providing an update on our ESG activities, giving an example of how our manufacturing plant in Lucca, Italy, is reducing polystyrene usage in its packaging.

In October, Ann Christin also met with a group of our global Mental Health First Aiders, aligning with World Mental Health Day, to share personal experiences and reflections and to discuss the importance of their role and the support they have received and require from the Company in carrying out this role successfully. Ann Christin was also able to announce that we had just signed the Global Business Collaboration for Better Workforce Mental Health Pledge, demonstrating our commitment to positively impacting workplace mental health in every location across our Company.

I continue to be available to all colleagues to discuss a range of topics through our 'Ask Tim' approach, a channel established through our Working@Rotork platform for any employees to contact me directly with any concerns, questions or issues.

Face-to-face employee engagement

Throughout 2023, our Board members valued again being able to meet with employees face to face. This year our non-executive Board members visited five Rotork sites meeting with the local teams, holding 'skip-level' meetings with employees (without local management) and touring facilities.

Each year the Board holds its annual strategy session at an operational site and in 2023 this was held at our manufacturing facility in Leeds, UK, where Board members toured the facility and engaged directly with employees.

In September, Dorothy Thompson and Kiet Huynh visited Rotork Hanbay in Montreal, Canada, our most recent acquisition, and met with the team to learn more about its activities and contribution to delivering Rotork's strategy. Later that month, Dorothy also visited our manufacturing facility in Lucca, Italy.

Janice Stipp and Karin Meurk-Harvey visited our Rochester facility in the USA. The visit included leadership roundtables, a facility tour and 'skip-level' employee meetings.

Workforce engagement in action continued

Face-to-face employee engagement continued

At the start of each meeting, we commit that all comments are completely confidential and non-attributable and that we feedback only themes to management and during Board discussions. During all these visits, attention is given to meeting colleagues from all levels and areas, particularly those that may not always be easily reached through other channels, such as email, due to the nature of their work and role. Following each meeting with employees, Board members summarise the themes in a paper and offer debriefs to local or senior management to consider insights and any resulting actions.

Overall, Board members who participated in these activities commented on the quality and commitment of our employees and the visible improvements they are seeing across the Company.

Data including Employee Surveys and Whistleblowing

Employee engagement is a crucial measure for the success of our organisation; receiving direct feedback from employees is essential to understand what is working well and where we should focus on improving. Every year, we ask all employees to anonymously provide their views and measure engagement scores and feedback across key areas.

I was pleased to see the participation rate for the survey in 2023 was 79%, an increase of 4% versus the prior year. Scores also indicated a positive trend in all areas. The rating of Rotork as a place to work, which reflects our progress on employee engagement and experience, rose from 7.2/10 in 2022 to 7.4/10 in 2023.

While there is strong positivity about the future direction of the business, some useful feedback themes emerged. Employees want more insight into the ongoing progress of our Growth+ strategy. This builds on the successful engagement we carried out in early 2023 to introduce the strategy to our employees and discuss what it means to them personally and how their actions and behaviours contribute to its delivery. We have introduced greater frequency on demonstrating some of the tangible actions we have taken, and the successes surrounding those and added more communication channels to enable this. In 2022 the cost of living was a key topic and we supported colleagues by bringing forward the 2023 annual salary review for all but the most senior people, from April to January and made additional funds available to increase the pay of the lowest-paid colleagues who are most affected by the cost-of-living pressures. Feedback from this year's survey helped us to understand that, for many, the cost-of-living crisis has continued to affect them, and this feedback directly impacted our decision to bring the 2024 annual pay review forward from April to January also, for all but our most senior people.

I also continue to review employee-related data including Whistleblowing through our confidential Speak Up line.

Looking ahead, I look forward to actively promoting Rotork's Board's engagement in 2024 and strengthening the meaningful two-way communication between employees and the Board.

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.

2022 internal Board evaluation

The areas identified for development during the previous year's internal evaluation process and the actions that we have taken during 2023 to address them are set out below.

Areas identified for development	Actions taken in 2023
Embed the new Chair	A comprehensive and tailored induction programme was undertaken during 2023 to familiarise Dorothy Thompson with Rotork's business operations, people and risk and governance arrangements, supplemented by regular meetings with members of the Rotork Management Board during the year.
Board focus on delivery of strategic initiatives under the Growth+ strategy	The Board devoted focused time during the year in overseeing and monitoring 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	Under the leadership of the Chair and with the support of the management team, continued enhancements to the content, presentation and delivery of Board and Committee papers were undertaken to ensure they are concise, targeted and provide appropriate insight to enable effective decision making.
Continued engagement with the RMB	During the year, more opportunities and means of engagement were created to enable the Board to engage, both formally and informally, with the RMB.

2023 Board evaluation

As explained in last year's annual report, in view of the change in Chair, the decision was taken to postpone the external Board evaluation which was due to take place during 2022.

This year, following a tender process, the Board engaged Better Boards Limited ('Better Boards') to conduct an independent external evaluation of the performance of the Board, its Committees and the Chair, following the process and steps outlined below and on the following page. Better Boards has no other connection with Rotork.

The purpose of Better Boards' approach was to gain insights into the hallmarks of effective boards, together with how directors view themselves compared to how they are perceived by their fellow directors and other key stakeholders. The overall outcome was an understanding of the levers that directors can pull, individually and collectively, to increase their impact in the boardroom to make the Board more effective. The end result was an action plan that allows the Board to focus on the most relevant and strategic issues.

2023 Board and Committee External Evaluation: the stages

Stage 1: Programme Design

- Meetings held between Better Boards, the Board Chair and the Group General Counsel & Company Secretary to discuss and agree the programme's objectives, areas of particular focus, design and approach.

Stage 2: Individual face-to-face meetings

- Taking a forward-looking approach, Better Boards held one-to-one meetings with individual Board members and the Group General Counsel & Company Secretary to gain insights into the Board's effectiveness, including any challenges and issues.

Stage 3: Online questionnaires

- Each Board member and the Group General Counsel & Company Secretary completed an online questionnaire.

Stage 4: Data analysis by Better Boards

- Data from the online questionnaire and one-to-one meetings were combined to generate an aggregated report for the collective Board.

Stage 5: Feedback meeting

- Better Boards held meetings with the Chair, CEO and the Group General Counsel & Company Secretary to discuss the aggregated Board results.

Stage 6: Board action plan

- Presentation to the Board, including a Board strength matrix, key competencies, priorities, culture and measures for aligning Board vision.

Key insights

- A united Board, comprising highly accomplished individuals representing a good mix of expertise in valued key areas and breadth of experience, with an open recognition of the need to better understand how to leverage each other's distinctive strengths and skillsets to become an even better performing Board.
- A Board that has successfully established a joint vision through the launch of the Growth+ strategy programme which has been positively received both internally and externally. As part of the evolution of Growth+, the next step is to focus on the continued implementation of the strategy and to identify further opportunities for growth.

Outcome and actions for 2024

The key areas identified by this year's external evaluation for increased focus and development for the forthcoming year are set out below. Progress against these areas will be reviewed as part of the 2024 internal evaluation and reported on in next year's annual report.

- Focus on further strengthening the quality and value of the induction programme and integration process for new Board members so as to not only enable them to gain an in-depth understanding of Rotork's operations and end markets, but how to get to know each other better and leverage each other's strengths to shape the business for the future.
- Focus on supporting the executives in enhancing the performance culture whilst maintaining the values and strengths which underpin Rotork as a company.
- Continued focus on the implementation of the Growth+ strategy, including consideration of additional opportunities to accelerate growth and how to further understand the views of key stakeholders such as customers and suppliers within the boardroom.

Chair's performance evaluation

An externally facilitated review of the Chair's performance was undertaken by means of an online questionnaire facilitated by Better Boards and private meetings held between the Senior Independent Director and both the non-executive and executive directors. It was concluded that Dorothy had made a strong and impactful start in the role, with recognition given to her having spent meaningful time in getting to know Rotork's operations and its people. Feedback from the evaluation was shared with Dorothy, which included the priorities for 2024, with a particular focus on ensuring the smooth transition of the Board in the coming year. The 2024 Chair's performance review will be conducted internally.

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, monitors 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 121 to 125.

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 71 to 79.

How the Board operates effectively

Risk management and internal controls

The Board is responsible for Rotork's system of risk management and internal controls. The Board's annual review of the system's effectiveness is completed with the assistance of the Audit Committee.

During 2023, 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 effectiveness of internal controls;
- the finance transformation programme, including resourcing levels across the finance function and the deployment of the new ERP system; and
- UK Corporate Reform.

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.

The Audit Committee reviewed and agreed management's plan to proactively respond to the proposed changes to UK Corporate Reform. Throughout the year the Committee received updates from management and the external and internal auditors on developments with the Governance Code.

Following the first 'go-live' of the new ERP system at our Bath Factory in January 2023, a post-implementation control effectiveness review was performed by the Risk and Compliance team supported by external specialists. The results of the review, which were presented to the Committee, identified several opportunities for further enhancements to the control environment. The Committee will monitor management's implementation of these enhancements and their incorporation into the blueprint for future implementations.

More broadly, the effectiveness of the risk management and internal control systems is regularly monitored and reviewed by the Audit Committee. The Audit Committee has confirmed to the Board that, notwithstanding the identified enhancements to the new ERP control environment, the key elements of the Group's systems of risk management and internal controls, which were in place for the year under review, remained effective and are in accordance with the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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.

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 plans to respond to risks in accordance with risk appetite. Progress on response plans is reported to the Board as part of the risk review process. Work on these plans will continue in 2024.

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 risks 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.

How the Board operates effectively continued

Main features of the Group's risk management process continued

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 2023, emerging risks, and the Board's risk appetite, are covered on pages 68 to 79.

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 good progress on the key areas being prioritised as follows:

- Development of the new ERP system continued and 'go-live' at the Bath factory was achieved in January 2023 and the Group's Head Office in August 2023. The implementation process has also commenced at a number of other sites.
- We embedded the new Group financial reporting toolset which has been operational since January 2023 reporting.

The two system changes detailed above form the bedrock for most of the other finance transformation changes and so have been the key focus in 2023. Work on other aspects of the finance target operating model will continue in 2024.

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 2023.

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 2023 can be found on pages 129 to 134.

Environmental, Social and Governance (‘ESG’) Committee report

Ann Christin Andersen
Chair of the Safety & Sustainability Committee (formerly, the ESG Committee)

“I am pleased to present the 2023 annual report of Rotork’s Environmental, Social and Governance (‘ESG’) Committee. During the year, the Committee focused on the oversight of the operational progress towards Rotork’s commitment to net-zero by 2045 and to reduce scope 1 and 2 emissions by 42% by 2030. The Committee also oversaw Rotork’s social strategy and initiatives. From 1 January 2024, the Committee has been reconstituted as the Safety and Sustainability Committee with a refreshed remit and membership and will have responsibility for oversight of the implementation of Rotork’s sustainability strategy in line with Rotork’s chosen UN Sustainability Development Goals.”

Ann Christin Andersen
Chair of the Safety & Sustainability Committee (formerly, the ESG Committee)

Committee composition and meetings

During 2023, the ESG Committee comprised three independent non-executive directors: myself as Chair, Tim Cobbold and Karin Meurk-Harvey (both non-executive directors), Kiet Huynh, CEO and Kathy Callaghan, Group HR Director. Meetings were also attended by the Board Chair, the Investor Relations Director and the Head of ESG & Sustainability. The Group Finance Director also attended by invitation with other non-executive directors joining our meetings when possible. The Group General Counsel & Company Secretary acted 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,	October 2020	3	3
Kiet Huynh,	January 2022	3	3
Kathy Callaghan	October 2020	3	3
Karin Meurk-Harvey	September 2021	3	3

From 1 January 2024, membership of the Safety and Sustainability comprises three independent non-executive directors with myself as Chair, Tim Cobbold and Karin Meurk-Harvey. The CEO, Kiet Huynh, has a standing invitation to the Committee with other Directors, executives and external advisors attending the Committee as required. The Group General Counsel & Company Secretary continues to act as secretary to the Committee. The current terms of reference are available on our website at https://www.rotork.com/en/documents/publication/24904.

For the year under review, the ESG Committee was 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;**
- **reviewing the nature of the proposed ESG measure for the 2023 LTIP from a sustainability perspective;**
- **agreeing a process for determining which ESG goals are material and significant for the business, 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;**
- **monitoring the implementation of the sustainability strategy and measuring 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

Rotork's sustainability strategy is divided into three pillars which are each aligned with specific UN Sustainable Development Goals and specific targets. These are as follows:

Operating responsibly – our mission: to run safe, efficient and sustainable operations.

SDG	Commitment
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	1. We will reduce our lost time injury rate each year and strive for a zero-harm workplace 2. We will embed social, ethical and environmental considerations into our Global Supplier Excellence programme
13 CLIMATE ACTION	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.

SDG	Commitment
6 CLEAN WATER AND SANITATION	We will enable sustainable management of water resources and greater water efficiency for our customers
7 AFFORDABLE AND CLEAN ENERGY	We will support customers' energy and emissions reduction and enable them to incorporate renewable energy into their operations
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	We will play our part to enable the global energy transition and support a cleaner, more sustainable future

Making a positive social impact – our missions: to support thriving, fair and resilient communities

SDG	Commitment
5 GENDER EQUALITY	We will develop and deliver greater gender and ethnic diversity
8 DECENT WORK AND ECONOMIC GROWTH	We will contribute to a fairer society more broadly, including by ensuring that 100% of our employees are covered by the fair pay framework

Activities of the Committee during the year

On behalf of the Board, the ESG Committee oversaw the Company's ESG plans, targets and related initiatives. The Committee met three times during the year, receiving updates from the executive team on progress towards the goals set for each of Rotork's sustainability pillars, together with the annual review of its social strategy and initiatives across the Group. The key areas of focus for the Committee during the year are described below.

Net-zero roadmap

At each meeting held during the year, the Committee reviewed progress on Rotork's net-zero roadmap and the operational workstreams being undertaken across the Group. The Committee is pleased to note that, overall, good progress continues to be made via the various pathways to achieve the goal, by 2030, of a 42% reduction in scope 1 and 2 emissions. During 2023, further emissions reduction opportunities were identified by management at specific operational locations. As part of our wider programme of reduction projects, these initiatives will contribute towards the achievement of our science-based targets.

In terms of scope 3 emissions, and specifically addressing the Purchased Goods and Services category, the Committee reviewed and supported the steps being taken by management to engage with suppliers on emissions measurement. Commenced this year and extending up to 2026, Rotork will engage with its supplier base on emissions measurement and target setting in support of Rotork's net-zero commitment. To address scope 3 emissions from the use of sold products, a product sustainability programme was implemented during the year whereby the design of Rotork's 'Next Generation' products will seek to incorporate specific sustainability requirements to reduce their operational impact. In-flight and existing products within the portfolio will also be reviewed against these sustainability requirements.

In October, mindful of the need to ensure the integrity of the climate-related disclosures, in conjunction with the Audit Committee, the Committee reviewed the process and methodology for the measurement and assurance of scopes 1 and 2 emissions and scope 3 emissions in accordance with the recognised Greenhouse Gas Protocol. It was recognised that our approach to measurement and assurance was currently appropriate; however, over time the approach will evolve as standards and reporting requirements advance.

As a Committee, we endorsed the steps being taken by the executive team, with its focus on product development to deliver efficiency and reduce emissions whilst recognising that our path to net-zero is a long-term commitment. Further details of progress achieved during the year towards our net-zero emissions targets can be found within the Strategic Report on pages 30 to 63.

Linking the sustainability strategy to remuneration

As reported last year, so as to align our sustainability strategy with management performance incentives, we added to the 2023 award under our Long Term Incentive Plan an emissions reduction target as a fourth performance condition. At its February meeting, the Committee reviewed the proposed ESG measure for the 2023 LTIP award which aligns with Rotork's SBTi targets. Satisfied that the proposed measure was in alignment with Rotork's sustainability strategy, the Committee recommended it to the Remuneration Committee for its determination of the environmental performance condition for the 2023 LTIP awards.

Activities of the Committee during the year continued

TCFD and CSRD Reporting

As a Committee, we are conscious of the fast-moving developments in sustainability and climate-related reporting. Ahead of the publication of the 2022 Annual Report, we recognised the good progress on TCFD reporting being made with Rotork which, for 2022, was ahead of the mandatory FCA reporting requirements.

With the EU's Corporate Sustainability Reporting Directive (CSRD) coming into effect in January 2023, replacing the Non-Financial Reporting Directive, the Committee will explore, over the course of the next year, the enhancements required to produce Rotork's first CSRD-aligned report for financial year 2025. Whilst our current environmental and social disclosures already meet a number of CSRD requirements, alignment with additional requirements will be needed such as third-party assurance, an enhanced sustainability assessment using the principle of 'double materiality' and additional supply chain data disclosures. To ensure that the external disclosure and assurance requirements of TCFD and CSRD are being addressed by the appropriate governing body within Rotork, the terms of reference of the Audit Committee were updated in 2022 in anticipation of this requirement.

2023 materiality assessment

At its April meeting, the Committee reviewed the findings of the refreshed materiality assessment of Rotork's key sustainability issues and their relative importance in terms of both risks and opportunities. Following feedback from the Committee, changes to the topics for 2023 were noted and agreed. The outcome of the resulting 2023 review is set out on page 36.

Social

At the April and October meetings, the Committee received updates on the various social initiatives and actions across the Group. These covered such areas as employee wellbeing and mental health, social policies and contributions, fair pay, fleet policy, charity support and diversity and inclusion issues. The Committee was pleased to note management's commitment, through observation of the Parker Review and membership of the 30% Club, to a diverse and inclusive culture and maintaining a diverse executive and leadership composition which the executive team will seek to improve year on year. Further details on how Rotork drives the right culture and behaviours are provided on pages 57 to 60. The Committee also reviewed the 2023 activities of the Rotork Benevolent Support Fund. The Trustees continued to help those in need, particularly in light of the continued cost of living issues.

Reconstitution of the ESG Committee as the Safety and Sustainability Committee

To enhance the Committee's ability to focus on the key and evolving ESG matters, and in recognition that the ESG Committee's terms of reference covered a wide range of topics resulting in some overlap with the Board and certain other Committees, a review was undertaken during the year of the Committee's scope and any overlaps with the Board and other Committees. In October, the Board approved, with effect from 1 January 2024, the reconstitution of the ESG Committee into a Safety and Sustainability Committee with responsibility for oversight of the implementation of Rotork's sustainability strategy in all areas except for workforce matters which will continue to be the responsibility of the Board and Nomination and Remuneration Committees. The Safety and Sustainability Committee now comprises at least three members, all of whom are required to be independent non-executive directors. Current members are myself as Chair, Tim Cobbold and Karin Meurk-Harvey. The CEO has a standing invitation to the Committee with other Rotork directors, executives and external advisers being invited to attend the Committee as required. The Group General Counsel & Company Secretary continues to act as secretary to the Committee. New terms of reference were also approved and these are available on our website (www.rotork.com/en/documents/publication/2490).

Committee Performance

In accordance with good governance practice, an external evaluation of the Committee's performance was undertaken by Better Boards as part of the process outlined on page 115. As is usual, opportunities for greater focus were identified: continuing the emphasis on the efficiency with which Rotork meet its commitments, targets and regulatory obligations, enhancing oversight of ensuring the appropriate assurance of metrics and focus on a greater level of detail on issues relating to Safety.

Looking ahead

Since its inauguration in October 2020, the ESG Committee has overseen the significant amount of progress made by Rotork in driving change, embedding its net-zero roadmap, identifying opportunities for sustainable business growth and implementing the external reporting recommendations of the TCFD. I am very proud to have played a part in this journey. I will be stepping down from Rotork at the conclusion of the 2024 AGM and therefore relinquishing my role as Chair. Under its new structure as the Safety and Sustainability Committee and under the leadership of Andrew Heath, I am confident that Rotork will continue to build on the foundations set over the past few years and continue to set the bar high in addressing the sustainability challenges and opportunities presented.

I would like to thank all our colleagues within the business for their support in driving our sustainability strategy and my fellow Board members and Rotork management for their contribution and commitment throughout 2023 and beyond.

Ann Christin Andersen
Chair of the Safety and Sustainability Committee (formerly, the ESG Committee)
4 March 2024

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. Peter Dilnot stepped down on 31 December 2023.

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	1
Tim Cobbold	December 2018	3	3

1 Due to the unforeseen rescheduling of Ann Christin's flight connections, she was unable to attend or dial into the August Committee meeting. She received the papers in advance and provided feedback to the Committee Chair which was shared at the meeting. The Committee Chair then briefed her on deliberations and outcomes following the meeting. Ann Christin was unable to attend the December meeting due to an unexpected family emergency.

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 product 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 page 103.

The Audit Committee operates under formal terms of reference which are reviewed annually and were last updated in December 2023. A copy of the terms of reference is available on the Rotork website at https://www.rotork.com/en/documents/publication/4145.

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.**

Activities of the Committee during the year

Financial reporting

- Reviewed the Annual Report and Accounts (including whether they are fair, balanced and understandable and 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 the effectiveness of the audit process.
- Reviewed the external auditor's representation letter and fraud risk management.
- Reviewed the external auditor's views on the control environment including their assessment of the D365 general IT controls following the go-live of the system during the year.
- Reviewed and approved non-audit services undertaken by the external auditor and the policy on non-audit work.
- Considered audit fees and engagement terms.
- Evaluated the effectiveness of the external audit process.
- Led the tender process for the appointment of the external auditor for the 2024 financial year, resulting in a change in auditor.

Internal audit

- Reviewed and approved the internal audit programme, including discussion of reports throughout the year.
- 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 2024.

I am pleased to present the report of the Audit Committee for the year ended 31 December 2023. This year the key areas of focus for the Audit Committee, in addition to its usual schedule of work, have been:

- Leading the tender of the external audit service provider for the 2024 financial year.
- Reviewing progress of the finance transformation programme including the implementation and roll-out of the new ERP system and the impact of the integrated controls to enhance the control environment and consistency across the Group. Following the first 'go-live' a post-implementation control effectiveness review was performed by the Risk and Compliance team supported by external specialists. The results of the review, as well as the results of the assessment performed by external audit, which were presented to the Committee, identified several opportunities for further enhancements to the control environment. The Committee will monitor management's implementation of these enhancements and their incorporation into the blueprint for future implementations.
- Reviewing progress with the proposals for UK Corporate Reform. The Audit Committee reviewed and agreed management's plan to proactively respond to proposals relating to UK Corporate Reform. Throughout the year the Committee received updates from management and the external and internal auditors on the proposed developments with the Code.
- Reviewing and agreeing the roadmap for assurance of ESG metrics.

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 121. The Chair, 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 and 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 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 was able to challenge, scrutinise and ask questions where clarification or discussion was 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 2023 is set out on pages 123 to 125.

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 2023 accounts and how they were addressed were:

Retirement benefit schemes. At 31 December 2023, 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. During the year the Group made a special contribution to the UK scheme. This contribution, together with some of the existing assets, was used to purchase a bulk annuity covering the UK scheme's existing pensioner liabilities which was accounted for as a buy-in. The Audit Committee considered the report from the Group Financial Controller and was satisfied the assumptions used for determining the defined benefit obligation and the associated accounting treatment of the buy-in were appropriate. The detailed disclosures for these schemes under IAS 19 are shown in note 25 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 believes 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 reviewed and challenged the report from the Group Financial Controller and was satisfied that the nature and value of significant adjusting items was appropriate.

Hanbay acquisition. The Group acquired, via its holding companies 100% of the equity interest in Hanbay Inc during the year. The Committee reviewed and challenged the acquisition accounting and associated disclosures and was satisfied that the assumptions used and presentation were appropriate.

External auditor

The year under review marks the tenth year during which Deloitte LLP has been the Group's external auditor. The 2023 year-end audit was the fifth year that David Griffin has acted as Deloitte LLP's lead audit partner for Rotork. During the year David and the Deloitte senior team visited some key Rotork locations and they also continued to effectively 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 encountered 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.

Independence

- Deloitte confirmed to the Committee during the year that:
  - the audit engagement team, and others in the firm as appropriate, Deloitte LLP, and, where applicable, all Deloitte network firms are independent of the Group and their objectivity is not compromised.
  - they have no relationships with Rotork plc, its directors and senior management and its affiliates, nor other services provided to other known connected parties, that they consider may reasonably be thought to bear on their objectivity and independence, together with the related safeguards that are in place.
- The Committee ensures the policy on non-audit services has been applied.
- The Group has not employed former members of the audit team or Deloitte Partners during the year.
- Following each Audit Committee meeting the Committee held private sessions with the external auditor, thus facilitating the ability of the external auditor to raise any issues of concern. The Chair of the Committee also meets with the external audit partner and other senior members of the audit team ahead of each Audit Committee meeting.

Effectiveness

- Reviewing the external audit plan, identified risks and audit scope with Deloitte.
- Reviewing the experience and expertise of the audit team.
- Reviewing written reports prepared by Deloitte for the Committee on key audit findings, financial reporting topics and the control environment.
- Reviewing the nature and quality of the external auditor's report.
- Obtaining feedback from executive management and the Group Finance team on the quality and effectiveness of the audit, who in turn have canvassed 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. Notable examples of how the external auditor challenged management and demonstrated professional scepticism during the year include the audit of adjusting items and revenue recognition in respect of bill-and-hold sales.

Having completed this review, the Audit Committee agreed that the audit process, independence and quality of the external audit were satisfactory.

Tender update

As reported in last year's Annual Report, the 2023 financial year was the tenth year end since Deloitte was appointed as external auditor, and therefore an external audit tender process was run during the year.

The tender process was conducted in line with the FRC's Audit Tenders: Notes on Best Practice guidelines and was overseen by the subcommittee comprising myself, Tim Cobbold and Jonathan Davis, Group Finance Director.

The Big Four and two challenger firms were approached to consider their participation in the audit tender. Several firms declined to participate due to a variety of reasons including existing non-external audit commitments with the Group, resource availability or expertise, and a geographic presence which would not enable them to deliver a global audit for the Group. As a result, two firms – KPMG and Deloitte – participated in the tender.

The audit firms were assessed against the following criteria:

- strength and experience of the lead audit partner and supporting team;
- understanding of Rotork's business and Rotork's industry;
- quality of audit approach;
- ability to build respected working relationships; and
- value and insights.

Following the conclusion of the tender process in April 2023, the subcommittee decided to recommend the appointment of KPMG. The subcommittee was cognisant of its analysis and understanding of the key risks faced by the business, and its capabilities in respect of, and understanding, of the new ERP system as well as its use of technology to drive effectiveness and insight.

KPMG confirmed its independence to the Committee from 1 July 2023 and will be appointed as the external audit service provider for the 2024 financial year subject to shareholder approval at the 2024 AGM. Transition planning is already underway and, as is usual during the transition of auditors, KPMG attended key meetings, as an observer, throughout the audit of the 2023 results.

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 its 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 9 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 largely performed in person. The methods of remote working established during COVID-19 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 2024 were reviewed by the Audit Committee in December 2023 and progress will be monitored in the coming year.

The Head of Risk and Compliance leads a team that is responsible for risk management and financial compliance reviews across the Group, providing a distinct second line of defence. The core team is supplemented by Rotork finance staff from other parts of the business who have been trained in the compliance review process. This combined team has delivered financial compliance reports for 24 of our global locations during 2023 and additional review areas including expenses and the new ERP system. Guidance is provided by the Committee to the Risk and Compliance team on the nature and extent of testing to be undertaken.

In 2023, improvements were made to the business control framework compliance assurance process to make it a more rigorous process that provides the Committee with more granular information in relation to the performance of key controls. This change is part of how Rotork is continually improving its maturity in relation to risk management and internal controls.

Internal controls, internal audit and risk management continued

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.

The Risk and Compliance team continues 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 plans to respond to risks in accordance with risk appetite. Progress on response plans is reported to the Board as part of the risk review process. Work on these plans will continue in 2024.

PwC continued to provide internal audit services throughout 2023. The function is led by an experienced Head of Internal Audit from PwC. Risk-based internal audit reviews have been completed during 2023 covering the following areas:

- procurement and ongoing supplier monitoring;
- health and safety; and
- sanctions processes.

The Audit Committee receives updates on internal audit activity, any significant matters arising and the management response. The status of actions is monitored by internal audit and regularly reported to the Audit Committee.

In selecting risk-based internal audits for the 2024 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 Risk and Compliance team has determined the sites to be subject to second-line review in 2024 based on a thorough risk assessment using a number of criteria. The Audit Committee reviewed and approved the 2024 programme for risk and compliance and internal audit at its December 2023 meeting.

The Committee confirms it has carried out its annual review of the effectiveness of the system of internal control as operated throughout the year ended 31 December 2023.

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 externally facilitated interview process was used to reflect on progress in the year from the previous work and the output from this was discussed in the December 2023 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 2024

Key areas of focus for the coming year, in addition to the usual schedule of work, are:

- to ensure an effective transition of the external auditor;
- to review the ongoing 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 the proposed UK corporate reform.

Janice Stipp
Chair of the Audit Committee
4 March 2024

Nomination Committee report

Dorothy Thompson, CBE
Chair of the Nomination Committee

"The Committee facilitated effective succession planning and the development of a diverse and effective Board in the year.

I am pleased to present an overview of the Nomination Committee's activities during the year. The principal purpose of the Committee is to ensure that plans are in place for orderly succession of the Board and senior management positions while maintaining an appropriate balance of skills, experience, independence and diversity. The Committee regularly reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes."

Dorothy Thompson, CBE
Chair of the Nomination Committee

Committee composition and meetings

The Committee, under the chairship of Dorothy Thompson, 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 102 and 103. 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 and Group HR Director also attend the meetings by invitation. The Group General Counsel & Company Secretary acts as secretary to the Committee.

Member	Member since	Eligible meetings (max 4)	Attendance
Dorothy Thompson Committee Chair	December 2022	4	4
Martin Lamb (former Committee Chairman)	June 2014	2	2
Peter Dilnot(i)	September 2017	4	3
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

(i) Peter Dilnot was unable to attend the December meeting due to the late re-arrangement of the meeting. He received the papers in advance and provided feedback to the Board Chair which was shared at the meeting. The Board Chair subsequently briefed Peter on deliberations and outcomes following the meeting with Peter attending the associated Board meeting.

The terms of reference of the Nomination Committee were reviewed in October 2023. A copy of the current terms of reference are available on Rotork's website at https://www.rotork.com/en/documents/publication/5553.

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 strong and 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 have the right balance, knowledge and attributes to operate effectively in the execution of its business strategy and the delivery of the long-term success of the Company whilst ensuring that business is conducted with the utmost integrity and in full alignment with the Company's culture, purpose and values. Board and Committee composition is formulated to ensure the appropriate range of diverse experience and expertise. It also reviews the succession needs of the Company and puts in place the appropriate processes for nominating, training and evaluating directors and senior management.

Activities of the Committee during the year

- Oversaw the selection process and appointment of the incoming Chief Financial Officer.
- Led the process for the selection and appointment of two new non-executive directors.
- 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 2023.
- 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 101. The Committee reviewed in the year the succession plans and leadership development programmes in place for RMB members and the management tier below, including the initiatives taken during the course of 2023 to further enhance them. Further details on these activities can be found on page 58.

Chief Financial Officer appointment

Jonathan Davis, who has served as Group Finance Director since 2010, advised the Board that he would be retiring and would step down from the Board at the conclusion of the 2024 AGM. Overseen by the Committee, a search for a new Chief Financial Officer was undertaken. Having identified the desired skills and experience sought from the new CFO, Lygon Group was engaged to act as Rotork's search consultants. Lygon Group do not have any other connection with the Company or the directors, except where it has undertaken previous recruitment processes for other Board positions (such as the recent Chair appointment). They are a signatory of the Voluntary Code of Conduct for Executive Search firms which is a requirement of our Board Diversity and Inclusion Policy. A shortlist of candidates was compiled and, following a comprehensive interview and referencing process, Ben Peacock's appointment was recommended to the Board. The Board approved Ben's appointment as Chief Financial Officer to succeed Jonathan who will continue in his current role until Ben joins the Board as an executive director and employee on 11 March 2024. Jonathan will step down from the Board on 30 April 2024 but will remain with the Company until 10 September 2024 to support the transition.

Non-executive director appointments

With both Peter Dilnot and Ann Christin Andersen stepping down from the Board on 31 December 2023 and 30 April 2024 respectively, the Committee oversaw the selection process for two new non-executive directors during the latter part of 2023 and the early part of 2024. In recognition of the continuing need to maintain an appropriate mix of the right skillsets and breadth of perspective required to make balanced decisions and maximise the opportunities for the Company's success, the desired skills and experience sought in the new directors were identified and the Committee again engaged Lygon Group to act as Rotork's search consultants. The Committee considered a shortlist of potential candidates provided by the search consultant and took into account the balance of skills, knowledge, independence, diversity and experience, together with an assessment of the time commitment expected. Following the interview process, the Committee recommended to the Board the appointments of Andrew Heath and Vanessa Simms as non-executive directors to take effect from 1 April 2024 and 21 June 2024 respectively. I am delighted to welcome them to our Board. They both bring a wide range of listed company expertise in leading change and in delivering organic and non-organic growth. Andrew's experience of industrial businesses throughout his career, and Vanessa's expertise in finance will further strengthen the diverse mix of skills and experience on the Board. Andrew will stand for election at the forthcoming AGM and will become Chair of the Safety and Sustainability Committee from 1 May 2024. Their other public commitments were disclosed and considered by the Committee prior to their appointment and will be provided, following appointment, on our website at www.rotork.com.

Global talent review

At the Committee's December 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. Investment in leadership training and systems continues to be made so as to build the leadership pipeline and nurture emerging talent, particularly in those key roles required to take the business forward in line with delivering Rotork's Growth+ strategy.

Diversity and inclusion

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 https://www.rotork.com/en/careers/diversity-and-inclusion which sets out the areas of activity and initiatives currently being undertaken and practised 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 noting that, as part of the launch of the Early Years Careers Programme, at least 50% of participants are diverse in terms of gender, ethnic and disability. The Committee also reviewed and approved the publication of the Gender Pay Report figures for 2023 which can be found on our website. Rotork also publishes its ethnicity pay figures within that document.

The Committee is aware 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 met these targets well ahead of their required effective date.

Diversity and inclusion continued

As at 31 December 2023, Dorothy Thompson held office as Board Chair, female Board representation was 50% and ethnic representation on the Board was 25%. The numerical data on the gender identity and ethnic diversity of the Board and executive management is set out opposite. The data has been collected through a voluntary survey request mechanism.

As at 4 March 2024, female Board representation was 57% with ethnicity being 28%. Following the appointment of the two new non-executive directors, from 21 June 2024, the respective percentages will revert to being 50% and 25%.

External Board evaluation process

As explained in last year's annual report, in view of the change in Chair, the decision was taken postpone to 2023 the external Board evaluation which was due to take place during 2022. The Board engaged Better Boards Limited ('Better Boards') to conduct an independent external evaluation of the performance of the Board, its Committees and the Chair. Further details on the full evaluation process, key insights, outcomes and the action plan going forward can be found on page 115.

Election and re-election of directors

Led by the Committee Chair 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 those non-executive directors standing for election or re-election in 2024 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. In August 2023, the Board External Appointments Policy was introduced. Set within the context and expectations of the Code, it details the Company's approach to external appointments for both Board and RMB members. The emphasis is on ensuring directors have sufficient time to meet their Rotork Board responsibilities, including during any periods of additional time requirements. All prospective external appointments by non-executive or executive directors require Board approval following prior consultation with, and the support of, the Chair or the Senior Independent Director. The Board is recommending the election or re-election to office of all continuing directors at the 2024 AGM. As explained elsewhere in the Corporate Governance report, none of Peter Dilnot, Ann Christin Andersen or Jonathan Davis will be standing for re-election. Ben Peacock and Andrew Heath will be standing for election for the first time. The biographical details of the newly appointed directors are set out in the AGM Notice. 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 page 140.

Nomination Committee evaluation

As part of the externally facilitated evaluation process, the findings were discussed by the Committee and the Board. It was concluded that the Committee continued to fulfil its duties effectively. The areas identified for further emphasis and development by the Committee were focus on further strengthening the quality and value of the induction programme and integration process for new Board members and greater focus on succession planning at RMB level.

Dorothy Thompson, CBE
Chair of the Nomination Committee
4 March 2024

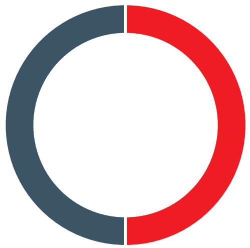
Board and executive management diversity as at 31 December 2023

Gender identity or sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	50%	3	9	81.8%
Women	4	50%	1	2	18.2%

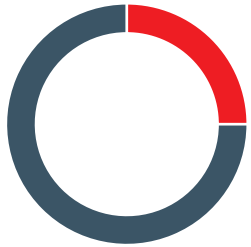
Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	6	75%	3	9	81.8%
Asian/Asian British	2	25%	1	2	18.2%

Board

Gender identity or sex

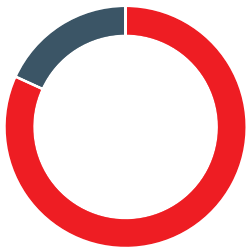


Ethnic background



Executive Committee (Rotork Management Board)

Gender identity or sex



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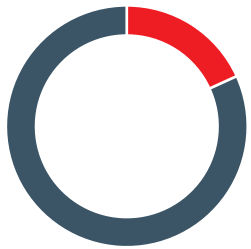


Directors' Remuneration report

Tim Cobbold
Chair of the Remuneration Committee

"I am pleased to present the 2023 Directors Remuneration report on the first year under our new approved policy which received 98% support at the 2023 AGM. Our policy continues to align the interests of Rotork, its shareholders and our other stakeholders and focuses executive directors on delivery of the Company's strategic objectives."

Tim Cobbold
Chair of the Remuneration Committee

The Remuneration Committee is responsible for:

- determining individual remuneration packages for the executive directors, the Chair and, on the advice of the Chief Executive Officer, the Rotork Management Board within the approved policy;
- 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 engagement 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

I am pleased to present the Remuneration Committee's report for the financial year ended 31 December 2023. The business has continued to build on the performance of recent years, despite operating in challenging trading and wider economic conditions. During the year, decisions on directors' and senior managers' compensation were taken having regard to wider workforce considerations, especially in light of the continuing cost of living crisis. During 2023, the business continued the implementation of the Growth+ strategy launched by Kiet and his team in November 2022 and which is already delivering value for shareholders. At the AGM held on 28 April 2023, following a period of engagement with shareholders, we were pleased to receive strong support for the new Remuneration Policy which will remain in force until April 2026. Both the Committee and I firmly believe in the value of consulting with shareholders and I am grateful to all those shareholders who participated in the process, which resulted in a Remuneration Policy which supports the strategic goals of the business and aligns with market practice.

Other priorities and key activities for the Committee in 2023 included:

- The Committee reviewed and approved both the remuneration package of Ben Peacock, the incoming Chief Financial Officer, and the terms of Jonathan Davis's retirement as the outgoing Group Finance Director.
- In February, following extensive consultation with shareholders and in order to strengthen the alignment of long-term incentives to the new Growth+ strategy with its focus on sustainability, we agreed the introduction of an environmental measure within the LTIP, accounting for 10% of the maximum opportunity, with a corresponding reduction in the proportion applied to the existing measures, all three of which were retained and remained equally weighted. The measure is 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 LTIP targets, which are set out on page 147 are at least as demanding as the path required to meet the SBTi target in 2030. The performance required at threshold, target and maximum has been set and approved by both the ESG and Remuneration Committees. Other than the adjustment in weightings from 33% to 30% each to accommodate the addition of the ESG measure and the alignment of the threshold payout level for the EPS measure with that used for the other measures, there were no changes to the operation of the existing measures. These performance conditions were included for the 2023 LTIP award which was granted on 24 March 2023 and is due to vest in March 2026.
- The Committee, conscious that this was the first time emissions data had been used for an LTIP measure, was concerned to ensure that there was consistency in the calculation of emissions data and that an adequate assurance process would be in place at the time of evaluating vesting outcomes in 2026. Therefore in conjunction with the ESG and Audit Committees, a detailed review of the measurement and assurance processes adopted by management was undertaken. The Committee was satisfied that the current calculation methodology and level of assurance was not inappropriate, but it recognised that this is a developing area where established protocols and standards are subject to interpretation and change. The Committee will, together with the other relevant Committees, keep this under review but is supportive of the intended approach.
- As part of its ongoing responsibility to make decisions about the remuneration of senior management, including executive directors in the context of the pay and benefits available to the wider workforce, the Committee received an update from management on the findings of the Global Benefits Review which had been undertaken to clarify how people in Rotork value the mix of benefits, pay and bonus structures across the Group. The Committee reviewed how Rotork balances the need to attract and retain talent through locally relevant pay and benefits offerings whilst ensuring equity of benefits across the business.

The Committee's approach to remuneration in 2023

The Committee's approach to remuneration in 2023 across Rotork in general and for the executive directors and senior managers, for whom the Committee is explicitly responsible in particular, was guided by Rotork's Key Remuneration Principles. The approach was based on a sensitive appreciation of the business's performance and the experience of shareholders and employees during the year. The Committee's specific considerations are described below.

Business performance

In the Committee's view, as is evident in the Annual Report and Accounts, Rotork continued to perform well despite the ongoing, but slowly subsiding challenges in global supply chains. On a reported basis 2023 adjusted operating profit was £164.5m, up 14.8% on 2022 with revenues 12.0% higher. On a constant currency basis, 2023 adjusted operating profit at £168.1m was 17.3% higher. Adjusted operating margins were 60bps higher. The Committee noted that our order book at 31 December 2023 remained high, ending at a similar level to that at the end of 2022, demonstrating the underlying health of the business and the good progress being made by the Growth+ strategy.

Shareholder experience

For the majority of 2023, it has not been the easiest year in stock markets generally, largely in reaction to macro-economic factors, particularly 'higher for longer' interest rates. Rotork's share price proved resilient in the face of these headwinds which were essentially out of Rotork's control. The share price was broadly flat during the year.

The Committee is aware that dividends are an important part of the business case for many shareholders. The full-year dividend for 2022 was paid following the 2023 AGM and an interim dividend of 2.55p 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 4.65p at the 2024 AGM, such that the full dividend for 2023 of 7.2p, up 0.5p, is in line with the stated dividend policy whilst also allowing for an improvement in dividend cover.

Annual statement by the Chair of the Remuneration Committee continued

Employee experience

Under the leadership of the Board and senior management, Rotork's approach continues to be to protect the health (including mental health) and financial wellbeing of employees, mindful of obligations to other stakeholders.

In 2022 the Committee, 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, took a number of actions to respond to this, including bringing forward the annual pay review from 1 April 2023 to 1 January 2023 and making available an additional higher pay review for our lowest-paid employees. Feedback from employees this year confirmed that the elevated cost inflation challenges in many countries has remained and this context has again been considered by the Committee within its own decision making.

- The 2024 annual salary review, ordinarily due 1 April 2024, has been brought forward to 1 January 2024 for all employees below the directors and Rotork Management Board for the second year running.
- The overall average pay increase for the wider workforce, excluding promotions, was 4.9% globally and 4.4% in the UK.
- Salary reviews for all directors and the Rotork Management Board will be made in the usual course, effective from 1 April 2024. As a matter of policy, normally salary reviews for executive directors 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 2023, paid in 2024, at an average of 93.2% of maximum, are higher than for 2022 as a result of our strong performance in 2023.
- The business continued to support the physical and mental health of employees through the global Employee Assistance Programme (EAP).
- Our charity, Rotork Benevolent Support, maintained support for employees, ex-employees and their families suffering hardship.
- Pulse engagement surveys of the workforce continued to show growing engagement levels at 7.4/10 compared with 7.2/10 in 2022 and 6.4/10 in 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 their financial wellbeing during 2023, being mindful of the continued impact of the cost of living crisis. The Committee also believes that Rotork has maintained a pay culture, pay policies and frameworks that support wider societal views through 2023.

Remuneration outcomes for 2023

Salary review

Salaries are normally reviewed on (and any changes take effect from) 1 April in each year. In line with the arrangements made on his appointment (and detailed in the 2021 and 2022 Remuneration Reports), Kiet Huynh's salary as CEO was increased to £616,400, an increase of 50% of the difference between his current salary and the former CEO's salary plus a 5% 'inflationary' increase which was below the average increase for the UK workforce (excluding promotions) of 6.34%.

The Committee was aware that this resulted in an increase ahead of that for the wider workforce in the UK. But, as has been explained in previous Remuneration Reports, the Committee's intention was that, after appointment and subject to performance, Kiet's salary would be increased, over a period of approximately two years, to the level of his predecessor's salary in 2021, indexed in line with increases to the other directors, such increases being no higher than those awarded to the wider workforce.

Jonathan Davis's salary as Group Finance Director increased by 5% to £390,100. The Chair's fee was also increased by 5% with the Board also determining that the non-executive director base fee should also increase by 5%. There were no increases in the supplementary fees payable to those directors with additional responsibilities.

Annual bonus

The annual bonus targets for 2023 were based on: adjusted operating profit performance (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 culture and engagement scores and qualitative targets focused on environmental innovation; and individual personal objectives (15% of opportunity). For full details, see pages 144 to 145.

Having reviewed performance 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 97.5% for Kiet Huynh and 97.0% 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 2023 pay out results in an award, as a percentage of maximum opportunity, between 51 and 53 percentage points higher than in 2022 on an adjusted operating profit increase of 17.3% on a constant currency basis; and
- the payout results in an award for the CEO and GFD of 146.3% and 121.3% of salary respectively compared to 70.2% and 55.4% respectively in 2022.

Annual statement by the Chair of the Remuneration Committee continued

Remuneration outcomes for 2023 continued

Annual bonus continued

- The 2023 payout for employee groups in the wider workforce averaged 93.2% of the normal maximum opportunity. The normal maximum opportunity was exceeded because performance hit the stretch targets that are an element of the wider workforce bonus scheme. This represents an increase of 43 percentage points on 2022 on an adjusted operating profit increase of 17.3% at organic 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 2023, of the bonus award, 56% and 46% of salary for each of Kiet Huynh and Jonathan Davis respectively will be deferred in shares for three years under the Deferred Annual Bonus Plan.

LTIP – including consideration of windfall gains

The Committee determined there should be no COVID-19 or other business-related adjustments to LTIP targets for in-flight awards.

The outturn for the 2021 LTIP award, which vests in March 2024, 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 2023.

The outcomes on each of the performance measures over the three-year period were as follows. Adjusted EPS grew by 17.1% over the period, exceeding the requirement of 9% growth for threshold vesting resulting in 41.4% vesting for this part of the award. Rotork's relative TSR ranking within its comparator group was insufficient for vesting of the TSR tranche. Economic profit declined over the measurement period and so did not reach the threshold level for payment. This tranche of the award lapses in full. This resulted in an overall level of vesting of 13.8% for the 2021 LTIP award. Having reviewed share price movements in the three-year period, the Committee is satisfied that no windfall gains were made in relation to the 2021 LTIP.

In March 2023, 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. In accordance with policy, the award levels were 200% of salary for the CEO and 175% of salary for the GFD. 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 2023

The Committee carefully considered the extent to which the overall remuneration outturn for executive directors, taking the salary review, annual bonus and 2021 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 2021 LTIP are set out on page 135 and pages 144 to 146.

Remuneration in 2024

The structure of remuneration in 2024 will be consistent with 2023 and in accordance with the current Remuneration Policy approved by shareholders on 28 April 2023.

Salary review

In reviewing the salaries of the executive directors, the Committee was conscious that the increase for the wider workforce in the UK was 4.4%.

Kiet Huynh, CEO

As explained above, 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 indexed in line with increases awarded to directors but not to exceed the level of increases awarded to the wider workforce. The Committee approved an increase of an additional 50% of the difference plus an annual increase of 4.2% (average workforce increase in the UK of 4.4%), taking his salary to £682,950 effective from 1 April 2024.

Retirement of Jonathan Davis as executive director and Group Finance Director

As announced on 12 September 2023, Jonathan Davis will be stepping down from his role of Group Finance Director when Ben Peacock joins the Board as Chief Financial Officer (CFO) on 11 March 2024. Jonathan will continue as an executive director until the conclusion of the AGM to be held on 30 April 2024. Jonathan will continue to provide support to Ben until his employment with Rotork ceases on 10 September 2024, which will be his retirement date.

Jonathan will receive a basic salary increase of 4.2% (average workforce increase in the UK of 4.4%), taking his salary to £406,480, effective from 1 April 2024, and will continue to receive this until he retires. Jonathan will be eligible to be considered for the 2024 annual bonus award which will be pro-rated up to the date of retirement. Any amounts either awarded in relation to 2023, or subject to deferral in shares under the rules of the Deferred Annual Bonus Plan will be disclosed in the 2024 Directors' Remuneration Report.

Given the managed succession process, Jonathan has been granted good leaver status and so, in accordance with the respective share plans, his DABP awards and the 2022 and 2023 LTIP awards are due to vest after his retirement. Any vesting of Jonathan's existing unvested LTIP awards will be pro-rated for the period until his retirement and will be subject to the achievement of the required performance conditions and the relevant rules. Jonathan's 2021 LTIP award is due to vest at 13.8% as described on page 146. Jonathan will not be granted any LTIP awards in 2024. His outstanding awards under the DABP and LTIP are shown on page 148. Any vesting of Jonathan's share awards, together with such dividend entitlements to be settled in the form of additional shares, will continue to be subject to the post-departure shareholding requirements for executive directors (up to 200% of salary for two years).

Annual statement by the Chair of the Remuneration Committee continued

Remuneration in 2024 continued

Appointment of Ben Peacock, Chief Financial Officer

As the incoming CFO, Ben Peacock will receive an annual salary of £430,000 with effect from his date of appointment of 11 March 2024 with the first salary review not intended to be before 1 April 2025. Further details of his remuneration arrangements, effective from 11 March 2024, are set out on pages 142 and 143.

Chair and non-executive directors' fees

The fee for the Chair will also increase by 4.2%, with the non-executive director base fee also increasing by 4.2% from 1 April 2024 as approved by the Board. There will be slight increases to the supplementary fees payable to those directors with additional responsibilities. Chair and non-executive directors' fees for 2024 are set out on page 155.

Pensions

In Rotork, the UK basic rate of pension is 9% but as Rotork passes on savings in National Insurance from the 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 Remuneration Policy, the pension allowance for the executive directors is aligned to the contribution available for the majority of the wider workforce. As at the date of this report, this is 10.24%

Annual bonus

In line with the current Remuneration Policy the maximum opportunity for Kiet Huynh will be 150% of salary. For Jonathan Davis and Ben Peacock, the maximum opportunity will be 125% of salary and, for each of them, will be pro-rated for time served accordingly. The performance metrics which are unchanged from 2023 will be:

- Adjusted operating profit performance (60% of opportunity) – the bonus plan is based on the 2024 budget approved by the Board.
- Cash generation (15% opportunity) – the target to achieve maximum outturn will remain at 110%, 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 a health and safety measure with a threshold set at 0.26 and a maximum at 0.23. The other half (5% of maximum opportunity) will be split across quantitative targets set to cover culture and engagement scores; and qualitative targets focusing on environmental innovation, particularly in relation to products.
- Strategic personal objectives (15% of opportunity) – these will be set for the executive directors with a focus on the strategic development of the business with the focus on the implementation of the 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 Remuneration Policy, the maximum opportunity for Kiet Huynh as CEO and Ben Peacock as the incoming CFO will be 200% and 175% of salary respectively. Jonathan Davis, as the outgoing GFD and executive director, will not be granted an LTIP award in 2024.

The structure of the 2024 LTIP performance conditions and metrics will be as set out below.

- Adjusted EPS (30% of opportunity) – the threshold and maximum set at 9% and 35% growth over the 2023 adjusted EPS by 2026 respectively.
- TSR (30% of opportunity) – 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 over the period equivalent to more than 11.5% 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 46% by the end of 2027 which is at least as demanding as the path required to meet the published 2030 SBTi target. Threshold performance will represent a reduction of 42%.

The proportion of maximum earned at threshold performance is no more than 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 2023.

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. 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.

Annual statement by the Chair of the Remuneration Committee continued

Wider workforce remuneration matters continued

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, regardless of role, offers share ownership schemes where practicable and delivers a profit-sharing programme to the vast majority of employees. 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.

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 56 to 62.

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 my fellow Board members and I have engaged with Rotork's employees during the course of the year are set out on pages 113 to 114. 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 a strong sense of positivity about the future direction of the business, we've heard from colleagues that some challenges, such as the rise in cost of living, continue to influence them. To support colleagues around the world through this, we have again brought forward the annual remuneration review and salary increases for all but our most senior people from 1 April 2024 to 1 January 2024.

Composition of the Committee

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. We were sorry to lose Peter Dilnot as a Committee member when he stepped down from the Board on 31 December 2023. He brought his knowledge of the UK remuneration environment to our discussions which complemented Ann Christin's and Karin's European perspective and Janice's US outlook. Similarly, we shall miss Ann Christin's insights when she steps down as a non-executive director at the conclusion of the April 2024 AGM. I would like to note my thanks to Committee members for their important contribution to the operation of the Committee throughout 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 practice, an external evaluation of the Committees' performance was undertaken during 2023 by Better Boards as part of the process outlined on page 115. As is usual, opportunities for greater focus and improvement were identified. The key areas of focus for 2024 will be to carefully consider how we ensure that good performance is rewarded when deserved and how we send clear signals of motivation to the high performers and the level of reward they could achieve. However, noting the continuing challenging nature of remuneration, it is very pleasing to report that the Committee is regarded as operating effectively and working through contentious issues in a focused way.

Tim Cobbold
Chair of the Remuneration Committee
4 March 2024

Remuneration at a glance

Implementation of our Remuneration Policy in 2023

Purpose	Element	Kiet Huynh (Chief Executive Officer)	Jonathan Davis (Group Finance Director)
Attract and retain high-calibre executive directors	**Salary**	£600k	£385k
	Benefits	Benefits comprise a car 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% of 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		£1,416k	£843k
Actual total remuneration for 2023		£1,583k	£986k

Performance outcomes for the 2023 financial year

The table below sets out how the annual bonus and LTIP awards have vested for the financial year ended 31 December 2023 based on performance against target.

Award	Measure	Performance	Kiet Huynh	Jonathan Davis
2023 annual bonus	• Profit (60%)	• 60% achieved	• 97.5% of maximum awarded	• 97.0% of maximum awarded
	• Cash generation (15%)	• 15% achieved		
	• ESG (10%)	• 10% achieved		
	• Personal and strategic (15%)	• K Huynh: 12.5% achieved		
		• J Davis: 12.0% achieved		
2021 LTIP award	• EPS growth (33%)	• 41.4% of maximum	• 13.8% of maximum vesting	• 13.8% of maximum vesting
	• TSR (33%)	• 0.0% of maximum		
	• Economic profit (33%)	• 0.0% of maximum		

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 and personal performance targets	• Not applicable
Growth	• Profit measure	• Total shareholder return measure
		• Earnings per share measure
Sustainability	• ESG (including safety) measures	• Five-year time horizon (three-year performance period and two-year holding period)
	• Deferral into shares	• Malus and clawback provision
	• Malus and clawback provisions	• Absolute reduction in scope 1 and 2 CO_2 emissions with targets aligned to the accredited, published 2030 SBTi targets

Remuneration at a glance continued

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 safety and sustainability.

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 and safety, employee engagement, diversity and product environmental impact.
	LTIP	Absolute reduction in scope 1 and 2 CO_2 emissions (2020 base year) with targets at least as demanding as the path required to meet the published 2030 SBTi target.
Strategic objectives	Annual bonus	Provide a balance to financial delivery which reflects 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.

Remuneration Policy report

Overview of the Remuneration Policy report

This section sets out a summary of Rotork's directors' Remuneration Policy (the 'Policy') which was approved by shareholders in a binding vote at the AGM held on 28 April 2023 and became effective on that date. The Committee's intention is that the current Policy will operate for the three-year period up to the AGM in 2026, unless approval for a new policy is sought sooner. The full Policy can be found in the 2022 Annual Reports and Accounts.

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.

Directors' Remuneration Policy

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 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

Remuneration Policy report continued

Directors' Remuneration Policy continued

Element of remuneration	Purpose and how it supports the strategy	How the element operates	Maximum amounts payable	Framework used to assess performance
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.
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

Remuneration Policy report continued

Directors' Remuneration Policy continued

Element of remuneration	Purpose and how it supports the strategy	How the element operates	Maximum amounts payable	Framework used to assess performance
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

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 in-flight 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.

Remuneration Policy report continued

Approach to recruitment remuneration continued

Details of the remuneration package for Ben Peacock as the incoming, externally appointed, Chief Financial Officer are given on page 142.

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.

Executive directors' service contracts

Name	Date of appointment to Board	Date of service contract	Notice period (rolling)
Kiet Huynh	10 January 2022	8 January 2022	12 months by either party
Jonathan Davis	1 April 2010	19 November 2009 as amended by a Deed of Variation dated 4 March 2020 and a Letter of Variation dated 11 September 2023	12 months by either party
Ben Peacock	11 March 2024	11 September 2023	12 months by either party

Non-executive directors' terms of engagement

Name	Date of appointment to the Board	Date of most recent letter of appointment
Dorothy Thompson (Chair)	1 December 2022	30 November 2022
Ann Christin Andersen	1 December 2018	16 November 2018
Tim Cobbold	1 December 2018	9 November 2018
Peter Dilnot	1 September 2017	28 April 2021
Karin Meurk-Harvey	13 September 2021	10 September 2021
Janice Stipp	1 December 2020	24 November 2020

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 30 April 2024.

Committee membership and governance

The Committee currently comprises four independent non-executive directors, namely, Tim Cobbold (Chair), Ann Christin Andersen, Janice Stipp and Karin Meurk-Harvey. Throughout 2023, Peter Dilnot also served on the Committee. The Group General Counsel & Company Secretary acts as secretary to the Remuneration Committee. The Remuneration Committee met four times during 2023 with attendance set out as follows.

Member	Member since	Eligible meetings (max 4)	Attendance
Tim Cobbold, Chair	December 2018	4	4
Peter Dilnot[(i)]	May 2021	4	3
Ann Christin Andersen	December 2018	4	4
Karin Meurk-Harvey	September 2021	4	4
Janice Stipp	December 2020	4	4

(i) Peter Dilnot was unable to attend the December meeting due to unforeseen events. He received the papers in advance and provided feedback to the Committee Chair which was shared at the meeting. The Committee Chair subsequently 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 Board Chair is also invited to attend meetings and provides input relating to the performance and remuneration of the Chief Executive Officer and Group Finance Director. 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 Board 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 https://www.rotork.com/en/documents/publication/5923.

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.

Annual Report on Remuneration continued

Priorities and activities of the Remuneration Committee during 2023

Reviewed the application 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 in advance of recommendation to shareholders at the 2023 AGM 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 2024.
- Reviewed the approach to the measurement and assurance process for the environmental measure for the 2023 LTIP awards.
- Reviewed and agreed the performance conditions and measures for the 2024 LTIP awards.

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 2023.
- Reviewed the fee payable to the Chair.

Determined pay outcomes that are performance driven

- Determined bonus performance outcome against 2022 targets and approved bonus payments.
- Determined LTIP vesting outcome against 2020 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 2023.
- Approved executive directors' personal objectives for 2023.
- Set LTIP performance targets and award levels for executive directors and other members of senior management for the 2023 LTIP.

Maintained transparency and clarity in everything we do

- Approved the Directors' Remuneration Report 2022.

Retirement of Jonathan Davis and the appointment of Ben Peacock as executive director and Chief Financial Officer

- The Committee reviewed and determined the remuneration arrangements relating to the retirement of Jonathan Davis as Group Finance Director and executive director and the appointment of Ben Peacock as executive director and Chief Financial Officer. Details of their respective remuneration arrangements are set out below.

Retirement of Jonathan Davis as executive director and Group Finance Director

As announced on 12 September 2023, Jonathan Davis will relinquish his role as Group Finance Director when Ben Peacock joins the Board as Chief Financial Officer (CFO) on 11 March 2024. Jonathan will continue as an executive director until the conclusion of the AGM to be held on 30 April 2024. Jonathan will continue to provide support to Ben until his employment with Rotork ceases on 10 September 2024 ('Retirement Date').

Jonathan will continue to receive his current salary of £390,100 per annum (subject to annual review effective from 1 April 2024) and benefits monthly up until the Retirement Date. Jonathan will be eligible to be considered for the 2024 annual bonus award which will be pro-rated up to the Retirement Date. Any amount either awarded in relation to 2023, or subject to deferral in shares under the rules of the Deferred Annual Bonus Plan will be disclosed in the 2024 Directors' Remuneration Report.

In accordance with the respective share plans, Jonathan has been granted good leaver status with respect to his existing DABP awards and the 2022 and 2023 LTIP awards that are due to vest after his Retirement Date. Any vesting of Jonathan's existing LTIP awards will be pro-rated for the period until his Retirement Date and will be subject to the achievement of the required performance conditions and the relevant rules. Jonathan's 2021 LTIP award is due to vest at 13.8% as described on page 146. Jonathan will not be granted any LTIP awards in 2024. His outstanding awards under the DABP and LTIP are shown on page 148. Any vesting of Jonathan's share awards, together with such dividend entitlements to be settled in the form of additional shares, will continue to be subject to the post-departure shareholding requirements for executive directors (up to 200% of salary for two years).

As an employee leaving Rotork, with effect from the Retirement Date, Jonathan will no longer participate in the Company's Share Incentive Plan (SIP) and shares held in the SIP trust ('Trust') on his behalf will be removed from the Trust.

Full details of Jonathan Davis's remuneration arrangements, once confirmed, will be provided in the statement required under Section 430(2B) of the Companies Act 2006 which will be released when he retires from the Board on 30 April 2024 and will be included in Rotork's Directors' Remuneration Report in subsequent years as appropriate. There are no payments for loss of office relating to Jonathan Davis.

Annual Report on Remuneration continued

Appointment of Ben Peacock as executive director and Chief Financial Officer

Ben Peacock was appointed as an executive director and Chief Financial Officer to take effect from 11 March 2024 ('Commencement Date') to succeed Jonathan Davis. Effective from his Commencement Date, Ben will receive an annual salary of £430,000 with the first salary review not intended to be undertaken before 1 April 2025.

His benefits, which are all in line with the current Remuneration Policy, will comprise a car allowance of £13,584 (which can only be used towards acquiring an electric, hybrid or low emission vehicle), personal accident and private medical insurance and life assurance. His pension allowance will be fixed at the rate available to the majority of the workforce in the UK, which is the country in which Ben will operate (currently in the UK this is 10.24% of salary).

Ben will be eligible to participate in the discretionary annual bonus scheme with his maximum opportunity being 125% of basic salary which, for 2024, will be pro-rated for time served from his Commencement Date. The payment of any bonus will be determined by the Committee at its absolute discretion as they may determine from time to time. Any bonus up to 60% of the maximum opportunity is paid in cash with any bonus awarded in excess of 60% of the maximum to be deferred into shares for three years under the rules of the Deferred Annual Bonus Plan. At the Company's discretion, Ben may participate in the LTIP with his level of participation being up to 175% of basic salary. He is also entitled to participate in the all-employee share plans operated by the Company which currently include the SIP (Partnership and Free Shares) and the UK Sharesave schemes.

In line with the Remuneration Policy, certain elements of Ben's remuneration from his previous employer will be bought out. These include the payment of a bonus buyout equivalent to the amount he is forecasted to lose (£140,568), to be paid in cash in March 2024 post his Commencement Date. The Company will also make an award of Rotork ordinary shares to the value of £230,000 in compensation for unvested Restricted Stock Units to which he is entitled under his previous employment. The grant of these awards is anticipated to be made shortly after the later of his joining the Company and the announcement of the preliminary results for the 2023 financial year and will be subject to terms and conditions similar to the Rotork LTIP (other than performance conditions and timing). The vesting date for the awards will match those being forfeited. Full disclosure will take place in next year's Directors Remuneration Report.

Tax support will be offered for up to three tax years for advice and support in completing tax returns in the UK and US subject to an annual cap of £10,000 to be paid directly to the provider. Contributions towards relocation costs (subject to caps) from the US to a location within 25 miles of Bath will also be provided. Such relocation costs will include flights, temporary accommodation, use of relocation company, shipping costs, contribution to house purchase costs and payment of incidentals against receipts. Disclosure will take place in next year's Directors' Remuneration Report.

Residual payments in 2023 relating to Kevin Hostetler as former executive director and CEO

As reported in last year's Remuneration Report, Kevin Hostetler stepped down from the Board and as CEO with effect from 10 January 2022 and continued to provide support to Kiet Huynh, until Kevin's employment with Rotork ceased on 17 April 2022 ('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 2020 LTIP did not vest during 2023 as performance conditions were not met and his award lapsed on 7 April 2023. The 2021 and 2022 LTIP awards are due to vest on 24 March 2024 and 24 March 2025 respectively.

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) of the Companies Act 2006 have been made to Kevin Hostetler. The relevant remuneration information will continue to be included in Rotork's Directors' Remuneration Report in subsequent years, as appropriate.

Annual Report on Remuneration continued

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 2023.

Executive directors

	Salary		Benefits[i]		Annual bonus[ii]		LTIP[iii]		RSU[iv]		SIP[v]		Pension and related benefits		Total remuneration		Total fixed pay		Total variable pay	
Name	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Kiet Huynh	**600**	538	**22**	22	**877**	378	**19**	—	**—**	95	**4**	3	**61**	56	**1,583**	1,092	**683**	616	**900**	476
Jonathan Davis	**385**	369	**15**	15	**467**	204	**73**	—	**—**	—	**4**	4	**42**	53	**986**	645	**442**	437	**544**	208

(i) The benefit value consists of a car allowance and private medical insurance.

(ii) Of the maximum bonus opportunity, the following applied: for Kiet Huynh, £540k was paid in cash with £337k deferred into shares for three years; for Jonathan Davis, £289k was paid in cash with £178k deferred into shares for three years.

(iii) The 2023 figure relates to the vesting of the 2021 LTIP award based on performance to 31 December 2023. These awards are not eligible to vest until 24 March 2024 and, as such, an indicative share price of 309.5p (being the average closing share price over the three-month period to 31 December 2023) has been used for the purposes of valuing these awards. This value will be restated in next year's report. The 2022 figure relates to the nil vesting of the 2020 LTIP award based on performance to 31 December 2022.

(iv) 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 previous Remuneration Policy, as Kiet was an internal appointment, any outstanding variable pay awarded to him in his previous role was allowed to pay out according to its terms of grant. No RSU Awards have been granted to executive directors. The 2022 figure relates to the vesting of the RSU Award (including accrued dividend equivalents) on 7 April 2023. 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 307.6p. Of the £95k, 14.7% relates to a decrease in the value of the underlying shares from date of grant to vesting.

(v) 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 current 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 following cessation of office can be found on page 143.

Other directors (£000s)

	Base fees		Additional fees/ remuneration		Total remuneration	
Name	**2023**	2022	**2023**	2022	**2023**	2022
Ann Christin Andersen	**61**	59	**7**	7	**68**	66
Tim Cobbold	**61**	59	**18**	18	**79**	77
Peter Dilnot	**61**	59	**11**	11	**72**	70
Karin Meurk-Harvey	**61**	59	**—**	—	**61**	59
Janice Stipp	**61**	59	**11**	11	**72**	70
Martin Lamb[i]	**84**	246	**—**	—	**84**	246
Dorothy Thompson[i]	**194**	5	**—**	—	**194**	5

(i) Martin Lamb stepped down from the Board on 30 April 2023 with Dorothy Thompson succeeding him as Chair. The fees shown are pro-rated for time served as Chair with Dorothy Thompson's fee also including her pro-rated non-executive base fee from 1 January 2023 to 30 April 2023.

The additional fees referred to above are the supplementary fees paid in cash to the Chairs of the Audit, Remuneration and Safety and Sustainability (formerly 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.

Annual bonus for 2023

Bonuses in 2023 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	£131m	£162m	60%	£164m	60%
Cash generation	85%	110%	15%	120.3%	15%
ESG measures: Environmental innovation, engagement and culture	See below	See below	5%	See below	5%
Lost time injury rate	0.19	0.12	5%	0.08	5%
Total			85%		85%

ESG measures comprise: environmental innovation in product and customer focus to reduce environmental impact (2%), employee engagement (2%) and culture (1%). The product and customer innovation performance was sufficient to deliver the full 2%. The employee engagement score of 7.4 outperformed the target range of 6.8 to 7.3 delivering 2% of bonus. The culture score of 61% diversity in candidates filling available roles at RMB level and the tier below exceeded the target range of 40% to 50%, delivering 1% of bonus.

Annual Report on Remuneration continued

Annual bonus for 2023 continued

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 Chair 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 and vision	To complement Rotork's Growth+ strategy, a full product portfolio analysis was conducted with the outcomes, conclusions and next steps presented to the Board. Inorganic growth plans were also formulated for review and further investigation.	2.0%	2.0%
Growth+ strategy implementation, including:		13.0%	10.5%
Target Segments	Commenced the implementation of the necessary critical success factors to enable the revenue growth within the target segments of methane, LNG and decarbonisation.		
Customer value	Delivered improved customer satisfaction through commercial and operational improvements which addressed the management of global projects and key accounts and the development of an enhanced global supply chain strategy.		
Innovative products and services	Accelerated the development of key products and launched engineering KPIs.		
Enabling a sustainable future and investing in people and culture	Defined and launched KPIs and plans to deliver net-zero milestones for scope 1, 2 and 3 which were approved by the ESG Committee. Delivered the remaining six modules of the Rotork Life Saving Rules within all plants and subsidiaries.		
Embracing digital technology	Defined in further detail Rotork's digital and data strategy with initiatives aimed to drive increased efficiency and decision making to aid Growth+. Launched the new ERP in Bath and progressed the subsidiary build blueprint in line with implementation plan.		
Total		**15.0%**	**12.5%**

Jonathan Davis	Performance summary	% payable at maximum	% bonus awarded
Business strategy and vision	To complement Rotork's Growth+ strategy, a full product portfolio analysis was conducted on certain product lines to assess their suitability to deliver Growth+ and shape their ranges for the future. An acquisition pipeline was developed to align with strategy.	2.0%	2.0%
Development and implementation of financial systems, including:		7.0%	5.0%
Forecasting/budgeting	Launched an improved budgeting and forecasting process designed to improve the process efficiency through integration as other systems permit.		
Reporting	A new format and methodology was cascaded through the financial performance reporting lines and aligned with quarterly divisional performance reviews.		
Control environment	In preparation for the anticipated regulatory changes, work continued to enhance the control environment. This included implementation of a new business control review methodology aligned to the business control framework. The external audit tender process was completed in the year culminating with the appointment of a new external auditor for the 2024 financial year.		
Growth+ strategy implementation, including:		6.0%	5.0%
Investing in people and culture	Stabilisation of finance teams through retention and faster recruitment. Expansion of training programmes for team members carrying out business control reviews; global finance conference held with further regional finance meetings held to reinforce the subject matter and continue training the teams.		
Enabling a sustainable future	Defined and launched KPIs and plans to deliver net-zero milestones for scopes 1, 2 and 3 with ESG Committee approval given.		
Embracing digital technology	Launched the new ERP in Bath and progressed the subsidiary build blueprint. Designed and completed the plan to modify sales channels where required to facilitate the ERP rollout plan.		
Total		**15.0%**	**12.0%**

Annual Report on Remuneration continued

Annual bonus for 2023 continued

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 150% and 125% for Kiet Huynh and Jonathan Davis respectively with no need for discretion to be applied. As a result, the bonus for Kiet Huynh and Jonathan Davis for 2023 paid out at 90% and 75% of salary in cash and 56% and 46% of salary in deferred shares under the Deferred Annual Bonus Plan respectively with the details shown below.

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. Of the 2023 bonus award, 56% and 46% of salary for each of Kiet Huynh and Jonathan Davis will be deferred in shares for three years under the Deferred Annual Bonus Plan and are not subject to any additional performance conditions. Of the above amounts, Kiet Huynh will defer £337k and Jonathan Davis will defer £178k. There were no DABP awards made in 2023 with respect to the 2022 annual bonus.

LTIP awards vesting based on performance to 31 December 2023 (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 24 March 2021 had a performance period from 1 January 2021 to 31 December 2023 and were subject to the following performance targets:

Measure	Weighting	Performance period	Threshold target	Stretch target (100% vesting)	Performance outcome
Earnings per share(i)	33%	01/01/21 – 31/12/23	9% (15% vesting)	35%	EPS growth of 17.1% exceeded the requirement of 9% growth for threshold vesting but was insufficient to meet the stretch target for maximum payout. This resulted in 41.4% vesting for this part of the award.
TSR relative to the constituents of the FTSE 350 Industrial Goods and Services Sector	33%	01/01/21 – 31/12/23	Median ranking (25% vesting)	Upper quartile ranking or above	Rotork's relative TSR ranking within its comparator group was insufficient for this tranche to vest.
Economic profit growth	33%	01/01/21 – 31/12/23	Growth on three times the 2020 economic profit (0% vesting)	26% growth on three times the 2020 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 three-year performance period, adjusted EPS grew by 17.1%. Relative TSR performance in the period was insufficient for vesting. 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. The Remuneration Committee, therefore, approved the vesting of 13.8% of the shares awarded under the 2021 cycle as set out below. With respect to Kevin Hostetler, former CEO, under the terms of his agreement upon leaving Rotork, he was given good leaver status for both his outstanding DABP awards and his remaining 2021 and 2022 LTIP awards. Upon the vesting of his 2021 LTIP award, he will receive the number of shares shown below which have been pro-rated up to his date of leaving Rotork, being 17 April 2022. Additional shares, representing accrued dividends in the period, will be added upon vesting. Under the shareholding guidelines as set out under the Policy, Kevin will be required to retain the vested number of shares (net of tax and social security) for a further period of two years.

2021 LTIP Award

	Grant date	Number of shares under award	Number of shares vesting(i)	Number of shares lapsing	Vesting/ lapse date
Kevin Hostetler(i)	24 March 2021	119,593	16,504	103,089	24 March 2024
Kiet Huynh	24 March 2021	43,681	6,028	37,653	24 March 2024
Jonathan Davis	24 March 2021	169,899	23,446	146,453	24 March 2024

(i) The award to Kevin Hostetler was made as a conditional share award and was pro-rated to his Departure Date.

Annual Report on Remuneration continued

Share awards granted in 2023 (audited)

LTIP awards (audited)

The following LTIP awards were made to the executive directors on 24 March 2023. These grants were made at the levels permitted under the current Remuneration Policy.

	Share awards made during 2023[i]	Basis on which awards made	Face value of award (£)[ii]	Percentage vesting for minimum performance[iii]	End of performance period	Vesting date
Kiet Huynh	358,586	200% of salary	1,099,998	13.3%	31 December 2025	24 March 2026
Jonathan Davis	211,978	175% of salary	650,263	13.3%	31 December 2025	24 March 2026

(i) Awards to both Kiet Huynh and Jonathan Davis were made as nil-cost options.

(ii) The share price used to determine the number of shares under the awards was 307p, being the average share price over the five dealing days immediately prior to the date of the award.

(iii) Vesting if the minimum performance EPS, TSR, capital return (economic profit) and ESG conditions are achieved. The performance measures are:

a 30% based on adjusted earnings per share – EPS growth must be at least 9% for 25% vesting, increasing on a straight-line basis to full vesting for EPS growth of 35% and above;

b 30% based on 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;

c 30% based on 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 (at which 0% vests) requires average economic profit over the three-year period to exceed that generated in 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. 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; and

d 10% based on an absolute reduction in scope 1 and 2 CO_2 emissions with targets at least as demanding as the path required to meet the published 2030 SBTi targets.

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, capped at £3,600. Details of free share awards under the SIP made to executive directors in 2023 are set out below.

	Free share awards made during the year			Face value of award
	Date of grant	Number	Basis on which award made	
Kiet Huynh	6 April 2023	1,151	Non-performance based	£3,600
Jonathan Davis	6 April 2023	1,151	Non-performance based	£3,600

The executive directors are also eligible to purchase monthly partnership shares under the SIP to a maximum of £150 per month.

Annual Report on Remuneration continued

Summary of outstanding share awards held by executive directors (audited)

	Awards held at 31 December 2022	Granted in the year	Lapsed in the year	Awards exercised in the year	Awards held at 31 December 2023	Performance period	Exercise price	Date of grant	Vesting date	End of holding period
Kiet Huynh										
LTIP[i]	60,713	—	60,713[ii]	—	—	1 Jan 2020–31 Dec 2022	—	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	—	24 March 2021	24 March 2024	24 March 2026
LTIP[i]	335,939	—	—	—	335,939	1 Jan 2022–31 Dec 2024	—	24 March 2022	24 March 2025	24 March 2027
LTIP	—	358,586	—	—	358,586	1 Jan 2023–31 Dec 2025	—	24 March 2023	24 March 2026	24 March 2028
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
SIP	—	1,151	—	—	1,151	N/A	—	6 April 2023	6 April 2026	n/a
SAYE	1,411	—	—	—	1,411	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	**484,413**	**359,737**	**60,713**	**31,588**	**751,849**					
Jonathan Davis										
LTIP[i]	14,219	—	—	—	14,219	1 Jan 2019–31 Dec 2021	—	16 May 2019	16 May 2022	16 May 2024
LTIP[i]	198,300	—	198,300[ii]	—	—	1 Jan 2020–31 Dec 2022	—	7 April 2020	7 April 2023	7 April 2025
LTIP[i]	169,899[iv]	—	—	—	169,899	1 Jan 2021–31 Dec 2023	—	24 March 2021	24 March 2024	24 March 2026
LTIP[i]	192,246[iv]	—	—	—	192,246	1 Jan 2022–31 Dec 2024	—	24 March 2022	24 March 2025	24 March 2027
LTIP[i]	—	211,978	—	—	211,978	1 Jan 2023–31 Dec 2025	—	24 March 2023	24 March 2026	24 March 2028
DABP[v]	26,744	—	—	26,744	—	N/A	—	3 March 2020	3 March 2023	n/a
DABP[v]	8,544	—	—	—	8,544	N/A	—	8 March 2021	8 March 2024	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
SIP	—	1,151	—	—	1,151	N/A	—	6 April 2023	6 April 2026	n/a
Total	**613,401**	**213,129**	**198,300**	**28,111**	**600,119**					

(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 none of the performance conditions were met, the 2020 LTIP award did not vest and all shares lapsed on 7 April 2023.

(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 Remuneration Policy, as Kiet was an internal hire, any outstanding variable pay awarded to him in his previous role was allowed to pay out according to its terms of grant. On 7 April 2023, the RSU award over 30,356 shares vested with an additional 778 shares representing dividend equivalents applied.

(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), capital return (economic profit) and, in the case of the 2023 LTIP award, ESG 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.

(v) Conditional share awards.

Annual Report on Remuneration continued

Statement of directors' shareholding and share interests (audited)

The table below shows total shareholdings of the current directors as at 31 December 2023.

	Beneficially owned shares(i)	Unvested DABP Awards(ii)	SIP(iii)	% of salary shareholding achieved(iv)	Unexercised/Unvested LTIP Awards subject to performance targets
Executive directors					
Kiet Huynh	31,731	—	3,031	18%	738,206
Jonathan Davis	471,847	8,544	3,233	388%	588,342
Non-executive directors					
Ann Christin Andersen	2,000	—	—	n/a	—
Tim Cobbold	—	—	—	n/a	—
Peter Dilnot	10,000	—	—	n/a	—
Karin Meurk-Harvey	2,000	—	—	n/a	—
Janice Stipp	—	—	—	n/a	—
Dorothy Thompson	20,000	—	—	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.

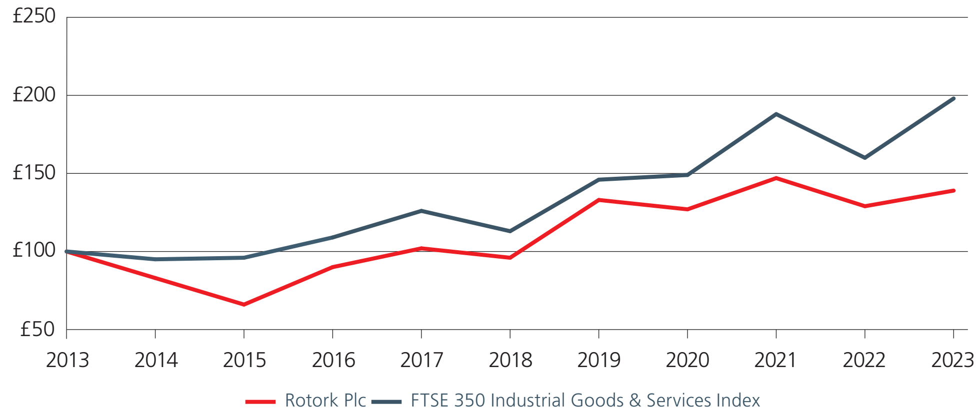
(iii) SIP free awards held in trust.

(iv) The share price used to determine the percentage of the shareholding of salary achieved is 313.7p, being the 12 month average share price as at 31 December 2023. 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.

There has been no change in the directors' interests in the ordinary share capital of the Company between 31 December 2023 and 4 March 2024, except in the case of Jonathan Davis's monthly purchases of partnership shares under the SIP.

TSR performance graph

This graph shows the value, by 31 December 2023, of £100 invested in Rotork plc on 31 December 2013, 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.



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
2023	Kiet Huynh	1,583	97.5%	n/a
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%

(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.

Annual Report on Remuneration continued

Percentage change in remuneration of directors

The table below shows the percentage change in remuneration (based on salary/fee, benefits and bonus) between 2023 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. Martin Lamb stepped down from the Board on 28 April 2023.

		Percentage change FY23 to FY22			Percentage change FY22 to FY21			Percentage change FY21 to FY20			Percentage change FY20 to FY19		
	Role	Salary/Fee	Benefits	Bonus	Salary/Fee	Benefits	Bonus	Salary/Fee	Benefits	Bonus	Salary/Fee	Benefits	Bonus
Executive directors													
Kiet Huynh	Chief Executive Officer	11.5	1.5	132.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jonathan Davis	Group Finance Director	4.6	-4.9	128.9	3.1	1.8	-6.2	1.9	0	-10.1	0.7	0	-14.8
Non-executive directors													
Martin Lamb(i)	Chairman	-66.0	N/A	N/A	3.1	N/A	N/A	1.9	N/A	N/A	0.0		
Dorothy Thompson(ii)	Chair	3817	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ann Christin Andersen	Non-executive Director	4.5	N/A	N/A	3.1	N/A	N/A	1.9	N/A	N/A	0.0		
Tim Cobbold	Non-executive Director	4.5	N/A	N/A	3.1	N/A	N/A	1.9	N/A	N/A	0.0	N/A	N/A
Peter Dilnot	Non-executive Director	4.5	N/A	N/A	3.1	N/A	N/A	1.9	N/A	N/A	0.0	N/A	N/A
Karin Meurk-Harvey	Non-executive Director	4.5	N/A	N/A	260	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Janice Stipp	Non-executive Director	4.5	N/A	N/A	1.9	N/A	N/A	1.9	N/A	N/A	N/A	N/A	N/A
All permanent employees		8.3	14.1	116.4	5.7	13.6	49.9	4	2.6	-16.6	0.3	3.7	1.0

(i) Martin Lamb stepped down from the Board on 28 April 2023; the pro rata fee increase is 4.5%.

(ii) Dorothy Thompson joined the Board as Non-executive Director and Chair Designate in December 2022; the pro rata fee increase is 229%. The increase in the Chair fee applied on 1 April 2023 was 5%.

Annual Report on Remuneration continued

Percentage change in remuneration of directors continued

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.

	2023	2022	Percentage change
Employee remuneration (£000s)	**152,679**	127,311	19.9%
Dividends (£000s)(i)	**61,940**	57,610	7.5%

(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 – 2023 financial years.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	43:1	34:1	25:1
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 previous periods due to the starting salary of the incumbent CEO who was appointed in January 2022. This is expected to rise to the level of his immediate predecessor's 2021 salary, 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 2023 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)	600	25	36	49
Total remuneration (single figure)(i)	1,583	37	46	64

(i) Full time equivalent.

Statement of voting at general meeting

The Remuneration 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 30 April 2023 in respect of both the current Remuneration Policy and the Annual Report on Remuneration for the year ended 31 December 2022.

Resolution	Votes cast 'for'	%	Votes cast 'against'	%	Votes 'withheld'	%
To approve the Remuneration Policy	683,772,096	98.04	13,640,012	1.96	410,841	0
To approve the Annual Report on Remuneration 2022	679,150,943	97.82	15,105,911	2.18	3,566,095	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 2023, the Company paid £122,400 (2022: £177,230) to Korn Ferry for services to the Remuneration Committee. Figures exclude VAT and disbursements.

Annual Report on Remuneration continued

How we will operate the Policy in 2024

Salary	Kiet Huynh's salary will increase to £682,950, effective from 1 April 2024, an increase of 50% of the difference between his current salary and the outgoing CEO's 2021 salary plus 4.2% (average workforce increase in the UK of 4.4%, excluding promotions). 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. Jonathan Davis will receive a basic salary increase of 4.2% (average workforce increase in the UK of 4.4%, excluding promotions), taking his annual salary to £406,480, effective from 1 April 2024. He will continue to receive this monthly up until his Retirement Date of 10 September 2024. As the incoming CFO, Ben Peacock will receive an annual salary of £430,000 with effect from his Commencement Date of 11 March 2024.
Benefits	Benefits comprise a car allowance, personal accident and private medical insurance and life assurance.
Pension	The pension allowance for the executive directors is aligned to the contribution available to the majority of the UK workforce. As at the date of this report, this is 10.24%.
Annual bonus	In line with the current Remuneration Policy, the maximum opportunity for Kiet Huynh will be 150% of salary. For Jonathan Davis and Ben Peacock, the maximum opportunity will each be 125% of salary and will be pro-rated for time served accordingly. Any bonus earned above 60% of the maximum opportunity will be deferred in shares for three years. Bonuses will be based on: • Adjusted operating profit Performance (60% of opportunity); the plan is based on the 2024 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 be based on a TRIR health and safety measure with a threshold set at 0.26 and a maximum at 0.23. The remaining 5% will be split across quantitative targets set to cover culture and engagement scores 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.

Annual Report on Remuneration continued

How we will operate the Policy in 2024 continued

LTIP	The LTIP maximum award levels for 2024 will be 200% of salary for Kiet Huynh and 175% of salary for Ben Peacock. Jonathan Davis will not be granted any LTIP awards in 2024. 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 (0% vesting) will require the cumulative economic profit over the three-year period to exceed that generated in the three year period to 2023 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 at least as demanding as the path required to meet the published 2030 SBTi target. The awards will be granted following the publication of the 2023 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.
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 Chief Financial Officer 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 the Policy 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 4.2% to both the Chair's fee and the base Board fee has been approved (average increase for the UK workforce of 4.4%, excluding promotions). Chair: £271,230, effective 1 April 2024; Base Board fee: £64,800, effective 1 April 2024. Increases have been approved to the supplementary fees payable to those directors with additional responsibilities: Additional fee for chairing the Audit Committee: £14,000; Additional fee for chairing the Remuneration Committee: £14,000; Additional fee for the role of Senior Independent Director: £10,590; Additional fee for chairing the Safety and Sustainability Committee: £10,000; and Additional fee for undertaking the role of Non-executive director for Workforce Engagement: £10,000.

On behalf of the Board

Tim Cobbold
Chair of the Remuneration Committee
4 March 2024

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 2023 as set out on pages 167 to 204. 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 and 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 1 to 96 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 100 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 102 to 134 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 page 100.

Additional disclosures

The Strategic Report can be found on pages 1 to 96, and encompasses our corporate responsibility report. A complete list of the Group's subsidiaries has been included on pages 202 to 204 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 26 to the financial statements and the Directors' Remuneration Report on pages 129 to 153.
9.8.4R(12)	Shareholder waivers of dividends	Note 18 to the financial statements
9.8.4R(13)	Shareholder waivers of future dividends	Note 18 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 and gas, water and wastewater, power, chemical, process and industrial applications. It operates globally serving customers in 170 countries through a network of offices and manufacturing facilities. The Company employs circa 3,300 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 2023 are set out in the financial statements on pages 167 to 204. The Board has recommended a final dividend for the year of 4.65p per ordinary share (2022: 4.30p) which, together with the interim dividend of 2.55p per ordinary share paid on 22 September 2023, gives a total dividend for the year of 7.20p per ordinary share (2022: 6.70p per ordinary share). Subject to shareholder approval, the final dividend will be paid on 24 May 2024 to ordinary shareholders on the register at the close of business on 19 April 2024.

Directors

The directors who served during the year and their biographies and other details, are set out on pages 102 and 103. Dorothy Thompson, who was appointed as non-executive director on 1 December 2022, succeeded Martin Lamb as Chair following his stepping down from the Board at the conclusion of the 2023 Annual General Meeting after nine years of service. Peter Dilnot stepped down from the Board and as Senior Independent Director on 31 December 2023 after six years with Tim Cobbold taking over as Senior Independent Director from 1 January 2024. After over five years, Ann Christin Andersen will retire from the Board on 30 April 2024 upon the conclusion of the AGM. Andrew Heath and Vanessa Simms were appointed non-executive directors with effect from 1 April 2024 and 21 June 2024 respectively. Ben Peacock is joining the Board as executive director and Chief Financial Officer on 11 March 2024 to succeed Jonathan Davis who steps down from the Board on 30 April 2024 after 21 years with the Company and 14 years as an executive director.

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 which 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 49 and 50.

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 six languages.

Whistleblowing

Rotork encourages the reporting of any suspected wrongdoing through its Speak-Up line, details of which can be found on the Rotork website at www.rotork.com/en/documents/publication/6675. The Speak-Up policy gives the workforce and third parties, e.g suppliers, various ways to alert management and directors to any concerns, including suspected wrongdoing. 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. The Board of directors receive updates on the nature and number of 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 offer or accept 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 2024, 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 32 to 62 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 with the charity's priorities having been expanded to include hardship being faced as a result of the cost of living crisis. Further details are given on page 62.

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 2024 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 27 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 2023 are summarised in note 18 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 28 April 2023, 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 2024 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 773,000 shares during the year for an aggregate consideration of £2,444,000 (including dealing costs) and released 1,038,000 shares to satisfy share plan awards. As at 31 December 2023, the EBT held 1,566,000 Rotork plc ordinary shares (0.18%) 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 18 to the financial statements.

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 of the 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 11.

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 58 to 59.

Engagement with suppliers and customers

For details on how we have engaged with our suppliers and customers, see pages 110 and 112.

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 111. A range of online and face-to-face investor relations events following the publication of the full-year and half-year results have been scheduled for 2024.

Substantial shareholders

As at 31 December 2023, 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 to the Company between 31 December 2023 and 4 March 2024.

Identity	Number of voting rights (direct and indirect)	% of voting rights
Liontrust Investment Partners, LLP	51,653,156	6.00
Blackrock, Inc	48,858,420	5.68

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. For further information see pages 64 to 80.

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 2026. For further information, see page 80 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 2023.

Annual General Meeting

The AGM will be held on 30 April 2024. 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

Following the conclusion of an external audit tender process (described in detail on page 124) and upon the recommendation of the Audit Committee and approval of the Board, a resolution to appoint KPMG LLP as auditor to replace Deloitte LLP will be proposed at the forthcoming AGM, together with a resolution to authorise the Audit Committee to determine its remuneration.

The Directors' Report was approved by the Board on 4 March 2024.

By order of the Board

Stuart Pain
Group General Counsel & Company Secretary
4 March 2024

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 currently serving directors, whose names and functions are listed on pages 102 and 103 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, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategies.

Kiet Huynh
Chief Executive Officer
4 March 2024

Financial statements

Contents

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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 31, 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 9 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, which had a similar level of risk to the prior year.
Materiality	The materiality that we used for the group financial statements was £8.0m which was determined on the basis of profit before tax adjusted for 'Other adjustments', defined in note 5 to the financial statements.
Scoping	Our audit scope covered 78% of group revenue, 81% of group profit before tax and 86% of group net assets. Our approach to component scoping is consistent with prior year, with audit work once again being performed by a combination of group audit team and component audit teams.
Significant changes in our approach	There have been no 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 27 to the financial statements;
- Assessment of whether the cash flow forecasts over the outlook period are reasonable including the consideration of the principal risks as disclosed on pages 73 of the Corporate Governance section, and particularly in light of the current economic environment;
- 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.

Report on the audit of the financial statements continued

4. Conclusions relating to going concern continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Timing of revenue recognition

Key audit matter description	The group generated revenue of £719 million during the year (2022: £642 million) relating to the manufacture and delivery of products. 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 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 to address the risk that revenue is recorded in an inappropriate period; • Obtained an understanding of the relevant shipping terms used by the group for the delivery of goods 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. For selected samples of transactions, we have performed the following: • Inspected a combination of purchase orders, invoices, despatch notes, shipping terms and delivery notes to assess whether the timing of revenue recognition is appropriate based on the status of products and services at year-end; 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.

Report on the audit of the financial statements continued

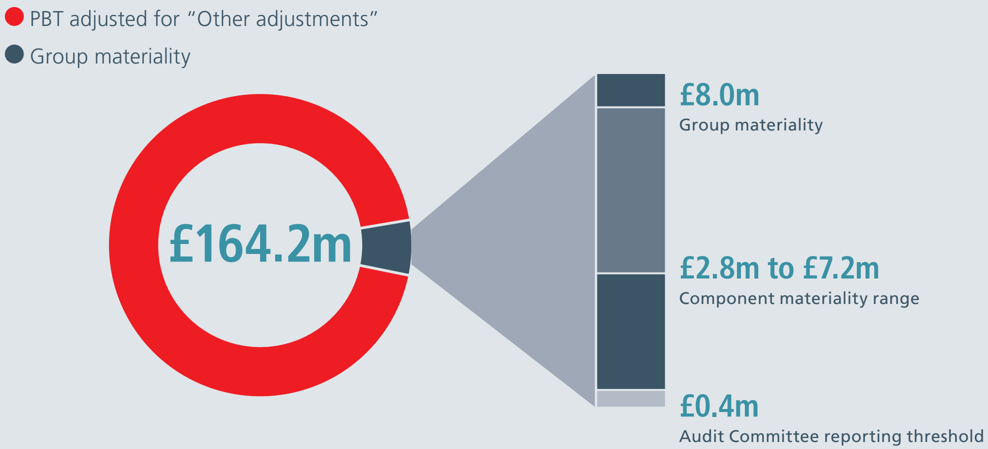
6. Our application of materiality

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	£8.0 million (2022: £6.7 million)	£7.2 million (2022: £6.0 million)
Basis for determining materiality	5% of profit before tax adjusted for 'Other adjustments' (2022: 5% of profit before tax adjusted for 'Other adjustments'). In the year ended 31 December 2023 the adjustments to statutory pre-tax profit are consistent with those presented in note 2 to the financial statements, except for amortisation which is added back. This basis is consistent with the year ended 31 December 2022.	Parent company materiality equates to 2% of parent company net assets (2022: 2% of net assets), which is capped at 90% of group materiality (2022: capped at 90%). 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.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • The quality of the control environment in the group and in the component finance teams; • The level of corrected and uncorrected misstatements identified in previous audits; and • The level of consistency in key management personnel. Compared to the prior period we have not identified any significant changes in the above assessment, which resulted in a consistent performance materiality determination in 2023.	

Report on the audit of the financial statements continued

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.4m (2022: £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.

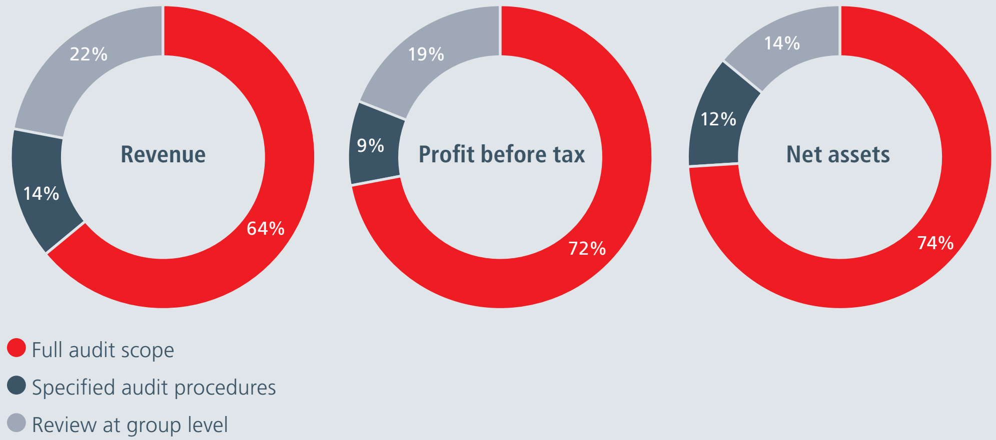
7. An overview of the scope of our audit

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 (2022: 15), which were subject to a full scope audit and on a further 9 components (2022: 7) subject to specified audit procedures.

The 24 components (2022: 22) include the principal business units within the group's three reportable segments across 14 countries and account for 78% of the group's revenues (2022: 79%), 81% of the group's profit before tax (2022: 81%) and 86% of the group's net assets (2022: 89%). 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 £3.8 million to £4.2 million (2022: £2.1 million to £2.8 million) as well as the parent company materiality at £7.2 million (2022: £6.0 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.



7.2. 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 general IT controls in place on key IT systems; this year that included the new global ERP system. As summarised on page 125 in the Audit Committee Chair's report, development of the new ERP system continued and 'go-live' at the Bath factory was achieved in January 2023 and Head office in August 2023.

In updating our understanding of the control environment at Bath factory we assessed controls associated with the data migration and key post-implementation controls over the IT environment. We noted that some of the post-implementation controls were developed over the course of the year, with enhancements identified and deployed.

We did not place reliance on those controls for the purposes of our substantive audit testing procedures. The changing IT environment, and the comparative diverse infrastructure that currently operates around the group, led us to our audit strategy of performing a fully substantive audit. For all components we obtained an understanding of the relevant controls associated with the financial reporting process, key audit matters, and in relation to significant accounting estimates.

Report on the audit of the financial statements continued

7. An overview of the scope of our audit continued

7.3. Our consideration of climate-related risks

As described on page 85, 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 disclosed in the accounting policies on page 177.

We have also considered the impact of climate-related risks on our risk assessment and audit approach. We 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. Engaging with our climate specialists, we have reviewed the TCFD disclosure and considered whether the disclosure is consistent with our understanding of the entity and its business operations.

7.4. Working with other auditors

We engaged component auditors from Deloitte member firms to perform procedures at the components under our direction and supervision.

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. We issued detailed instructions to the component auditors and held planning meetings, interim update meetings and year end close meetings with each component team. 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 financially significant components (in the US, China, and the UK) through on-site visits by senior members of group audit team. As part of our rotational component visit plan, we also performed an on-site visit in Germany. During our visits we attended key meetings with component management and auditors, reviewed our component auditor working papers in the underlying audit files.

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.

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 as approved by the board;
- 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, climate 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, 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; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including 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 the audit of the financial statements continued

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 company'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 156;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 80;
- the directors' statement on fair, balanced and understandable set out on page 116;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 80;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 116; and
- the section describing the work of the Audit Committee set out on page 121.

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 10 years, covering the years ending 31 December 2014 to 31 December 2023. As set out in the Audit Committee Chair's report on page 124, 2023 financial year is the final year of our audit tenure.

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).

Report on the audit of the financial statements continued

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) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

David Griffin FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
04 March 2024

Consolidated income statement
For the year ended 31 December 2023

	Note	2023 £000	2022 £000
Revenue	3	**719,150**	641,812
Cost of sales		**(380,054)**	(350,079)
Gross profit		**339,096**	291,733
Other income	6	**1,405**	1,620
Distribution costs		**(6,314)**	(6,197)
Administrative expenses		**(184,630)**	(163,177)
Other expenses	6	**(790)**	(372)
Operating profit	3	**148,767**	123,607
Finance income	8	**5,301**	3,049
Finance expense	8	**(3,430)**	(2,554)
Profit before tax	9	**150,638**	124,102
Income tax expense	10	**(37,150)**	(30,901)
Profit for the year		**113,488**	93,201
Attributable to:			
Owners of the parent		**113,135**	93,243
Non-controlling interests		**353**	(42)
		113,488	93,201
Basic earnings per share	19	**13.2p**	10.9p
Diluted earnings per share	19	**13.2p**	10.8p

Operating profit	3	**148,767**	123,607
Adjustments:			
Amortisation of acquired intangible assets	3	**2,110**	7,051
Other adjustments	5	**13,598**	12,587
Adjusted operating profit	2,3	**164,475**	143,245
Adjusted basic earnings per share	2,19	**14.6p**	12.7p
Adjusted diluted earnings per share	2,19	**14.6p**	12.7p

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	2023 £000	2022 £000
Profit for the year	**113,488**	93,201
Other comprehensive income		
Items that may be subsequently reclassified to be income statement:		
Foreign exchange translation differences	**(20,271)**	21,928
Effective portion of changes in fair value of cash flow hedges net of tax	**1,397**	(1,627)
	(18,874)	20,301
Items that may be subsequently reclassified to be income statement:		
Remeasurement (loss) in pension scheme net of tax	**(7,722)**	(4,932)
Expenses and income recognised in other comprehensive income	**(26,596)**	15,369
Total comprehensive income for the year	**86,892**	108,570
Attributable to:		
Owners of the parent	**86,609**	108,561
Non-controlling interest	**283**	9
	86,892	108,570

Consolidated balance sheet
At 31 December 2023

	Note	2023 £000	2022 £000
Non-current assets			
Goodwill	11	**231,703**	228,005
Intangible assets	12	**31,126**	20,579
Property, plant and equipment	13	**74,411**	78,726
Derivative financial instruments	24	**206**	74
Defined benefit scheme surplus	25	**9,144**	—
Deferred tax assets	14	**15,454**	15,965
Total non-current assets		**362,044**	343,349
Current assets			
Inventories	15	**83,963**	92,306
Trade receivables	16	**152,842**	134,279
Current tax	16	**4,187**	7,877
Derivative financial instruments	24	**673**	62
Other receivables	16	**23,701**	39,112
Assets classified as held for sale	16	**—**	211
Cash and cash equivalents	17	**146,372**	114,770
Total current assets		**411,738**	388,617
Total assets		**773,782**	731,966
Equity			
Issued equity capital	18	**4,306**	4,304
Share premium		**21,004**	19,959
Other reserves		**13,465**	32,269
Retained earnings		**581,813**	531,951
Equity attributable to the parent		**620,588**	588,483
Non-controlling interests		**1,707**	1,424
Total equity		**622,295**	589,907
Non-current liabilities			
Interest bearing loans and borrowings	20	**8,826**	5,405
Employee benefits	21	**4,197**	11,955
Deferred tax liabilities	14	**3,872**	4,028
Derivative financial instruments	24	**15**	215
Provisions	22	**1,371**	1,439
Total Non-current liabilities		**18,281**	23,042

	Note	2023 £000	2022 £000
Current liabilities			
Interest bearing loans and borrowings	20	**3,131**	3,431
Trade payables	23	**40,585**	42,314
Employee benefits	21	**29,754**	15,200
Current tax	23	**12,387**	11,893
Derivative financial instruments	24	**538**	2,729
Other payables	23	**42,536**	39,084
Provisions	22	**4,275**	4,366
Total current liabilities		**133,206**	119,017
Total liabilities		**151,487**	142,059
Total equity and liabilities		**773,782**	731,966

These financial statements were approved by the Board of Directors and authorised for issue on 4 March 2024 and were signed on its behalf by:

K Huynh and JM Davis
Directors

Consolidated statement of changes in equity
For the year ended 31 December 2023

	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 2021	4,302	18,828	9,475	1,716	828	498,931	534,080	—	534,080
Profit/(loss) 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/(loss)	—	—	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

Consolidated statement of changes in equity continued
For the year ended 31 December 2023

	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 2022	4,304	19,959	31,352	1,716	(799)	531,951	588,483	1,424	589,907
Profit for the year	—	—	—	—	—	**113,135**	**113,135**	**353**	**113,488**
Other comprehensive income									
Foreign exchange translation differences	—	—	**(20,201)**	—	—	—	**(20,201)**	**(70)**	**(20,271)**
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	**1,841**	—	**1,841**	—	**1,841**
Actuarial loss on defined benefit pension plans	—	—	—	—	—	**(9,875)**	**(9,875)**	—	**(9,875)**
Tax on other comprehensive (loss)/income	—	—	—	—	**(444)**	**2,153**	**1,709**	—	**1,709**
Total other comprehensive (loss)/income	—	—	**(20,201)**	—	**1,397**	**(7,722)**	**(26,526)**	**(70)**	**(26,596)**
Total comprehensive (loss)/income	—	—	**(20,201)**	—	**1,397**	**105,413**	**86,609**	**283**	**86,892**
Transactions with owners, recorded directly in equity									
Equity settled share-based payment transactions	—	—	—	—	—	**2,282**	**2,282**	—	**2,282**
Tax on equity settled share-based payment transactions	—	—	—	—	—	**43**	**43**	—	**43**
Share options exercised by employees	**2**	**1,045**	—	—	—	—	**1,047**	—	**1,047**
Own ordinary shares acquired	—	—	—	—	—	**(2,444)**	**(2,444)**	—	**(2,444)**
Own ordinary shares awarded under share schemes	—	—	—	—	—	**3,388**	**3,388**	—	**3,388**
Dividends	—	—	—	—	—	**(58,820)**	**(58,820)**	—	**(58,820)**
Balance at 31 December 2023	**4,306**	**21,004**	**11,151**	**1,716**	**598**	**581,813**	**620,588**	**1,707**	**622,295**

Detailed explanations for equity capital, the translation reserve, capital redemption reserve and hedging reserve can be seen in note 18.

Consolidated statement of cash flows
At 31 December 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Cash flows from operating activities					
Profit for the year		**113,488**		93,201	
Adjustments for:					
Amortisation of acquired intangibles		**2,110**		7,051	
Other adjustments	5	**13,598**		12,587	
Amortisation and impairment of development costs		**2,352**		1,436	
Depreciation		**13,533**		14,933	
Equity settled share-based payment expense		**5,670**		4,601	
(Profit) on sale of property, plant and equipment		**(342)**		(159)	
Finance income		**(5,301)**		(3,049)	
Finance expense		**3,430**		2,554	
Income tax expense		**37,150**		30,901	
		185,688		164,056	
Decrease/(increase) in inventories		**5,490**		(19,479)	
Increase in trade and other receivables		**(10,488)**		(32,591)	
Increase/(decrease) in trade and other payables		**1,399**		(2,902)	
Operating cash flow impacts of other adjustments	5	**(13,496)**		(12,056)	
Difference between pension charge and cash contribution		**(26,628)**		(6,979)	
Increase/(decrease) in provisions		**216**		(383)	
Increase in employee benefits		**15,538**		67	
		157,719		89,733	
Income taxes paid		**(32,825)**		(30,221)	
Net cash flows from operating activities			**124,894**		59,512
Investing activities					
Purchase of property, plant and equipment		**(7,306)**		(8,291)	
Purchase of intangible assets		**(2,089)**		(2,066)	
Development costs capitalised		**(2,411)**		(2,541)	
Sale of property, plant and equipment		**1,883**		4,629	
Acquisition of business (net of cash acquired)	4	**(18,399)**		—	
Settlement of hedging derivatives		**937**		9	
Interest received		**3,927**		751	
Net cash flows from investing activities			**(23,458)**		(7,509)

Consolidated statement of cash flows continued
At 31 December 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Financing activities					
Issue of ordinary share capital		**1,047**		1,133	
Own ordinary shares acquired		**(2,444)**		(3,475)	
Interest paid		**(936)**		(817)	
Repayment of bank loans		**—**		(694)	
Repayment of lease liabilities		**(3,699)**		(3,966)	
Dividends paid on ordinary shares		**(58,820)**		(55,384)	
Receipt from non-controlling interest in newly-established subsidiary		**—**		1,415	
Net cash flows from financing activities			**(64,852)**		(61,788)
Net increase/(decrease) in cash and cash equivalents			**36,584**		(9,785)
Cash and cash equivalents at 1 January			**114,770**		123,474
Effect of exchange rate fluctuations on cash held			**(4,982)**		1,081
Cash and cash equivalents at 31 December	17		**146,372**		114,770

For the year ended 31 December 2023

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 2023 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 31 all relate to the Group financial statements. The Company balance sheet, accounting policies and applicable notes can be found following note 31.

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 2024. 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 results with prior periods and assessment of trends in financial performance. This split is consistent with how 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, the Group continue to adopt the going concern basis in preparing the financial statements.

In forming this view, the macroeconomic conditions and the impact of geopolitical instability on the Group, as discussed in the Principal risks on pages 71 to 79, have been considered. The directors have reviewed: the current financial position of the Group, which has net cash of £134m and unused uncommitted overdraft facilities of £24m 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. A reverse stress test, where the Group's business model would become unviable, has been performed and the directors believe there is no reasonably possible scenario that would lead to the conditions modelled in the reverse stress test.

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 2023. 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.

For the year ended 31 December 2023

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.

For the year ended 31 December 2023

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	3 to 8 years

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.

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.

For the year ended 31 December 2023

1. Accounting policies continued

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 surplus is recognised within finance income and interest on pension scheme liabilities is recognised within finance expenses.

The Group also operates defined contribution pension schemes. The costs for these schemes are recognised in the income statement as incurred.

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 26. 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.

For the year ended 31 December 2023

1. Accounting policies continued

Employee benefits continued

ii) Share-based payment transactions continued

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 26. 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 Global Employee Share Plan (GESP) 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 84, 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.

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 25.

For the year ended 31 December 2023

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 5.

b. Adjusted profit before tax

The adjustments in calculating adjusted profit before tax are consistent with those in calculating adjusted operating profit above.

	2023	2022
Profit before tax	**150,638**	124,102
Adjustments:		
Amortisation of acquired intangible assets	**2,110**	7,051
Gain on disposal of property	**(723)**	(1,208)
Business Transformation costs	**13,097**	8,868
Other costs	**1,224**	1,372
Russia market exit	**—**	3,555
Adjusted profit before tax	**166,346**	143,740

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 19). Adjusted net profit attributable to ordinary shareholders is calculated as follows:

	2023	2022
Net profit attributable to ordinary shareholders	**113,488**	93,201
Adjustments:		
Amortisation of acquired intangible assets	**2,110**	7,051
Gain on disposal of property	**(723)**	(1,208)
Business Transformation costs	**13,097**	8,868
Other costs	**1,224**	1,372
Russia market exit	**—**	3,555
Tax effect on adjusted items	**(3,567)**	(3,440)
Adjusted net profit attributable to ordinary shareholders	**125,629**	109,399

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 19).

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.

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.

For the year ended 31 December 2023

2. Alternative performance measures continued

f. Return on capital employed

The return on capital employed ratio is used by management to help ensure that capital is used efficiently.

	2023	2022
Adjusted operating profit	**164,475**	143,245
Capital employed		
Shareholders' funds	**622,295**	589,907
Cash and cash equivalents	**(146,372)**	(114,770)
Interest bearing loans and borrowings	**11,957**	8,836
Pension (surplus)/deficit net of deferred tax	**(6,904)**	6,065
Capital employed	**480,976**	490,038
Average capital employed	**485,507**	458,002
Return on capital employed	**33.9%**	31.3%

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 2023 results are restated at 2022 exchange rates.

Key headings in the income statement are reconciled to OCC as follows:

	31 December 2023	Currency adjustment	Acquisition adjustment	OCC 31 December 2023
Revenue	**719,150**	11,857	(1,599)	729,408
Cost of sales	**(380,054)**	(6,233)	714	(385,573)
Gross margin	**339,096**	5,624	(885)	343,835
Overheads	**(174,621)**	(1,454)	324	(175,751)
Adjusted operating profit	**164,475**	4,170	(561)	168,084
Interest	**1,871**	(268)	54	1,657
Adjusted profit before tax	**166,346**	3,902	(507)	169,741
Adjusted taxation	**(40,717)**	(956)	137	(41,536)
Adjusted profit after tax	**125,629**	2,946	(370)	128,205

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:

	2023	2022
Adjusted operating cash flow		
Operating cash flow	**157,719**	89,733
Operating cash flow impact of other adjustments	**13,496**	12,056
Difference between pension charge and cash contribution	**26,628**	6,979
Adjusted operating cash flow	**197,843**	108,768
Adjusted operating profit	**164,475**	143,245
Cash conversion	**120%**	76%

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.

For the year ended 31 December 2023

3. Operating segments continued

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 2023	Chemical, Process & Industrial 2023	Water & Power 2023	Unallocated 2023	Group 2023
Revenue from external customers	**328,391**	**213,712**	**177,047**	**—**	**719,150**
Adjusted operating profit*	**83,627**	**51,253**	**46,445**	**(16,850)**	**164,475**
Amortisation of acquired intangible assets	**(1,100)**	**(848)**	**(162)**	**—**	**(2,110)**
Segment result	**82,527**	**50,405**	**46,283**	**(16,850)**	**162,365**
Other adjustments					**(13,598)**
Operating profit					**148,767**
Net finance income					**1,871**
Income tax expense					**(37,150)**
Profit for the year					**113,488**

	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 expense					495
Income tax expense					(30,901)
Profit for the year					93,201

* Adjusted operating profit is operating profit before the amortisation of acquired intangible assets and other adjustments (see note 5).

	Oil & Gas 2023	Chemical, Process & Industrial 2023	Water & Power 2023	Unallocated 2023	Group 2023
Depreciation	**6,180**	**4,022**	**3,331**	**—**	**13,533**
Amortisation:					
– Acquired intangible assets	**1,100**	**848**	**162**	**—**	**2,110**
– Development costs	**774**	**504**	**417**	**—**	**1,695**

	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

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	2023	2022
UK	**75,568**	55,146
Italy	**65,553**	52,997
Rest of Europe	**105,293**	96,627
USA	**141,046**	129,499
Other Americas	**59,419**	44,161
China	**102,133**	120,188
Rest of World	**170,138**	143,194
	719,150	641,812

For the year ended 31 December 2023

4. Acquisitions

i) Hanbay

On 4 August 2023, the Group acquired 100% of the share capital of Hanbay Inc. ('Hanbay') for £21,107,000. Hanbay designs and manufactures precise, miniature electric actuators which offer a compact profile and high torque design for use with small valves and instrument valves for use in hazardous and non-hazardous applications, headquartered in Montreal, Canada. The acquisition expands the Group's electric actuator offering and is fully consistent with all three pillars of the Growth+ strategy and increases the percentage sales contribution of the Group's Eco-transition portfolio.

In the five months to 31 December 2023 Hanbay contributed £1,599,000 to Group revenue and £561,000 to consolidated operating profit before amortisation, this performance is in line with management's expectations. The amortisation charge in the five-month period from the acquired intangible assets was £649,000.

If the acquisition had occurred on 1 January 2023 the business would have contributed £3,945,000 to Group revenue and £1,643,000 to Group operating profit.

ii) Acquisitions fair value table

The acquisition had the following effect on the Group's assets and liabilities.

£'000	Fair value
Non-current assets	
Property, plant and equipment	**13**
Intangible assets	**9,379**
Current assets	
Inventory	**695**
Trade and other receivables	**45**
Cash	**2,708**
Current liabilities	
Trade and other payables	**(96)**
Non-current liabilities	
Deferred tax liability	**(2,485)**
Total net identifiable assets	**10,259**
Goodwill	**10,848**

Cash movements in respect of acquisitions	
Purchase consideration – paid in cash	**21,107**
Cash held in acquired subsidiary	**(2,708)**
	18,399

The adjustments shown in the table represent the alignment of accounting policies of the acquired businesses to Rotork Group policies and the fair value adjustments of the assets and liabilities at the acquisition date of each of the business. The amounts stated above are not provisional.

The goodwill arising from this acquisition represents the opportunity to grow through expanding the Group's electric actuator offering and employee know-how. The value of goodwill expected to be deductible for tax purposes is £10,848,000.

The intangible assets identified comprise customer relationships, product design and non-compete agreements. The intangible assets have been valued by modelling the discounted cashflows attributable to the respective asset. A discount rate of 18.0% was used. Assumptions regarding future cashflows are based on a combination of historic performance data and management's forecasts.

iii) Acquisition costs

Acquisition costs of £384,000 have been expensed in administration expenses in the income statement and presented as other adjustments to profit.

For the year ended 31 December 2023

5. 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:

	2023	2022
Gain on disposal of property	**723**	1,208
Other costs	**(1,224)**	(1,372)
Business Transformation costs	**(13,097)**	(8,868)
Russia market exit	**—**	(3,555)
Other adjustments	**(13,598)**	(12,587)

Gain on disposal of property

The £723,000 (2022: £1,208,000) gain on disposal of property relates to the sales of property in Ballarat, Australia and Radstock, UK. These disposals are the last of the Growth Acceleration Programme operational footprint actions.

Other costs

£1,224,000 (2022: £1,372,000) of other costs have been incurred, largely in relation to acquisition and pension buy-in advisory costs.

Business Transformation costs

During the year £13,097,000 (2022: £8,868,000) of costs were incurred on Business Transformation. The multi-year transformation includes the implementing and integrating of common systems and processes throughout the Group, including a new cloud-based ERP system. This brings the total expensed under the programme to £44,920,000. These costs were expensed as they do not meet the capitalisation criteria under IAS 38. Costs include an allocation of personnel expenses in respect of employees directly involved in the programme.

The new ERP system launched at the Bath, UK factory in Q1 2023 and also went live at the Head Office site in Q3 2023. These costs will continue to be reported in adjusted items. Over the next 3 – 3.5 years we will deploy the Business Transformation programme, including the new ERP system, across all other Group entities at an estimated further cost of £45m to £50m.

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 £13,496,000 (2022: £12,056,000) and a net investing cash inflow of £955,000 (2022: £4,049,000).

6. Other income and expenses

	2023	2022
Gain on disposal of property, plant and equipment	**684**	214
Other	**721**	1,406
Other income	**1,405**	1,620

	2023	2022
Loss on disposal of property, plant and equipment	**(342)**	(55)
Other	**(448)**	(317)
Other expenses	**(790)**	(372)

7. Personnel expenses

	2023	2022
Wages and salaries (including bonus and incentive plans)	**152,679**	127,311
Social security costs	**21,514**	18,531
Pension costs (note 25)	**7,392**	6,142
Share-based payments (note 26)	**5,670**	4,601
(Decrease)/increase in liability for long term service leave	**(352)**	135
	186,903	156,720

	2023	2022
Average monthly number of employees during the year:		
UK	**901**	852
Overseas	**2,390**	2,371
	3,291	3,223

Personnel expenses and the average monthly number of employees during the year includes expenses and employees that are included in Business Transformation costs within Other adjustments (note 5).

For the year ended 31 December 2023

8. Finance income and expense

Recognised in the income statement

	2023	2022
Interest income	**4,203**	1,235
Net interest income on pension scheme liabilities (note 25)	**352**	—
Foreign exchange gains	**746**	1,814
Finance income	**5,301**	3,049

	2023	2022
Interest expense	**(807)**	(744)
Interest expense on lease liabilities (note 28)	**(495)**	(406)
Net interest charge on pension scheme liabilities (note 25)	**—**	(110)
Foreign exchange losses	**(2,128)**	(1,294)
Finance expense	**(3,430)**	(2,554)

Recognised in other comprehensive income

	2023	2022
Effective portion of changes in fair value of cash flow hedges	**797**	(1,044)
Fair value of cash flow hedges transferred to income statement	**1,044**	(1,023)
Foreign currency translation differences for foreign operations	**(20,271)**	21,928
	(18,430)	19,861
Recognised in:		
Hedging reserve	**1,841**	(2,067)
Translation reserve	**(20,271)**	21,928
	(18,430)	19,861

9. Profit before tax

Profit before tax is stated after charging/(crediting) the following:

	Notes	2023	2022
Depreciation of property, plant and equipment:			
– Owned assets	i	**9,385**	10,458
– Assets held under lease contracts	i	**4,148**	4,475
Amortisation:			
– Other intangibles	iii	**2,110**	7,051
– Development costs	iii	**1,409**	1,436
– Software	iii	**657**	—
Impairment of development cost assets	iii	**286**	1,372
Impairment of property, plant and equipment	iii	**—**	140
Inventory write downs recognised in the year	ii	**2,310**	1,100
Product research and development expenditure	iii	**10,468**	10,891
Exchange differences realised	iv	**1,382**	(520)
Fees payable to the Group's auditor and their associates for:			
– For the audit of the Group's annual accounts		**1,338**	1,136
– For the audit of the Group's subsidiaries		**106**	254
Total audit fees		**1,444**	1,390
– Audit related assurance services		**70**	65
Total non-audit fees		**70**	65
Total fees		**1,514**	1,455

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

For the year ended 31 December 2023

10. Income tax expense

	2023	2023	2022	2022
Current tax:				
UK corporation tax on profits for the year	**4,865**		3,173	
Adjustment in respect of prior years	**435**		(942)	
		5,300		2,231
Overseas tax on profits for the year	**32,091**		30,242	
Adjustment in respect of prior years	**146**		(287)	
		32,237		29,955
Total current tax		**37,537**		32,186
Deferred tax:				
Origination and reversal of other temporary differences	**1,187**		(1,935)	
Impact of rate change	**(591)**		252	
Adjustment in respect of prior years	**(983)**		398	
Total deferred tax		**(387)**		(1,285)
Total tax charge for year		**37,150**		30,901
Profit before tax		**150,638**		124,102
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)		**35,400**		23,579
Effects of:				
Different tax rates on overseas earnings		**4,552**		9,339
Permanent differences		**(118)**		404
Losses not recognised		**166**		93
Tax incentives		**(1,587)**		(1,935)
Impact of rate change		**(861)**		252
Adjustments to tax charge in respect of prior years		**(402)**		(831)
Total tax charge for year		**37,150**		30,901
Effective tax rate		**24.7%**		24.9%
Adjusted profit before tax (note 2b)		**166,346**		143,740
Total tax charge for the year		**37,150**		30,901
Amortisation of acquired intangible assets		**286**		1,109
Business Transformation costs		**3,220**		2,217
Other adjustments (note 5)		**61**		114
Adjusted total tax charge for the year		**40,717**		34,341
Adjusted effective tax rate		**24.5%**		23.9%

A tax credit of £43,000 (2022: charge of £987,000) in respect of share-based payments has been recognised directly in equity in the year.

The effective tax rate for the year is 24.7% (2022: 24.9%). The adjusted effective tax rate is 24.5% (2022: 23.9%) 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 increased from 23.9% in 2022 to 24.5% in 2023, principally because of an increase in the UK corporation tax rate. The UK corporation tax rate increased from 19% to 25% on 1 April 2023 leading to a blended rate of 23.5% in the Accounting Period. 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 adjusted effective tax rate will continue to be higher than the standard UK rate principally due to higher rates of tax in China, the US, Germany and India.

On 20 June 2023 legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules together with a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. Under the legislation Rotork plc will be required to pay to the UK tax authorities top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent.

Based on Pillar Two impact assessments carried out on prior years' data, Rotork plc considers that Pillar Two will not have a material impact on its current tax expense in future years.

The Group has applied the mandatory temporary IAS 12 exception from the accounting requirements for deferred taxes in IAS 12, such that the group will not recognise or disclose information on deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

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 £320,839,000 (2022: £272,249,000).

11. Goodwill

	2023	2022
Cost		
At 1 January	**249,791**	238,370
Acquisition through business combinations (note 4)	**10,848**	—
Exchange adjustments	**(7,242)**	11,421
At 31 December	**253,397**	249,791
Provision for impairment		
At 1 January	**21,786**	21,592
Exchange adjustments	**(92)**	194
At 31 December	**21,694**	21,786
Net book value	**231,703**	228,005

For the year ended 31 December 2023

11. Goodwill continued

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 2023	Discount rate 2022	2023	2022
Oil & Gas	**13.5%**	12.6%	**92,326**	93,154
Chemical, Process & Industrial	**13.7%**	12.8%	**120,799**	116,224
Water & Power	**13.7%**	12.8%	**18,578**	18,627
Total Group			**231,703**	228,005

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 2023. 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, the risk premium was adjusted 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. Years four and five of the forecast used within the impairment model are based on Group management judgement and forecasts taking account for future expected changes in the market. From year six onwards, a growth rate of 2% (2022: 2%) is used to drive a terminal value.

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.

12. Intangible assets

			Acquired intangible assets			
	Software	Product development costs	Brands	Customer relationships	Other	Total
Cost						
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
Additions	**2,089**	**3,394**	**—**	**—**	**—**	**5,483**
Acquisition through business combinations (note 4)	**—**	**—**	**—**	**1,938**	**7,441**	**9,379**
Exchange adjustments	**—**	**(106)**	**(1,703)**	**(3,484)**	**(454)**	**(5,747)**
31 December 2023	**13,779**	**29,526**	**51,189**	**117,849**	**29,230**	**241,573**
Amortisation						
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
Charge for the year	**657**	**1,409**	**1,186**	**378**	**546**	**4,176**
Impairment	**—**	**286**	**—**	**—**	**—**	**286**
Exchange adjustments	**—**	**(105)**	**(1,672)**	**(3,537)**	**(580)**	**(5,894)**
31 December 2023	**657**	**21,520**	**50,078**	**115,983**	**22,209**	**210,447**
Net book value						
31 December 2022	11,690	6,308	2,328	253	—	20,579
31 December 2023	**13,122**	**8,006**	**1,111**	**1,866**	**7,021**	**31,126**

Other acquired intangible assets represent order books, intellectual property, non-compete agreements and unpatented technology.

The amortisation charge and impairment are recognised within administrative expenses in the income statement. Included within software additions in the year is £983,000 relating to assets under construction previously included within plant and equipment.

Included in the net book value of software are assets in the course of development, which are not amortised, with a cost of £917,000 (2022: £11,690,000).

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13. Property, plant and equipment

	Land and buildings	Plant and equipment	Total
Cost			
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
Additions	**5,715**	**8,735**	**14,450**
Disposals	**(1,704)**	**(9,525)**	**(11,229)**
Acquisition through business combinations	**—**	**13**	**13**
Exchange adjustments	**(5,992)**	**(5,850)**	**(11,842)**
31 December 2023	**83,470**	**123,551**	**207,021**
Depreciation			
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
Charge for the year	**4,508**	**9,025**	**13,533**
Disposals	**(1,243)**	**(9,116)**	**(10,359)**
Exchange adjustments	**(4,228)**	**(3,239)**	**(7,467)**
31 December 2023	**33,103**	**99,507**	**132,610**
Net book value			
31 December 2022	51,385	27,341	78,726
31 December 2023	**50,367**	**24,044**	**74,411**

Net book value of land and buildings can be analysed between:

	2023	2022
Land	**5,820**	5,904
Buildings	**44,547**	45,481
Net book value at 31 December	**50,367**	51,385

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 £1,996,000 (2022: £1,706,000). 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 28).

14. Deferred tax assets and liabilities

	Assets 2023	Liabilities 2023	Net 2023	Assets 2022	Liabilities 2022	Net 2022
Property, plant and equipment	**1,942**	**(1,530)**	**412**	1,238	(1,216)	22
Intangible assets	**3,111**	**(4,187)**	**(1,076)**	3,546	(3,327)	219
Employee benefits	**3,170**	**—**	**3,170**	3,412	—	3,412
Inventory	**5,709**	**—**	**5,709**	5,980	—	5,980
Other items	**5,223**	**(1,856)**	**3,367**	5,556	(3,252)	2,304
Net tax assets/(liabilities)	**19,155**	**(7,573)**	**11,582**	19,732	(7,795)	11,937
Set off of tax	**(3,701)**	**3,701**	**—**	(3,767)	3,767	—
	15,454	**(3,872)**	**11,582**	15,965	(4,028)	11,937

Movements in the net deferred tax balance during the year are as follows:

	2023	2022
Balance at 1 January	**11,937**	8,603
Credited to the income statement	**(204)**	1,537
(Charged)/credited directly to equity in respect of share-based payments	**43**	(987)
Impact of rate change	**591**	(252)
Credited directly to equity in respect of pension schemes	**2,153**	1,795
(Charged)/credited directly to hedging reserves in respect of cash flow hedges	**(445)**	440
Acquired as part of business combinations	**(2,527)**	—
Exchange differences	**34**	801
Balance at 31 December	**11,582**	11,937

A deferred tax asset of £15,454,000 (2022: £15,965,000) has been recognised at 31 December 2023. 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 £7,559,000 (2022: £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.

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15. Inventories

	2023	2022
Raw materials and consumables	**67,381**	72,182
Work in progress	**5,687**	5,091
Finished goods	**10,895**	15,033
	83,963	92,306

Included in cost of sales was £262,201,000 (2022: £205,136,000) in respect of inventories consumed in the year.

16. Trade and other receivables and assets held for sale

	2023	2022
Current assets:		
Trade receivables	**154,870**	139,507
Allowance for expected credit loss	**(2,028)**	(5,228)
Trade receivables – net	**152,842**	134,279
Corporation tax	**4,187**	7,877
Current tax	**4,187**	7,877
Other non-trade receivables	**6,683**	5,536
Other taxes and social security	**10,323**	14,998
Prepayments	**6,695**	18,578
Other receivables	**23,701**	39,112
Land and buildings	**—**	211
Assets held for sale	**—**	211

As at 31 December 2022, non-current assets relating to a property in Melle, Germany were classified as held for sale.

17. Cash and cash equivalents

	2023	2022
Bank balances	**78,617**	69,008
Cash in hand	**12**	36
Short term deposits	**67,743**	45,726
Cash and cash equivalents in the consolidated statement of cash flows	**146,372**	114,770

18. Capital and reserves

	0.5p Ordinary shares issued and fully paid up 2023	£1 Non-redeemable preference shares 2023	0.5p Ordinary shares issued and fully paid up 2022	£1 Non-redeemable preference shares 2022
At 1 January	**4,304**	**40**	4,302	40
Issued under employee share schemes	**2**	**—**	2	—
Cancelled following share buyback programme	**—**	**—**	—	—
At 31 December	**4,306**	**40**	4,304	40
Number of shares (000)	**861,201**		860,771	

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 £1,047,000 (2022: £1,133,000) in respect of the 429,946 (2022: 494,972) ordinary shares issued during the year: £2,000 (2022: £2,000) was credited to share capital and £1,045,000 (2022: £1,131,000) to share premium. Further details of the share awards are shown in note 26.

Own shares held

Within the retained earnings reserve are own shares held in Rotork's Employee Benefit Trust. The Group acquired 773,000 of its own shares during the year (2022: 1,124,000). The total amount paid to acquire the shares was £2,444,000 (2022: £3,475,000), and this has been deducted from shareholders' equity. During the year, 1,038,000 (2022: 793,000) ordinary shares were released to satisfy share plan awards. The investment in own shares held is £5,056,000 (2022: £6,000,000) and represents 1,566,000 (2022: 1,831,000) 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 (see note 20) 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.

For the year ended 31 December 2023

18. Capital and reserves continued

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.

Dividends

The following dividends were paid in the year per qualifying ordinary share:

	Payment date 2023	2023	2022
4.30p final dividend for 2022 (final dividend for 2021: 4.05p)	**24 May**	**36,926**	34,787
2.55p interim dividend for 2023 (interim dividend for 2022: 2.40p)	**22 September**	**21,894**	20,597
		58,820	55,384

After the balance sheet date the following dividends per qualifying ordinary share were proposed by the directors. The dividends have not been provided for.

	2023	2022
Final proposed dividend per qualifying ordinary share		
4.65p	**40,046**	—
4.30p	**—**	37,013

19. 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 859.3m shares (2022: 858.9m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2023	2022
Net profit attributable to ordinary shareholders	**113,488**	93,201
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**858,940**	858,776
Effect of own shares held	**198**	6
Effect of shares issued under Sharesave plans	**122**	167
Weighted average number of ordinary shares during the year	**859,260**	858,949
Basic earnings per share	**13.2p**	10.9p

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.

	2023	2022
Adjusted net profit attributable to ordinary shareholders	**125,629**	109,399
Weighted average number of ordinary shares during the year	**859,260**	858,949
Adjusted basic earnings per share	**14.6p**	12.7p

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 862.4m shares (2022: 860.6m 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).

	2023	2022
Net profit attributable to ordinary shareholders	**113,488**	93,201
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**859,260**	858,949
Effect of Sharesave options	**730**	562
Effect of LTIP share awards	**2,398**	1,119
Weighted average number of ordinary shares (diluted) during the year	**862,388**	860,630
Diluted earnings per share	**13.2p**	10.8p

For the year ended 31 December 2023

19. Earnings per share continued

Adjusted diluted earnings per share

	2023	2022
Adjusted net profit attributable to ordinary shareholders	**125,629**	109,399
Weighted average number of ordinary shares (diluted) during the year	**862,388**	860,630
Adjusted diluted earnings per share	**14.6p**	12.7p

20. 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 27.

	Notes	2023	2022
Non-current liabilities			
Preference shares classified as debt		**40**	40
Lease liabilities	28	**8,786**	5,365
		8,826	5,405
Current liabilities			
Lease liabilities	28	**3,131**	3,431
		3,131	3,431
Total interest bearing loans and borrowings		**11,957**	8,836

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	2023	2022
Non-redeemable preference shares	Sterling	9.5%	—	**40**	40
				40	40

Information on leases and the lease repayment profile are shown in note 28.

21. Employee benefits

	2023	2022
Recognised liability for defined benefit obligations	**—**	8,006
Other pension scheme liabilities	**673**	158
Employee bonuses	**25,497**	11,524
Employee indemnity provision	**2,016**	1,925
Other employee benefits	**5,765**	5,542
	33,951	27,155
Non-current	**4,197**	11,955
Current	**29,754**	15,200
	33,951	27,155

Defined benefit pension scheme disclosures are detailed in note 25.

22. Provisions

	Warranty provision	Restructuring provision	Total
Balance at 1 January 2023	**4,318**	**1,487**	**5,805**
Exchange differences	**(165)**	**—**	**(165)**
Charge to the income statement	**981**	**32**	**1,013**
Provisions utilised during the year	**(669)**	**(338)**	**(1,007)**
Balance at 31 December 2023	**4,465**	**1,181**	**5,646**
Maturity at 31 December 2023			
Non-current	**1,371**	**—**	**1,371**
Current	**3,094**	**1,181**	**4,275**
	4,465	**1,181**	**5,646**
Maturity at 31 December 2022			
Non-current	1,439	—	1,439
Current	2,879	1,487	4,366
	4,318	1,487	5,805

For the year ended 31 December 2023

22. Provisions continued

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.

23. Trade and other payables

	2023	2022
Trade payables	**40,585**	42,314
Corporation tax	**12,387**	11,893
Current tax	**12,387**	11,893
Other taxes and social security	**8,906**	10,230
Contract liabilities	**9,142**	8,244
Other non-trade payables and accrued expenses	**24,488**	20,610
Other payables	**42,536**	39,084

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.

24. Derivative financial instruments

	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
Forward foreign exchange contracts – cash flow hedges	**879**	**81**	136	1,239
Foreign exchange swaps – cash flow hedges	**—**	**472**	—	1,705
Total	**879**	**553**	136	2,944
Less non-current portion:				
Forward foreign exchange contracts – cash flow hedges	**206**	**15**	74	215
Current portion	**673**	**538**	62	2,729

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 2023 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

25. 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.

A key development over 2023 was that the Group paid a one-off contribution to the UK Scheme in May 2023 of £20 million. This was to help facilitate the purchase of a bulk annuity with Aviva covering the UK Scheme's current pensioner liabilities. This transaction happened in the second half of June 2023 and we refer to this as the pensioner buy-in.

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. However, following the pensioner buy-in, more than 90% of the value of the UK Scheme's assets is invested in the pensioner buy-in and LDI/bonds.
- **Interest rate risk –** the Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. A decrease in the bond interest rate will increase the Schemes' liabilities but this will be largely offset by an increase in the value of the Schemes' pensioner buy-in and LDI/bond 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.

For the year ended 31 December 2023

25. Pension schemes continued

i) Defined benefit pension schemes continued

The impact of the requirement to equalise benefits of men and women for unequal GMPs was estimated to be a 0.3% addition to the liabilities of the UK Scheme, the same allowance that was made at the previous year-end.

Movements in the present value of defined benefit obligations

	2023	2022
Liabilities at 1 January	**144,381**	233,135
Administration costs	**—**	23
Interest cost	**6,704**	4,576
Benefits paid	**(7,414)**	(10,946)
Actuarial loss/(gain)	**3,558**	(84,893)
Currency loss/(gain)	**(1,007)**	2,486
Liabilities at 31 December	**146,222**	144,381

Movements in fair value of plan assets

	2023	2022
Assets at 1 January	**136,375**	225,510
Interest income on plan assets	**7,056**	4,466
Employer contributions	**26,475**	6,826
Benefits paid	**(7,414)**	(10,946)
Return on plan assets, excluding interest income on plan assets	**(6,317)**	(91,620)
Currency gain/(loss)	**(809)**	2,139
Assets at 31 December	**155,366**	136,375

Expense recognised in the income statement

	2023	2022
Administration costs	**—**	23
Net interest (income)/ cost	**(352)**	110
	(352)	133

The expense is recognised in the following line items in the income statement

	2023	2022
Cost of sales	**—**	9
Administrative expenses	**—**	14
Net finance expense	**(352)**	110
	(352)	133

Remeasurements over the year

	2023	2022
Experience adjustments on plan assets	**(6,317)**	(91,620)
Experience adjustments on plan liabilities	**(2,681)**	(3,565)
Actuarial (loss)/gain from changes to financial assumptions	**(3,180)**	88,334
Actuarial gain from changes to demographic assumptions	**2,303**	124
Experience adjustments on currency	**198**	(347)
	(9,677)	(7,074)

Reconciliation of net defined benefit obligation

	2023	2022
Net defined benefit obligation at the beginning of the year	**8,006**	7,625
Current service costs	**—**	—
Administration costs	**—**	23
Net financing expense	**(352)**	110
Remeasurements over the year	**9,677**	7,074
Employer contributions	**(26,475)**	(6,826)
	(9,144)	8,006

For the year ended 31 December 2023

25. Pension schemes continued

i) Defined benefit pension schemes continued

Liability for defined benefit obligations

The principal actuarial assumptions at 31 December 2023 (expressed as weighted averages):

	UK scheme (% per annum)		US scheme (% per annum)		Weighted average (% per annum)	
	2023	2022	**2023**	2022	**2023**	2022
Discount rate	**4.55**	4.75	**4.77**	4.98	**4.58**	4.78
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)	**2.90**	3.00	**0.00**	0.00	**2.50**	2.60
Rate of increase in pensions (pre May 2000)	**4.60**	4.60	**0.00**	0.00	**4.00**	4.00
UK rate of inflation	**3.00**	3.10	**n/a**	n/a	**3.00**	3.10

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 2023	Fair value 2022
Equities	**7,825**	17,244
Targeted return	**—**	12,966
Property	**839**	1,134
Multi-asset credit (quoted)	**3,770**	21,152
LDI/absolute return bonds	**53,690**	68,761
Value of pensioner buy-in bulk annuity	**74,049**	—
US deposit administration contract	**15,193**	15,118
Total	**155,366**	136,375
Actual return on the Schemes' assets	**739**	(87,154)

The UK Scheme has a strategic asset allocation, which was most recently reviewed at the time of the pensioner buy-in in June 2023 and after considering the UK Scheme's 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 pensioner buy-in and the use of liability driven investment (LDI) funds. Currently the Scheme has hedged around 90% of both the interest rate risk and the inflation risk of its liabilities, as measured on a low risk gilts basis. The pensioner buy-in also hedges the longevity risk of current pensioners, whose liabilities account for just over 50% of the UK Scheme's defined benefit obligation.

The only change made to the demographic assumptions at the 2023 year-end is that future improvements in mortality are now based on the CMI_2022 core projection model, which places a 25% weighting on 2022's mortality experience (2022: CMI_2021).

By way of example the respective mortality tables indicate the following life expectancy:

	2023 Life expectancy at age 65		2022 Life expectancy at age 65	
Current age	**Male**	**Female**	Male	Female
65	**22.7**	**23.4**	23.2	23.8
45	**24.0**	**24.8**	24.6	25.2

Sensitivity analysis on the Schemes' liabilities

	Approximate effect on liabilities	
Adjustments to assumptions	**2023**	2022
Discount rate		
Plus 1.0% p.a.	**(20,700)**	(20,600)
Minus 1.0% p.a.	**24,500**	24,400
Inflation		
Plus 0.5% p.a.	**6,700**	6,600
Minus 0.5% p.a.	**(6,400)**	(6,300)
Life expectancy		
Increase of one year in assumed life expectancy	**5,100**	4,600

The sensitivities disclosed are indicative of how reasonably possible changes would impact the liabilities 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. They focus solely on the liability impact and do not reflect possible matching movements in the assets, as a result of the UK Scheme's pensioner buy-in and LDI/bond holdings.

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 2022, the Group estimates that cash contributions to the Group's defined benefit pension schemes during 2024 will be £3,667,000 (2023: £26,475,000, which included the one-off contribution of £20 million paid by the Group to facilitate the pensioner buy-in).

The weighted average duration of the defined benefit obligation for the UK Scheme is approximately 17 years.

For the year ended 31 December 2023

25. Pension schemes continued

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 £7,392,000 (2022: £6,142,000).

26. Share-based payments

The Group awards shares under the Long Term Incentive Plan (LTIP), the Save As You Earn scheme (Sharesave plan), the Global Employee Share Plan (GESP) 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:

	2023	2022
Sharesave plan (a)	**539**	746
Long Term Incentive Plan (b)	**2,533**	2,189
GESP/SIP profit-linked share scheme	**2,598**	1,666
Total expense recognised as employee costs (note 7)	**5,670**	4,601

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.

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	
	2023	2022	2023	2022
Grant date	**6 October**	7 October	**6 October**	7 October
Share price at grant date	**304p**	244p	**304p**	244p
Exercise price	**243p**	196p	**243p**	196p
Shares granted under scheme	**407,482**	1,024,131	**115,093**	468,529
Vesting period	**3 years**	3 years	**5 years**	5 years
Expected volatility	**31.1%**	31.1%	**31.1%**	31.1%
Risk free rate	**4.48%**	4.31%	**4.40%**	4.30%
Expected dividends expressed as a dividend yield	**2.26%**	2.64%	**2.26%**	2.64%
Probability of ceasing employment before vesting	**2%**	2%	**2%**	2%
Fair value	**97p**	75p	**109p**	84p

Movements in the number of share options outstanding and their weighted average prices are as follows:

	2023		2022	
	Average option price per share	Options	Average option price per share	Options
At 1 January	**220p**	**2,538,426**	252p	2,342,007
Granted	**243p**	**522,575**	196p	1,492,660
Exercised	**243p**	**(429,946)**	230p	(494,972)
Forfeited	**229p**	**(170,466)**	261p	(801,269)
At 31 December	**221p**	**2,460,589**	220p	2,538,426

Of the 2,460,589 outstanding options (2022: 2,538,426), 120,220 are exercisable (2022: 130,749).

The Group received proceeds of £1,047,000 in respect of the 429,946 options exercised during the year: £2,000 was credited to share capital and £1,045,000 to share premium. The weighted average share price at date of exercise was 310p (2022: 310p).

The weighted average remaining life of 1,640,383 (2022: 1,763,976) awards outstanding under the 3 year plan is 2.0 years. The weighted average remaining life of 820,206 (2022: 774,450) awards outstanding under the 5 year plan is 3.4 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 of shares are made to executive directors and senior managers each year.

2019 LTIP plan

Following shareholder approval of the 2019 LTIP plan at the Company's AGM on 26 April 2019, awards of shares have been made annually to executive and senior managers. Previously, 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. For the 2023 awards onwards, 30% of these awards vest under a TSR performance condition, 30% under an EPS performance condition, 30% under a Return on Invested Capital (ROIC) performance condition and 10% under an ESG 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 25% (15% for pre 2023 awards) 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 2021, 2022 and 2023 awards, the awards will vest by comparing the average ROIC over the performance period against a set of pre-defined targets.

26. Share-based payments continued

2019 LTIP plan continued

The ESG performance condition is satisfied with an absolute reduction in scope 1 and 2 CO_2 emissions with targets aligned to the accredited, published 2030 SBTI targets.

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.

The performance period for the 2021 awards ended on 31 December 2023. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 13.8% vesting of this award as the Group's EPS growth was 17.1% over the performance period. The TSR and ROIC elements of the scheme did not vest as the performance criteria were not met.

	2023	2022
Grant date	**24 March**	24 March
Share price at grant date	**307p**	333p
Shares granted under scheme	**1,543,337**	1,298,366
Vesting period	**3 years**	3 years
Expected volatility	**28.4%**	33.5%
Risk free rate	**3.3%**	3.6%
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	**190p**	206p
Fair value of awards under EPS and ROIC performance conditions	**307p**	333p

	Outstanding at start of year	Granted during year	Vested during year	Lapsed	**Outstanding at end of year**
2020 Award	1,421,496	—	—	(1,421,496)	**—**
2021 Award	921,438	—	—	(110,566)	**810,872**
2022 Award	1,298,366	—	—	(86,690)	**1,211,676**
2023 Award	—	1,543,337	—	—	**1,543,337**
	3,641,300	1,543,337	—	(1,618,752)	**3,565,885**

The weighted average remaining life of awards outstanding is one year.

c) Global Employee Share plan (GESP) 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.

27. 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.

27. Financial instruments continued

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 2023	2022
Trade receivables	**152,842**	134,279
Cash and cash equivalents	**146,372**	114,770
	299,214	249,049

The maximum exposure to credit risk for trade receivables at the reporting date by currency was:

	Carrying amount 2023	2022
Sterling	**23,613**	17,949
US dollar	**30,291**	33,648
Euro	**46,378**	38,511
Other	**52,560**	44,171
	152,842	134,279

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 2023	Provision 2023	Gross 2022	Provision 2022
Not past due	**118,229**	**—**	97,291	—
Past due 0–30 days	**23,077**	**(32)**	23,141	—
Past due 31–60 days	**6,684**	**(96)**	8,168	(65)
Past due 61–90 days	**2,084**	**(106)**	3,525	(46)
Past due more than 91 days	**4,796**	**(1,794)**	7,381	(5,116)
	154,870	**(2,028)**	139,506	(5,227)

The reduction in provision from 2022 to 2023 primarily relates to the write off of trade receivables provided for in prior years.

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 (2022: £5,000,000) on which interest would be payable at base rate plus 2.0% (2022: 2.0%) and a €5,000,000 uncommitted overdraft facility (2022: €5,000,000) on which interest would be payable at base rate plus 1.1% (2022: 1.1%).

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 2023	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Lease liabilities	**11,917**	**13,220**	**3,604**	**3,134**	**5,367**	**1,115**
Trade and other payables and accrued expenses	**65,073**	**65,073**	**65,073**	**—**	**—**	**—**
Foreign exchange contracts	**553**	**553**	**538**	**15**	**—**	**—**
Non-redeemable preference shares	**40**	**40**	**—**	**—**	**—**	**40**
	77,583	**78,886**	**69,215**	**3,149**	**5,367**	**1,155**

			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

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 £102,500,000 (2022: £97,700,000) and the gross inflow is £102,800,000 (2022: £94,900,000).

For the year ended 31 December 2023

27. 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 2023 was a £326,000 asset (2022: £2,808,000 liability) comprising an asset of £879,000 (2022: £136,000) and a liability of £553,000 (2022: £2,944,000). Forward exchange contracts in place at 31 December 2023 mature in 2024 and 2025.

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 2023 of £150,000 (2022: £150,000) 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 2023 of £500,000 (2022: £550,000). 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	
	2023	2022	**2023**	2022
US dollar	**1.24**	1.24	**1.27**	1.21
Euro	**1.15**	1.17	**1.15**	1.13

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:

	2023	2022
Fixed rate financial liabilities	**40**	40
Floating rate financial liabilities	**—**	—
	40	40

The fixed rate financial liabilities comprise preference shares.

The weighted average interest rate of the fixed and floating rate financial liabilities are 9.5% (2022: 9.5%) and nil (2022: nil respectively.

The maturity profile of the Group's fixed rate financial liabilities (excluding leases) at 31 December was as follows:

	2023	2022
In one year or less	**—**	—
In more than one year but not more than two years	**—**	—
In more than two years but not more than five years	**—**	—
In more than five years	**40**	40
Total	**40**	40

For the year ended 31 December 2023

27. Financial instruments continued

Allowance for expected credit loss 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	2023	2022
Total borrowings including lease liabilities	20	**(11,957)**	(8,836)
Total cash and cash equivalents	17	**146,372**	114,770
Group net cash		**134,415**	105,934
Reconciliation of changes in assets and liabilities arising from financing activities			
Repayment of bank loans		**—**	694
Repayment of lease liabilities		**3,699**	3,966
Increase in lease liabilities		**(7,069)**	(4,151)
Effect of exchange rate fluctuations		**249**	(9)
Changes in financial liabilities arising from financing activities		**(3,121)**	500
Net increase/(decrease) in cash and cash equivalents		**31,602**	(8,703)
Net increase/(decrease) in net cash		**28,481**	(8,203)
Net cash at start of year		**105,934**	114,137
Net cash at end of year		**134,415**	105,934

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 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Loans and receivables				
Trade receivables	**152,842**	**152,842**	134,279	134,279
Financial assets				
Cash and cash equivalents	**146,372**	**146,372**	114,770	114,770
Designated cash flow hedges				
Foreign exchange contracts:				
– Financial assets	**879**	**879**	136	136
– Financial liabilities	**(553)**	**(553)**	(2,944)	(2,944)
Financial liabilities at amortised cost				
Bank loans	**—**	**—**	—	—
Trade and other payables and accrued expenses	**(65,073)**	**(65,073)**	(62,924)	(62,924)
Contingent consideration	**—**	**—**	—	—
Preference shares	**(40)**	**(40)**	(40)	(40)
Lease liabilities	**(11,917)**	**(11,917)**	(8,796)	(8,796)
	222,510	**222,510**	174,481	174,481

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.

For the year ended 31 December 2023

28. 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 £74,411,000 at 31 December 2023.

2023	Land and buildings	Plant and equipment	Total
Balance at 1 January	7,293	1,072	8,365
Depreciation charge for the year	(3,288)	(860)	(4,148)
Additions to right-of-use assets	5,157	1,912	7,069
Right-of-use assets disposed of	(150)	(1)	(151)
Foreign exchange differences	218	93	311
Balance at 31 December	9,230	2,216	11,446

Lease liabilities

	2023	2022
Maturity analysis – contractual undiscounted cash flows		
Less than one year	3,604	3,735
One to five years	8,501	5,272
More than 5 years	1,115	671
Total undiscounted lease liability at 31 December	13,220	9,678
Interest cost associated with future periods	(1,303)	(882)
Lease liabilities included in Consolidated balance sheet at 31 December	11,917	8,796
Current	3,131	3,431
Non-current	8,786	5,365

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.

	2023	2022
Leases under IFRS 16		
Interest on lease liabilities	495	406
Expenses relating to short-term leases and leases of low-value assets	2,485	2,202
Depreciation of right-of-use assets	4,148	4,475

Amounts recognised in statement of cash flows

	2023	2022
Total cash outflow for leases	6,184	6,168

29. Capital commitments

Capital commitments at 31 December for which no provision has been made in these accounts were:

	2023	2022
Contracted	933	1,238

30. Contingencies

	2023	2022
Performance guarantees and indemnities	8,194	3,444

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.

For the year ended 31 December 2023

30. Contingencies continued

Subsidiary audit exemptions

Rotork plc has issued guarantees over the liabilities of the following companies at 31 December 2023 under Section 479C of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act.

- Bifold Fluidpower Limited (01787729)
- Bifold Group Limited (06186844)
- Flowco Limited (02891839)
- Rotork Midland Limited (02819224)
- Rotork Americas Holdings Limited (12320359)
- Rotork Controls Limited (00608345)
- Rotork Overseas Limited (01010160)
- Rotork UK Limited (01090344)

31. 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 203 to 205 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:

	2023	2022
Emoluments including social security costs	**6,713**	4,381
Pension contributions	**261**	261
Share-based payments	**1,628**	524
	8,602	5,166

Rotork plc Company balance sheet
At 31 December 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	c	**10**	14
Investments	d	**43,205**	43,205
Amounts owed by Group undertakings		**322,995**	326,687
Deferred tax assets	e	**284**	51
		366,494	369,957
Current assets			
Amounts owed by Group undertakings		**44,161**	9,156
Other receivables	f	**447**	693
Cash and cash equivalents		**—**	—
		44,608	9,849
Total assets		**411,102**	379,806
Equity			
Share capital	i	**4,306**	4,304
Share premium		**21,004**	19,959
Capital redemption reserve		**1,716**	1,716
Retained earnings		**341,034**	319,139
		368,060	345,118
Non-current liabilities			
Preference share capital		**40**	40
		40	40
Current liabilities			
Trade payables		**288**	438
Current tax		**7,888**	4,919
Amounts owed to Group undertakings		**29,950**	25,842
Other payables	g	**4,876**	3,449
		43,002	34,648
Total equity and liabilities		**411,102**	379,806

The Company reported a total comprehensive income for the financial year of £77,489,000 (2022: £62,689,000).

These Company financial statements, company number 00578327, were approved by the Board of Directors on 4 March 2024 and were signed on its behalf by:

K Huynh and JM Davis
Directors

Rotork plc Company statement of changes in equity
At 31 December 2023

	Share Capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
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
Total comprehensive income for the year	**—**	**—**	**—**	**77,489**	**77,489**
Equity settled share-based payment transactions	**—**	**—**	**—**	**2,282**	**2,282**
Share options exercised by employees	**2**	**1,045**	**—**	**—**	**1,047**
Own ordinary shares acquired	**—**	**—**	**—**	**(2,444)**	**(2,444)**
Own ordinary shares awarded under share schemes	**—**	**—**	**—**	**3,388**	**3,388**
Dividends	**—**	**—**	**—**	**(58,820)**	**(58,820)**
Balance at 31 December 2023	**4,306**	**21,004**	**1,716**	**341,034**	**368,060**

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.

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

	2023	2022
Wages and salaries (including bonus and incentive plans)	**6,799**	5,191
Social security costs	**1,109**	661
Pension costs	**209**	211
Share-based payment charge	**1,799**	832
	9,916	6,895

During the year there were 34 (2022: 35) employees of Rotork plc including the two (2022: two) executive directors.

Disclosures required by paragraph 1 of schedule 5 of SI2008/410 are set out in the directors' remuneration report on pages 129 to 153.

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 26 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
2020 Award	533,473	—	—	(533,473)	**—**
2021 Award	377,220	—	—	—	**377,220**
2022 Award	642,899	—	—	(3,206)	**639,693**
2023 Award	—	691,961	—	—	**691,961**
	1,553,592	691,961	—	(536,679)	**1,708,874**

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
Cost	
At 1 January 2023	239
Disposals	(220)
At 31 December 2023	**19**
Depreciation	
At 1 January 2023	225
Disposals	(220)
Charge for the year	4
At 31 December 2023	**9**
Net book value	
At 31 December 2023	**10**
At 31 December 2022	14

d) Investments in the Company balance sheet

Shares in Group companies

	2023	2022
At 1 January and 31 December	**43,205**	43,205

d) Investments in the Company balance sheet continued

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 Flow Technology (Suzhou) Co Ltd	China	No 2, Yunshen Road, Eastsouth Street, Changshu, Jiangsu Providence
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

Subsidiary	Incorporated in	Registered address
15175445 Canada Inc.	Canada	2-6725 Millcreek Drive, Mississauga, Ontario Canada L5N 5V, Canada
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 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
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

d) Investments in the Company balance sheet continued

Subsidiary	Incorporated in	Registered address
100% owned by Rotork Overseas Limited continued		
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. San Felipe Edif, La Castellana Caracas (Chacao) Miranda Zona Postal 1060, 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 15175445 Canada Inc		
13688682 Canada Inc	Canada	2-6725 Millcreek Drive, Mississauga, Ontario Canada L5N 5V, Canada
13887987 Canada Inc	Canada	2-6725 Millcreek Drive, Mississauga, Ontario Canada L5N 5V, Canada
13887928 Canada Inc	Canada	2-6725 Millcreek Drive, Mississauga, Ontario Canada L5N 5V, Canada
33.33% owned by each of 13688682 Canada Inc, 13887987 Canada Inc and 13887928 Canada Inc		
Hanbay Inc	Canada	2-6725 Millcreek Drive, Mississauga, Ontario Canada L5N 5V, Canada
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		

Subsidiary	Incorporated in	Registered address
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
Rotork BV	Netherlands	Mandenmakerstraat 45, 3194, DA Hoogvliet, 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

d) Investments in the Company balance sheet continued

Subsidiary	Incorporated in	Registered address
Bifold Company (Manufacturing) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
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 2023	Liabilities 2023	Net 2023	Assets 2022	Liabilities 2022	Net 2022
Tangible fixed assets	**6**	**—**	**6**	7	—	7
Provisions	**278**	**—**	**278**	44	—	44
	284	**—**	**284**	51	—	51

Movements in the net deferred tax balance during the year are as follows:

	2023	2022
Balance at 1 January	**51**	502
Credited to the income statement	**233**	(417)
Impact of rate change	**—**	(34)
	284	51

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 £320,839,000 (2022: £272,249,000).

f) Other receivables in the Company balance sheet

	2023	2022
Prepayments	**423**	689
Other receivables	**24**	4
	447	693

g) Other payables in the Company balance sheet

	2023	2022
Other taxes and social security	**518**	507
Other payables	**3,054**	1,713
Accruals	**1,304**	1,229
	4,876	3,449

The Company has a £17,000,000 unused uncommitted gross overdraft facility (2022: £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.

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 18 to the Group financial statements.

	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Revenue	**719,150**	641,812	569,160	604,544	669,344	695,713	642,229	590,078	546,459	594,739
Cost of sales	**(380,054)**	(350,079)	(306,394)	(320,234)	(357,718)	(384,253)	(358,090)	(328,410)	(296,944)	(309,280)
Gross profit	**339,096**	291,733	262,766	284,310	311,626	311,460	284,139	261,668	249,515	285,459
Overheads	**(190,329)**	(168,126)	(157,056)	(171,207)	(189,683)	(188,542)	(198,167)	(167,891)	(145,129)	(143,232)
Operating profit	**148,767**	123,607	105,710	113,103	121,943	122,918	85,972	93,777	104,386	142,227
Adjusted[1] operating profit	**164,475**	143,245	128,080	142,543	151,005	146,015	130,162	120,588	125,272	157,167
Amortisation of acquired intangible assets	**(2,110)**	(7,051)	(9,001)	(14,110)	(18,841)	(20,284)	(27,183)	(26,811)	(20,886)	(14,940)
Other adjustments	**(13,598)**	(12,587)	(13,369)	(15,330)	(10,221)	(2,813)	(17,007)	—	—	—
Operating profit	**148,767**	123,607	105,710	113,103	121,943	122,918	85,972	93,777	104,386	142,227
Net interest	**1,871**	495	221	(537)	(2,953)	(2,170)	(5,386)	(2,707)	(2,517)	(1,062)
Profit before taxation	**150,638**	124,102	105,931	112,566	118,990	120,748	80,586	91,070	101,869	141,165
Tax expense	**(37,150)**	(30,901)	(25,686)	(26,808)	(29,096)	(29,004)	(24,973)	(23,897)	(27,012)	(37,963)
Profit for the year	**113,488**	93,201	80,245	85,758	89,894	91,744	55,613	67,173	74,857	103,202
Dividends	**58,820**	55,384	75,515	33,926	52,287	48,288	45,218	43,876	43,765	42,702
Basic EPS	**13.2p**	10.9p	9.2p	9.8p	10.3p	10.5p	6.4p	7.7p	8.6p	11.9p
Adjusted[1] EPS	**14.6p**	12.7p	11.3p	12.5p	13.0p	12.6p	10.6p	10.0p	10.4p	13.2p
Diluted EPS	**13.2p**	10.8p	9.2p	9.8p	10.3p	10.5p	6.4p	7.7p	8.6p	11.9p

1 Adjusted is before the amortisation of acquired intangible assets, the disposal of property and other adjustments.

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	**2,847**	**82.98**	**19,493,038**	**2.26**
Bank or nominees	**544**	**15.85**	**836,417,990**	**97.12**
Other company	**17**	**0.50**	**3,468,258**	**0.41**
Other corporate body	**23**	**0.67**	**1,822,013**	**0.21**
	3,431	**100.00**	**861,201,299**	**100.00**

Range	Number of holdings	%	Number of shares	%
1-1,000	**1,166**	**33.98**	**488,233**	**0.06**
1,001-2,000	**451**	**13.15**	**659,472**	**0.08**
2,001-5,000	**558**	**16.26**	**1,831,055**	**0.21**
5,001-10,000	**354**	**10.33**	**2,558,031**	**0.30**
10,001-50,000	**490**	**14.28**	**10,601,578**	**1.22**
50,001-100,000	**78**	**2.27**	**5,385,528**	**0.63**
100,001 +	**334**	**9.73**	**839,677,402**	**97.50**
	3,431	**100.00**	**861,201,299**	**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 2023 final dividend, proposed and subject to shareholder approval at the 2024 AGM.

	Interim dividend (p)	Final dividend (p)	Total dividends (p)
2023	**2.55**	**4.65**	**7.20**
2022	2.40	4.30	6.70
2021	2.35	4.05	6.40
2020[2]	—	6.30	6.30
2019[2]	2.30	3.90	6.20

Financial calendar

5 March 2024	Preliminary announcement of annual results for 2023
18 April 2024	Ex-dividend date for proposed final 2023 dividend
19 April 2024	Record date for proposed final 2023 dividend
24 May 2024	Payment date for proposed final 2023 dividend
30 April 2024	Announcement of trading update
30 April 2024	Annual General Meeting to be held at Bailbrook House Hotel, Eveleigh Avenue, London Road West, Bath, Somerset, BA1 7JD
6 August 2024	Announcement of interim financial results for 2024
20 November 2024	Announcement of trading update

1 Subject to shareholder approval at the 2024 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.

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